
Public Hearing

before

SENATE EDUCATION COMMITTEE

“Testimony on School Construction Costs”

LOCATION: Committee Room 6
State House Annex
Trenton, New Jersey

DATE: February 18, 1999
10:00 a.m.

MEMBERS OF COMMITTEE PRESENT:

Senator Robert J. Martin, Chairman
Senator William L. Gormley
Senator Shirley K. Turner
Senator John O. Bennett



ALSO PRESENT:

Darby Cannon III
Office of Legislative Services
Committee Aide

Beverlyn Grissom
Senate Majority
Committee Aide

Hearing Recorded and Transcribed by
The Office of Legislative Services, Public Information Office,
Hearing Unit, State House Annex, PO 068, Trenton, New Jersey

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SENATOR ROBERT J. MARTIN (Chairman): The first person is Lynne Strickland and Dr. Jamie Savedoff and Mike Knowlton.

LYNNE STRICKLAND: Good morning, we're getting there.

Thank you for letting us have this opportunity, Senator Martin and members of the Committee.

MR. CANNON (Committee Aide): Could you just identify yourself?

MS. STRICKLAND: I'm Lynne Strickland, Executive Director of Garden State Coalition.

We appreciate this opportunity to speak with you today on an issue of overriding concern to our suburban-member volunteers, parents, board of education members, and superintendents combined. The requirements of school facilities, whether in terms of modernizing, renovating, and expansion, or all of the above, are critical now throughout our state and in all types of districts and must be addressed. Many of you have already heard from Garden State Coalition, as well as from the education community's school facilities work group in which we participate, of our very compelling concerns in dealing with the restrictiveness of the Department of Education's proposed facilities model that, for instance, excludes art and music rooms or middle school science labs or athletic stadia, and denies the reality of regional cost differences.

The imbalance of a funding system where now, as of the latest State aid figures for 1999-2000 indicate, 250 school districts, or well over 40 percent of all the districts in New Jersey, do not receive basic State support aid. This, similarly, needs to be addressed. Please put a big, fat asterix next to the

250 because the overwhelming majority of those districts fund their school budgets locally at 85 percent to 95 percent.

Today we will focus on funding, the necessary underpinning of any construction program. We urge you to strongly consider developing the option of a no-interest loan program for these districts. While we laud the concept of a 10 percent floor for all districts that apparently is to be included in the Governor's proposal for school facilities, we are wary. The past promise of full funding of debt service has yet to be met. In other words, the last on board are often the first bumped off. And that's where these 250 will come in.

Secondly, the baseline that the 10 percent may apply to can be quite vulnerable to restrictions at any given time. In addition, a no-interest loan is more cost effective not only for local districts, but also for the State.

SENATOR MARTIN: Did you say no or low?

MS. STRICKLAND: I said no. That is what's written.

But it is also cost-effective for the State because, in other words, a loan is a loan is a loan. It's not an entitlement.

With me today are Dr. Jamie Savedoff, Superintendent of the Montgomery Township Schools in Somerset County, and Dr. Mike Knowlton, Superintendent of the Summit School District in Union County. They are here to briefly present on their own district's needs regarding school construction. More importantly, they will demonstrate by example from the differing perspectives and needs of an older, more established community to that of a younger community experiencing exploding residential growth, thus corresponding enrollment growth, that school facilities needs put similar burdens and pressures on local citizenry regardless of local district context,

resulting, in particular, in rising property taxes that are not offset by any help from the State.

Our students deserve safe and educationally sound environments. Our parents and our communities don't deserve a school funding system that pits senior -- citizens-- Excuse me, let me start again. Our parents and communities don't deserve a school funding system that pits citizens' saving accounts against the well-being of the children in their own communities.

Thank you for your attention.

Mike, why don't you go ahead.

MICHAEL G. KNOWLTON, Ed.D.: Good morning. My name is Michael Knowlton, and I am Superintendent of Schools in Summit, New Jersey. Summit has been active in the Garden State Coalition of Schools since its inception.

During the CEIFA debate, Summit parents joined with the Parent Network of the Garden State Coalition of Schools to generate more than 11,000 letters to Trenton on that issue alone. While Summit, the community in which I both live and work, is essentially fully developed, it is important that legislators understand that school districts such as Summit are experiencing substantial increases in enrollment, and they have extensive infrastructure and maintenance needs.

I have just completed my fifth year in Summit, and during that time, our enrollment has increased by 19.8 percent. During the next five years, we are projecting an additional enrollment increase of more than 20 percent. Another way to look at the enrollment in terms of long-term enrollment growth is to compare the size of our current senior class and our

current first-grade class. Our current senior class has 159 students and our current first-grade class has 301 students, a difference of 89 percent. Further, our buildings range in age from our “new high school,” 36 years of age, to our oldest elementary building at 88 years of age.

The debt service burden of recent and pending school capital projects is significant. We have recommended and received approval during the past five years for three capital projects: One for increased elementary enrollment and districtwide technology at \$3.2 million. The second at \$3.6 million for more increased elementary enrollment and districtwide capital maintenance. And the third at \$1.2 million for increased middle school enrollment. During the past month, I have recommended approval of a capital project at the high school which totals \$22.3 million; \$4.5 million of the high school total is for capital maintenance items such as roof and window replacement in what I have just described as our “newest” building.

The message is simple. Virtually all school districts in the State of New Jersey, including school districts in long-established, fully developed communities, have very significant capital project needs that will translate into increased local, real property taxes.

We need your help. All of us need your help.

Thank you.

MS. STRICKLAND: Jamie.

JAMIE P. SAVEDOFF, Ph.D.: Good morning, and thank you for honoring your commitment to put us up on the agenda this morning.

SENATOR GORMLEY: Excuse me, how long have you been with the Montgomery school system?

DR. SAVEDOFF: Six years on March 1.

SENATOR GORMLEY: Oh, okay.

DR. SAVEDOFF: So if you think about it, you can send me a card on my anniversary.

SENATOR GORMLEY: No, I was going back about 14-- My wife used to be on the board. That's the only reason I asked.

DR. SAVEDOFF: Oh, okay. No, that is a little bit before my time.

SENATOR GORMLEY: I know that.

DR. SAVEDOFF: My name is Jamie Savedoff, and I have been the Superintendent of Schools in Montgomery Township, Somerset County, for the past six years. I will not bore you with a whole lot of statistics and rhetoric, but you need to know that our suburban, rural, and middle-class school districts are in trouble.

In dozens, if not hundreds, of communities that are seen as desirable places in which to live, student enrollment is exploding. Spurred on by the baby boom echo of the past decade, these communities are placed in the position of having to undergo extraordinary building programs in order to be able to provide classrooms for children. This is in addition to the need to upgrade existing facilities that may be outdated and technologically deficient. The tax burden to local citizens is becoming unbearable. Many of these communities must raise 100 percent of the debt service from local property taxes. And as Lynne said, I'm in a district that raises about 94 percent to 95 percent of its total school budget from local taxation. The additional funding for the teachers, equipment, furnishings, textbooks, and materials must also

come from local tax dollars, as these districts receive minimal aid from State and Federal sources.

Montgomery Township is illustrative of the plight of these communities. In six years, the student population has grown 99.6 percent. When I got there, it was 1585, and this morning, when I left the district, it was 3170. It is projected to grow--

SENATOR MARTIN: Anybody who drives down Route 206 knows--

DR. SAVEDOFF: I'm sorry?

SENATOR MARTIN: Anybody who rides down Route 206 can sort of identify the fact that Montgomery is growing.

DR. SAVEDOFF: And then go off into the outskirts--

SENATOR MARTIN: Into all of those zillions of developments on both sides.

DR. SAVEDOFF: Absolutely.

We are projected to grow another 88 percent over the next decade. So that's a total of about 188 percent growth.

One-- We've had three bond referenda since 1991. One was successful in 1994, expanding the district's capacity to 2900 seats. The district now has 3163 students and will have almost 3500 students next year. A lease-purchase for an elementary school will add another 840 seats in the year 2000-2001. To accommodate the burgeoning secondary school population, the district will need yet another bond referendum, estimated to be about \$50 million. Our board, last Monday, announced a \$53.8 million referendum,

which is scheduled for September 8, for a new high school that will, eventually, add 1800 seats in grades nine through twelve.

A district that had zero debt service in 1994 will be faced with a total principal debt of nearly \$100 million, which translates to a total debt of over \$170 million. This is a largely residential community -- which places further strain on the local residential taxpayer. We need help.

I have attached a fact sheet to this testimony that speaks for itself. School construction has already added \$625.00 per year to the tax rate, bringing the total to \$1250 for the next 30 years. Operational costs have already added over \$1500 to the school tax bill since 1994, and we can expect that to double again over the next five to seven years as the student enrollment grows.

We are not asking for a handout, but we are asking for real tax relief. This can be achieved by providing us with no-interest loans, grants, or leases repayable over a 20- to 25-year period. We expect to pay our fair share. Providing these loans, leases, or grants will save districts millions in interest payments, enabling them to complete the construction that is critically needed with an impact that can be absorbed by the community. Payback of these loans or grants will provide a revolving fund that can be used on an annual basis to provide additional assistance to other school districts as the needs arise. Payback of these funds could also be used to pay off the bonds that the State issues to raise this initial pool of money.

As the debate and discussion grows, the Legislature will be besieged with requests for these funds from all quarters. Please remember those communities who receive no or minimal building aid and provide them

the tax relief they need so that they remain affordable places to reside for all residents.

Thank you very much for your attention.

SENATOR MARTIN: Senator Gormley and I have agreed to work on some legislation that will, I think, attempt to redesign the formula for both foundation aid districts and affluent districts, a few *I* and *J* whatever -- *G* and *H*'s.

We're going to need your input, but we're not satisfied with the -- at least the original workings that we had seen from the Department of Treasury and the Department of Education. So we'll be-- We recognize there are some serious problems in townships like Montgomery and the city of Summit.

SENATOR GORMLEY: The revolving loan fund-- The prior revolving loan fund that we've had that was available -- I think districts across the state found that to be an acceptable direction to go in. I mean, it wasn't enough money for all the needs, but those who applied-- It was not limited by the alphabet in terms of who got the money. I mean it wasn't. We called it a jobs program; therefore, we couldn't be sued.

So it's all in the title. So a program like that-- That was a revolving loan fund that was replenished. You say zero interest -- maybe one and one-half.

But something along that line is the direction you'd like to go in. And what has happened is that as the money has been returned, they haven't been replenishing the fund, which I disagree with. And what you'd like to see is just taking that program--

I guess I don't have to get into the, what I call, robotic suggestions they want. I assume you would like certain local discretion in terms of--

DR. SAVEDOFF: Yes.

SENATOR GORMLEY: --the nature of the facility. In other words, approval at the State level, which you have right now, but, obviously, you wanted to -- you would like the ability to reflect the character of the community and the character of the school and the building.

MS. STRICKLAND: Bear in mind that the local community will have to vote to pass the construction to begin with.

May I also just add that attached to the yellow sheets of testimony is that list of 240 -- 250 districts. It indicates their percentage that they support themselves locally. The zero is for no basic State support aid. And the right-hand column has a bunch of letters. Those are the district factor groups that these districts are assigned. And you will see it is really helter-skelter. It's not all *I* and *J* by any means because that is not a partial. District factor grouping is not a portion of any funding formula that goes into deciding whether a district is wealthy enough not to receive State aid.

SENATOR GORMLEY: Have you reviewed any of the school construction programs on the Federal level that are being proposed?

MS. STRICKLAND: Yes, we're looking at that. And I'll tell you one thing. We jump in on that because of the semantic if nothing else -- it's talking about no-interest loans and tax credits.

SENATOR GORMLEY: But they're not talking across the board.

MS. STRICKLAND: They're talking about the State would get-- The entree of each state would be based on their percentage of Title I monies

that the State's received. But then it becomes a block grant -- the State to distribute. It is supposed to be based on need, not district wealth of the State designation.

So that is what we are hearing. We are also hearing they may go 65-35, suburban-urban.

SENATOR GORMLEY: But the original bill that they put in was not -- didn't filter down.

MS. STRICKLAND: I was just down there last week, and it's changing a little bit.

SENATOR GORMLEY: But what you would be focusing on is tax credits available in a particular area and also if-- Suppose, for example, in Summit or wherever you had a particular patron or whomever who wanted to buy bonds locally and then have some tax credits for-- I think what we would have to do, even in our measure, is put in some provision for potential tax credit usage in case somebody -- as an incentive to cause people to make, say, 50 cents on a dollar. That's what we're going to do -- we're going to do that in terms of open space funding. But we can actually save money because you know there are certain people who, whether they graduated from the school system or whether they have been longtime residents -- maybe they need a little more than naming the building after them or naming the wing. A partial tax credit might offer an incentive, and it would stretch the dollars further.

So that is something else we might want to look at.

MS. STRICKLAND: That is very worthwhile looking into. And we look forward to working with you as this goes on.

SENATOR MARTIN: We may not be able to help Pine Valley, which is on your list, but we'll work on the rest of them.

SENATOR GORMLEY: Pine Valley?

MS. STRICKLAND: Hackensack's there, too. There are many that are.

SENATOR TURNER: Mr. Chairman.

SENATOR MARTIN: Yeah.

SENATOR TURNER: I'm pleased to hear that you and Senator Gormley will be working on revising that formula. I represent a district that lost \$1.3 million in aid. And they're one of twelve school districts that did lose aid. And this particular district is similar to Montgomery. They have experienced exploding enrollments, and it's just placing incredible pressure on the property taxes.

So I'm glad to hear that you're going to be looking at that formula.

SENATOR MARTIN: Thank you.

SENATOR GORMLEY: Is that one of the towns where 50 people won the lottery overnight and they--

SENATOR TURNER: No, this is not one of those cases. They're all in Atlantic City.

MS. STRICKLAND: I think that's one of our districts as well. I think it's West Windsor.

SENATOR MARTIN: Thank you.

DR. SAVEDOFF: Thank you very much.

SENATOR MARTIN: Michael Klavon.

MICHAEL K. KLAVON: Good morning. It is a pleasure and honor to be here.

MR. CANNON: Mike, just hit the button. (referring to PA microphone)

MR. KLAVON: Oh, I'm sorry.

MR. CANNON: And identify yourself.

MR. KLAVON: Yeah, I was going to do that in a second.

I did want to acknowledge the Senator for being so kind to allow us the opportunity to testify and for your support and interest in the past. And I would be remissed if I didn't acknowledge Senator Bennett who was here a few minutes ago. He is one of the two Senators that represent the district where I work.

I'm Michael Klavon, Superintendent of Matawan-Aberdeen for the past five years. And I am also Vice President of the Association of Middle Income School Districts that represents one-half of the state's schoolchildren.

SENATOR MARTIN: Did you get my question? Were you-- Did my questionnaire go to you about the charter schools?

MR. KLAVON: Yes, I will be responding to you very shortly.

SENATOR MARTIN: I need it back this weekend.

MR. KLAVON: Yeah, I will get it to you, I promise, hopefully, by tomorrow. I was on vacation for a week, so it hit me at an unfortunate time. But I will -- promise I will get back to you. It's a high priority on my desk.

We've worked-- Just a few, very preliminary remarks. We've worked very positively with Commissioner Klagholz, and I believe, despite differences we may have had, he moved the State forward with defining *T* and

E. And we also work very well with incoming Commissioner Hespe. I've known him since he worked in OLS with Darby. I think he is going to be an outstanding Commissioner.

But getting to the point-- We've also worked with the LEGRO Group (phonetic spelling) and its Garden State Coalition. And we agree mostly with the testimony that was submitted by NJASBO. And I will be sending to Darby my written remarks that I'm making here today.

But getting to the point, one, we have not seen the instrument that went out to the urban districts for the needs assessment. And I agree, totally, that all districts should complete that needs assessment. And I know-- One of the questions, I believe, you asked at the last hearing was whether or not there would be a groan of cries from superintendents and business administrators to complete that form. I assure you that the districts we represent will look forward to filling out that form in order to supply the information.

Also, one of the points that you made at the last hearing I want to underscore. You asked, rhetorically, I believe, but with sincere interest, whether or not some districts would want to build a new building if the monies were to come forward that way as opposed to an addition. I think, unfortunately, the answer to that question would be yes, and I would implore upon this Committee to allow funding for additions and renovations. Let me give you a concrete example of why. In our district, we've closed two schools. Our enrollment is growing again, and some people are constantly saying to me, as Superintendent, "Why don't you open up another building?" We've sold one of those buildings. God forbid we'd have to build a new one. If I were to

add an addition to a building, which is what I would want to do, here is the major difference -- and again, I think the Committee already realizes this, but I'm saying this mainly for the public and their input-- When you build a new building, you have a half a million dollars, minimally, in operating costs before you even hire a teacher. You have to hire a principal, secretary, custodians, librarians, nurses, counselors. You add up all those dollars and the cost of heating the building, you're looking at a half a million dollars. When you put an addition on, you don't have any of those costs, and so therefore, you're saving a half a million dollars a year in operating costs. So my own feeling is that where and when you can put an addition onto a building, it is much more cost-effective than actually building a new building.

The second thing, something that Senator Gormley addressed before -- the last time around in 1992, when you had the pool of money available for the jobs program, if you will-- Our district and many districts like ours benefited by that program. We passed a \$7.7 million bond referendum back then, and half of the money came from the pooled loan program, and it was extremely beneficial. So--

SENATOR GORMLEY: Had you had referendums that had lost before that time?

MR. KLAVON: Yes.

SENATOR GORMLEY: And until you had that as an incentive, you couldn't pass a referendum.

MR. KLAVON: That is correct. That's absolutely correct.

A couple of other minor points, and I'll be finished with my testimony.

The need for the renovations and additions -- I'd also like to include in that money for technology. Howell, as you may be aware, just passed an approximate \$8 million bond referendum primarily for technology. Freehold Township passed a bond referendum a few years ago -- perhaps close to maybe \$5 million. Freehold Borough did the same thing with regard to technology, maybe, a year before that for about \$3 million or \$4 million. We've estimated that to just wire our buildings and do what the State model for technology is proposing would cost our district alone \$6 million just to do that.

So, in your thinking, if you can include technology as a component in terms of the bonding or lease-purchasing or whatever it will be would be important.

SENATOR GORMLEY: But are there surveys or studies available which would show how use of interactive classrooms would reduce the cost of capital construction by sharing services between schools? I think that could be an incentive--

MR. KLAVON: Right.

SENATOR GORMLEY: --to include technology because, as trends evolve, if we can take-- Teleconferencing isn't going to be a replacement for a school, but maybe if 5 percent or 6 percent or the honors courses or college level courses could be done on an interactive basis, that, at least, saves the construction of one or two or three rooms.

MR. KLAVON: Okay.

SENATOR GORMLEY: I don't think that--

MR. KLAVON: Okay. At the risk of offending the NJEA, what happens in some districts, when they attempt to put in, based on local contracts, interactive programs, sometimes it is a requirement by virtue of the contract to have a certified teacher in the room with the students while they're also engaged in the interactive course. And the interactive course, frequently, has a fairly hefty per pupil cost attached to it. So some districts are winding up paying double for the ability to offer, for example, a course in Japanese. So that is something that you would have to take under consideration.

SENATOR GORMLEY: But in the room -- the certified teacher that's in the room-- I'm curious about this. The certified teacher in the room is certified in Japanese, right?

MR. KLAVON: Well, that's again by district.

SENATOR GORMLEY: But they're certified in the same course, right?

MR. KLAVON: Right. District by district-- That's an issue based on the local contract as to whether or not it would be (a) a certified teacher in that subject area or just a certified teacher and, therefore, having the discussion take place, if you will, on an interactive basis with whomever is delivering the instruction.

So it's a complicated issue and one that you need to be aware of.

The other couple of points, quickly-- The model-- I believe that you need guidelines in terms of local leeway. I'm not sure that the State would want to be in the position of funding a hockey rink or a swimming pool. Then again you may, but I think that needs to be explained in the guidelines as to what exactly a school would build with regard to the facilities. I believe what

would work would be a core requirement that the State would say, "Yes, these are acceptable facilities," and then some kind of a deviation modification as to what would be funded strictly locally and what would not. So that is something, I think, you may want to consider in terms of the legislation.

The one area where we do disagree with NJASBO is that they indicate in their testimony that they wanted the -- wanted to identify debt service aid as a categorical aid. Categorical aids are disequalizing. And so therefore, I feel that the current method of identifying debt service aid, where it is tied to the percentage of aid that the district receives, is a fair approach. Again we could debate that--

SENATOR GORMLEY: Yeah.

MR. KLAVON: That's our position.

Lastly and to end on this note, as you know, the tax situation in the middle-income districts varies significantly throughout the state. But you have such tax disparity, as I'm sure you well know, where Mantoloking, on an equalized basis, has a tax rate of five cents and poor Winfield Township, in Union County, has an equalized tax rate of \$7.00. Obviously, something is wrong with that picture, and so whatever you do in the building area-- The facilities area, as Lynne Strickland said a few moments ago, low-interest or no-interest loans are great, but unless there are some grant incentives that take tax dollars into account-- I think you have to have a formula that takes different factors into account.

Thank you very much for your time.

SENATOR GORMLEY: And because you mentioned my name, don't worry about faxing him those sheets.

MR. KLAVON: Okay.

SENATOR GORMLEY: I was kidding. I was kidding.

SENATOR MARTIN: We want to try and move this along so it doesn't get too redundant. I see we will hear from several of our educational establishment community friends.

Mr. Abeigon? Where's John? Is he here? (no response)

SENATOR GORMLEY: All right, that's it, next.

SENATOR MARTIN: Mr. Nash.

DAVID NASH: Thank you, Mr. Chairman. I do hear your message loud and clear about not being redundant in our testimony. So what I will try to do is highlight some of the key areas.

One of the things that our Association has tried to do is look at this model, reach out to our committees, our members throughout the state, and do a very detailed analysis of what was included in the draft Department of Education model and see where the shortcomings are. We also tried to identify some key principles, apart from the model, that the Department developed that should be included in any school facilities legislation. A lot of them are very straightforward.

For example, we should reflect the real construction costs and types of spaces contained in recently built or recently renovated schools; we should be looking at what actually has been done in New Jersey schools; we should make sure that we're allowing districts to address the Core Curriculum Context Standards; we should provide funding for site acquisition costs because that is a real cost involved in school facilities construction; we should provide some flexibility--

SENATOR GORMLEY: Excuse me -- except in those cases where the city already owns it.

MR. NASH: That's right.

SENATOR GORMLEY: Those routines I find--

MR. NASH: There should be--

SENATOR GORMLEY: --distressing.

MR. NASH: There should be ways to work out cooperative arrangements.

SENATOR GORMLEY: Yeah, but-- You know exactly what I'm talking about.

MR. NASH: I do know what you're talking about.

We should have flexibility in the model because we have to recognize regional cost differences; we should make sure we have adequate space for storage, circulation, technology; and we should have an appeal process if we're going to have a model based on projective student enrollment because, unfortunately, we found in a number of cases the Department's enrollment projections have been far, far off for individual districts. And you need (indiscernible) for a district to show that they're growing faster than the Department is projecting.

Some examples of what we found-- Overall, we found that the Department's elementary school model would need to be increased by more than 7000 square feet to provide adequate instructional space. The middle school model would need to be increased by more than 26,000 square feet. And the high school model, also, by more than 26,000 square feet to provide

the basic types of spaces that we need to address our Core Curriculum Standards.

You've already heard about the lack of art and music rooms. We also found very egregious the idea that the State would assume only 6 percent of your students are involved in special education programs, statewide, and base your classrooms on that percentage. That's far lower than statewide averages. And we don't think we should impose a percentage like that on classrooms. Districts have kids moving in sometimes because they have high-quality programs in special education, and we can't assume that we're going to have this 6 percent in uniform throughout the state.

There are many other egregious examples included in the models. We gave you a very detailed analysis attached to our testimony.

We do, also, agree with Garden State Coalition that we should find ways to help districts that are not eligible for debt service funding. And we would like to work with you on some ideas on that issue as well.

I'd be happy to answer any questions you have, and I appreciate the opportunity to testify.

SENATOR MARTIN: Thank you.

Okay, that completes our hearing on this matter.

(HEARING CONCLUDED)