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# ***Public Hearing***

before

## **ASSEMBLY AGRICULTURE AND WASTE MANAGEMENT COMMITTEE**

**ASSEMBLY BILL No. 2627**

*(“Resource Recovery Facility Stranded Investment  
Cost Recovery Bond Act,” authorizes bonds  
for \$200 million and appropriates \$5000)*

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**LOCATION:** Committee Room 12  
State House Annex  
Trenton, New Jersey

**DATE:** June 12, 1997  
9:30 a.m.

**MEMBERS OF COMMITTEE PRESENT:**

Assemblyman John C. Gibson, Chair  
Assemblyman Larry Chatzidakis  
Assemblyman Melvin Cottrell  
Assemblywoman Connie Myers  
Assemblyman Francis J. Blee  
Assemblywoman Nia H. Gill  
Assemblyman Reed Gusciora



**ALSO PRESENT:**

Algis P. Matioska

Thea M. Sheridan

Yolette Ross

Leonard J. Colner  
*Office of Legislative Services  
Committee Aides*

*Assembly Majority  
Committee Aide*

*Assembly Democratic  
Committee Aide*

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

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**ASSEMBLYMAN JOHN C. GIBSON (Chairman):** I'd like to call the meeting to order. Flag salute, please. (participants comply)

Good morning. We'll open the public hearing on the \$200 million bond issue to help finance some of this debt with some State aid.

Would you read the bill, Leonard, please -- just the title of the bill?

MR. COLNER (Committee Aide): This bill, entitled the Resource Recovery Facility Stranded Investment Cost Recovery Bond Act, authorizes the issuance of \$200 million in State general-obligation bonds for the purpose of providing grants to counties and public authorities for the payment of stranded investment costs associated with the construction and operation of resource recovery facilities.

ASSEMBLYMAN GIBSON: The only ones who signed up to testify on this particular bill is George Melick and John Carlton. They are in favor of the bond issue. We would appreciate their testimony at this point.

ASSEMBLYWOMAN MYERS: Mr. Chairman, may I make some statements about this bill?

ASSEMBLYMAN GIBSON: Assemblywoman.

ASSEMBLYWOMAN MYERS: Thank you.

I'd just like to give some background on this bill and announce where I am with it after six months, because I intend to propose amendments to this bill.

It provides \$200 million, through a bond issue, and it's part of a package of bills that would provide close to \$300 million to address problems that certain counties are expected to have post-waste flow. Whereas, A-50

allows counties to deal with their debt, the playing field is certainly not level when you look at each of the 21 counties. This package of bills attempts to level the playing field to minimize environmental investment charges and make them equitable across the State.

The numbers that I came up with are, admittedly, more of a seat-of-the-pants analysis rather than a scientific analysis because it's been difficult to get accurate numbers that remain unchanged, in talking to the facilities and the State agencies. It's based on a couple of premises, and that is, not all of the debt out there is stranded. Some of the debt can be recovered through continuing tip fees even when they're reduced. Some of the debt can be dealt with by the counties and authorities themselves if they conscientiously renegotiate contracts, refinance bonds that can be refinanced, reallocate certain programs' costs.

Many of our counties do not have a problem. Five counties, essentially, have no debt at all. Another seven counties have per capita debt that is well below the State average. So this bill and the others in the package address the problem for seven counties with debt that is significantly above the State average, facilities that also have very high tip fees -- around \$100 a ton -- which would not be competitive post-waste flow.

The total debt for these seven counties is approaching \$900 million, and my package was based on asking the State to pick up a third of that debt, which would be \$300 million, and I'm amending all of my bills to permit any county to seek funding, but the grants would be awarded on a priority basis based on per capita debt.

I'm also amending the bills to provide funding for the two counties that built facilities dependent on trash from other counties. Only Warren and Union Counties forged interdistrict agreements at the direction of the State. There is a question about whether these interdistrict agreements will be upheld once we do not depend on our waste flow laws anymore. If that is the case, Warren County's per capita debt would triple and Union County's would almost double. And I would estimate that these two counties, under this package, would be eligible for about 50 percent of the money provided, with the remaining five counties that have significant debt and high tip fees being eligible for the rest of the money. There are also certain parameters in the bill which require the facilities to demonstrate that they have addressed the problems and done what they could to rein in their costs before the State would be asked to provide assistance.

Thank you.

ASSEMBLYMAN GIBSON: Thank you, Assemblywoman.

Your testimony, please.

**JOHN G. CARLTON:** Thank you. Mr. Chairman, Assemblywoman Myers, and members of the Committee, I appreciate the opportunity to come here and give you our opinions on A-2627.

Hunterdon County is in favor of this bill and of another bill sponsored by Assemblywoman Myers -- which is A-2837 -- because, in our opinion, the issue of the problems with debt with counties, even though Hunterdon County does not have one, was really an issue of the State's mandate. We've talked about that before. We really feel like there should be some attempt to have a State solution to these problems, and these two bills

that are sponsored by Assemblywoman Myers will give some type of State response to the debt problem, and that's what we're in favor of.

ASSEMBLYMAN GIBSON: Thank you.

MR. CARLTON: And George Melick is here. He's looking to give a little historical perspective because he's been through this process. I'll leave that up to him.

ASSEMBLYMAN GIBSON: George.

**G E O R G E B. M E L I C K:** Okay. Well, thank you very much, Committee.

I was first selected to the Board of Freeholders in Hunterdon County in 1978. I'm presently a member of the Board of Freeholders and also Chairman of the Hunterdon County Utilities Authority.

On arrival on the day I was sworn in, I was informed that the State had a mandate or executive order or legislation that we, the County of Hunterdon, had to come up with a plan, along with the 21 other counties plus the Meadowlands, as to how we were going to handle the waste problem, because, as you know, a lot of local landfills in this State at that time were becoming environmentally unacceptable.

We saw it. We went ahead about that time or shortly after for a transfer station, which we built for a million dollars. That helped-- But anyway, we were in the middle of this thing, but we were forced into this reluctantly, and as I see it and look back at it, the State Legislature at that time -- during the early part of the Byrne administration -- had tried to come up with a way of resolving it.

But it was a politically hot potato -- how to handle garbage, where it was going to go, and what counties. So it was mandated that we do this. So we went forward with plans like everybody else. We hired consultants. What was the best thing for Hunterdon to do? And since we were a rural county, maybe a landfill would be acceptable. We established, I think, 19 categories of criteria of what would be acceptable. We hired a consultant. The consultant went back to Philadelphia, I remember, came back with a map and says, "Okay, with the criteria we've established here, we could put it here." Well, I want to tell you something, all hell broke loose. We were trying to do our things at the direction of the State of New Jersey, and as I see it, because the State of New Jersey didn't have the backbone to do it themselves -- the executive branch of the government or the Legislature -- so we got into this.

Fortunately, we-- The outcome wasn't as bad as some other counties. But other counties like, say, Warren, Union-- Warren, I'm very familiar with because we have an interdistrict agreement with them, but we did have some legal problems at one point. Warren went ahead with a resource recovery plant, and this was not at their choosing. This was because of this legislation.

They built it, they incurred this debt, and at that point, then the prices after-- Well, towards the end of the Kean administration, prices came down -- started to come down -- because new facilities were coming on line in the State of Pennsylvania, landfills-- Everybody was rising to the occasion. They were acceptable environmentally, and it just made what we were mandated to do so uneconomical. I mean, we were just priced completely out of the box.

We intend to abide by our contract with Warren, but looking at this thing today, my advice to Warren County with all this debt is-- I think one of the first things I would advise them to do would be to stiff the State of New Jersey for the loans they have outstanding, because they were pushed into that by the State and, certainly, if that loan went belly-up, that would reflect on the credit rating of the State, and I think, then, it would bring the executive branch of this government and the Treasurer to be very concerned about what has happened here. This debt was not incurred by the liking of the individual counties. This was a doing of the great State of New Jersey.

I support Connie's bill.

ASSEMBLYMAN GIBSON: Thank you very much.

Are there any questions from members of the Committee? (no response)

Thank you very much.

There is a representative of Union County who wanted to perhaps testify in favor of this bill. Is that the case? If you didn't, it's all right with us.

**JOSEPH A. SPATOLA, Ph.D.:** (speaking from audience) No, I submitted a letter on behalf of -- in support of the bill, and it basically outlines our position pretty clearly with some of our recommendations. I didn't come today to testify but to provide written testimony in favor of the bill.

ASSEMBLYMAN GIBSON: Your letter will be included in the public hearing.

DR. SPATOLA: Okay.



ASSEMBLYMAN GIBSON: Do any members of the Committee have any comments that they would like entered into the record on this public hearing? (no response) Then I'll close the public hearing on--

Assemblyman?

ASSEMBLYMAN GUSCIORA: Yes. Thank you, Mr. Chairman.

One of my concerns is ascertaining the -- getting the handle on the debt, to make sure that the taxpayers are truly getting moneys on stranded investment that is truly stranded investment and not other projects and wasteful spending. Are there any controls on ascertaining what the actual debt is?

ASSEMBLYMAN GIBSON: Assemblywoman, would you like to address his question?

ASSEMBLYWOMAN MYERS: In order to qualify for any funding from the State, an authority or a county would have to go through a process where they reduce their debt, renegotiate contracts, reallocate costs -- program costs -- and demonstrate all this to the Department in order to be eligible for funding.

ASSEMBLYMAN GUSCIORA: And the other concern I have is that what this really amounts to is a bailout of the incinerator industry, and it protects unwise decisions that were made throughout this State. Again--

And my other consternation with A-50 is that we don't reaffirm our commitment to recycling, nor do we form any opinion on the worthiness of encouraging incinerator projects or any other noneconomically sound garbage plans in the future.

ASSEMBLYMAN GIBSON: Assemblyman, we do reaffirm our commitment to recycling in A-50.

ASSEMBLYMAN GUSCIORA: Okay. Is that--

ASSEMBLYMAN GIBSON: Assemblywoman, do you want to address the rest of his concern?

ASSEMBLYWOMAN MYERS: Yes, thank you.

I don't know whether you were here, Assemblyman, when I went through the changes that I'm proposing to this bill, as well as the other bills in my package. The bill, as it was written, applied only to incinerators, and further analysis showed that a fairer basis for awarding aid would be the per capita stranded debt. I believe I gave you a handout outlining which counties would be eligible for priority funding because their stranded debt is significantly higher than the State average.

This high debt makes it very, very difficult for them to reduce their also high tip fees, and without a reduction in the tip fees, the facilities would not be able to survive in order to pay off the debt. So the priority has been shifted since the bill was introduced. The goal is to protect the public debt and get that paid off and do that by providing ways for these facilities to reduce their tip fees.

It is not, in any way, shape, or form, a bailout. If we were talking a bailout of all debt, we're talking well over a billion dollars. My analysis shows that if everyone pulls together, we wouldn't need anywhere near that amount to get a handle on this.

ASSEMBLYMAN GUSCIORA: Thank you, Assemblywoman.

ASSEMBLYMAN GIBSON: Assemblyman, anything else?

ASSEMBLYMAN GUSCIORA: No, thank you, Mr. Chairman.

ASSEMBLYMAN GIBSON: If there is nothing else, I'd like to close the hearing on Assembly Bill No. 2627.

**(HEARING CONCLUDED)**