
Committee Meeting

of

SENATE TRANSPORTATION COMMITTEE

and

ASSEMBLY TRANSPORTATION AND
COMMUNICATIONS COMMITTEE

SENATE BILL No. 1948 AND ASSEMBLY BILL No. 2798

*(Testimony on the proposal to "Increases New Jersey Transportation Trust Fund
Authority spending cap by \$200 million for Fiscal Year 1998")*

LOCATION: Committee Room 16
State House Annex
Trenton, New Jersey

DATE: April 10, 1997
1:00 p.m.

MEMBERS OF COMMITTEES PRESENT:

Senator Andrew R. Ciesla, Chairman
Senator Martha W. Bark, Vice-Chairwoman
Senator Gerald Cardinale
Senator John H. Adler
Senator Nicholas J. Sacco
Assemblyman Alex DeCroce, Chairman
Assemblyman Anthony R. Bucco
Assemblywoman Clare M. Farragher
Assemblyman E. Scott Garrett
Assemblyman John S. Wisniewski
Assemblyman Anthony Improveduto
Assemblyman Nicholas Asselta



ALSO PRESENT:

Peter R. Manoogian
Amy E. Melick
Office of Legislative Services
Committee Aides

Scott M. Rudder
Assembly Majority
Committee Aide

Pat O'Connor
Assembly Democratic
Committee Aide

***Hearing Recorded and Transcribed by
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TABLE OF CONTENTS

	<u>Page</u>
John J. Haley Jr. Commissioner New Jersey Department of Transportation	2
Steven B. Hanson Director Budget and Management Support Division of Finance and Administration New Jersey Department of Transportation, and Executive Director New Jersey Transportation Trust Fund Authority	12
Hazel Frank Gluck President GlukShaw Group Representing Hilton Gaming Corporation	42
Thomas O'Neil Representing The Trump Organization	44
Clifford Goldman Partner Goldman, Beale Associates Representing The Trump Organization	45
Phil Beachum President New Jersey Alliance for Action	47
Stephen Kealy	

TABLE OF CONTENTS (continued)

	<u>Page</u>
Secretary-Treasurer-Business Representative Local 472 Heavy and General Construction Laborers' Union	49
William L. Lang New Jersey State Building and Construction Trades Council Legislative Affairs Coordinator New Jersey State AFL-CIO	50
Joseph A. McNamara Director New Jersey Laborers'-Employers' Cooperation and Education Trust	54
Gloria E. Soto Representing Coalition for New Jersey Jobs Now	56
Speaker Jack Collins District 3	57
Joseph Kelly President Greater Atlantic City Chamber of Commerce	58
Richard Stokes Manager and Legislative Counsel Government Affairs of Atlantic Electric	58

TABLE OF CONTENTS (continued)

	<u>Page</u>
Stuart B. Wiser Director of Redevelopment City of Atlantic City Representing Mayor James Whelan of Atlantic City	59
J. Edward Kline Former Assemblyman	62
Curtis Fisher Executive Director NJPIRG Citizen Lobby	63
 APPENDIX:	
<i>FY'98 Capital Program</i> submitted by Commissioner John J. Haley Jr.	1x
Letter addressed to Mayor James Whelan submitted by Hazel Frank Gluck	18x
<i>Impact Analysis of the Proposed \$330 Million Atlantic City Tunnel Project on New Jersey Taxpayers</i> submitted by Thomas O'Neil and Clifford Goldman	19x
Testimony submitted by Stephen Kealy	38x
Testimony submitted by William L. Lang	41x
Testimony submitted by Gloria E. Soto	42x

TABLE OF CONTENTS (continued)

APPENDIX (continued):

	<u>Page</u>
Statement plus attachments submitted by Joseph Kelly	44x
Statement submitted by Richard Stokes	50x
Testimony submitted by Stuart B. Wiser	55x
Statement submitted by Curtis Fisher	56x
Memorandum submitted by Debra P. DiLorenzo President Chamber of Commerce of Southern New Jersey	60x
Statement submitted by Toni Morris President Greater Mainland Chamber of Commerce	61x
Testimony submitted by Arlene Velazquez Director of Agency Relations Spanish Community Center	66x
dmt: 1-69	

ASSEMBLYMAN ALEX DeCROCE (Assemblyman Chairman): Good afternoon, everybody. My name is Alex DeCroce. I'm the Chairman of the Transportation and Communications Committee in the Assembly.

Today I'm joined with the Senate, by their Chairman, Chairman Andy Ciesla. Andy, do you want to--

SENATOR ANDREW R. CIESLA (Senate Chairman): Thank you very much. Today we have a very important issue before us, the raising of the cap by \$200 million on the Transportation Trust Fund. This is an issue which is central to New Jersey's future, one which deserves adequate investigation and understanding of all of the issues involved in this very complex matter. Hopefully, today, after the presentation by all of the witnesses that have taken the time from their schedule to come forward in order to advise the Committees of the pros and any cons that may be before us in this matter, we'll have an opportunity to do so, so that we can take the appropriate action at that time.

Chairman DeCroce.

ASSEMBLYMAN DeCROCE: Thank you very much. This A-2798 is sponsored by myself and Minority Leader Doria, and S-1948 is sponsored by Senator Ciesla and Senator Littell -- provide a one-year lift of the Transportation Trust Fund cap to the tune of \$200 million. Both of these bills are of the subject, and, frankly, I would like to be sure and be clear that I'd like this bill to not be considered project specific. We're talking about the cap lift, and that's what I want to talk about today.

I want to warn those who may be having problems with certain projects that this is not really the time or the place to go into individual projects. The Assembly Appropriations Committee has jurisdiction over specific projects, the DOT Capital Program, and they will take those issues up on the 17th. So here today all of you know we are talking just about the cap lift, and that's what we're going to be into. With that, I would like to call upon Commissioner of Transportation, the Honorable John Haley Jr., to come up and give us his presentation.

Good afternoon, Commissioner.

COMMISSIONER JOHN J. HALEY JR.: Good afternoon, Mr. Chairman, Chairman Ciesla, and members of the Committees. I will-- It's a high-tech operation. (indicating the use of the microphone) (laughter) As you can see, I was not a graduate or a member of the audiovisual club, but I think we are okay now.

I appreciate the opportunity to speak to the Committees today. What I would like to do is provide the Committees with the framework of the Capital Program that includes the requests that we're making to you today to approve the lift of \$200 million from \$700 million to \$900 million for the Transportation Trust Fund in Fiscal 1998, which request begins on July 1.

Before we can get into the particular aspect of the \$200 million, I think that it's important to provide the Committees with the framework for how the entire Capital Program was put together. With your indulgence, Chairmen, I would like to walk you through a few graphics.

First of all, in terms of putting together a comprehensive Capital Program in a system like ours that has a number of modes and is one of the most diverse and heavily utilized of any in the country, it's important to have a series of objectives that the Program attempts to meet. First of all, it's very important to this administration to provide a Program that balances system preservation, emphasizes taking care of the massive infrastructure that we have, not only public transportation or highway, but also the ports and our over 50 airports that we have here in New Jersey.

This Program also provides that some 10 percent of the money is directed on emphasizing safety -- that's still called highway safety, transit safety -- things like better lighting, more security on the transit side of the ledger, and a number of improvements to make people's trips on the highway safer.

Third, we put together a Program that represents the priorities for all of New Jersey. I will show you the steps that we've taken to attempt a balance of all the highest priorities in every region throughout the State. This is a Program that continues to support and increases the level of support for local aid.

In New Jersey, our local road system is an ancillary of our State's system. They work hand in hand, and we believe that taking care of the local roads is good business for all of us. It also continues our support and the Governor's support for mass transit. About a third of this Program will go to mass transit. New Jersey is one of the serious users of mass transit in any area or state in the nation, and this Program supports that.

We, again, emphasize a construction-ready Program. For the first time we are also introducing some money into the Program to support goods movement. You have read in the last couple of days of the successful merger of what was formally Conrail with two Class I, or major, carriers in CSX and Norfolk Southern. The Governor's developed a series of principles, and based on what we know to date, we feel very good about the merger, although we still await a lot of the details. One of the things that we want to be prepared for, in this particular Program, is that both of these railroads have a history of being aggressive in private development, and we want to have seed money in this Program to support the development that we anticipate.

Finally, this is a Program that fits within our budget and attempts to deal with all of the demands on our system. The scope of this Program is over almost \$2 billion. This is -- we're talking about Fiscal '98, roughly. This particular slide goes to show the distribution -- or chart, I should say, excuse me, shows the distribution of the projects and emphasizes some of the important areas, the bulk of the Program going to assisted maintenance, and that is, we consider that to be things that are not capacity expansion or reconstruction of roads and bridges. We particularly made an emphasis on part of the slide that says Roads and Bridges. We did not delay any bridge on any State Highway system or any priority bridge.

We are looking at making a number of important economic development projects. I will highlight only two of those today, but clearly one in the north at group four and seventeen, which is long awaited and is fully funded and will be advanced with construction beginning in 1998. The other one that I will talk more about later, which is the two projects in Atlantic City, the Atlantic City-Brigantine connector tunnel and a series of circular improvements and, again, a heavy investment in transit.

One of the things that we tried to do over the last month or so, in listening to you as legislators-- Some of the concerns that have been raised by planning representatives throughout the State is to step back and take a look at the balance of the Program. One of the charges that was put on the table very early on was that this was a Program that hindered the northern part of the State because it provided a large sum of money to the south, particularly for Atlantic City.

In being able to come to you today and make the request of you to lift the count-- Over the last 30 days we've been involved in the series of negotiations with all three of the MPOs throughout New Jersey. I'm pleased to say that the Program that we put together and submit to

you for your approval balances the Program throughout the needs of the individual areas. It's a needs-driven Program. As you can see, NJTPA, at the top, of course, represents the majority of northern counties, and they get the lion's share of the money; that's exactly as it should be. That's because that's where the lion's share of the demand is. They have the most developed infrastructure. As you can see from the tremline, the actual amount of money that they are getting is increased. The concern was, if we put Atlantic City in the Program in FY98, the money is being taken away from the north, but as you can see with this chart, the amount of money going to the north is, in fact, increasing.

What we've tried to do is balance, in each of the regions, the top priorities of not only the north, but also the Delaware Valley river-port commission, which includes Mercer County and the eastern county -- excuse me, of the western counties of New Jersey, as well as the south Jersey transportation that includes Atlantic City. So the message of this chart, or this particular board, is that we have been able to submit to you a Program that deals with -- allows us to put Atlantic City into the Program, which is a one-shot \$114 million for the two Programs for this particular year that occur in FY98, and at the same time increase the amount of effort in the rest of the State and hit the priorities as presented to us by the MPO.

As I mentioned to you earlier, one of the linchpins of this Program is local aid. What we've been able to do and what we're requesting of you with this \$200 million cap lift is to increase the \$130 million -- is what was in previous Programs-- What we're asking for is an additional \$10 million in local aid that we feel is important. We also want to highlight for you some other \$130 million that is in the Program that we feel provides property tax relief to municipalities and helps State and Federal investment in local and county roads, which, again, are linked to the State road system, that are very important, and this is something that we want to emphasize.

Commitment to mass transit: On several occasions the Governor has gone down already, with your help and support of the Legislature and the municipalities here in New Jersey, to be an advocate for ISTEA. One of the important benefits of ISTEA is, as it exists right now, is knowing that it's a needs-driven Program, but the ability to flex money from what was traditionally highway money over to transit. This Program that we are presenting to you today continues to provide support for transit, some key capital Programs that improve safety to upgrade the facilities. We're advancing the two new rail lines in the north, the Hudson-Bergen line, which is already under construction. In the south, this includes planning and design money for the Trenton to Camden leg of the southern New Jersey rail line. This Program also includes, for the first time, the introduction of an entire garage as a state-of-the-art facility, which we'll build in Howell, and under one of the Governor's initiatives, the introduction of an alternate fuel program, a C and G fleet that will operate under the garage in Howell. It also includes a major renovation, top to bottom, of the Newark City subway. So this Program, again, has a strong emphasis on mass transit.

Mr. Chairman, I will try to move through -- be respectful of your directive to not so much focus on particular projects, and I'll try not to do that, but there's one that I think has been subject of discussion, and I feel compelled to spend a moment on with the Committees.

First of all, I want to talk about-- There are two projects in Atlantic City. First, there is the Atlantic City-Brigantine connector, which is -- I apologize for the size of the wording, but the Atlantic City-Brigantine connector is the \$330 million tunnel that you have heard about that is provided by two-thirds of State support and one-third, or \$110 million, from a private

developer. I want to just focus for a minute that the benefits of the tunnel, in addition to bringing traffic not only into Atlantic City, will provide easy access to the convention center and it will improve the circulation in Atlantic City. I will tell you from a transportation perspective this is a much-needed project. Anybody that has been around Atlantic City knows that its city streets are choked with traffic. While we continue to work on transit alternatives, principally bus routing, all of the casinos -- virtually all of them, I should say, I don't want to say every one of them -- but at least the majority of them have expansion plans. Atlantic City is positioned to grow. It's our responsibility to provide a transportation system that allows and supports that growth in addition to the transportation objectives and the economic objectives that can be achieved through this budget.

I want to point out that with the development of the H-Tract alone, that this will provide some 86,000 construction jobs. In addition to that, upon completion of the development, it will not only provide an increase in the tax base to both the locals and the State, but will provide some 16,500 new jobs. That is I would submit to you as significant -- highly significant -- and this is why I have described this as one of the most important projects that the Department is undertaking in the last decade.

However, it is not to forget that there is a second piece of this. In the Program that you have today, Fiscal 1998, you've got \$114 million that represents both the Atlantic City tunnel and some \$30 million in circulator improvements. The circulator improvements are things like: Virginia Avenue, Pacific Avenue, which will move the flow of traffic or improve the flow of traffic, principally, through the boardwalk area and across town. Anybody that has been down there knows that these projects are needed as well. So I thought, Mr. Chairmen, that it was important to focus, for a moment, on Atlantic City and really set the record straight in terms of saying that these are projects that have transportation need. They provide great economic benefit, and we're prepared to move forward with them and ask your help and support in doing so.

I mentioned earlier the successful completion of the merger. While we await details and maps as to what the systems will look like, what the plans will be, and what level of support we get, we wanted to be prepared as we look to the impact on New Jersey to support any development and private money that the railroads bring in. There are-- We have a number of plans along the ports, but essentially what we've seen to date is that the principles that were developed by the Governor and put forth on the merger have been supported, and we want to be ready to go in this Program and, for the first time, provide some seed money to deal with that.

In Fiscal '98 this is a \$2 billion Program. Again, I will use an ISTEA reference, but this is a chart that helps us a great deal when we go down to Washington with ISTEA because what this shows is that just about 50 percent-- If you approve the cap lift, literally 50 percent of our Program will be funded by the State of New Jersey and 50 percent will be funded by the Federal government. That's an important element because I think it's something that all of us in New Jersey can be proud of, the fact that the Trust Fund has worked well over the years to provide transportation money for transportation projects, and that will make a difference as we look to preserve ISTEA and continue to expect to get what we feel we need to keep this and keep with the State with a terrific infrastructure. So there is a layout of the Program, highway transit and Feds, but it's roughly 50/50 State and Federal.

Finally, what we hope to do with the \$200 million cap lift. The Program is 1.8 billion because of the cap lift. What we're asking you do is-- We have looked at the \$200 million, we have tried to provide additional funding for highway and transit system preservation

projects, we have attempted, as I said before, to look across the State and balance regional needs so that we're able to address the concerns that were raised back in the beginning of March. With the initial Program we have increased local aid, which we feel is important. In addition, one of the things that we're very sensitive to -- as we know all of you are in looking across the State -- is the need to pay attention to key areas like signage and resurfacing.

In the Program that you have in front of you today, we are making a leap forward in having an aggressive resurfacing Program -- with subject to your approval, of course -- and would like to be ready and on the street in the earlier part of July.

Finally, in terms of the issue of overprogramming, I will tell you that in FY98, the first year of the five-year Program, what we've tried to do with the cap lift is -- we've tried to show this in a letter we sent to the Committee -- the \$200 million that we're asking you to approve -- it's not money coming out of the back end of the Program -- is a one-time shot that we're able to take advantage of because of favorable interest rates. It is money that we are pumping back into particular projects. In Fiscal '98, we have minimized overprogramming so that pretty much the programming that you're seeing, as submitted, is real dollars. It is my feeling that in the first 12 months of this Program, we should have a pretty good idea of what we're able to do and what we need to do. That's why the overprogramming aspect is minimized in the first year and the entire Program includes, from year to year, the loss for something on the order of 15 percent to 25 percent overprogramming.

The use of the money in the Program: We have again looked at projects that are ready to go and emphasize construction at the same time. One of the things that we've been able to do over the last 30 days, in working with the MPOs, is also work with some of the labor unions, some of the contractors, some of the consulting engineers, and we've stepped back and tried to take a look at the Program over the life of five years. While we're concentrating, in this particular year, on construction, we want to move projects out that are ready to go. At the same time we want the pipeline replenished so that we don't have bits and starts in the Program over the next couple of years. So we've made some adjustments in projects that are in purchasing right away and advancing in design.

Finally, Mr. Chairmen, I would ask your support in the Program that we submitted to you and the request for the cap lift that we feel improves the infrastructure and makes a step forward in relieving traffic congestion on the most heavily traveled roads of any state in the United States. It is safety, it is balanced among the modes of transportation, contains a significant investment in public transportation, and as well as spurring a substantial amount of economic growth. We feel that it is our responsibility, as the caretakers of this system and the stewards of one of the best transportation systems anywhere in the world, to continue to move forward, and I appreciate the opportunity to frame the Program for you. Now I will make myself available for any questions that the Committees may have.

Thank you.

ASSEMBLYMAN DeCROCE: Thank you very much, Commissioner. I do have a few questions regarding the cap lift, and I would like to ask you to describe how the \$200 million lift would be accomplished without increasing the debt in the Transportation Trust Fund.

COMMISSIONER HALEY: When the Transportation Trust Fund was reauthorized, there was a very conservative interest rate assumption. I laid out the arithmetic in the letter, but essentially the interest rates that were assumed in the Program, the real life ones, are much lower. That has allowed us to have additional money in which we can then use to help

fund projects. The simple explanation is interest rates have been lowered and budgeted and we're able to take advantage of that.

ASSEMBLYMAN DeCROCE: Can this cap lift be repeated?

COMMISSIONER HALEY: Well, I would not recommend it at this time. We will certainly continue to look at the fund on an ongoing basis. I'm very comfortable, in representing to the Committee, that given the room that we have between what was budgeted as interest cost and what the actual ones are that there is not a problem with the \$200 million for this year, but I would not be prepared to go beyond that at this time.

ASSEMBLYMAN DeCROCE: Have we ever done this before?

COMMISSIONER HALEY: I'm not aware of it. Do you know, Steve?

STEVEN B. HANSON: (speaking from audience) Assemblyman, we did have a cap lift.

ASSEMBLYMAN DeCROCE: Come on up and identify yourself.

MR. HANSON: My name is Steve Hanson. I'm the Executive Director of the Transportation Trust Fund Authority, and we did have a cap lift Program several years ago, under the previous Transportation Trust Fund authorization, which increased the overall Program by a couple \$100 million. It was not related to interest rates at the time.

ASSEMBLYMAN DeCROCE: The ability to do it now is because of the good rates of interest we have acquired and the accrual of additional interest in the fund itself. Am I right?

MR. HANSON: Yes. When we originally modeled this, back at the time of the Trust Fund reauthorization, we were assuming an interest rate of roughly 6.5 percent at the time and 7.5 percent this year and 8.5 percent in the out-years. We have experienced much better interest rates than that through the first couple of years; it's really ranged around 5.5 percent. So even if we use conservative estimates from hereon in going on the out-years, which we are using, we seem to have plenty of capacity left to absorb this particular increase.

ASSEMBLYMAN DeCROCE: Will this require an additional increase in taxes or anything like that, or are we just safe the way that we are right now?

MR. HANSON: We're safe the way we are now. There is no need to increase the appropriation level because the projected debt service level is actually lower than we originally assumed when we reauthorized the Trust Fund.

ASSEMBLYMAN DeCROCE: Thank you.

Commissioner, if you will describe overprogramming to me. What are the benefits? What are the liabilities and why has this policy been necessary? And is overprogramming eliminated if the TTF cap is lifted?

COMMISSIONER HALEY: Let me start from the back end of that. Overprogramming as a management tool-- What we're submitting to you is a five-year plan. The plan includes a number of large projects, some of which are subject to delays in things like environmental process or other factors that could delay a project. In any Program this size -- particularly in out-years, the last three years of the Program -- it's not unusual to have some slippage. Historically, one of the problems that the Department had was having a lot of money and not moving projects forward. My predecessor, to his credit, undertook a very aggressive Program to move projects through the pipeline faster. So projects began to move through the system, perhaps twice as fast, in some cases, as they previously had. To make sure that the projects were always ready to go the overprogramming was increased with the assumption that,

perhaps, 25 percent of projects in the out-years would fall off the table. What happened is, as a result, the Department exceeded its expectations in its ability to deliver projects. So what you had was a -- what I would describe as, I guess -- perception gap in whether or not people were promised projects or whether or not projects were delayed for particular reasons. So having the ability to step back in the last 30 days and assess the entire Program, as well as being able to redirect the additional \$200 million that we recommend that you approve, has a lot to do with a couple of things.

Number one: For the first year of this Program in Fiscal '98 there is very little overprogramming, and I use the term minimal. It's something on the order of \$50 million -- on a \$50 to \$100 -- under \$100 million on a \$1.8 billion Program. Again, for reasons that I feel that in the first year of the Program there should be a higher degree of certainty. In the third, fourth, and fifth year of Programs, the level of overprogramming is ranging somewhere from 15 to low 20s in terms of percentage of the overall Program. I think that's prudent. I think it's responsible. Perhaps it could go higher, but at this point what we need to do, over the next couple of years, is evaluate the project delivery system, or our ability to produce projects and put them on the street, against our funding and do some calibration.

The significant change, if you will, in terms of philosophy in the overprogramming is, I have, in general, reduced the level of overprogramming, but in particular, in the first year of the Program, I've reduced it substantially, and later on in the third, fourth, and fifth years it still occurs but on a percentage basis a little lower. We're convinced that we'll be able to push projects through the system at a higher rate.

ASSEMBLYMAN DeCROCE: Thank you, Commissioner. I would like to ask whether or not there are those who say that your proposals spend too much money on new projects and not enough on refurbishing existing roads and infrastructure. Can you talk to that a little bit?

COMMISSIONER HALEY: Yes, thank you, I would be happy to. As we tried to show with the first graphic in terms of how we characterize this Program, roughly three-quarters of both transit and highway combined both for infrastructure renewal. We, in New Jersey, have both a very diverse system, a heavy utilized system but also a very mature one that needs a lot of attention. I highlighted before the bridge Program in particular. We have a number of areas where we need to do more work on bridges. We concentrate a lot on the system preservation. We've also looked at overhauling of roads. There is not a lot of capacity expansion in here. I called out a category called economic development and that represents a series of larger projects that are not missing links in the system and in two, in particular, are four and seventeen in the series of Atlantic City projects as well. We think that on the transit side most of the capital money is also going into restoring and renewing the system.

In a system our size that's the way it has to go, so I don't agree with some people's characterization that this is -- I heard somebody say that this is a 1950's highway program, and I don't recall whether or not that was the March Program or this most recent one, but I don't agree with that and would take issue with it very vigorously. Most of the money is in preserving or protecting the existing system or closing missing links or in the areas that I pointed out, opening up key economic development orders.

ASSEMBLYMAN DeCROCE: Thank you, Commissioner. Chairman Ciesla.

SENATOR CIESLA: Thank you, Commissioner. There are three areas that I wanted to explore, and I'm going to ask you to be a little bit redundant on the first one. You had

indicated that -- in your testimony that -- this particular cap lift is not going to impact the out-years of the fund, meaning that we have additional earnings that are going to be able to pay the additional \$2 million that we anticipate raising the cap fund. Is that correct?

COMMISSIONER HALEY: Actually almost. I would just adjust that a little bit. We will not need-- The Program was built with \$700 million a year. Rather than take \$700 out of any of the last few years, we were able, because of interest rates, to get what I'm describing as a one-time \$200 million, and in the out-years the numbers remain the same. So we've increased the total Program to \$3700 million from \$3500 million.

SENATOR CIESLA: That was my understanding. Essentially you've generated additional funds out of the Fund in order to construct projects that were not anticipated.

My second area is on the return on investment. You continually talked about economic development in your testimony as being important to New Jersey. Do we have any assurance that the projects that we're going to build here, and I'm specifically talking about the contributions that we'll be making to a private developer for the tunnel project, that we're going to get a return on that investment? If we make the contribution and if the tunnel gets built, can we be reasonably assured that the \$392 million or so that you had indicated in additional taxes that we would get from the improvements can be realistically anticipated?

COMMISSIONER HALEY: Well, I feel pretty good about that for a couple of reasons. Let me try to emphasize a point that perhaps I didn't emphasize strongly enough. This is a-- The two sets of projects, the Atlantic City-Brigantine connector and circular improvements, are public use projects. They are projects that are needed. In this particular case, the tunnel supports additional development at H-Tract. It will also support additional development in the rest of the city. I would also ask that if you step back and look at the history of projects and where you have seen in New Jersey public-private partnerships-- You've got one-third of the cost of the Atlantic City-Brigantine connector -- some \$110 million that's being provided by a private company. I think that's -- if you go back and look through other projects, that contribution dwarfs anything that we are aware of. These projects in Atlantic City are growing, these numbers are real, not only the construction jobs, but permanent jobs that will come as a result of this development. With the building of the businesses will, of course, come the increase in tax space. We feel very good about this.

SENATOR CIESLA: And I agree with all that. My only concern, and it's one that I believe I want to be sure in my mind, that when we commit to raising the cap that we can, in fact, get the return that we anticipate. I don't want to create a condition where we could potentially increase the value of portions of real estate and not get the improvement that we are visualizing now that would logically occur as a result of making a general public use improvement. In other words, I want some assurance in my mind that when we vote to do this that the resulting construction happens so that we get the expected return on the dollar and not enrich a landholder or a private individual who doesn't make what they anticipate making in terms of a private improvement.

COMMISSIONER HALEY: Well, let me try something, Mr. Chairman, if I may. File this one under a picture being worth a thousand words. What I'm providing the Committee is a rendering of a shot of looking out of what would be the new Atlantic City-Brigantine connector tunnel. In the shot there are three directions that you could go. To the far left in the picture will be off into the new development at H-Tract. The middle road will go to Brigantine,

which is a growing community, and to the right we'll be directly into the marina area and a couple of the existing businesses that are there, which happen to be casinos.

I would submit to you that through this project, in a combination of circulator improvements, that all of the businesses in the area will benefit, and, I think, this picture tries to illustrate that it is not designed to benefit any one person or one area, but the entire Atlantic City will benefit from the combination of these projects.

SENATOR CIESLA: Thank you.

Just one other area; then, I'm going to let someone else ask questions. Is this the first time that the State has entered into public-private partnership of this particular nature and of this magnitude? Because--

COMMISSIONER HALEY: (indiscernible)

SENATOR CIESLA: Let me finish my question. My concern is that we're taking public dollars and we're allowing a private individual to build projects with the private dollars and the Transportation Trust Fund is public money. I'm hoping that all of the procurments that are made relative to the expenditure of those funds can follow the public bidding statutes so that our New Jersey corporations can, in fact, bid and be awarded certain projects, and I'm getting the feeling that may not be the case.

COMMISSIONER HALEY: I'm sorry, Mr. Chairman, I'm not sure I understand the question.

SENATOR CIESLA: I'm hopeful that the transportation projects, particularly those that are going to be joint ventured with a private individual or a private corporation, since they are largely public dollars that are being contributed to, for example, the connector, that the construction of those particular projects be done pursuant to the public bidding statutes currently in place by the State of New Jersey so that firms that have enjoyed traditionally being awarded those public works contracts in New Jersey can still qualify and be awarded those contracts as opposed to being disqualified by, perhaps, other standards that might be put in place by the private contractor.

COMMISSIONER HALEY: Okay. I think in this particular case -- and again, I don't know -- I'm not aware of and I have to get back to the Committee-- I'm certainly willing to check to see whether or not there was ever a deal of this magnitude of public-private partnership on the transportation project. This is a significant one where the private company is paying one-third.

In addition, as part of the design-build concept, which will be used on Hudson-Bergen, and, with your help and support in working legislation through another committee -- that the purpose of design-build is to hopefully get projects done faster and cheaper without compromising the quality. What you have, the concept implies sharing risk between public and private.

In this particular case, the array of responsibility is what is shared by the private and the public was -- called out some criteria that we used on this project. However, this project, I would argue, is not only one of the most important ones we've done, but also is unique in some senses in that I don't necessarily see it as a model for the way that we'll do business on other projects.

I have talked extensively to a lot of the contracting communities and consulting communities not only about this project, but how we do our awarding of contracts and

understand their concerns on this, and we'll address them with the help and support of the Legislature in any future design-builds.

SENATOR CIESLA: Thank you, Commissioner.

Are there questions of the Committee?

Senator Cardinale.

SENATOR CARDINALE: Thank you, Senator. As you know, Commissioner, I have been generally supportive of infrastructure improvements, particularly where there is a commercial value to them that enhances the opportunity for jobs and the opportunity for income for the State. This tunnel has created a good deal of controversy, and I am frankly confused about a few elements of what has gone on, and I would like to take this opportunity since some of that money is included here and what you intend to do with this cap raising.

It's been suggested to me -- and I have a letter sitting on my desk, unfortunately I didn't bring it with me here today -- that there are other developers, one in particular, who has written to the City of Atlantic City indicating that he would develop that H-Tract without the tunnel and that he would not require that infrastructure improvement. The name of that developer is Hilton.

Is that something that has gone into this mix? Is that something that has been taken into consideration? Is it something that has been discounted? Is it at all part of this? It strikes me that if we're going to spend some \$300 million or a little more than that, and we don't need to to get the benefits to the State, I would like to know why.

COMMISSIONER HALEY: I guess, Senator, I'll try to answer that in a couple of ways. I think that there is two pieces to your question, if I may.

The first one is, over a period of months, the State and developer negotiated an agreement that spelled out the outline of the project and the collected responsibilities, and then we entered into a deal with them. So some of what you're suggesting occurred, I think, after there was a signed deal. So I think part of what's got to be considered in that is, at what point, after you evaluate the right kind of factors in terms of roles, responsibilities, costs, and the use of the tunnel, we made this decision to sign the deal and move forward? Some of the information that you cited came in after that, but more importantly, the second piece--

Carol, if you would turn to Atlantic City. If you could just point to the tunnel. That's it.

The reason that a tunnel is to be built in the first place -- because from a transportation, a functional perspective of moving traffic a tunnel is not required. It could be done at grade. At some point there was also consideration of not even doing it in the ground, but moving the tunnel just where you see the blue, which is in the water, and see if it could be built that way. The reason the tunnel was selected was to preserve two neighborhoods that exist on both sides of the tunnel. So it was a solution that was crafted that had both a transportation fit, as well as preserving two neighborhoods and minimizing the number of land takings and disruption to residents that had to be included.

So the tunnel provides, also -- and I probably should have pointed this out to the Committees-- What the tunnel does is provide not only access to the H-Tract and to the development at the marina, but provides a reverse movement -- the opportunity for reverse movement -- to come back to the casinos downbeach and the inland areas. So I would submit to you, Senator, that the tunnel is the right approach to deal with what are real traffic problems in Atlantic City, and it is a very sensible approach to balancing the need to solve some

transportation problems in preserving not only the character of the neighborhood, but actually preserving the neighborhood.

SENATOR CARDINALE: The first part of the question that you answered had to deal with timing of when various suitors were being entertained, if I may phrase it that way. It seems to me that -- and I only know this from reading the newspaper -- the group which is currently asking that this tunnel be built is also currently asking for some relief from some of the obligations they've undertaken with respect to timing. There is some questions of timing, is it being put back a couple of years or what's happening? It would seem to me that your problem is that the State has obligated itself and now the other side is asking for some concessions that that might be an opportunity to renegotiate the idea of the tunnel, especially that we subsequently know that this is not our only hope for developing that tract. When it was, apparently, the only hope for developing the tract, I was right there, 100 percent behind that proposal, because I think the development of that tract is of primary interest to everyone, whether they come from that area or they come from as far north as I do.

It would seem to me that if there is some other viable alternative and we have an opening to explore that, I would like to know, *A*, is that the case, and, *B*, if it is the case, why are we not doing that?

COMMISSIONER HALEY: Could I ask you to clarify for me, because I honestly don't know how to respond the question. You say that the other party is asking for -- that wants to change the timing -- is asking for relief?

SENATOR CARDINALE: Yes. I think they have an obligation to proceed along certain time lines. Is that not part of your agreement?

COMMISSIONER HALEY: Yes.

SENATOR CARDINALE: Or are there no time lines?

COMMISSIONER HALEY: No, I'm sorry. I'm just trying to understand the question. Certainly there are. We are going through-- There are time lines, a key date meeting this July when we have to, holding up our end of the deal, make the money available to do this. But no, there are certainly are time lines. Contractors are being evaluated right now. I can tell you I'm unaware -- and I will certainly go back and check and report back to you if I find anything different -- that the other party, if you will, has asked any sort of relief or delays in the schedule, that I'm aware of. I'm aware of none, but I will certainly go back and check that.

SENATOR CARDINALE: I only know that by a newspaper article. You know that newspapers are not the best source of information, but they sometimes do have some basis for what they write. (laughter)

The question has been brought to my attention about cost overruns. Are there provisions for the developer to share or participate in any way in any cost overruns, or is that strictly an obligation of the State?

COMMISSIONER HALEY: We have said repeatedly, and it is something that perhaps describing the process may help clarify the record is that this is an estimated cost to be \$330 million, \$220 of that will come from the State, and we have taken a position that our share is \$220 million.

We have been working, over the last -- at least since my time -- in the early part of January to review a number of potential alternatives to ensure that we get a project that is a good project at the best possible price. And because the Governor has said repeatedly that \$220

million is all that we're going to put in, the agreement is now structured. It gives us a couple of opportunities.

First of all, when this process is put out on bid -- and we'll have at least three competitive bids-- When the bids come back, if the bid number is substantially over the \$330 million, then we have to make some decisions either to downscale the scope or review the project, or consider some alternate alternatives. So, first of all, when we put this project out to bid, if the bids come in substantially higher than the estimate, then we will, with our partner in this, review the efficacy of going forward.

Secondly, on this the way the deal is now written, if somebody signs on to take this job as a contractor, they are responsible for the overruns. So the State's share remains at \$220 million.

SENATOR CARDINALE: So there's no way the State will commit greater than \$220 million to this project, and if it in fact needs-- I understand your answer to be that if it needs more than \$220 million, then our obligation -- that there is no obligation on our part to supply any additional money, that we would reevaluate it. Would part of that reevaluation then be the option of going to an alternate developer who, perhaps, would not want the infrastructure improvement in the first place, or at least the State's portion of that infrastructure improvement?

COMMISSIONER HALEY: Well, I guess--

SENATOR CARDINALE: Do we have the freedom at that point, is my question.

COMMISSIONER HALEY: Well, it would be-- My feeling, if we came back with bids that were substantially above what we anticipate -- let me try it the other way first. We're fairly close to what we anticipate, but above \$330 million, the way it would work is we would have a discussion with our partner and decide whether or not the project is -- and I would argue passionately the benefits of this, not just to one area, but the entire State. Atlantic City will then make a decision as to whether or not we want to look at that as an option, but there is no obligation. Frankly if the numbers came back substantially higher, certainly one of the options that we may have to consider is -- along with looking at the alignment is -- either coming back here to discuss the funding, we're looking at another arrangement. I don't think that's out of the question. But I will tell you that, based on what's happened over the last couple of months, there's been a lot of work on the alignment design and there has been a lot of options and there is -- we feel pretty good about the estimates that we have and we're optimistic that this will go forward because the project is needed.

SENATOR CARDINALE: John, the Chairman asked a question and you circulated a photograph, I think, as a portion of that answer. The question of the design -- the specific design of the improvement, is that under the control of the State, or is that under the control of your partner?

COMMISSIONER HALEY: It's a shared responsibility and there is not, again-- This is a-- The design-build concept, as I described as sharing risk or sharing responsibilities, is in fact a partnership. We have made it clear that \$220 million is what we have and we're willing to put up. The developer has made it clear that they have \$110 million. We have worked diligently to get a design that fits within that envelope and we'll continue to do so. I think that as a result of this work that we will be able to accomplish that, but in terms of going forward, I don't think that either party would propose a design that was unacceptable to the other side, A, because we have the same basic objectives and, in addition, we have made commitments to the town of Brigantine and other areas and other businesses in Atlantic City that have to be balanced

as a part of that. So we're not going to sign off on anything that would compromise those principles or those commitments.

SENATOR CARDINALE: Commissioner, you mentioned the town of Brigantine several times. Would absent of the development of the H- Tract, would there be any need for this tunnel to serve this major project to serve Brigantine? Last time I was down there Route 30 seemed to have been improved to a great degree and it seemed to be very capable of carrying all the traffic that would flow to Brigantine and it did not seem to me -- and maybe I'm not going at the right time of the day or something, but it did not seem to me, in a casual observation, that there was any traffic problem in terms of people getting to and from Brigantine.

COMMISSIONER HALEY: Well, there are a couple of issues. First of all, I wouldn't quarrel with your casual observation at all, but -- we have, with the size of the development in general, growth in Atlantic City and including Brigantine outside of this project. We've taken numerous traffic studies that bear that there will be growth, especially with the H-Tract there is additional traffic that will not be supported without the tunnel.

In addition, the town has other needs and concerns such as having, with this level volume of traffic coming in so close to the major access road into Brigantine, as an island -- to have a free flow of traffic coming out for emergency vehicles and that sort of thing. That is something that is very important to them, and we've tried to accommodate as part of this design.

SENATOR CARDINALE: The last question that I will ask is-- Someone has eluded to a thought that there was a project on the drawing board that has never, generally, been made available. That there is another proposed methodology for getting people from the Garden State Parkway into the area of the H-Tract, Brigantine, and so forth. That it is a much smaller price tag project. Is there such a project that you are aware of that has been planned but perhaps never implemented?

COMMISSIONER HALEY: Well, I guess one of the advantages of DOT being a government agency is where you are generally very good at record keeping. Over the last couple of weeks, in particular, I've been able to go back and look at -- and we've had some technical people, some engineers, who have been involved with this over the last several months. We have retained most of the records. If you look at it simply from a transportation perspective, do we need a tunnel? Is there another way to do it? Do we need a flyover that goes to Brigantine and H-Tract the way that I showed you? Could you do it without adding traffic lights? Could you review the geometry and make sure that we had safe turning radiuses? Yes, you probably could, but in so doing you would compromise a lot of other objectives that we try to meet with the deal.

So one of the things that we had to do with this project, like the whole Capital Program, is balance a series of needs. If you say, "Look, what's the way to do it on the cheap?" For the most part, there are very few instances where you couldn't do it at grade with traffic lights, that you would substantially slow it and would not meet some of the other commitments we've made to other parts of other businesses and other parts of the city to meet some of their concerns and objectives as well.

Again, there are a number of ideas and planning documents that have-- I mentioned earlier when the question was raised about the tunnel that I was able to find some documents, when we sat down to look at and review some of the alternatives, that showed work that had been done to look for -- to put the tunnel in the water and take it under the navigational

channel and those kinds of things. There is all kinds of alignments, if you will, that have been reviewed on this and both in the tunnel area that we've talked about, as well as the area approaching the boardwalk off the Atlantic City Expressway and off of Route 30. So I'm not sure of a particular project that you're talking about, but there has been numerous options and plans reviewed.

ASSEMBLYMAN DeCROCE: Thank you, Senator, I appreciate your questioning of the Commissioner.

I'd like to call upon someone else. I would like to make it clear that I really don't want to get into job specifics. Now, if you want to talk about the lifting of the cap, let's get into the lift of the cap, the interest rates, the things that pertain to the State, but there are 88 jobs in this particular cap list and I'm willing to tell you we don't have the time to dwell on each and everyone of them or else we'll be here until 8:00 or 9:00 tonight.

Assemblyman Garrett.

ASSEMBLYMAN GARRETT: Okay, let's change the subject and bring it to the end of the line on this on the financing issues. Can you explain to me where we will be in the State under the current scenario -- under current law if we don't do anything -- versus where we will be under this scenario as far as this Committee having to deal with the issue of the next Transportation Trust Fund. In other words, how much bonding is going to be outstanding in that point in time and what we then will be looking forward to in the next period of time?

MR. HANSON: What we're doing right now, probably is not going to have much of an impact on that. I think if you recall at the time we reauthorized the Trust Fund, one of the questions right away was, "What happens in the year Fiscal 2001?" Basically the answer was that we will have to be looking at some kind of a new revenue source at that time. If you recall, when we were showing the appropriations stream coming into the program, it was roughly \$525 million on the out-years, and we were projecting, at that time, debt service of around \$450 million by the Fiscal Year 2000. In addition, there is operating costs that have to be added onto that. So it was clearer when we reauthorized the Trust Fund that there was going to be another -- needed some kind of solution in the year Fiscal 2001. That's basically the same position we're going to be in right now. By changing this program from 3.5 billion to 3.7 billion, in addition of \$200 million, you're only changing it by 5 percent, so that's not going to have any real impact on what happens in the year Fiscal Year 2001. It's going to be an issue then, and it was back when we reauthorized the Trust Fund.

ASSEMBLYMAN GARRETT: That was a question that I had for your predecessor in writing, and frankly, I never got an answer as to what we should be anticipating in the year 2000. My understanding is that -- just using round numbers and playing around with it that -- all else being equal you're looking on different possibilities, one being gasoline -- increase in gasoline tax by about 10 cents or 11 cents; or a doubling of some of the motor fuel tax and 9 cent or 8 cent gasoline tax; or an increase in the tolls; or a change in the contract with the Authorities to increase that \$25 million figure that we get from them. And that's always been my concern with the Transportation Trust Fund as to when we increase the amount of money that was spent.

Last time we were spending \$535 million under the Trust Fund per year, roughly, I guess it was. Now we increased it under this scenario to \$700 million and now we're increasing it again to \$900 million, and I'm wondering whether you're looking at what the opportunities are and what the possibilities are. Maybe not having to have an 11 cent gasoline tax, maybe only

a 10 cent gasoline tax, by not making this \$200 million cap increase now, just being able to decrease the amount of bonded indebtedness for the year 2000 so we don't have to have such a shock.

COMMISSIONER HALEY: Assemblyman, the \$200 million increase that we're asking you for will not result in any new change in the gasoline tax, and we're not considering that. Certainly, as we look at the Trust Fund, there are some issues that we'll have to deal with down the road in a number of categories, and we'll continue to do that at the staff level, but this-- I can assure you that when you try to support that with rigorous analysis and through the interest rates, then, it's one of the reasons, in answer to the Chairman's question earlier, that I would not say could we do this again. I don't know. I'm confident that we can do it this year for the \$200 million, and it will not change either our appropriations level or what's in the Trust Fund.

There are a number of things that have to be considered over time. One of the things that we're not looking at -- and I think it's important to note it -- is a gas tax increase, and frankly, I would argue -- and if you go back to the chart that we've shown up there with half of our Program being from the Feds and half coming from New Jersey -- one of the things, while it's true we have a low gas tax compared to other states, we dedicate a higher percentage of our gasoline tax to transportation than virtually all other states. Under the Governor's initiative even a greater percentage of the gas tax will go to transportation over the next couple of years. So I think it's important not to dwell on the amount of the tax, but to consider, as well, how much of it goes into transportation.

ASSEMBLYMAN GARRETT: Well, my question is-- I understand that under this formula over the next three years, until the year 2000, this does not translate into an increase in the gasoline tax. My question is, where do we go in the year 2000, which is not that far down the road for any of us?

ASSEMBLYMAN DeCROCE: We don't even know that anybody is going to here in the year 2000. We might be all gone by then, who knows.

ASSEMBLYMAN GARRETT: Speak for yourself, Mr. Chairman. (laughter)
My concern is where we are in the year 2000. I understand that this does not translate in an immediate gasoline tax, but it certainly may have an impact upon the funding formula that we have in the year 2000 and where we get that money. I guess then, through the Chair, I might request that analysis that you say your staffers have been working on -- I think you said the lower-level staffers have been working on -- if you could get back to us as to what we should be anticipating, what our options are in the year 2000 as far as funding the next go-around. My understanding of what you're saying is that in the 2000 we will use just about every dime that comes in from the current gas tax, road tax, fuel tax, and the tolls contract will be going just to pay off the indebtedness that we have incurred for both the old and the new bonding. And so we will have to basically start from scratch to come up with the \$450 million or the \$475 million if we want, in the year 2001, a \$700 million bonding Program, correct?

I would like my constituents to be aware that in the year 2001 we either have the option of having no Transportation Trust Fund or a significant, a doubling, of our gas tax or some of the other taxes, which I think from your chart puts us basically right in line with some of the other states, and we will not be in an advantageous position that the chart shows us to now be in.

COMMISSIONER HALEY: We'll be happy to provide, through the Chair, the analysis that we have available for the year 2000. Let me just say -- I don't want to be argumentative, I'm not trying to sound argumentative in this -- that there are a number of choices that either stopping the Trust Fund or raising the gas tax are not the only two choices. There is a number of factors that we'll consider as we look at the Trust Fund in the years ahead.

ASSEMBLYMAN GARRETT: I'd appreciate your response, thank you.

Thank you, Mr. Chairman.

ASSEMBLYMAN DeCROCE: Thank you, Assemblyman.

Assemblyman Wisniewski.

ASSEMBLYMAN WISNIEWSKI: Thank you, Mr. Chairman.

Mr. Commissioner, you spent a lot of time in your testimony discussing the Atlantic City project, and I just have one question. In terms of the rationale behind the request to lift the cap on the Transportation Trust Fund, are we being requested to lift the cap because of the Atlantic City project?

COMMISSIONER HALEY: No. To my feeling, Assemblyman, that when we looked at the state of the capital programming and the state of the Trust Fund in March, that we had the opportunity to produce \$200 million in addition of work. It would be -- I think -- irresponsible on my part, once we were able to verify the analysis with Treasury, not to move forward in a State that has massive unfunded needs on a particular year all across the system, so this is an action that we would have taken, regardless of Atlantic City. I would probably submit to you that even after vigorous negotiations over the last few weeks that not everyone is entirely thrilled with the Program, but we've tried to balance that regionally.

One of the things that the cap lift, I think, allowed us to do all of this at the same time was that there was -- and I used the term before -- perception and I think a lot of people, particularly those in the northern part of State, felt that they were told that Atlantic City would be introduced into the Program and it would not have an impact on the amount of funding that went to the region. What I've tried to show with the charge is that that's true. What we've tried to do, and I think having an opportunity to talk about the cap lift and make that request of you gives us the opportunity, to put the system in the right framework.

If we did not have Atlantic City in this Program and we were able to produce \$200 million in the Trust Fund from the way that it's being produced, I feel that it's my obligation to come forward and present to you and ask both of you a request to approve the cap lift but also to provide projects to meet some of the transportation needs.

ASSEMBLYMAN WISNIEWSKI: Well, if Atlantic City weren't in the Program -- let me strike that-- How much money from the Transportation Trust Fund is going to the Atlantic City project? You said \$100 million?

COMMISSIONER HALEY: The -- \$95 million.

ASSEMBLYMAN WISNIEWSKI: Ninety-five million dollars.

COMMISSIONER HALEY: Right.

ASSEMBLYMAN WISNIEWSKI: So if the Atlantic City project weren't in the Capital Budget Program for this year, it would be \$95 million spent elsewhere, or you would need only \$105 million more to do the same Program you have currently before you?

COMMISSIONER HALEY: Let me try-- I think I understand the question. Part of what's a little unusual, and Senator Cardinale had asked before about design-build, unlike some of our other highway projects where the funding is spread over two or three years, the bulk of the

money -- the State shares for the Atlantic City project -- has to appear in Fiscal '98 because of the way the deal is structured. We have to be able to have the money obligated so that the contractor can be awarded. That's not the case in all the other projects, so that there is Atlantic City in Fiscal '98 presents a spike in the Program, and then in the years after that, even though construction will still be ongoing, no money will appear in the Program.

ASSEMBLYMAN WISNIEWSKI: My concern is just what the impact is on the Transportation Trust Fund this year and in future years. If there is cost overruns, will those come from the Transportation Trust Fund?

COMMISSIONER HALEY: No, the arrangement that we have now is to cost overrun some projects. I guess I would describe it as us having two bites at the apple. We put the project out on bid and we look at the responses in both the State and the Governor sit and with -- \$220 million is it from the State, \$110 million is from the private developers, and if the project is over \$330, then there is a decision based on whether or not we go forward, but that's issue number one.

Secondly, in the event that we do go forward with an enterprise and somebody says, "Well, I need \$50 million more," the way that the deal is configured right now, that responsibility lies with the contractor. The State is not backstopping anything that is \$220 million.

ASSEMBLYMAN WISNIEWSKI: Well, and to respectfully, Mr. Commissioner, the contract in Section 4-8 says that the State and the developer would explore purchasing insurance for the risk of cost overruns. So that seems to me that there is a shared responsibility for cost overruns, and my concern is that if there is that shared responsibility based on the language in the document, would that be coming out of future years' Transportation Trust Fund money?

COMMISSIONER HALEY: I can, again-- I think part of-- Senator Cardinale had asked about actions and documents over that, and I think, frankly, the biggest action that we would have to explore is, if the project comes in over \$330, whether or not we do that and explore. If we then undertake the project and we have cost overruns, explore does not mean -- in my opinion -- that the State is responsible. If at some point down-- And I would just leave it at that.

ASSEMBLYMAN WISNIEWSKI: Let me just go to the financial assumptions that were set forth. You testified earlier that the interest rates are being lower than they had been projected in the initial projections for Transportation Trust Fund. For 1997 the original projection was 8.5 percent and the revised projection is 6.5 percent.

My question is, at what point would these obligations be put to the market to take advantage of the interest rates? Because of the changes that are recently going on in the stock market, interest rates are changing. Is it possible that the advantage you're looking at now may evaporate by the time this really gets done?

MR. HANSON: I don't think that's likely. Our experience in the past-- I mean, we still have, right now as of this week, the rates are roughly 5.75, so that still gives us .75 basis points just to get up to the 6.5 that we're assuming for Fiscal '98, and we'll probably be going out to market in October and in the following years after that. Normally that's when Public Finance usually does those kinds of deals. Right now, those are very conservative assumptions and we would expect to do better than that as we go on the out-years. We have been told by

both the Office of Public Finance and also by our independent financial advisor that we are still working with very conservative assumptions.

ASSEMBLYMAN WISNIEWSKI: Let me give you a hypothetical. What would happen in out-years, instead of a revised interest rate of 7.5 percent, you're looking at a revised interest rate of 8.5 percent or 9 percent?

What would happen to the out-years in terms of Transportation Trust Fund dollars being available?

MR. HANSON: Well, that would reduce the capacity of the Trust Fund to finance a bigger Program. It would have a negative value.

ASSEMBLYMAN WISNIEWSKI: It would affect the ability to finance the anticipated Program?

MR. HANSON: It could, yes.

ASSEMBLYMAN WISNIEWSKI: Thank you.

ASSEMBLYMAN DeCROCE: Assemblyman Asselta.

ASSEMBLYMAN ASSELTA: Yes, thank you, Mr. Chairman, and I guess since we don't want to be job specific or project specific, I think that it's important to just get a couple of quick clarifications from the Commissioner for me who represents probably the highest unemployment rate district in the whole State of New Jersey and it's critical that I get these answers. And they are going to be pretty simple, pretty straightforward.

Mr. Commissioner, if in fact an exploration of other so called deals with respect to the South Jersey project, as I call it -- because it is truly a South Jersey project, not just an Atlantic City project -- if that exploration took place, would that, in fact, jeopardize 86,000 construction jobs and 16,500 permanent jobs and \$275 million of tax revenue in this point in time?

COMMISSIONER HALEY: I would have to say that, again, I use the term partnership. We've got a partner in this that we've been working with. They are putting money on the table, the State is putting money on the table. We have worked through alignment issues. We have worked through a number of issues that have been put up to us several times, and at some point -- the Senator asked about a schedule -- we do want to move forward. We have got to get this done. It's got a critical need and they have a desire to expand, and I would think that if we unilaterally or decided at some point that we wanted to change the deal that would be cause for great concern for them and certainly I think would jeopardize the whole projects and the job.

ASSEMBLYMAN ASSELTA: So, in fact, those 16,000-plus jobs would have to wait, and I could, quite frankly, tell every member on this Committee that our area, our region, can't wait for these 16,000 jobs. We have the highest unemployment rate in the whole State. We need these jobs, and I just want to make that point extremely clear to every member on these Committees.

One last question -- concept question -- from the very beginning as what this Chairman wanted us to talk about was the lifting of the cap. Is it, in fact, an indicator of economic growth, or is it in fact just an indicator of infrastructure erosion?

COMMISSIONER HALEY: Are there other choices? (laughter)

ASSEMBLYMAN ASSELTA: No. *A* or *B*.

COMMISSIONER HALEY: I guess it's an indicator-- I approach this as a very practical matter, and one of the things that we wanted to do was look at providing a Program that meets most of our needs within the funding envelope that we had.

Again, we looked at the Trust Fund and found out that we have the ability to put \$200 million more of work out; we immediately moved to do that. Again, I feel when you've got a system this size, this complex, and this usage, it would be irresponsible of us to do otherwise. So we're here to both preserve and protect the existing transportation system and help the use of transportation vehicle to create jobs. So those are the driving principles behind coming to you requesting capital.

ASSEMBLYMAN ASSELTA: Thank you.

Assemblyman Imprevduto.

ASSEMBLYMAN IMPREVEDUTO: Thank you, Mr. Chairman.

Commissioner, there has been a lot of talk about a specific project, the tunnel being that particular project, and a lot of talk about partnerships, two-third and one-third, us being two-third and the developer being one-third. A question has arisen, I did anticipate this to John and Nick as we began to discuss this. If this is a two-third-one-third development project, after this project is completed, is it the same two-third-one-third in paying for the maintenance for this tunnel, or is the State doing all the maintenance of this tunnel and will that come out of the Trust Fund?

COMMISSIONER HALEY: The operator, or the maintainer of both -- of the tunnel, will be the South Jersey Transportation Authority. So their money to maintain that will come from that agency.

ASSEMBLYMAN IMPREVEDUTO: And that agency receives its dollars from?

COMMISSIONER HALEY: A variety of sources, but toll revenue, they can sell bonds -- there are a number of different arrangements. They generally do not get Trust Fund money.

ASSEMBLYMAN IMPREVEDUTO: So the State in itself will not be maintaining the facility nor will the developer? Another party will be?

COMMISSIONER HALEY: The South Jersey Transportation funds.

ASSEMBLYMAN IMPREVEDUTO: In a whole different area, I'm just not sure if this is a new area or not, I think it is. I notice here in the -- Section 3 on Page 59 there is a \$45 million item that I'm just not sure-- Would some of the items warrant them to do this and yet be able to do some of the things that you want to do?

When I look at \$45 million being spent on an item that was, as far as I was concerned, never intended to be spent for, which was the enhanced vehicle inspection maintenance-- Wasn't there supposed to be another source of dollars that our registration, which is supposed to pay for that, not in fact the Transportation Trust Fund?

COMMISSIONER HALEY: The source of the \$45 million, if the program is being advanced, or moves forward, then we will make a determination as to what the funding source will be, the \$45 million. There will be a process over the next couple of months where, when we receive bids finally, after we get some clarification on some of the technical aspects from the EPA that the Governor has asked for, it's our intention to go forward, and part of the bid process will be a certification of which method is most cost-effective that the Treasurer will provide. At that time there will be a decision made on the source of the funding as well.

ASSEMBLYMAN IMPREVEDUTO: I just need to remind you that someone needs to read the legislation because there is a funding mechanism there, and that is, the automobile registration fee of \$11.50 and not the Trust Fund.

SENATOR CIESLA: Thank you, Assemblyman, and, Commissioner, thank you very much. That concludes the questions which our Joint Committee has. If you could just take a seat and stick around in case something comes up in the course of the rest of these proceedings, I would appreciate it. Thank you, Commissioner.

Our next individual to testify will be Hazel Gluck representing the GlukShaw Group.

It's the same easel that I got you 10 years ago.

HAZEL FRANK GLUCK: That's right. It's déjà vu all over again.

SENATOR CIESLA: Welcome, Hazel.

MS. GLUCK: Thank you very much, Senator, ladies and gentlemen. I will be very brief. The GlukShaw Group represents the Hilton Gaming Corporation. My mission here today, as Senator Cardinale and several other people eluded to here, is to leave with you a letter that was sent from Hilton Gaming, Arthur Goldberg in particular, to the Mayor of Atlantic City, and I want to quote a couple of short paragraphs from the letter, if I may.

If you go to today's predicator to raise the cap, as predicated on the Atlantic City project, I think you ought to know that there is an alternative. If it isn't, then you don't have to process this.

"As you know, Hilton Hotels has publicly stated its interest in purchasing the H-Tract and proceeding with substantial development including casino, retail, entertainment, and hotel rooms without the need for public subsidy, free land, and the reimbursement of remediation costs.

"Further, Hilton will not require extensive, time-consuming, disruptive, and unnecessary tunnels or other roadway improvements in order to proceed with its development of the H-Tract. Therefore, I would like to meet with you," etc.

I will leave you copies of this so that you have the entire context of the letter from which I am quoting. I would also like to respond to a very good question that was asked with regard to where was Hilton before a couple of years ago.

I think we all remember that Hilton took over Bally's. Bally's was a player in Atlantic City at the time but didn't have the money to come forth, Hilton was not. With the merger or the takeover -- whatever the proper terminology is -- Hilton, obviously, now has the wherewithal because they are a player and can do it as a result of acquiring Bally's, and therefore, this offer was put on the table when it appeared to be that there were delays in the process so that everyone would know that there would be an alternative.

And that, my friends, is my message.

SENATOR CIESLA: Thank you, Hazel. Are there any questions from the members of the Committee?

ASSEMBLYMAN IMPREVEDUTO: Just so that I understand that, may I, Mr. Chairman?

SENATOR CIESLA: Go right ahead.

ASSEMBLYMAN IMPREVEDUTO: Your client was saying that they are not looking for a handout, they will buy the tract, do the billing, do the project, provide the jobs, and all the other good stuff, and do it all on their own and not-- In the State of New Jersey--

MS. GLUCK: That's correct.

ASSEMBLYMAN IMPREVEDUTO: Put it's money to use somewhere else?

MS. GLUCK: That's correct.

ASSEMBLYMAN IMPREVEDUTO: That's interesting.

SENATOR CIESLA: Any other question?

Thank you, Hazel.

MS. GLUCK: Thank you very much.

SENATOR CIESLA: The next individual is Clifford Goldman and Tom O'Neil, representing the Trump organization.

THOMAS O'NEIL: Good afternoon, gentleman.

Good afternoon, Mr. Chairman. I have with me Cliff Goldman, former State Treasurer of the State of New Jersey. Our goal will be to try to be as brief as Hazel Gluck, but I'm not sure that we will be able to, but we will try.

I would just like to point out, Senator Ciesla, that I think you asked at the very beginning of this hearing really the two critical questions. You asked, if we're going to raise the cap, and this project represents 42 percent of the cap increase, or \$84 million, do we infact know that we have something going forward here? I would just like to read to you one sentence from an SCC file by Mirage. This is not Hilton, this is not Trump, this is Mirage.

Here is what they say about this project. There can be no assurance as to whether or when the company will proceed with the project on the site and, if so, what the construction schedule or budget will be. I think that raises, I believe, very substantial doubt, and when you contrast that with the exciting offer that I think you just heard to proceed with the project without taxpayer subsidy, it at least ought to create some concern, some desire for reexamining.

Senator, your second question, as I recall, had to do with bidding. We obtained the bid documents for \$1000 -- you can get them from DOT -- and the developer rights section under 2.319 seems to me to give the developer, not the State, the control and the ability to reject any role bids, invite new bids, cancel, modify, or withdraw. It seems to me that the developer has all the rights, and the protections and assurances that you might hope to have in place may, in fact, not be there under this process. Indeed, I'm not even sure if this is a legally appropriate delegation by the State of its bidding requirements. But those two observations, Senator, and responding to your initial questions, I would like to turn to Cliff Goldman and let him talk about the financing and financial implications on the project.

Cliff.

CLIFFORD GOLDMAN: Thank you very much. I will try to be quick.

This is a \$330 million project and this part of it is \$95 million. The developer is going to put up \$55 million, and the other three sources of funds are three separate bond issues backed by three separate sources of money, which are future money. We think that if you look at this contract, you will find that there are many, many contingencies and many periods of time throughout the contract when the contractor can be terminated at the discretion of the developer because the State has not lived up to certain of its obligations, and so forth, and so on.

What's happening here is that the seed money, the risk money, for this project is coming from the taxpayer support of the Transportation Trust Fund and that afterward the other moneys will come through, but there is a significant risk in this project that this money will go out and, for one reason or another, at different stages in the project, the project will not be completed. And even under certain circumstances, if the project isn't completed because the State has failed to live up to its part of the deal, the developer gets reimbursed for anything he spent with money that could not have possibly existed at the time that might happen. One of the contingencies which the State would have to look up to is to raise the rest of the money other than the \$55

million from the developer. In order to do that, the South Jersey Transportation Fund has to issue three separate bond issues. As far as we know, they have not yet picked their financial advisor or underwriter to create a plan to do that.

We have looked at the numbers, we don't think that the plan that they are carrying on will work. We're almost certain that they won't be able to come up with that money by July 8, and they are supposed to. Since we looked at it, there has been litigation on these financial matters which makes it impossible for them to raise the money until the litigation is resolved and resolved favorably. So there are many, many problems here, and what we want to bring to your attention is the possibility that this money disappears and there is no project and none of the benefits and none of the rewards.

Also, one final point on a minor point about overruns. We understand all of the protections that were discussed to prevent overruns, but there are possibilities always of overruns, change orders, and so forth, which would not be covered by insurance or performed as bonds, and so forth. We believe that to the extent that the South Jersey Transportation Authority is to issue bonds to support the large part of this project, based on the revenues from this project, it will have to give assurances of the method of completing the project, and I think we could infer from that that it will sell additional bonds at the toll-payers' expense to complete the project, should there be an opener.

Thank you very much.

MR. O'NEIL: Thank you. If there are any questions we would be glad to answer.

SENATOR CIESLA: Are there any questions from the members of the Committee? I see none, so thank you very much for your presentation.

MR. O'NEIL: Thank you very much.

SENATOR CIESLA: Our next witness is Mr. Phil Beachum from the New Jersey Alliance for Action.

Phil.

PHIL BEACHUM: Thank you, Senator Ciesla, members of the Senate Committee, Assemblyman DeCroke, Assembly Committee. Phil Beachum, President of the New Jersey Alliance for Action.

This is a good bill. This is a bill that will mean jobs for New Jersey. There are a lot of people here today that usually spend their time sitting in labor halls or wanting to go to a job. This bill will put New Jerseyans to work and it should receive your support. It would also give New Jersey an important financial cushion against the uncertainties of what may happen with the Federal Transportation moneys that we desperately need and are fighting for as we speak here today.

In my opinion, the opinion of the Alliance for Action, it would also strengthen our fight to protect the fair share and the congressional battle over ISTEA reauthorization by demonstrating that New Jersey is also willing to invest its own dollars in transportation projects, and it would help to provide the money for the DOT Capital Program mark the local projects in every county. We're spending a lot of time debating in Washington on Federal Transportation moneys. The strongest argument that we can make when we are down there fighting for these moneys is the need in the State of New Jersey. We have proven that there is a tremendous need here. The number of deficient bridges -- approximately 47 percent of our bridges are rated deficient in one category or another. The number of licenced vehicles that are on these roads, the

number of vehicle miles traveled, the congestion that people are facing as they go to and from work, I would urge you to support this bill. The Alliance for Action supports it. It's a good bill.

Thank you.

ASSEMBLYMAN DeCROCE: Thank you, Mr. Beachum.

Any questions of Mr. Beachum?

Thank you very much.

MR. BEACHUM: Thank you.

ASSEMBLYMAN DeCROCE: I would like to call on Mr. Stephen Kealy of Heavy and General Construction Laborers'. I would also like to call upon William L. Lang in New Jersey AFL-CIO, and Joe McNamara from the New Jersey Laborers-Employee Union.

I'd like to hear from Mr. Kealy first.

STEPHEN KEALY: Thank you, Assemblyman.

Good afternoon, Senator Ciesla, Assemblyman DeCroce, and members of the New Jersey State Senate Transportation and Assembly Transportation and Communications Committees.

I am Stephen Kealy, Secretary-Treasurer-Business Representative of Local 472, Heavy and General Construction Laborers' Union, AFL-CIO. I am speaking today on behalf of our President and Business Manager, John Hibbs, our Executive Board, and the 7000 members of Local 472 who work throughout the State of New Jersey on highway, road, and bridge jobs.

We support S-1948, A-2798. We urge you to vote for the bill today and to send it to the full Senate and Assembly for passage. We take this position because S-1948, A-2798 mandates the increase by \$200 million, the amount authorized to be appropriated from the revenues and other funds of the New Jersey Transportation Trust Fund Authority for transportation projects for the fiscal year beginning July 1, 1997.

Senators and Assembly persons, raising the Transportation Trust Fund cap from \$700 million to \$900 million will enable the State to carry through with the \$1.8 billion State Capital Program announced by Commissioner of Transportation, John J. Haley Jr.

The Transportation Trust Fund has been and will be of enormous importance to the 7000 members of Local 472, their families, as well as all the citizens of New Jersey. I refer you to the benefits of the Fund which are outlined in the April 1, 1997 document submitted by the Commissioner.

Senators and Assembly persons, we at Local 472 commend you for your support of this legislation. We urge you to see this matter through the entire process of becoming law. We urge this on behalf of our members, their families, your constituents, and all the residents of the Garden State.

Behind me are Local 472 members who are unemployed and who represent the hundreds of unemployed brothers and sisters who are shaping our four union halls every morning. It is written that aptitude plus attitude equals altitude. Our brothers and sisters who are unemployed have the right aptitude and they have the right attitude. Please allow them to gain the right altitude.

Thank you very much.

ASSEMBLYMAN DeCROCE: Thank you, Mr. Kealy. Many of us do consider this bill a jobs bill, based on the proposals.

MR. KEALY: Thank you.

ASSEMBLYMAN DeCROCE: Mr. Lang.

WILLIAM L. LANG: Good afternoon, Mr. Chairman DeCroce, Mr. Chairman Ciesla, Committee Members, union members, a lot of people from the Business and Industry Association.

We've got the coalition that has gotten together to ask for your support for S-1948 and A-2798. I have to say that it's somewhat of a pleasure to be across the street here talking about some bonds that we can somewhat urge you to not raid, but take some funding and p u t i t t o w a r d s g o o d u s e h e r e .

Frank Wade from the Building and Construction Trades Council is here with me also, and I have a statement that I will read later on from him.

It was interesting to note that I was close enough to look over some shoulders and see your artist rendering from the Department, and I noticed that there was an empty road. I don't know how many of you go into Atlantic City and experience an empty road. I've been there. I left a dollar or two there also, by the way, and I just haven't experienced any empty roads.

I don't know about Hilton's proposal as far as the access to the area and things like that, but without some kind of building, I don't see that that's going to do anything to alleviate the congestion that exists there.

Assemblyman Asselta referred to about 16,000 permanent jobs that will be in that area --permanent jobs, not something that is transient-- Construction is very good and we want to see the brothers and sisters back to work and I'm sure that you do, too. We have another item that we overheard, just recently, on Work First New Jersey. But before we work we have to fund it. The numbers and the dollars and all of those percentages and those things I'll leave to the experts, so you heard it. As far as we can see, we're satisfied that it's not going to injure the Fund and that you will be able to move forward in the future.

The tract and land itself, that's no field of dreams, that's for sure, it's a Lot that needs to be cleaned up. With the proposal that's in front of you, that we already know about the specifics of the building of the job, that's something that's going to be done. It's not, if they build it, will they come and how can they get there? That's the other thing.

Will they walk away from this? Like I said, I left a few bucks in Atlantic City, and if they're going to put \$100 million down, I just don't see them walking away. The tunnel will allow the neighborhoods to remain. Neighborhoods pay taxes, roads don't. There are places for people to live, raise families, and hopefully be improved by a lot of this. We talk about cleaner air because there is less congestion, and indeed, we talk about the funding. If you've got the opportunity to build today, you build at lower cost than you do tomorrow, even using a small inflation rate of 3 percent compounded out over a number of years to get the certain of these projects that increase your costs, and it has been well demonstrated that if you build today you're better off.

As far as alternatives, I guess the best alternative from the Parkway to Atlantic City would be Captain Kirk and Dr. Spock coming along and beaming you across, but until they're available to do the job, the way we look at it is that this is the best alternative.

Therefore, for the affiliates of the AFL-CIO, of which there is over 1 million members, as you well know, I can't begin to estimate the numbers of people that are involved with the coalition, but they are there. This has wide-ranging support, broad-base support. For those reasons, the construction jobs, we would ask you to vote this out of both Committees today, put it up for a vote as soon as possible, and let's get New Jersey back to work.

ASSEMBLYMAN DeCROCE: Thank you, Mr. Lang.

MR. LANG: Thank you.

For the Building and Construction Trades, I would just like to read this into the record and we'll provide you copies.

"The New Jersey State Building and Construction Trades Council is proud to join the New Jersey State AFL-CIO and the many business, industry, and labor organizations working in concert with the Coalition for New Jersey Jobs Now and requesting both Committees' support for S-1948 and A-2798.

Although the academic debate on what role, if any, the government should play in the lives of the citizens of New Jersey will continue, government involvement in transportation, master planning, and funding has proven to be a winner for the citizens and workers of New Jersey. Just as the heart needs the circulatory system to deliver blood, so too, our State's highways provide the circulatory system which keeps businesses alive and New Jersey's residents working. One may argue which project deserves priority over which, but the inescapable conclusion is that without the funding no project moves forward. Roads, hopelessly clogged and damaged, must be rebuilt and bypassed as necessary to keep the lifeblood of commerce going.

Likewise, to prime and jump start areas of the State, counties, or cities requires new construction such as that proposed for the Atlantic City tunnel. The economic benefit in jobs and increased tourism can not and must not be ignored. Had our forefathers not had the vision and guts to plan and construct the highways we now utilize, the business communities would still be huddled in and around the cities with no development beyond. The proposed projects will generate increased tax revenue by the creation of new construction jobs and permanent private sector jobs, a goal we all support.

We believe the preceding reasons easily justify the lifting of the cap and ask the Committees to vote in the affirmative and release the bills for a vote by both Houses."

Thank you very much.

ASSEMBLYMAN DeCROCE: Thank you, Mr. Lang. Let me assure you I do plan to call for a vote today.

Mr. McNamara.

JOSEPH A. McNAMARA: Thank you, Mr. Chairman.

I'll be brief. I think my colleagues made their points very eloquently in support of this legislation.

I represent the New Jersey Laborers'-Employers' Cooperation and Education Trust. It's a long name. What we are, basically, is a labor-management organization. We represent the laborers. We work closely -- in fact, I'll explain that in a minute -- we work very closely with the laborers. In those that-- And the contractors that have really put together the transportation systems that serve our State. I am also representing our Chairman of our Trust today who is Ray Pascino. Ray is also, as you know, Vice-President, Eastern Regional Manager of the Laborers International. So obviously we were established and created by the laborers in conjunction with the contractors who are affiliated with us and join and put together a labor-management structure to help create economic development and create opportunities for our members.

As you pointed out, this bill is an economic development bill. It's important not only for job creation, but it will also help us attract business to this State, keep business here, and

make New Jersey the international business center that it is. We support the legislation as has been mentioned by others here. The \$1.8 billion is critical to make our transportation system competitive and our ability to compete in the international arena.

Another point that I don't think has been raised, so far, is that if you look at the \$200 million by raising the cap, that would make us eligible for additional \$200 million in Federal funds. This is key. Any time that we can increase our ability to tend new funding when there is limited public resources, we should take advantage of this. As Phil Beachum pointed out, many of us are in the fight with you down in Washington to see that we protect our interest during the reauthorization of ISTEA. So it is important that we demonstrate that not only are we aggressive, not only do we have the transportation projects and the need to build these projects, it's key that we take every opportunity to make our case in Washington, to take the money that we can because the other states are out there willing to do that.

So, in summary, we do support the project and we hope that you pass it out today and we thank you for the opportunity.

ASSEMBLYMAN DeCROCE: Thank you, Mr. McNamara.

Any questions of Mr. McNamara from anyone, Senate or Assembly side?

Thank you very much, gentlemen, we appreciate the fact that you're here today.

SENATOR CIESLA: Next witness is Gloria Solo (*sic*) from the New Jersey Jobs Now Coalition, and she is here solo.

And, Gloria, because we have a whole series of witness that yet have to come up and we have to conclude in about 45 minutes, if you could summarize, and for all future witnesses, if you could summarize your remarks, we very much would appreciate that.

GLORIA E. SOTO: I'll be very brief as well. My name is Gloria Soto. I have appeared before this Committee before in my capacity as past Chairman and President of the New Jersey Hotel/Motel Association and past President of the New Jersey Travel Industry Association and Chairman of the New Jersey Travel Industry Association, but I appear today on behalf of the Coalition for New Jersey Jobs Now and urge you to vote yes on Assembly Bill No. 2798 and Senate Bill No. 1948.

Our growing Coalition is comprised of major business and labor organizations throughout New Jersey who believe that investment in transportation is vital to grow the economy of our State and to generate employment for tens of thousands of construction workers and create thousands of good, permanent jobs.

A list of the Coalition's members is attached with my statement, and I would like to mention just a few of them and give you a sense of the unity they represent to support this legislation. Among the Coalition members are the New Jersey State AFL-CIO, the New Jersey State Chamber of Commerce, the New Jersey Alliance for Action, and the New Jersey State Building Trades Council.

Many of the organizations participating in the Coalition will have representatives here to speak up for the passage of the legislation before you. They have joined the Coalition to emphasize there is a mutual interest between the public sector, the business community, and labor in moving forward with transportation projects that move our economy forward and create work and good jobs.

The Coalition for New Jersey Jobs Now urges your support to lift the New Jersey Transportation Trust Fund cap by \$200 million in the State fiscal year beginning on July 1. We believe the cap lift will enable our State to gain maximum advantage from a solid Statewide

Transportation Construction Plan that will fairly and comprehensively benefit all regions of the State.

We support the Capital Program the cap lift will make possible and hope you will agree that a decision that puts tens of thousands of New Jerseyans to work, building and rebuilding our transportation infrastructure, in turn leading to the creation of thousands of new permanent jobs from business expansion and development, is a positive plan for New Jersey.

Thank you.

SENATOR CIESLA: Thank you very much, Ms. Soto.

Are there any questions of the panel?

Thank you very much.

MS. SOTO: Thank you.

SENATOR CIESLA: Our next individual to testify is Mr. Joe Kelly. I also notice that we are joined by the Speaker of the House, Speaker Collins.

Speaker, welcome.

SPEAKER JACK COLLINS: Thank you. I was just passing through. (laughter)

JOSEPH KELLY: Good afternoon, Mr. Chairman, my name is Joe Kelly. I am with the Atlantic City Chamber of Commerce. I'm new to the marketplace. I come in from Ohio and to hopefully establish some credibility. Quickly, I'm not going to read my prepared comments but allow you to do that and be respectful of your suggestions early on.

SENATOR CIESLA: Thank you.

MR. KELLY: I will only offer one comment and it's in the packet of material that I did hand out.

Harrah's casino had done a study speaking to the multiplying affect of jobs and a number of cars involved and the number of other issues and the number of people that were put back to work as a result. I found that interesting reading. I think that it's-- In addition to the construction jobs, in addition to the permanent jobs that are being created through good infrastructure, I think it's a telling sign that I hadn't heard in today's testimony. So you have my comments in writing, and again, I will respect your time.

SENATOR CIESLA: Thank you very much, Mr. Kelly. We certainly appreciate your brevity and your points that you made.

The next two individuals that I would like to call up, jointly, is Mr. Richard Stokes from Atlantic Electric or Atlantic Energy rather and Mr. Stuart Wisner from the city of Atlantic City.

Gentlemen, good afternoon.

RICHARD STOKES: Good afternoon, Mr. Chairman or Chairmen.

I'll start off, I guess.

Again, my name is Richard Stokes. I'm the Manager of Government Affairs.

ASSEMBLYMAN DeCROCE: Hit the button, Mr. Stokes.

SENATOR CIESLA: If it's not on, your time is up. Thank you very much.
(laughter)

MR. STOKES: Time goes by quickly here.

I'll try and speak up louder then, if this isn't working.

Again, my name is Richard Stokes. I'm the Manager of Government Affairs for Atlantic Electric. We're an investor only electric utility company serving, principally, southern New Jersey, at least prior to restructuring of the electric utility industry.

We're here in support of the legislation S-1948 and A-2798. As many have spoken already, we're in support of it because of the economic development perspective. We think infrastructure development is critical, especially in southern New Jersey, and we think that the Transportation Trust Fund provides that extra support and need for us, not only in Atlantic City, which most of the questions were raised today about, but also throughout all of New Jersey. And with that I will just remain to answer any question you might have in reference to our comments.

I have prepared written comments, and I will leave that with staff to distribute to the members.

STUART B. WISER: Good afternoon, my name is Stuart Wiser. I represent Mayor James Whelan's city of Atlantic City.

I, too, have some prepared statements that I will distribute. I would like to, however, take a couple of minutes to react to two comments that were made earlier today. One is by Ms. Gluck who referenced that Hilton was not a player when Atlantic City first went out to RFQ for the Heron North area. I would remind the Committee that neither was Mirage, but Mirage did submit a bid and was ultimately selected. I would also like to react to comments made by the consultants for Mr. Trump that referenced Mirage's SCC filing that spoke to a delay in the project, and I would react that delay is directly a result if lawsuits filed by their client--

ASSEMBLYMAN DeCROCE: We would rather you address the overall cap.

MR. WISER: I am prepared to do that, sir. This legislation, on behalf of all of New Jersey, for \$200 million increase in appropriations from the Transportation Trust Fund will provide funding for many significant projects throughout the State, not only in Atlantic City, and we're in support of those projects, Middlesex County, Bergen County, light rail systems in the north and the south, and, yes, the Atlantic City-Brigantine connector.

As this project would benefit Atlantic City, we're talking about benefiting the State-funded and State-run convention center which will open on May 2. It's also an important highway access improvement for the residents of Brigantine for emergency access to and from that island. It also facilitates crosstown traffic in Atlantic City and eases congestion on the city streets.

The economic impact, quite frankly, jobs, jobs, jobs, and taxes. Again, I have some prepared comments, I won't go on. I'm prepared to answer some questions, but I thank you for your time.

ASSEMBLYMAN DeCROCE: Thank you, Mr. Wiser. Are there any questions of either Mr. Wiser or Mr. Stokes?

Senator Cardinale.

SENATOR CARDINALE: I realize that it's a small portion of the total that we're dealing with, but there were representations made in this letter that we received -- all the members of the Committee have received now -- from the Hilton organization that indicates -- and I think you're probably in a position to answer this -- that there have been failures on the part of Mirage to apply for permits and proceed in a fashion as if they really intended to go forward. Now, you would be in a better position than the SCC to know whether they have failed to apply for permits, or what have you. Have they applied for the permits that are necessary? Have they done the things that under the contract they would have been obligated to do up until this point in time?

MR. WISER: The contract with the city -- and that's all that I can speak to -- has a series of deadlines. To date, Mirage has not missed one of those deadlines.

ASSEMBLYMAN DeCROCE: Any other question from any member of the Committees?

Thank you, both, gentlemen.

Okay, let me just go on to say that we have representations from former Assemblyman, and I would like to recognize him, Ed Kline, in support; William Cleary of the New Jersey Concrete and Aggregate Association, in favor; Jim Sinclair of New Jersey Business and Industry, in favor; and Curtis Fisher.

J. EDWARD KLINE: Good afternoon, everybody. Ed Kline, resident of Brigantine. A few issues were brought up this afternoon. I just wanted to clear the record on those particular issues. Yes, we're in favor of the increasing of the cap, and that's because the City of Brigantine benefits directly from the funding that you're going to vote on today. In the summertime there are 30,000 people in Brigantine, in the winter there are 15,000 people. This highway -- according to the spin doctors, the Trump organization, and other individuals against it state that it is a highway to Steve Wynn's project. That is not true. This is a highway that's an inner connector throughout the City of Atlantic City. All the casinos in that area will benefit. The biggest beneficiary is the City of Brigantine. We're taxpayers. We want our fair share. We feel Mr. Wynn is putting up his fair share, and we feel the State of New Jersey should put up their share towards this project.

As the cars go through the tunnel, through the highway, probably 40 percent will go to the City of Brigantine, 20 percent will go to Harrah's, 20 percent will go to the Mirage, and 20 percent will go to Trump Castle. We feel this highway is being funded and divided among the users as a fair, equitable deal. Yes, it creates jobs. There has been a lot of talk today, someone is talking about the Hilton letter. If Hilton comes to town and he made this offer, he hasn't dealt with cap or the planning board or the City of Brigantine. We put our needs in there, which include a highway and a tunnel. Mr. Hilton will be before you asking for funding because you're not going to build anything on the H-Tract and cut off the City of Brigantine, that goes for Mr. Hilton, or anyone else. Steve Wynn is not just standing here volunteering, saying that he is going to fix the roads. He will be mandated by cap, as would Hilton, and Hilton would have to come up with a lot of dollars, and you'll see him walk away. So don't believe the spin doctors and all of this information before you, look at what the reality is.

Thank you.

ASSEMBLYMAN DeCROCE: Thank you, Assemblyman. Are there any questions for Assemblyman Kline? There are none.

Thank you, Assemblyman.

Curtis Fisher.

CURTIS FISHER: Thank you, Mr. Chairman.

ASSEMBLYMAN DeCROCE: Let me remind you that I would like to stick to the cap.

MR. FISHER: Yes, actually that was what I was going to say. I appreciate the opportunity to testify, and Anita Jane has been working on transportation on that specific issue.

My name is Curtis Fisher, I'm the Executive Director of NJPIRG Citizen Lobby. We have been working on transportation policy for years and have been active in terms of supporting the Transportation Trust Fund and supporting the building of New Jersey's infrastructure. I was going to ask if I could just, specifically, and very briefly address the concern that we have, and I just want to make it condense. It's not a question, of course, whether we

spend this money, it's a question of what we spend it on, and I think that is the critical issue. I just submitted testimony and had it distributed and if I could have one minute just to briefly outline that issue.

ASSEMBLYMAN DeCROCE: Just summarize it, Mr. Fisher. I'll go along with it.

MR. FISHER: Okay. Thank you very much, Mr. Chairman.

I just want to mention that Governor Whitman recently attended a hearing in New York regarding the ISTEA reauthorization and noted that the number one priority of the State should be preservation of our systems, and we support the Governor on that. We have been meeting with the Governor's staff, including Commissioner Haley, to express our concerns that this budget does not include enough spending on preservation projects and has too much spending on the highway expansion side. The Commissioner, in his testimony, has presented data or statements -- actually I shouldn't say data -- to this effect. I provided data to the Committee regarding this. It's an ongoing issue and we're trying to clarify this, and I'm not holding myself out to be the transportation guru. It's a complicated issue, but I know that Governor Whitman's staff has expressed similar concern over whether the current capital plan has enough money in it to provide the system preservation needs of the State at this current time.

We are trying to work with the Governor on that and, clearly, when we are talking about the amount of spending and including it in this cap wide -- that's why I think it's appropriate and I appreciate your latitude.

ASSEMBLYMAN DeCROCE: If you were here earlier you would have heard Commissioner say the major portion of the \$200 million would be to refurbishing existing--

MR. FISHER: And that's our concern, because it is our analysis that the budget-- He presented a number of 76 percent to system preservation.

I'd just like to note just two immediate things, just so you know: One, that number includes both mass transit and highway space. So we're, of course, talking more about highway spending and how we deal with highway spending. That's the first thing that gives you an inflated system preservation number. The second thing is that deals with Federal and State money. We know that-- We're more concerned about how the State is spending money right now in this conversation, and the State money is more going to highway expansion, in that case, so that the ply immediately changes.

I just want to make a point that I think this is an important debate to have. I appreciate the opportunity to address and I'm going to be trying to find ways to communicate to the members of this Committee and to the Appropriations Committee about that issue. I can stop right there and say that I would like to engage in conversation with the members in the future.

At this time we don't have a specific position on the cap. We're hoping that the system preservation projects get into the budget. Twenty-five percent of our bridges are structurally deficient. Those are serious needs. We need mass transit and other things that this Committee has been working hard to provide. I appreciate the opportunity to point out our concerns.

ASSEMBLYMAN DeCROCE: Thank you, Mr. Fisher. I can assure you the Commissioner means exactly what he says when he tells you 76 percent will be in preservation.

Any questions of Mr. Fisher by anyone?

Thank you very much.

SENATOR CIESLA: Okay. Mr. Chairman, thank you very much. At this time I'll entertain a motion on the bill from the Committee, please. I think we have to do one for the Senate and one for the Assembly -- not specific enough -- from the Senate Committee.

SENATOR ADLER: I move.

SENATOR CIESLA: Moved by Senator Adler. Is there a second?

SENATOR BARK: Yes.

SENATOR CIESLA: Seconded by Senator Bark.

Roll call, please.

MR. MANOOGIAN (Committee Aide): Senator Sacco.

SENATOR SACCO: In voting yes, I make it clear that I'm voting on the cap waiver and no projects. I was hoping that this could have been a very brief meeting. We're not here to discuss projects. We went through every aspect of all the projects that could possibly be. Staying on the topic, yes.

ASSEMBLYMAN DeCROCE: Thank you, Senator.

MR. MANOOGIAN: Senator Adler.

SENATOR ADLER: I vote yes. It seems to me that this lifting of the cap for this one year will create new construction jobs for New Jersey's economy, will improve mobility even further than we would with the existing cap, and we'll increase our efforts in business attraction, retention. In particular with regard to Atlantic City, we'll spur the sort of growth in terms of both construction jobs and permanent jobs that will help make Atlantic City even more of your first-class tourist destination which, of course, leaves to benefit for the State in terms of increased revenues for the CRDA, PAAD. All of the things that I heard the Commissioner say, I think, all are well intentions, and I think we can achieve great things for the State with this vote, so I vote yes.

MR. MANOOGIAN: Senator Cardinale.

SENATOR CARDINALE: Like Senator Sacco I am-- I want to be extremely clear that my vote is no endorsement of any of the individual projects that are envisioned here, but rather, that I believe we need to go forward with the totality of improving the infrastructure in New Jersey. I would like to make a particular request of the Commissioner, which I would hope that he evaluate very closely this tunnel project, evaluate very closely whether or not this is a serious bid from the Hilton organization and evaluate very closely what other projects might be funded if we didn't have to build that tunnel and still could get the development of the H-Tract. With that having been said, I will vote yes.

MR. MANOOGIAN: Senator Bark.

SENATOR BARK: Yes.

MR. MANOOGIAN: Senator Ciesla.

SENATOR CIESLA: Yes.

The bill is released. Thank you very much.

Mr. Chairman.

ASSEMBLYMAN DeCROCE: Thank you very much. I would like to call for a vote and someone to form a motion.

ASSEMBLYMAN BUCCO: I'd like to move the--

ASSEMBLYMAN DeCROCE: Moved by Assemblyman Bucco. Do you have a statement?

ASSEMBLYMAN BUCCO: Yes, Mr. Chairman. You know we're not voting on the Atlantic City tunnel, but on the lifting of the Transportation Trust cap by \$200 million. This increase in the cap will create a tremendous opportunity to increase jobs in our State and to improve our infrastructure.

Excuse the pun, Mr. Chairman, but this is not a heavy lift and I intend to vote yes.

ASSEMBLYMAN DeCROCE: Assemblyman Wisniewski.

ASSEMBLYMAN WISNIEWSKI: Second the motion.

ASSEMBLYMAN DeCROCE: Seconded.

Roll call, please.

MS. MELICK (Committee Aide): Assemblyman Wisniewski.

ASSEMBLYMAN WISNIEWSKI: Mr. Chairman, I vote for this. We need to create jobs. After three years, we need to prime the economic pump in this State and this will help do it.

ASSEMBLYMAN DeCROCE: Thank you. I believe we have a yes vote from your colleague Assemblyman Impreveduto.

ASSEMBLYMAN WISNIEWSKI: Yes.

MS. MELICK: Assemblyman Garrett.

ASSEMBLYMAN GARRETT: Yes. I vote yes on the bill, and I look forward to the Department responding to the questions that were raised by myself during this Committee, hopefully before the bill gets to the floor of the full Assembly. Yes on the bill.

ASSEMBLYMAN DeCROCE: Maybe we'll make you a part of the next Trust Fund group that puts together in the next Trust Fund.

Assemblyman Asselta.

ASSEMBLYMAN ASSELTA: Mr. Chairman, I vote yes, in the affirmative also and make it extremely clear that this a South Jersey vote and make it extremely clear to everyone in this room that the future of this State lies in South Jersey.

The growth of South Jersey is the most important aspect of what I see in this bill, and I think if we're going to continue to compete regional- wide, nationwide, and international- wide, South Jersey is the area. It's proven. We brought in two major companies now. Now a French company to South Jersey, the manufacturing company. To build that infrastructure and continue to grow and make that infrastructure react to those needs is critical. I vote in the affirmative.

MS. MELICK: Assemblywoman Farragher.

ASSEMBLYWOMAN FARRAGHER: Yes.

MS. MELICK: Assemblyman Bucco.

ASSEMBLYMAN BUCCO: Yes.

MS. MELICK: Assemblyman DeCroce.

ASSEMBLYMAN DeCROCE: Let me just say before I vote I want to show my appreciation to Chairman Ciesla and the Senate colleagues for joining with the Assembly Transportation Committee today in this affirmative vote, and I look forward to a long construction year in the year to come, so I vote in the affirmative, yes. (applause)

Local 472 thanks for coming.

(MEETING CONCLUDED)