

A YEAR OF REFORM AND REDEDICATION

*New Jersey
Schools
Construction
Corporation*


2006 Annual Report



NJ Schools Construction Corporation
BUILDING 21ST CENTURY SCHOOLS FOR 21ST CENTURY LEADERS



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MESSAGE FROM SCC LEADERSHIP

Two thousand six was a year of reform and rededication for the New Jersey Schools Construction Corporation (SCC), a year in which we confronted the enormous challenge of restoring the public's confidence and creating accountability in our critical program.

SCC staff and its Board of Directors worked diligently throughout 2006 to meet this challenge, and we are proud of the great progress we have made. The reforms under Governor Jon S. Corzine's administration, building upon those initiated under predecessor Governor Richard J. Codey, sought to ensure the SCC's accountability to its stakeholders, that schools are built efficiently and effectively, and that the agency operates in an open and ethical manner.

Though much work remains, we believe any close examination will reveal an agency that operates very differently from the one that existed a year ago – and exponentially different from when the SCC was created in 2002.

Two thousand six marked the first time the SCC had comprehensive project budgets and could make dependable forecasts for its expenditures. For the first time, the agency is suing to recover taxpayer money from responsible parties for environmental cleanup costs and design and construction deficiencies. Our internal auditing and governance is strengthened. Our teamwork with the Department of Education has never been stronger, and we are working closely with Abbott school district leaders to create true partnerships.

Yet, throughout the rigorous reform process, the SCC has remained open for business. In the Abbott districts, we completed 30 new schools, 50 major additions, renovations, and rehabilitation projects, and more than 350 health and safety projects since inception. We also executed over 2,500 grants worth \$2.2 billion for Regular Operating school districts (RODs), involving improvements to more than 1,400 schools statewide.

We understand that the SCC will – and rightfully should – remain under close scrutiny in 2007 as we continue to build an efficient, open and professional organization and as recommendations for additional funding are being considered. We welcome that scrutiny. We are confident that it will show that the SCC has turned the corner, earning the right to be the proper custodian of a program that is literally rebuilding New Jersey's public education infrastructure for this generation and beyond.



Barry L. Zubrow
Chairman, SCC Board of Directors



Scott A. Weiner
Chief Executive Officer

NJ Schools Construction Corporation
BUILDING 21ST CENTURY SCHOOLS FOR 21ST CENTURY LEADERS

BOARD OF DIRECTORS & DESIGNEES*



Bradley Abelow (1)
State Treasurer,
New Jersey
Department of Treasury
Ex-Officio Member
Designee: James Vari

Susan Bass Levin (2,3)
Commissioner, New Jersey
Department of
Community Affairs
Ex-Officio Member
Designee: William Connolly

Virginia Bauer (3)
Chief Executive Officer and
Secretary, New Jersey
Commerce, Economic
Growth and Tourism
Commission
Ex-Officio Member
Designee: Nina Moseley

Matthew Boxer (1,3)
Director, Authorities Unit,
Office of the Governor
Ex-Officio Member
Designee: Melissa Liebermann

Raymond M. Burke III (1)
President and Owner/
Operator of Burke Motor Group
Public Member

Lucille Davy (2)
Commissioner, New Jersey
Department of Education
Ex-Officio Member
Designee: Brendan Gill

Laurence M. Downes (1)
Chairman and CEO,
New Jersey Resources
Public Member

Janellen Duffy (1)
Policy Advisor,
Office of the Governor
Ex-Officio Member

Caren S. Franzini (2)
Chief Executive Officer,
New Jersey Economic
Development Authority
Ex-Officio Member
Designee: Maureen Hassett

Thomas J. Manning (3)
Business Manager,
Steamfitters Pipefitters
Local Union #475
Public Member

Joseph McNamara (2,3)
Director,
LECET & Health and Safety
Public Member

Gabriella Morris (2)
President, The Prudential
Foundation;
Vice President, Community
Resources, Prudential Financial
Public Member

David Socolow (3)
Commissioner, New Jersey
Department of Labor and
Workforce Development
Ex-Officio Member
Designee: Leonard Katz

Carmen Twillie Ambar (3)
Dean, Douglass College,
Rutgers University
Public Member

Barry L. Zubrow (1,2)
President, ITB LLC
Public Member

Scott A. Weiner
Chief Executive Officer
New Jersey Schools
Construction Corporation

Scott Guibord
Senior Director and Secretary,
Corporate Governance and
Compliance
New Jersey Schools
Construction Corporation

(1) Member, Audit, Personnel and Compensation Committee

(2) Member, School Review Committee

(3) Member, Land Acquisition Review Committee

*Board Members and Designees as of March 1, 2007

EXECUTIVE STAFF AND CORPORATE INFORMATION

Regina M. Bleck, Senior Director, Office of Project Management

John E. Clark Esq., Chief Counsel

Donald Guarriello Jr., Controller and Acting Chief Financial Officer

Gerald T. Murphy, Chief Operating Officer

Beth A. Sztuk, Senior Director, Office of Management and Planning

Scott A. Weiner, Chief Executive Officer

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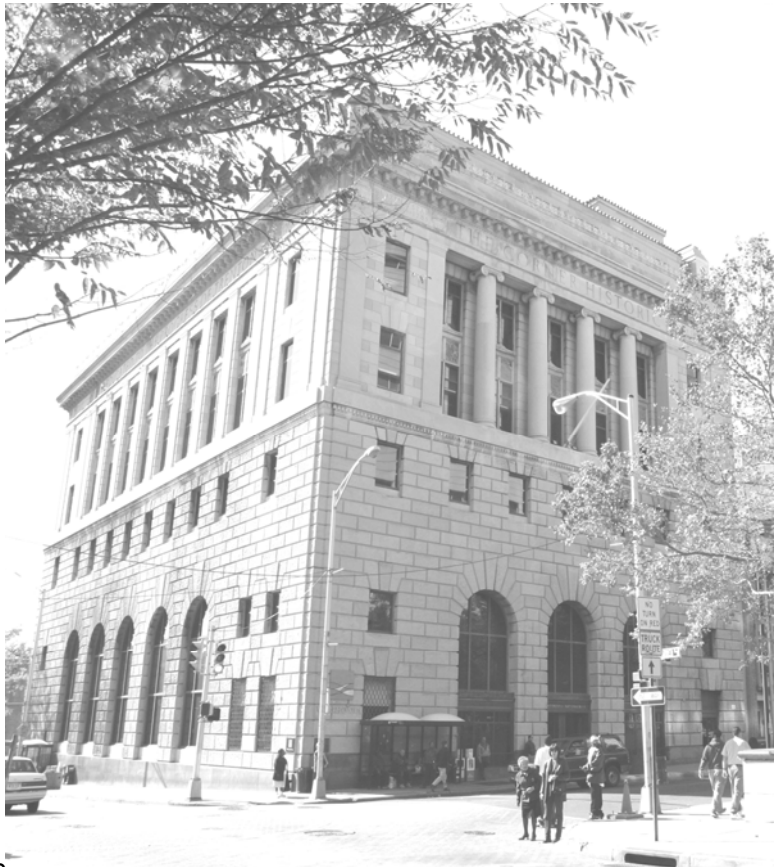
Newark Regional Office
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2006: A YEAR OF REFORM

Throughout 2006, the New Jersey Schools Construction Corporation focused on implementing a number of reforms that strengthened program and project management and improved accountability and efficiency. While the reform efforts began in 2005, they were expanded in scope and impact under the leadership of Governor Jon S. Corzine throughout 2006, touching upon all aspects of the agency.

Working Group and DOE Reports

On February 7, 2006, Governor Corzine took a major step toward reforming the school construction program with the creation of the Interagency Working Group on School Construction. Created through Executive Order No. 3, the Interagency Working Group was charged with conducting a full review of the school construction program and providing recommendations on the program's future.

In the Executive Order, the Governor also named Scott A. Weiner as his Special Counsel on School Construction and Chairman of the Interagency Working Group and appointed Barry L. Zubrow as the Chairman of the Board of Directors. Other members of the Working Group included the SCC Board Chairman, the Commissioner of the Department of Education (DOE) and staff, the Treasurer, the Commissioner of the Department of Community Affairs (DCA) and staff, and a Citizens Panel. The Interagency Working Group issued three reports that provided the framework for the school construction reforms that were implemented and adopted throughout 2006.

Also in February, the DOE released its 2005 Annual Report which estimated the cost of completing the 315 school facility projects not funded in the SCC's existing Capital Plan. The SCC worked closely with the DOE in the preparation of the report, which was required by the Supreme Court. The report estimated that, based on January 2006 dollars, upwards of \$12.8 billion would be needed to complete the 315 projects. While the cost projections were highly speculative due to the use of outdated data, the report provided the public with a sense of the magnitude of the State's long-term school construction needs.

Interagency Working Group – First Report

The Interagency Working Group's first report, issued in March, provided a historical overview of the SCC's practices and recommended major operational and programmatic reforms that were necessary to move the school construction program forward. The Interagency Working Group stated that the original funding allocation provided by the Legislature for school construction was never sufficient to address all of the needs throughout the State, and that the enabling legislation did not provide enough flexibility to acquire sites for schools. It also noted that, in the past, speed was the driver for the construction of new schools, with management, internal controls, and accountability becoming secondary priorities. These observations laid the foundation for many of the reforms that would be enacted in 2006.

Key recommendations made in the first report included transitioning the SCC's responsibilities to a new authority, whose Board of Directors would no longer be required to consist of a majority of members from the Economic Development Authority's Board.

Instead, the Board Members would be required to have relevant backgrounds for the program, including construction management, and their appointment would be subject to the advice and consent of the New Jersey State Senate. The Interagency Working Group also recommended the development of a prioritization methodology to provide a systematic way to address current and future projects. It encouraged increased collaboration with school districts, municipalities, the DOE and the Legislature. And, the Interagency Working Group suggested that the new authority for school construction should more actively share the responsibility with districts and municipalities for school facility projects and perhaps allow certain Abbott districts to oversee and manage their own projects.

Interagency Working Group – Second Report

In May, the Interagency Working Group released its second report, which focused on developing sound ways to prioritize school construction projects and identifying specific statutory changes needed to make the school construction program more flexible and efficient.

To tackle some of the challenges created by land acquisition, it recommended legislation that would allow for a moratorium on municipal approvals and variances for the private development of proposed school sites and require greater collaboration between districts and municipalities in identifying school sites, such as requiring a municipality to inventory all municipal-owned land. The Interagency Working Group also recommended specific reforms to the Long Range Facilities Plan process, such as requiring districts to designate projects based on a five-year cycle, ensuring valid enrollment projections, and limiting amendment opportunities. In order to address the lack of flexibility in how the SCC manages projects, the Interagency Working Group recommended legislation that would allow the SCC to consider a suite of project management options.

The Interagency Working Group's second report also focused on the development of a prioritization methodology that would allow for school projects to proceed based on the educational priorities established by the Supreme Court and by statute. Those educational priorities include projects that address health and safety, early childhood education and overcrowding. Once applied to current or future projects, then construction realities – such as land acquisition, construction award dates and the impact of the project on the district – would be considered. The Interagency Working Group determined the methodology would be the basis for the SCC and the DOE to develop statewide, strategic and capital plans. It determined it would obtain stakeholder feedback on a draft methodology in July and present its final recommendations thereafter.

Interagency Working Group – Third Report

In September, the Interagency Working Group presented its third report to the Governor. This report included specific recommendations for a project prioritization methodology, as discussed in its previous report. Moreover, the Interagency Working Group determined that based on the reforms that had been put into place throughout 2006, the SCC was in a responsible position to manage new projects and recommended that the Legislature provide \$2.5 billion in new funding for Abbott Districts and \$750 million in new funding for RODs.

Based on stakeholder input, the Prioritization Task Force, which was convened to advise the Interagency Working Group on how to develop a methodology, recommended the use of a prioritization methodology that would be based on the three core educational priorities identified in the Act - health and safety, early childhood education and overcrowded schools. However, it determined that those three categories alone did not provide for sufficient differentiation among projects. The box below details the Interagency Working Group's final recommendations for prioritization based first on educational criteria, then logistical criteria. Project approval using this methodology will differ from how the SCC proceeded in the past when it commenced work on all projects approved by the DOE.

Educational Criteria:

- Emergent Health and Safety - Projects that address urgent health and safety concerns.
- Early Childhood Center (Stand Alone) - Projects that are contributing needed early childhood capacity and are stand-alone facilities, not part of another facilities project.
- Overcrowding with Early Childhood Capacity - Projects that are contributing to reducing overcrowding in the district and are contributing some early childhood capacity to the district.
- Overcrowding without Early Childhood Capacity - Projects that are contributing to reducing overcrowding in the district but are not contributing early childhood capacity.
- No Overcrowding, No Early Childhood - Projects that are not contributing to reducing overcrowding in their district.

Logistical Criteria:

- Land Status: Projects for which land has been acquired or is not needed versus projects for which land has not been acquired and is needed.
- Project Schedule/Timeline: Best available estimates based, in the near term, on construction "Notice to Proceed" dates and, in the longer term, on design and construction schedules developed by the SCC in cooperation with DOE, DCA and the districts.

Final Criteria for Prioritization Methodology

Additionally, the Interagency Working Group reported on a number of SCC reform efforts that addressed management capacity (detailed under Management). Governor Corzine had previously determined that before any legislative changes are made or before any additional funding was approved, the SCC had to prove that it was capable of handling new funding. The Interagency Working Group determined that the SCC now had this capability and recommended that the Legislature approve \$3.25 billion for school construction. The Abbott funding would be used to jumpstart some of the projects that had been previously suspended due to a lack of funding, and it would help to cover an approximate \$500-600 million structural deficit that existed when the Capital Plan was

adopted in July 2005. While this amount would not address the remainder of the school facility needs, it would provide a manageable amount with which the SCC could proceed.

The Interagency Working Group also recommended legislative amendments that would help to ensure accountability and efficiency. In addition to those legislative amendments previously discussed, the Interagency Working Group highlighted the need for land acquisition reforms and suggested that a stakeholder symposium take place to obtain their input on recommendations. The symposium took place in November (detailed further under Collaboration).

Concurrent with the work of the Interagency Working Group were a multitude of reform efforts occurring at the SCC. Many of the reforms were direct results of the Working Group's recommendations, and others were recommendations of management or the Board. These reforms were in the areas of management, accountability and collaboration.

Management and Organizational Reforms

Since January 2006, a number of personnel changes were made at the SCC to ensure that the agency had the right leadership to guide for the future, including an appropriate organizational structure to reflect the business processes of the agency and sufficient staff to support its mission. By year's end, the SCC had an almost entirely new senior management team in place. The SCC also articulated goals for a diversified workforce and worked towards meeting those goals in 2006.

“Since the Office of Inspector General issued its first report, SCC’s new leadership has demonstrated a strong commitment to the efficient use of state funds to build schools by implementing internal controls, restructuring the organization, and hiring knowledgeable and experienced staff...” Inspector General Mary Jane Cooper

Executive Leadership

The SCC began 2006 under the leadership of Acting CEO Peter Maricondo, who was also serving as the SCC's Chief Financial Officer.

In February, the Governor appointed Barry Zubrow, former Chief Administrative Officer for Goldman Sachs, as the Chairman of the SCC Board of Directors. The Governor also appointed a number of new directors to the Board and reappointed several existing members.

In March, Mr. Maricondo announced his decision to retire from both of his positions and the Board of Directors approved Scott Weiner, who continued to serve as the Governor's Special Counsel, as the new Transitional CEO. Donald Guarriello, the SCC's Controller, was named Acting CFO.

The Board had selected an executive search firm to find a permanent CEO for the SCC and after a six-month national search, the Board determined that Mr. Weiner was the candidate with the experience and managerial skills to lead the SCC. Mr. Weiner's appointment was approved by the Board in September.

Organizational Improvements

Throughout 2006, Mr. Weiner made restructuring the SCC a top priority by focusing on the realignment of existing divisions, the creation of new divisions and the appointment of new management to those areas.

For example, the largest component of the SCC's organization was the office previously known as Design and Construction. In 2006, that area was realigned as the Office of Project Management to better reflect its responsibilities of overseeing Project Management Firms (PMFs) and other project management structures. To lead the new division, Mr. Weiner appointed Regina M. Bleck, who joined the SCC in 2006. The Office of Project Management includes the SCC's regional offices, but also divisions that focus on contract management, safety and technical services.

Several other divisions were created throughout 2006. Most significantly, the Office of Management and Planning was created to oversee the SCC's strategic and capital planning efforts. Included in this Office are the functions of Program Management, Project Controls, Contract Administration and Procurement. Beth Sztuk, who previously served as the Chief Operating Officer of the NJ Economic Development Authority and was instrumental in the creation of the school construction program, was hired to lead this new division.

It also became apparent that the SCC needed in-house legal counsel to work in consultation with the Attorney General's Office with experience in design and construction, real estate development and environmental law, and John E. Clark was appointed as the SCC's first Chief Counsel. Mr. Clark has since hired two Assistant Counsels, a Claims Unit Manager and support staff. The Office of Chief Counsel is assessing and pursuing affirmative claims by SCC against architects and engineers for design errors and omissions, against contractors and other service providers for deficient construction, and claims against real estate sellers for environmental clean up costs. Furthermore, the Office has established a dispute resolution process ensuring timely resolution or disposition of claims against SCC by contractors, designers and service providers. Lastly, the Office of Chief Counsel provides counseling and advice to SCC project staff, helping staff to avoid pitfalls and disputes on a real-time basis.

Also in 2006, all corporate compliance, ethics and governance matters were centralized under Scott Guibord, who serves as Board Secretary. Additionally, the Office of Diversity was renamed the Division of Contractor and Workforce Compliance to reflect its direct responsibilities of ensuring compliance on SCC projects. This office also received new leadership in 2006 with the announcement of Jacqueline Jennings as its Director.

The restructured organizational plan also impacted the Land Acquisition, Environmental Services and Community Outreach, which was combined into one division named Real Estate Services. The Real Estate Services Division is led by Thomas Schrum, who was also hired by the SCC in 2006. Mr. Weiner also created the position of Director of Key Issues Management. Filled by new hire Neil Hodes, the position was created to have a dedicated staff member overseeing and managing key hot issues pertaining to construction, environmental concerns and land acquisition.

Improving Accountability

Ensuring accountability to the SCC's stakeholders – the school districts, the municipalities, and the general public – is a top priority. In 2006, a number of steps were taken to improve the overall management of school facilities projects.

Governance, Transparency and Ethics

As previously discussed, there were a number of personnel changes throughout the agency in 2006. Many changes also occurred on the Board of Directors. In addition to the Governor appointing a new Chairman and Directors, he also determined that having the Attorney General as a Board Member was not a sound corporate governance practice because the Attorney General's office also provides the SCC with legal support and has the power to conduct investigations related to the school construction program. Therefore, through Executive Order No. 7 in March, the Attorney General was removed from the Board of Directors, and replaced with the Governor's Authorities Unit Director. A full list of Board Members and Committee Assignments is printed in the front of this report.

A key initiative for Chairman Zubrow throughout 2006 was to make the Board Meetings more open to the public and transparent. To that end, Chairman Zubrow requested that the minutes and agenda from Board Meetings be posted to the SCC's external website. To provide for greater transparency, he requested that Board memos be posted to the website in advance of the monthly Board Meeting. Since September, the SCC has been posting this information to its website, providing an open door for the public into the SCC's activities.

In addition to changes in its governance structure and increasing transparency, the SCC is actively responding to reform recommendations made in the reports issued in 2005 and 2006 by the Inspector General, State Auditor, Office of Government Integrity, as well as those made by its external auditors, Ernst and Young LLP, and its internal auditors, KPMG LLP. The recommendations and responsive actions are reported each month to the Board's Audit Committee.

Also in 2006, the SCC and Inspector General's Office finalized a Memorandum of Understanding (MOU) through which designated members of the Inspector General's Office were assigned solely to SCC matters. The proposal, which was requested by the SCC and included in the Inspector General's January 2006 report, became a reality when two Assistant Inspector Generals began working on-site in December. The MOU also included the creation of a dedicated hotline that SCC staff could utilize to report any issues or concerns.

Ethics continued to be a top priority for the agency throughout 2006. Twice this year, all employees received ethics information and briefing materials which included items such as the Uniform Ethics Code, SCC Code of Conduct, a Conflict of Interest Form and an SCC Ethics Brochure. This information, as well as other ethics forms, was centrally placed on the SCC's Intranet site to ensure easy access by all employees. The SCC also developed a New Employee Orientation to make new employees aware of the SCC's ethical guidelines and created a Post-Employment Departure Letter to ensure that former employees are mindful of post-employment restrictions. At the end of the

year, Governance Staff also held Ethics Briefings for all SCC employees to review the requirements of the State Ethics Commission.

“SCC’s new management has made great strides in improving New Jersey’s school facilities program. They have worked diligently in carrying out the recommendations from the Governor’s Working Group. The inclusion of school districts in discussions concerning program improvement has given the SCC more credibility and support from the people most affected by the agency’s work.” – Joan Ponessa, School Facilities Consultant, Education Law Center

Project and Program Management

The SCC also focused on creating a greater level of accountability in its program and project management. This effort was greatly assisted by the aforementioned Office of Management and Planning. The Office provides quality program management to strengthen overall controls for project delivery, coordinates with internal departments to ensure efficient planning and implementation of SCC projects and services through consistent application of SCC requirements and protocols, ensures appropriate checks and

balances of operating divisions and implements management strategies and methodologies such as excellence reviews and lessons learned. Again, a key focus of this Office is to oversee the strategic and capital plans for the school construction program.

Project accountability was enhanced in 2006 with the creation of project teams, which include representatives from each discipline within the SCC involved with the project. This will help to ensure communication, collaboration and coordination throughout the life of the project. The SCC also improved its project forecasting capabilities and developed comprehensive project budgets for the first time in 2006. Previously, the SCC did not develop inclusive budgets for each project; instead the project’s land acquisition, furniture, design and construction budgets were separate. By the end of 2006, these project budgets were being updated monthly and included all financial aspects involved with the project.

A key project management tool under development throughout 2006 was the Primavera Expedition software program. Once implemented in 2007, this fully integrated project tracking system will consolidate all of the individual stand-alone databases that currently exist in different divisions and will be used to track project budgets and schedules. Our internal auditor, KPMG, is providing risk analysis as this project progresses, and will continue providing an ongoing evaluation to SCC management and the Audit Committee.

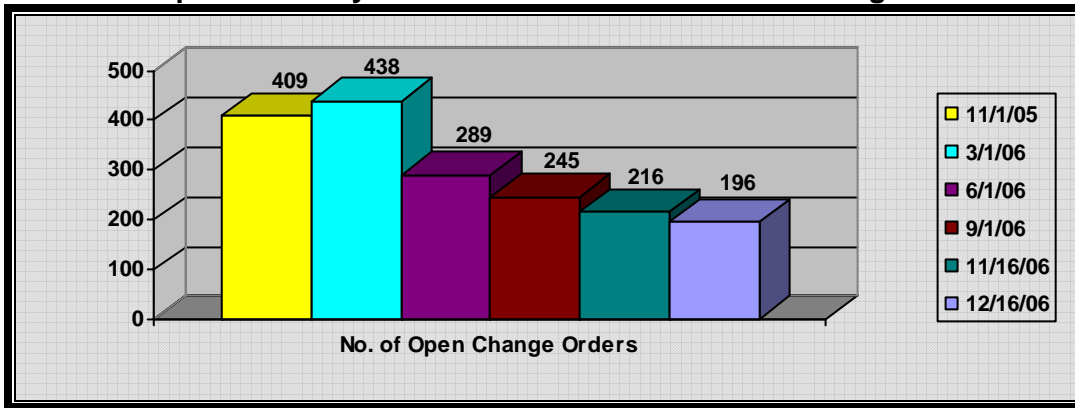
Cost Recovery Efforts and Business Efficiencies

The initiation of significant cost recovery initiatives by the SCC began in 2006. Through its Office of Chief Counsel, SCC initiated two lawsuits in December 2006: one seeking recovery for environmental clean up costs from real estate sellers of a school site in Elizabeth, and the other seeking recovery of costs incurred by SCC to correct architectural design errors on an Irvington school project. These litigation matters are the first of many; the SCC expects to bring many similar actions during 2007, seeking to recover costs from third parties responsible for those costs.

In addition, during 2006, SCC launched a claims resolution process designed to address change order disputes (a.k.a claims), brought by architects, engineers, PMFs and contractors against SCC. By the end of 2006, mediation was underway on nearly half of the dollar value of all outstanding claims. All remaining claims are being evaluated by the new Claims Unit Manager, working under the auspices of Chief Counsel, or by claims consultants engaged by SCC. The SCC will continue to address the remaining backlog of claims in 2007.

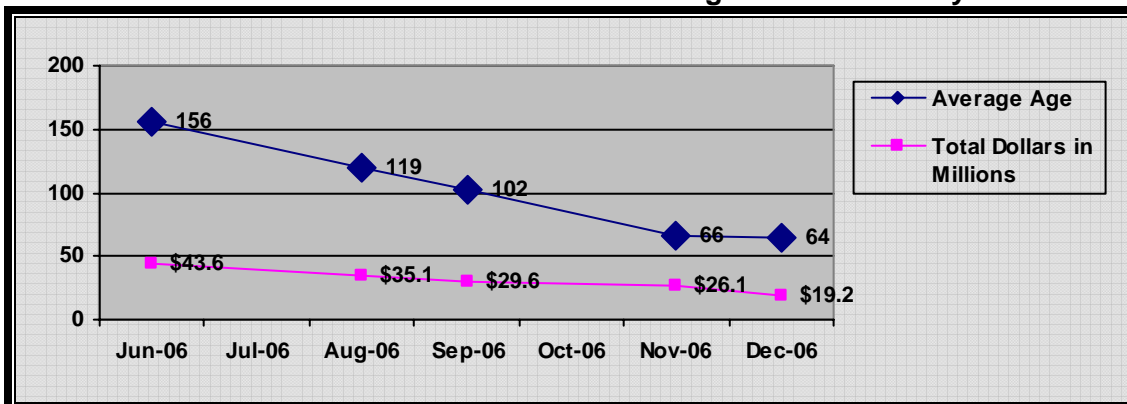
Also in 2006, the SCC realized it needed to improve its reputation among the business and contractor communities and therefore placed a great emphasis on the timely processing of contract amendments and change orders, many of which were a consequence of the agency’s previous actions of putting projects out to bid without complete designs. In March, the SCC’s total number of open change orders was at its peak with more than 430. By December, there were fewer than 200 open change orders – a 50 percent reduction. This decrease is detailed in the chart below.

Open Inventory of Contract Amendments and Change Orders



Additionally, the age of outstanding change orders has been reduced. As of June 1, the average age of an open change order (from data entry to accounts payable) was 156 days; by mid-December, the average age was 64 days. The value of these change orders has also decreased – in June the value of open change orders was \$43 million and by the end of the year, it was less than \$20 million. These improvements are detailed in the following chart.

Average Age & Dollar Value of Contract Amendment and Change Order Inventory



Improving Collaboration

Increased collaboration with our school construction partners in state government, school districts, communities, and the construction and business industry is key to ensuring the success of the school construction program. Throughout 2006, Chairman Zubrow and Mr. Weiner renewed the SCC's commitment to working with these and other partners as part of their ongoing effort to restore trust and confidence in the agency.

State Agencies

Throughout 2006, the SCC worked hard to improve its partnership with the DOE and the DCA. The SCC began to meet regularly with the DOE to review and identify emergent health and safety projects. The SCC also participated in the review of the new Long Range Facilities Plans (LRFP). The SCC met regularly with senior management at DCA to discuss ways to streamline the process for inspections and approvals. And, the SCC improved its working relationship with the Department of Environmental Protection on issues of environmental remediation issues.

District and Community Partners

In an effort to increase direct communications with key stakeholders in the Abbott Districts, the CEO and a number of SCC staff members started to hold meetings with each Abbott district to discuss the status of projects. These meetings helped to ensure that all parties involved understood the issues related to the projects. The SCC's goal, which will continue into 2007, is to meet with every Abbott district.

In addition, the SCC wanted to engage its stakeholders in the decision-making process, something which had not been done in the past. To this end, the SCC held a series of symposia to discuss key policy issues with districts, municipalities and advocates.



In July, the SCC and the DOE hosted two symposia with key stakeholders from Abbott Districts and RODs to discuss important issues about the future of the school construction program, such as the proposed prioritization methodology and legislative changes to the school construction program. Both events were held at the Edward J. Bloustein School of Planning and Public Policy at Rutgers University in New Brunswick and more than 100 people attended each of them.

In October, the SCC held a Contractors Conference at the New Jersey Convention Center in Edison to attract new, potential contractors to the program and to update those already involved. The event was an opportunity for the SCC to discuss recent reform efforts and projects planned for 2007 and 2008. The SCC also hosted four panel



In November, the SCC and the DOE hosted a Symposium on Land Acquisition for Abbott School Construction in Monroe. The purpose of the event was to obtain Abbott district and stakeholder input on proposals to reform and improve the process of identifying and acquiring land for Abbott school construction. Approximately 115 people attended the event, including superintendents, business administrators, facilities planners and school board members; mayors and other municipal representatives from housing authorities and redevelopment agencies; community, planning and education advocates; and staff. The event was yet another effort by the SCC to improve collaboration with its various partners.

sessions focusing on prequalification, labor issues, payment and bidding processes, and change orders. Also, representatives of the SCC and other state agencies were available at information tables throughout the day to answer questions about the building program.

“While the total realization of Newark’s Long Range Facilities Plan remains a distant hope, the last year has provided major hope and some significant progress. Newark Public Schools and the SCC have developed a strong, positive working relationship with open lines of communication and a shared understanding of the mission and goals involved. Collaboration has become the norm, with a clear focus on what needs to be done and how the district and SCC can work together to make it happen...” Dr. Raymond Lindgren, Assistant to the Superintendent, Newark Public Schools

Lastly, in December, the SCC solicited stakeholder input on revisions to its 21st Century Design Manual. Throughout the course of the school construction program, the design and education communities told the SCC that the existing Design Manual was too prescriptive and cumbersome. The SCC engaged the New Jersey Institute of Technology to assist in the review of the Design Manual. The result was a draft Manual that is based on performance standards rather than on prescriptive standards. A stakeholder review process was held throughout December 2006 and January 2007.

The Legislature

Throughout 2006, the SCC met with members of the Legislature to provide programmatic updates, status of reform efforts and summaries of the Working Group reports. Specifically, the SCC testified before the Joint Committee on Public Schools in May and October and the Assembly Education Committee in October. Copies of these testimonies are available on the SCC’s website.

2006: A YEAR OF REDEDICATION

Throughout all of the reform efforts, the SCC remained open for business in 2006 and remained steadfast in its mission to build 21st century schools for the children of New Jersey. During 2006, the SCC sought to welcome new business partners into our program. The SCC places a high priority in supporting New Jersey businesses and on helping to foster and grow small, minority and women-owned businesses.

Providing Business Opportunities

In 2006, the SCC awarded 11 design contracts worth \$8.8 million and 50 construction contracts worth \$360.9 million. Of these 61 contracts, 40 of the contracts were awarded to small, minority- or women-owned businesses (SBEs) and 58 contracts were awarded to New Jersey firms.

<i>Design and Construction Contracts Awarded</i>	Inception through December 2006		January 2006 through December 2006	
	Design	Construction	Design	Construction
Total Contracts	358	559	11	50
Total Contracts (in \$)	\$414,233,286	\$2,685,068,075	\$8,806,217	\$360,951,930
Contracts to SBE	42	120	8	32
Contracts to SBE (in \$)	\$53,842,937	\$348,593,970	\$7,047,116	\$88,584,124
Contracts to NJ Firms	296	491	10	48
Contracts to NJ Firms (in \$)	\$312,700,536	\$2,371,303,354	\$7,798,039	\$299,597,930

The SCC's thriving Small Business Enterprise program is an example of the agency's commitment to SBEs. The program, designed to monitor and ensure small, minority- and women-owned business participation, produced impressive results throughout the year. Through outreach efforts like regional Expos in Newark and Jersey City and technical



assistance, the SCC awarded more than \$95 million in design and construction contracts to the small business community in 2006.

In addition, the SCC offered a Surety Bonding and Working Capital Assistance Program in 2006. This program aligns small

businesses with Surety Bonding Associates to provide SBEs with access to free technical and financial assistance to obtain surety bonding and working capital. The partnership allows these small businesses to then compete on bids and contracts, both at SCC and other state agencies. In 2006, 16 firms secured \$7.7 million in bonding for SCC projects. An additional \$97 million was provided in bonding for non-SCC projects.

Building Schools in the Abbott Districts

Although the SCC underwent many reform efforts in 2006, its commitment to building schools remained strong. These schools are providing early childhood education classrooms, helping to relieve overcrowding and are revitalizing communities.

In 2006, the SCC completed 10 new construction projects, 4 major renovation or addition projects as well as 11 other rehabilitation-type projects. A full photo gallery of the major projects completed in 2006 is included in this report. The following is a brief description of these projects:

Asbury Park, Thurgood Marshall Primary School: SCC completed a 3-story 13,000-square-foot addition to the existing school. The existing 75,000-square-foot building also received a total renovation which included classroom conversions and mechanical and electrical upgrades.

East Orange, Langston Hughes Elementary School: SCC completed a 92,000-square-foot replacement school for pre-K through 5th grade students to replace the original Langston Hughes School, which was built in 1925.

Elizabeth, Ronald Reagan Academy School No. 30: This new 120,000-square-foot school accommodates 750 students from pre-K to eighth grade. The three-floor school includes spaces accessible to the community, such as the gymnasium and the cafeteria, as well as classrooms, science labs, and music, life-skills and art rooms.

Elizabeth, Monsignor João S. Antão School No. 31: This new 3-story school is 123,000-square-feet and is designed to serve 750 pre-K through 8th grade students. The facility includes 60 classrooms as well as general assembly spaces.

Gloucester City Junior-Senior High School: The SCC completed several rehabilitation and addition projects to this school, including the construction of 27,000 additional square feet to accommodate an auxiliary gym, media center, science labs and classrooms.

Neptune High School: The SCC completed a full renovation of the existing 128,000-square-foot high school, adding an additional 134,000-square-feet of new construction – more than doubling the size of the original structure.

IN THEIR OWN WORDS...

“We now have one of the finest elementary schools.” – Perth Amboy Superintendent John Rodecker at dedication of new Dr. Herbert N. Richardson School

“When we start to have these groundbreaking and ribbon-cuttings, the kids win. The kids of Vineland get what they deserve. It helps give our teachers and administrators the tools they need for kids to feel good about education.” – Vineland Mayor Perry Barse at the ribbon-cutting ceremony for the new Wallace Middle School

“I couldn’t really wait because I knew it was going to be great.” – Fifth grader regarding the new Joyce Kilmer School in Trenton

“It’s gia-hustic!” – Seventh grade student reaction upon touring the new Wallace Middle School in Vineland

Neptune, Summerfield Elementary School: Originally built in 1927, the school was replaced with a new 3-story, 105,000-square-foot facility consisting of 34 classrooms that house pre-K through grade 5 students. The award winning school is conceptualized around a farm theme and serves as a “3-D textbook” for district students.

Newark, Science Park High School: SCC completed this 275,000 square-foot facility, which was the first new high school built in Newark in four decades. The new school, which is located in Newark’s designated Science Park development area, incorporates a quality science and technology curriculum for up to 1,200 students.

“The state-of-the-art resources offered at the new Science Park High School will give Newark’s students additional opportunities to learn, grow, be challenged, and access the promise of New Jersey. I’m proud that we’re investing in our schools, and reinvesting in Newark’s future.” – Governor Jon S. Corzine

Perth Amboy, Dr. Herbert N. Richardson Elementary School: This new 110,000-square-foot school accommodates 800 students in its 22 classrooms and other educational spaces. The design of the school also incorporated community spaces available to residents after school and on weekends.

Trenton, Joyce Kilmer Elementary School: SCC completed this new, 3-story, 119,000-square-foot school to accommodate pre-K through 8th grade students. A key feature of the school is a central courtyard that serves as a “Living Science Center.” Along with the new Columbus School, these two buildings were the first new, free-standing schools to be built in Trenton in more than 40 years.

Trenton, Christopher Columbus Elementary School: The SCC completed this new construction project to replace the original school, which was built in 1893. The 73,600-square-foot facility serves 260 students in grades pre-K through 8.

Trenton, P.J. Hill Elementary School: The SCC fully renovated 100,000-square-feet of the existing school so that previously open spaces could be converted into classrooms, computer and science labs and a media center.

Vineland, Thomas W. Wallace Jr. Middle School: This new two-story, 119,000-square-foot school is providing state-of-the-art educational opportunities for 560 students in the 6th through 8th grades. This school and the Petway School are the first new educational facilities to be built in Vineland in three decades.

Vineland, Pauline J. Petway Elementary School: In 2006, the SCC completed this new 74,000-square-foot school, which is accommodating 550 K through 5th grade students.

From its inception through 2006, the SCC managed 600 Abbott school facilities projects (new schools, additions, renovations, and rehabilitations), including 354 health and safety projects. The 600 projects also include 30 new construction projects, 26 major renovations or addition projects and 25 other projects such as athletic fields, rehabilitation or site preparation projects.

PHOTO GALLERY – MAJOR PROJECTS COMPLETED IN 2006



Thurgood Marshall Primary School, Asbury Park



Langston Hughes Elementary School, East Orange



Ronald Reagan Academy School #30, Elizabeth



Monsignor João S. Antão School No. 31, Elizabeth



**Fairfield Elementary School, Fairfield
(Non-Abbott Managed Project)**





Gloucester City Junior-Senior High School, Gloucester City



Neptune High School, Neptune



Summerfield Elementary School, Neptune



Science Park High School, Newark



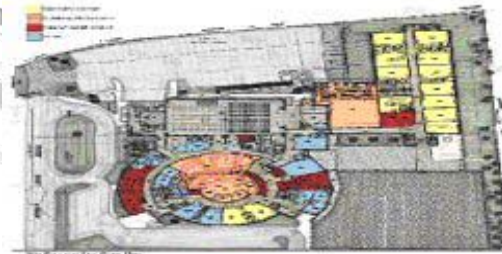
Dr. Herbert N. Richardson Elementary School, Perth Amboy



Joyce Kilmer Elementary School, Trenton



Christopher Columbus Elementary School, Trenton



P.J. Hill Elementary School, Trenton



Thomas W. Wallace Jr. Middle School, Vineland



Pauline J. Petway Elementary School, Vineland



Regular Operating and Vocational Districts

The Educational Facilities Construction and Financing Act (EFCFA) provided for the allocation of \$2.5 billion in grants for Regular Operating and Vocational Districts (RODs) to construct or renovate their facilities. The SCC does not manage the construction of schools in the majority of these districts – instead, it provides grants directly to the school districts, which manage their own construction projects. Usually, these grants cover a minimum of 40 percent of the eligible cost of the project as determined by the DOE. Each project is subject to voter approval and the district is responsible for funding the remaining balance of the cost.

ROD Grants Statewide

	Inception through December 2006	January 2006 through December 2006
Grants Executed	2,555	148
Counties Impacted	21	18
Districts Impacted	472	135
Schools Impacted	1,429	499
Total Project Cost	\$7,117,707,062	\$132,390,600
Total State Share	\$2,208,407,698	\$43,584,871

By all accounts, the initial \$2.5 billion allocation was successful. To take advantage of this State funding, voters throughout the districts approved local school district referenda at unprecedented levels to raise their local share for these needed projects.

ROD Grants County-by-County

COUNTY	# OF GRANTS EXECUTED	TOTAL STATE INVESTMENT
Atlantic	49	\$64,174,115
Bergen	364	275,678,580
Burlington	82	187,580,656
Camden	157	91,846,322
Cape May	36	39,247,128
Cumberland	9	10,013,099
Essex	231	104,965,697
Gloucester	104	126,051,543
Hudson	70	73,950,545
Hunterdon	78	67,276,963
Mercer	77	103,655,256
Middlesex	263	244,341,321
Monmouth	224	169,130,581
Morris	233	183,028,622
Ocean	124	139,012,298
Passaic	79	61,403,917
Salem	28	6,803,379
Somerset	132	131,132,453
Sussex	62	34,327,243
Union	115	64,139,824
Warren	38	30,648,156

As a result, the SCC was able to help fund construction projects in 80 percent of the RODs in New Jersey.

The SCC's financial support is even more significant when considering the additional investments it is leveraging. For example, since the program's inception through December 2006, the SCC executed over 2,550 school construction grants worth \$2.2 billion. These grants helped to support an additional investment of \$7.1 billion in construction at 1,429 school projects in 472 districts throughout the State.

Every one of New Jersey's twenty-one counties was impacted by these grants, as indicated by the chart to the left.

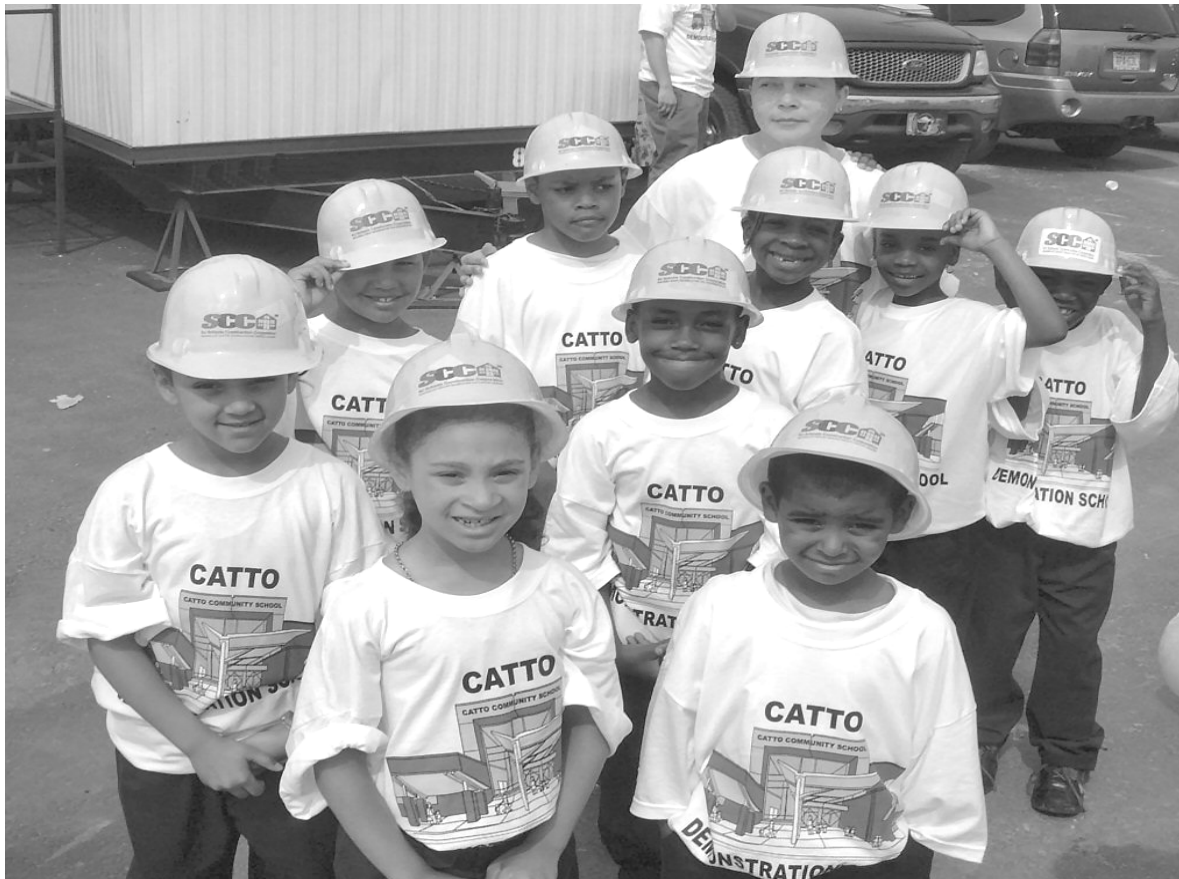
Demonstration Projects

“This means a lot to the city. That performing arts center will not only be for children in the arts, but it will also serve as a community facility, and an anchor for both the redevelopment of lower Main Street, and for the residential redevelopment of the North Walnut Redevelopment Area.” – James Slaughter, Director of Development for East Orange







Throughout 2006, the SCC continued its investment in six Demonstration Projects throughout the State. These Demonstration Projects are designed as community development initiatives, with schools serving as a community anchor. State and city agencies work cooperatively to provide children with safe, modern classrooms while maximizing urban renewal efforts. Community design features - such as athletic venues, auditoriums, media centers accessible to students and residents alike - are key components of the program. The demonstration projects serve as a catalyst

for private investment to revitalize urban communities with new housing and retail opportunities.

The six projects are located in Camden, East Orange, New Brunswick, Trenton, Union City and Vineland. By the end of 2006, construction on five of the six Demonstration Projects was under way. In May 2006, the SCC broke ground for the Trenton Demonstration Project; projects in Camden, East Orange, Union City and Vineland, already under construction at the start of 2006, continued to progress.

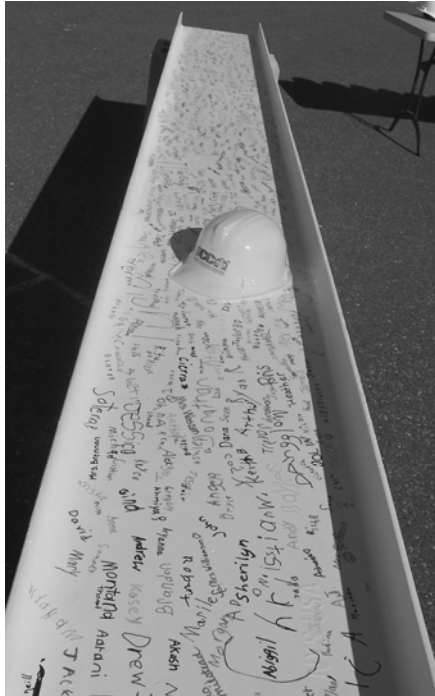


DEMONSTRATION PROJECT HIGHLIGHTS

PROJECT	RENDERING	DESCRIPTION
Trenton		<p>New “Daylight/Twilight High School” is an educational facility tailored to adult students that is designed to spur revitalization in the downtown Canal Banks redevelopment area</p>
Union City		<p>New Union City High School and Athletic Complex, which is designed to be the cornerstone of revitalization efforts in the heart of the city, will include rooftop athletic fields, health screening and child care centers and a Performing Arts Center</p>
East Orange		<p>New Cicely Tyson School of Performing and Fine Arts, which is located in the City’s Main Street area, will be a performing arts magnet community school that combines the Cicely Tyson School of Fine and Performing Arts and the acclaimed Washington Academy of Music</p>
Vineland		<p>New Vineland Community School, which is designed to reinvigorate the City’s downtown area, will include community health and social services, adult education and community recreation features</p>
Camden		<p>New Octavius V. Catto Community School, designed to help revitalize this city’s East Camden neighborhood, will include a community center funded by the Camden County Boys & Girls Club; Project won a 2006 Smart Growth Award given by the NJ Department of Community Affairs’ Office of Smart Growth and the New Jersey Chapter of the American Institute of Architects</p>
New Brunswick		<p>New Brunswick High School, which will help revitalize the City’s Route 27/ Jersey Avenue neighborhood, will offer students and community residents a comprehensive approach to health and spaces that foster community service and school-community interaction, while also serving as an anchor and support for proposed housing and commercial redevelopment activities</p>

2007: MOVING FORWARD

The year 2007 will be a busy year for the SCC. First and foremost, the SCC will continue its efforts to improve collaboration with its stakeholders, including school districts, local governing bodies and communities – to ensure that they are true partners in the



program. The SCC recognizes that it must continue to work more effectively with its partners in order for the program to be a success.

The SCC will work to meet the Governor's vision of using school construction dollars as a means to leverage investment in community revitalization. Specifically, the SCC expects to have over two dozen projects going out to bid worth approximately \$580 million. Also in 2007, the SCC will be researching and analyzing methods used nationwide, such as private-public partnerships, to maximize the public dollars being invested in the State's urban centers.

Looking ahead to business performance, the SCC will continue its efforts to build schools more efficiently by focusing on ways to in-source services that are currently performed by outside contractors. By in-sourcing functions such as technology procurement and other technical services, the SCC expects to shave one month off of a project's construction cycle, resulting in a savings of \$5 million

annually. And, it will continue to aggressively pursue ways to recoup funding spent as a result of others' errors and omissions or due to unanticipated environmental clean-up costs.

Lastly, throughout 2007, the SCC will continue its push for the legislative and funding initiatives identified by the Interagency Working Group. When passed by the Legislature, the legislative initiatives will provide the SCC the tools it needs to operate more efficiently and the authorization of funding will provide the SCC with the resources it will need to strategically plan for 2007 and beyond.

