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JOINT COMMITTEE ON THE PUBLIC SCHOOLS
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Thank you Barry for that introduction and thank you Mr. Chairman and members of the Committee for inviting us here today to discuss the school construction program. I am Scott Weiner, appointed by Governor Corzine as his Special Counsel on School Construction and as Chair of the Interagency Working Group on School Construction. Currently, I am also serving as the transitional Chief Executive Officer of the NJ Schools Construction Corporation. I am honored that Governor Corzine has entrusted me with these responsibilities.

Since this is my first time before this committee, I thought I would provide you with a quick summary of my background and experience – although many of us have worked together in my previous lives.

Those previous lives include serving as the Commissioner of the then NJ Department of Environmental Protection and Energy, President of the Board of Public Utilities, Chief Counsel to Gov. Florio, Vice Chair of the Executive Commission on Ethical Standards and Executive Director of the NJ Election Law Enforcement Commission. I've also held senior management positions at several international energy corporations. Before Governor Corzine asked me to serve as his Special Counsel, I was a Faculty Fellow and the Director of the Center for Energy, Economic and Environmental Policy at the Bloustein School of Planning and Public Policy at Rutgers.

My opening remarks today will focus on my role as Transitional CEO and Chairman of the Governor's Interagency Working Group. First, I will summarize the findings of the Interagency Working Group presented in its latest report, which included statutory recommendations and a prioritization methodology. Then, I will explain and clarify the different lists of projects currently pending at the SCC, and then last, I will address future funding needs.

INTERAGENCY WORKING GROUP

Governor Corzine signed Executive Order 3 in February creating the Interagency Working Group on School Construction. The Working Group includes DOE, SCC, Treasury, DCA and a Citizens Advisory Panel. Its purpose is to give a full review of the SCC, provide recommendations on the future of the school construction program, and to facilitate effective interagency collaboration. As you may know, our work is ongoing, but to date, we've released two reports – one in March and one last week. Both reports articulate the critical finding that there are a significant number of school facility projects that require funding in Abbott and non-Abbott districts. The Working Group is focusing its efforts to develop a reasonable estimate to quantify that need.

The May report provided a summary of accomplishments since the initial report in March. Chairman Zubrow has already detailed many of these for you. It also discussed the initiatives of the Working Group in two critical areas: proposed statutory amendments and prioritization of school construction projects including the development of strategic and capital plans.

POSSIBLE STATUTORY/ LEGISLATIVE AMENDMENTS

In our initial report in March, the Working Group stated that amendments to the current statutory framework would be necessary to provide the school construction program with the tools it needs to be effective and efficient. In our report released last week, we identified four specific topics for possible legislative or statutory changes. We are continuing to develop specific proposals, but I would like to briefly highlight some of them for you.

1. Corporate Governance – The Working Group recommended that a new school construction authority should be created to enhance governance and to focus solely on the design and construction of schools approved by the DOE. The school construction program would benefit from an improved governance structure by replacing the existing SCC corporate structure with an organization similar to other major state authorities and establishing a new governance board. In making this recommendation, the Working Group concluded that improved management at the SCC can provide effective oversight and leadership of school construction activities. However, the program would be strengthened by enhancements to the governance structure.

2. Site Acquisition – It was evident to the Working Group that land acquisition is one of the greatest challenges of the school construction program, for a host of reasons (scarcity, real estate costs, competing interests, etc.) not addressed in the current legislation. The Working Group proposed several approaches to streamlining and improving the land acquisition process including: a moratorium on municipal approvals and variances for proposed school sites, similar to those statutes governing DOT land acquisitions and greater collaboration between the SCC, districts and municipalities in identifying school sites. The Working Group is considering several possible approaches including having the districts and municipalities agree on the location of a school facility and requiring them to inventory all municipal/ district owned land to determine if any would be appropriate for a school.

3. Long Range Facility Plans (LRFPs) –The Working Group acknowledged that a stronger prioritization of projects is needed in the districts’ LRFPs. Currently, the DOE uses a four-tier system to prioritize these projects. However, this four-tier system is insufficient when trying to establish which projects can be undertaken during a five-year period because districts are not currently required to prioritize their projects. Therefore, the LRFP process should require districts to designate a list of projects – based on educational factors and construction realities – to be undertaken in a five-year period; the DOE would then prioritize these priorities across districts. Additionally, the Legislature should consider statutory changes that would ensure valid enrollment projections used in LRFPs. Lastly, the Educational Facilities Construction and Financing Act should be amended to limit the LRFP amendment process. Currently, there are no limitations and districts can change their plans anytime.

4. Procurement and Project Management Options – Lastly, the Working Group recognized that the school construction program was hampered by a lack of flexibility in the mechanisms available to construct school facilities. The Working Group proposes providing a “suite” of project management options – aside from the use of Project Management Firms – to build schools, including low-bid awards, “design-build,” and “at-risk construction manager” project delivery systems. By so doing, the SCC can determine the best delivery option for each specific project.

We look forward to collaborating with the Legislature on these proposals as they, and possibly others, are developed further.

PROJECTS PENDING

Before I discuss the Working Group's approach to prioritization, I want to clarify the basis and use of the different "lists of projects" you may have heard about.

As you may know, in July 2005, the SCC determined that limited resources remained for the Abbott program. It identified 69 Abbott projects then under construction and a Special Committee of the Board recommended another 59 Abbott for completion with the remaining Abbott funding. The projects reflected on the List of 69 and List of 59 were included as part of the 2005 SCC capital plan. That left approximately 315 Abbott projects outside the 2005 capital plan and are presently unfunded.

The SCC and others continue to refer to the list of Abbott projects in construction as the "List of 69," although some of these projects have now been completed. No project on this list would be impacted by a prioritization methodology since they're all in construction.

The 2005 Capital Plan created by the SCC Board included 59 Abbott projects to be constructed with the SCC's remaining, uncommitted Abbott funding. Some of these projects are now in construction. However, in its March report, the Working Group identified an estimated \$400 million shortfall for these projects. The SCC is currently re-forecasting these projects. This re-forecasting is a top priority, and we expect to minimize the shortfall by cost reduction and sequencing of projects.

There are 315 projects that cannot progress at the present time. Those projects were identified and discussed in the February 2006 DOE report. The 315 projects include 97 projects for which the design work had been suspended once the agency allocated its remaining funds, 84 projects with preliminary pre-development work, and 134 projects awaiting pre-development. It is anticipated that if additional funding is provided by the Legislature, the list of 97 suspended projects would be the primary source for the next projects to move forward.

PRIORITIZATION

Following its March 2006 report to the Governor, the Working Group created a Project Prioritization Task Force to develop a methodology for prioritization of projects based upon educational program priorities established by the Supreme Court and in statute, and thereafter to reflect cost and schedule of each project. This information will provide a basis to address the management and sequencing of the projects included in the 2005 Capital Plan that are proceeding to construction.

Clearly, this approach differs greatly from that of the past as Governor Corzine has made it clear that school construction projects must proceed based on these educational criteria. This methodology recognizes that emergent health and safety projects are the first and most immediate priority, followed by projects that help meet the State's pre-k enrollment needs, and those that help to address overcrowding in elementary schools. Then, once projects are

prioritized based on educational need, construction practicalities, such as whether land has been acquired and construction start dates are to be considered.

The Task Force established by the Working Group conducted an initial analysis using the aforementioned criteria on the 59 projects in the Capital Plan and to the 97 projects whose designs were suspended. The preliminary review resulted in the observation that at least 25% of the 97 suspended projects would have received a higher priority than those currently in the Capital Plan. The determination of the precise number of priority projects must await the completion of an analysis by the DOE of the impact of recently filed LRFPs upon the projects.

Also, the financial and timing implications of the prioritization process must await completion of a reforecast of the projects by the SCC over the next few weeks. However, initial analysis indicates that some projects in the 2005 Capital Plan may not begin construction for more than a year. Understanding the impact of educational priorities, cost and timing will provide a basis to manage the projected funding shortfall and identify future program needs. The Working group has noted that the sequencing of projects to reflect actual development schedules introduces the possibility of sequencing projects in a manner that permits priority projects, not currently included in the 2005 Capital Plan, to be addressed without delaying the completion of projects currently funded by the Capital Plan.

As noted in its May report, the Working Group found that the analysis “underscores the need to address the next round of funding at the earliest possible time so that additional much needed projects can be incorporated and sequenced within a capital plan so as to achieve maximum educational and construction efficiencies. When additional funding can be anticipated as part of the planning process, projects can be sequenced to reflect educational priorities and development schedules. Without that ability, the SCC must manage the remaining resources by limiting the number of projects that can be actively pursued so as to absorb the result of increasing costs.”

Again, as previously mentioned, our work is still ongoing. During June, July and August, the Working Group will focus its efforts on developing a strategic plan for the school construction program. We’ll also be developing a new capital plan that will allocate available funding to the strategic plan. In July, the SCC and DOE will host symposiums to provide an opportunity for the Abbott and non-Abbott districts and other stakeholders to learn about and provide comment upon the development of the prioritization methodology.

FUNDING:

Without question, there remains a significant number of school facility projects to be built that require additional funding in both Abbott and non-Abbott districts. However, at this time, the Working Group was unable to quantify an amount for how much more funding should be provided to address the next stage of the school construction program. The upcoming work of reviewing LRFPs, and the development of a strategic plan and new capital plan will provide the basis for a recommendation to the Governor in August.

That concludes my opening remarks. Thank you again for this opportunity, and I am happy to address any questions that you may have.