

NJ
10
R628
1988J

COMMITTEE MEETING

Before

ASSEMBLY INDEPENDENT AUTHORITIES COMMITTEE

Testimony concerning the State's independent
toll road authorities

May 26, 1988
Room 341
State House Annex
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman William "Pat" Schuber, Chairman
Assemblyman Ralph A. Loveys, Vice Chairman
Assemblyman Louis J. Gill

ALSO PRESENT:

Edward P. Westreich
Office of Legislative Services
Aide, Assembly Independent Authorities Committee

* * * * * New Jersey State Library

Meeting Recorded and Transcribed by
Office of Legislative Services
Public Information Office
Hearing Unit
State House Annex
CN 068
Trenton, New Jersey 08625

C O M M I T T E E M E E T I N G

Before

ASSEMBLY INDEPENDENT AUTHORITIES COMMITTEE

Testimony concerning the State's independent
toll road authorities

May 26, 1988
Room 341
State House Annex
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

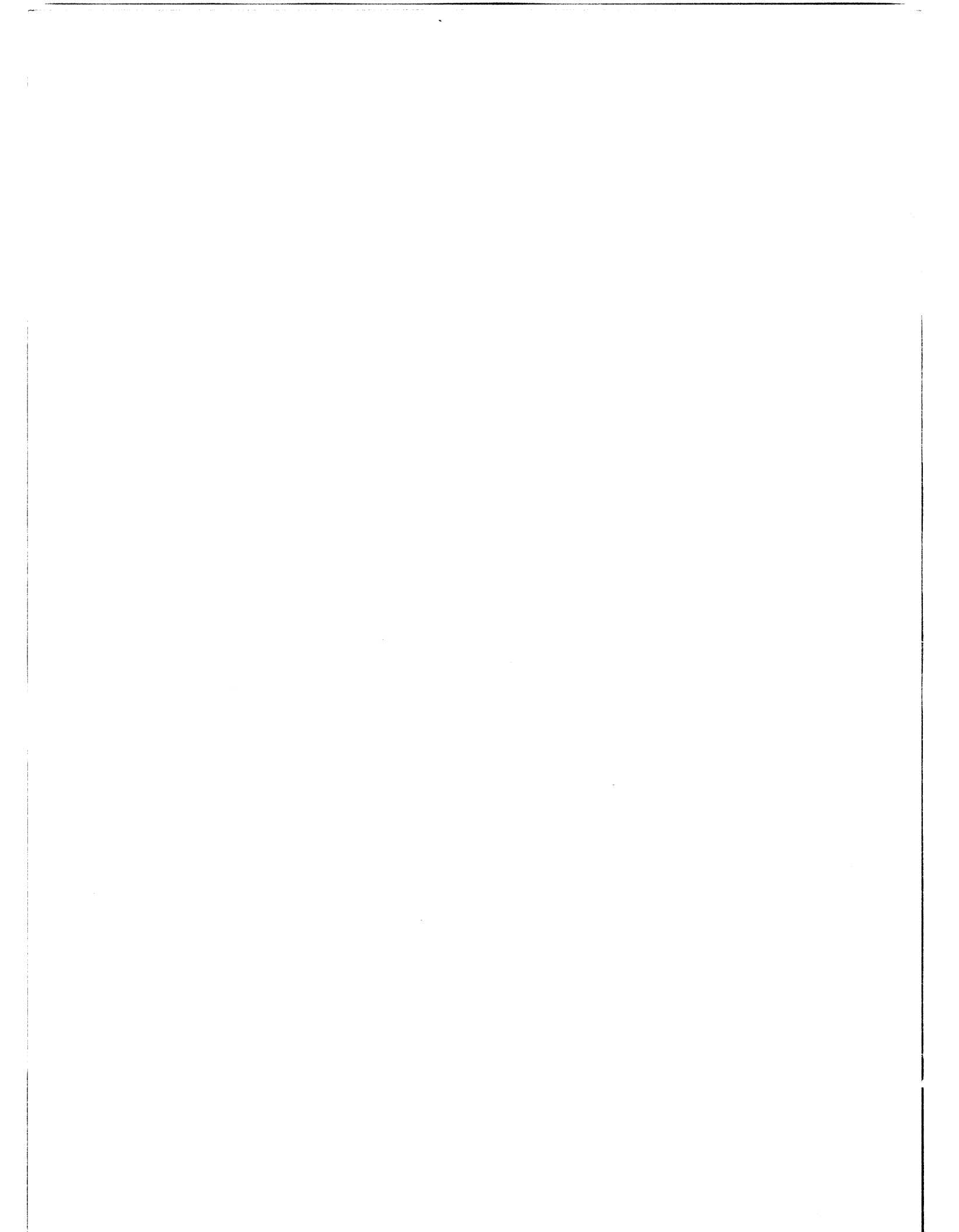
Assemblyman William "Pat" Schuber, Chairman
Assemblyman Ralph A. Loveys, Vice Chairman
Assemblyman Louis J. Gill

ALSO PRESENT:

Edward P. Westreich
Office of Legislative Services
Aide, Assembly Independent Authorities Committee

* * * * * New Jersey State Library

Meeting Recorded and Transcribed by
Office of Legislative Services
Public Information Office
Hearing Unit
State House Annex
CN 068
Trenton, New Jersey 08625





New Jersey State Legislature
ASSEMBLY INDEPENDENT AUTHORITIES COMMITTEE

LIAM P. SCHUBER
Chairman
STEPH A. LOVEYS
Vice-Chairman
FRION CRECCO
HIS J. GILL
ANIS L. RILEY

STATE HOUSE ANNEX, CN-068
TRENTON, NEW JERSEY 08625
TELEPHONE (609) 984-7381

MEMORANDUM

May 12, 1988

TO: MEMBERS OF THE ASSEMBLY INDEPENDENT AUTHORITIES COMMITTEE
FROM: ASSEMBLYMAN WILLIAM P. SCHUBER, CHAIRMAN
SUBJECT: COMMITTEE MEETING - THURSDAY, May 26, 1988

(Address comments and questions to Edward Westreich, Committee Aide, at 609-984-7381.)

The Assembly Independent Authorities Committee will meet on Thursday, May 26, 1988 at 9:00 a.m. in Room 341, State House Annex, Trenton, to consider the following bill:

A-1887 Includes employees of certain institutions and authorities in Zecker payroll deduction program for overdue guaranteed student loan payments.

Beginning promptly at 9:30 a.m., the committee will be taking testimony concerning the State's independent toll road authorities from the following persons:

- (1) Hy Grossman, Managing Director of Standard & Poor's Corporation.
- (2) Hazel Frank Gluck, Commissioner of Transportation.
- (3) Assemblyman Ben Mazur.

Anyone wishing to testify at the meeting is requested to contact Edward Westreich, Aide to the Committee, at (609) 984-7381 for scheduling.

TABLE OF CONTENTS

	<u>Page</u>
Hyman C. Grossman Managing Director Standard & Poor's Corporation	1
Assemblyman D. Bennett Mazur District 37	21
Hazel Frank Gluck Commissioner New Jersey Department of Transportation	29
Roger E. Nutt Assistant Commissioner for Finance and Administration New Jersey Department of Transportation	43

APPENDIX:

Statement and other materials submitted by Hyman C. Grossman Managing Director Standard & Poor's Corporation	lx
Statement submitted by Hazel Frank Gluck Commissioner New Jersey Department of Transportation	28x
Statement and article submitted by D. Bennett Mazur District 37	33x

* * * * *

ASSEMBLYMAN WILLIAM "PAT" SCHUBER (Chairman): We will now begin the next portion of our continuing series of hearings with regard to the State's responsibility in overview of our State's independent authorities.

Our first witness is Hy Grossman, who is the Managing Director of Standard & Poor's Corporation. Mr. Grossman is well respected in the field, and is very knowledgeable in the area of independent authorities. Mr. Grossman, we welcome you.

H Y M A N C. G R O S S M A N: Thank you. Good morning. As I've indicated to staff, I have a short prepared statement. I have some attachments to it which deal with our -- just so you'll have a background as to Standard & Poor's rating activities related to the State of New Jersey, and some of its entities.

We do an annual credit review on the State of New Jersey usually in March, following the budget submission by the Governor. We have that attached, giving you our view of the general credit. And with that is included some credit reports on some of the authorities, including the Turnpike and the New Jersey Highway Authority -- Garden State Parkway.

By coincidence, this week on May 23, we published a special supplement called, "Toll Roads Shift Funding Gears." It's a toll road review giving an overview of the factors that go into our ratings on toll revenue bonds, including short rating rationale on most of the major toll roads around the country.

And also attached is an article -- again by coincidence -- in this month's issue of "Empire State Report" which comes out of New York, dealing with a particular aspect of public authorities in New York. New York has established initially out of the fiscal crisis of the '70s -- which not only affected New York City, but New York State and its related agencies-- Back in 1975 or '76, they developed something called the Public Authorities Control Board, and I've attached

a copy of that for your information and review. I think it's something the Committee ought to at least examine seriously.

So with that, Mr. Chairman, I'm honored to appear before the Assembly Independent Authorities Committee to provide some views concerning aspects of your present deliberations related to New Jersey's three toll road authorities.

At the outset, let me state that I think any reasonable observer of the New Jersey scene must acknowledge the success of the three major toll roads in New Jersey: the Turnpike, the Parkway, and the Atlantic City Expressway. They have provided quite efficient and relatively cheap access to the movement of people and goods through the State. They have also been a factor, we believe -- as we've cited in our credit reports over the years -- in the State's economic development, especially as it's accelerated over the past 20 years.

The creation of authorities, and specifically toll road authorities, is a well-founded and widely accepted method for financing and construction of facilities which are essentially paid for by those who use the facilities. The generally accepted rationale for authority user based financing, however, include some, what I would call, broadly stated characteristics that these authorities have in common:

- You should have a concentrated effort upon a specific mandate, be it transportation, airports, highways; something specific that the authority is concentrating on.

- Authorities should have an aspect of professionalism about them.

- Authorities empirically should be apolitical.

- They should also be more efficient.

Authorities are also usually beyond the province of certain restrictions that deal with projects, for example by zoning in some states. I'm not familiar with the extent, for example, that State authorities in New Jersey may be exempt

from some zoning restrictions, permits, codes, contracts, letting, and perhaps some civil service regulations. I know there may be some liberality with regard to authorities vis-a-vis the State agencies.

However, when authorities deviate from any of these characteristics, they dilute the rationale, in my opinion, for their establishment. My theme here is that even as we may agree upon these fairly common characteristics of authorities, there must be another piece in the picture; and that is that you must always have present accountability and credibility to the people through their elected Legislature and executive. Credibility to the bondholders and financial community is also a vital and ongoing necessity. And, it is this twin element of accountability and credibility that at least in the last few years -- since '84 -- I think the Turnpike and Parkway Authorities have slipped a little bit in terms of accountability and credibility. This is where I want to focus my attention and suggest recommendations.

In 1984, for example-- We meet with the Turnpike regularly. In fact, we have scheduled a June 6 meeting with them in New Brunswick for a periodic update. In connection with a refinancing in '84, we asked about anything major coming up on the horizon. A typical question: Anything major or new coming up? They said, "Nothing really new. We've commissioned an engineering study," but that's about all they told us.

Within a year -- as you know, I think it was May of 1985 -- a significant \$2 billion financing was announced by the Chairman with no advance notice as far as we were concerned. We heard about it in the newspapers the next day. We got on the phone and said, what was this all about? We got a copy of the press release and the press kit that went with it. The financing of this huge project was discussed with preliminary documents to us just before the 1985 elections, in very early November of '85, showing a need for a 40% basic toll increase

within the following year. The financing took place later in the year, all at once, to take full advantage of maximizing the investment return from bond proceeds to the fullest permitted then prevailing tax code provisions. As you recall, the Federal Tax Reform Act was going to take effect the following January.

By the time the financing was closed, projections were revised showing that no toll increase would be needed before 1990 at the earliest, or if another bond issue beyond the 2 billion had to be sold, a toll revision might be needed. Undeniably, the Authority did well by the financing which at that time was innovative. If you recall, they invested 2 billion temporarily. And most of it, because of delays as you probably know also, is still invested and earning probably by the time they're finished with the program, an extra \$100 million, \$120 million to the toll road, which in turn benefits the users because in the long run it means they can use that money for capital projects, overruns, or whatever else might be needed. So to the extent that helps them reduce a future bond issue, that helps the overall capital plan of the New Jersey Turnpike.

After some delays caused by litigation and environmental permit requirements, the project has begun to move forward; but it is slow and probably two or three years behind the original question. So concerning the Turnpike, perhaps any flap at that point was short-lived.

However, the Highway Authority has not experienced I don't think a similar ending, at least at this point in time. In the summer of 1987, the Highway Authority began discussing a new capital improvement program to be initially funded with the private placement or, what I call, non public sale of up to \$80 million in subordinated debt in the form of a bank loan or a line of credit, which would be due, to the extent it was drawn down. As of a recent date there's about \$50 million due to the bank. The loan is all due in July of 1988.

After the 1987 elections, which is later in November, the Authority went public with its proposed toll increase and capital program. Well the rest, as the phrase goes, is history, and has been too well-documented already to need further elaboration by me. The Legislature and public reacted quickly and with decided skepticism in terms of toll increases. The Governor also responded quickly and forcefully. To his credit, he got Treasury and the DOT to do a quick but targeted study which by February of 1988 -- earlier this year -- had documented a number of management shortcomings as far as the Highway Authority was concerned. I think you all have copies of Treasury and DOT's reports. The Governor in the same time frame had vetoed the '88 budget and toll increase proposal. However, he did approve a smaller ramp increase. As you know that's become effective on May 1 of this year, but he said he wouldn't approve any further major projects without going back to the drawing board so to speak and come back with renewed justification and documentation. So in my opinion, democracy has a way of working its way into the process when there exists together an alert press, a Legislature, and a decisive executive.

So where should we all move from here? I think it is important to remember again that the Authorities have had major successes. Indeed, it is not likely that the State's major toll roads could have been accomplished, or highway projects similar to what has been accomplished, in the way or time they were done without the Authority and companion revenue user bond mechanism. Indeed, you have not too long ago recognized the concept with the more recent creation of the Transportation Trust Fund Authority, which like the other authorities, avoids the annual competition at the State House with basic service oriented agencies such as Education, Human Services, Correction, and so forth. Also, as pointed out in S&P's "Toll Roads Special Report" -- which is attached -- the Federal

Surface Transportation Act of 1987 opens up possibilities for Federal financing participation in toll roads. And that is a new development that you ought to be aware of if you're not yet aware of that.

So in conclusion, the following are specific areas I suggest the Committee and the Legislature may examine for possible legislative action concerning the toll road authorities. These are only suggestions:

Study New York State's Public Authorities Control Board for possible use in New Jersey, or adaptation to the extent you think is useful in New Jersey. Again, a recent article is attached so you can have the details on that.

Essentially, just in brief summary, that Authorities Control Board in New York came out of a crisis in the mid-1970s. At that point it was supposed to be in existence for only a year, to sort of get things straightened out and get the authorities in shape to enable them to move forward. However, the Legislature decided to continue that Control Board indefinitely. So it's ongoing right now, and has an oversight responsibility in terms of the calendar, in terms of having not too many authorities going out to the market at the same time. It has an input in terms of feasibility. The Budget Director of the State is also involved. You have legislative as well as executive membership together, reviewing fiscal impact on the State. In other words, if the Authority got into trouble with its project, what impact if any might that have on the State budget? To us that's a very helpful attribute of this Board, and maybe that's something you all could use in New Jersey if you don't have it in place at this point.

We think the law ought to locate a central coordinating effort for all transportation related activity in the State of New Jersey, to bring together, maybe through DOT-- You have several agencies involved in transportation; the Trust Fund Authority, the toll road authorities, New Jersey

Transit, and the Port Authority of New York and New Jersey. They're all doing things, spending a lot of money, borrowing big numbers. Somebody ought to be coordinating that effort, because the Turnpike's projects have an impact on the Parkway, which in turn impact the Transportation Department's toll free projects, and so forth. So you should, if you don't have in place now, have an overall look-see at to what's going on.

Have the Legislature involved in the planning and oversight process -- maybe that's kind of repetitive of what I just indicated -- by legislative representation on these coordinating and oversight bodies. There may be some of these oversight pieces in place now. I'm not sure. I think they are here and there, but maybe not in total.

I think you ought to have by law -- if you don't have it in place -- an annual formal report and presentation by these authorities to the Legislature concerning their financial and capital improvement programs and their status. You know, what are they doing this year and for the next few years? How much do they intend to borrow? What's going to be the impact on tolls and the State budget, if any?

Also require that in addition to an annual audited financial statement -- which I think they are required to do now -- it surprised me that the annual report does not also mandate a full management letter concerning controls -- internal and so forth -- and the status of reserve funds, and other management aspects that should be reviewed on a regular basis, and also should be part of the audit engagement letter. When you're hiring an auditor, part of their regular engagement should include not only auditing their financial statements, but also, I think, providing a management letter annually as to how this Authority, this agency is doing on a management scale. I think this would have prevented perhaps some of the problems that have developed.

Even though some of the foregoing suggestions may be in the process of being adopted, including an enhanced recognition of the Open Public Meetings Act. It is my judgment that should the Legislature move along the lines suggested above, it will make significant progress in meeting the ongoing challenge of accountability and credibility which is so important to the people in a democracy, as well as the financial community of which we happen to be a part.

With this as a background statement, I'll be glad to answer any specific questions. Thank you.

ASSEMBLYMAN SCHUBER: Mr. Grossman, I think that in reviewing your statement and listening to your explanation of it today, your position with regard to an abolishment of the toll road authorities would be that you would not favor that, I assume. Is that correct?

MR. GROSSMAN: Well at least not in the near term. I think a movement to abolish the authorities requires a tremendous amount of research. There are a lot of potential legal problems, financing problems. Do you have to, for example, re-fund the outstanding debt of the old toll roads? That presents complications. It would probably be an expensive proposition to the State.

It may or may not impact the bond rating of the State's general obligations, but if you throw 3 billion or more general obligation data on the marketplace, even if the rating stays the same, I think you need to be aware of the supply and demand aspects in the marketplace. If the supply increases dramatically and suddenly, it will depress the market for New Jersey general obligation bonds. There's no question about that.

So I would move very cautiously in terms of abolishing. I know there is another bill pending recommending that a study group be put together. I think Senator Rand had something along those lines. If after these hearings you feel

a Commission ought to be established, and put this on the agenda together with maybe some of the other specific suggestions I've recommended-- It's something that may go on an agenda, but I would not rush to it because it's very complicated. There are bond covenants out there. There are bondholders out there. There's the State itself that has a lot of general obligation debt that still is on the table, authorized and unissued. And certainly you, as members of the Legislature, wouldn't want to do anything to depress the market acceptance and pricing of New Jersey securities.

ASSEMBLYMAN SCHUBER: What happens if we were to adopt something of a concept like the Transportation Trust Fund, to the extent that you combine the, let's say for instance-- Although our inquiry goes beyond just the three toll road authorities, supposing we were to combine the functions of the three toll road authorities under one entity that would be a shelf for the purpose of maintaining the bond, similar to the Trust Fund, but yet the functions thereof would be subcontracted out to, for instance the Department of Transportation in those particular areas? In essence you're creating the same thing as the Transportation Trust Fund.

MR. GROSSMAN: That's a do-able concept. I think some other states have adopted frameworks along those lines. Maryland and Delaware recently combined their transit related-- They're now going into a transportation trust fund, interestingly enough. I think they've copied the New Jersey model, in terms of combining user based revenues coming out of automobiles and the toll roads, and putting that together under an umbrella organization. That's do-able. You can keep the bondholders covenants outstanding, and not disturb those promises to outstanding bondholders. You could conceivably cap the debt issuance of these outstanding authorities for example, and have down--

Again, that's why it takes time to analyze for example. If the Highway Authority needs more capital financing down the road, that would be impacted if you cap it now, how do you do that additional financing without refunding everything outstanding? Re-funding, I think, would be a very expensive proposition. As you know, I'm just talking off the top of my head, calling upon my experience of 27 years of experience in this business. It's do-able, but it takes time. You need to study it very carefully. It might take a year or two to come up with real feasible suggestions that makes sense financially, management-wise, and so forth. You could create a holding company concept--

ASSEMBLYMAN SCHUBER: Yeah.

MR. GROSSMAN: --with the authorities being subsidiaries. In fact, I look at the Metropolitan Transit Authority in New York that has under it several subsidiary type entities such as the Triboro Bridge and Tunnel Authority, New York City Transit Authority, and some other smaller corporations. So, that's a possibility, but I think it needs to be studied very carefully.

ASSEMBLYMAN SCHUBER: But in your opinion that might be a do-able concept?

MR. GROSSMAN: I think it's something that should be looked into. I'm not saying adopt it tomorrow morning.

ASSEMBLYMAN SCHUBER: Right. Actually we don't want to work as fast as the Turnpike evidently did when they decided over the course of that year to adopt a \$2 billion financing report.

MR. GROSSMAN: Well I think frankly part of it was triggered by the impending effective date of the Tax Reform Act. They and many others rushed the market because the old law did not have any restrictions on arbitrage earnings. And I say certainly at this point in time they look real good in terms of doing the \$2 billion at one time.

ASSEMBLYMAN SCHUBER: Well, financially it worked out. I was concerned though. You make your rounds of all the authorities once a year, I guess. Is that true?

MR. GROSSMAN: Yes, 12 to 18 months. We meet with the State itself here in Trenton regularly in the State House.

ASSEMBLYMAN SCHUBER: And in '84 I guess you had gone to see the Turnpike and they had said nothing about any new financing.

MR. GROSSMAN: That's true. As an aside, when that announcement came out I called Treasury and I said, "What's going on here?" Well, Treasury didn't know any more about that than they read in the newspapers at that point apparently. But they reacted quickly, and since then-- It's not that they have to tell us first.

ASSEMBLYMAN SCHUBER: I appreciate that.

MR. GROSSMAN: We wanted to know it at the same time the media was knowing about it.

ASSEMBLYMAN SCHUBER: We in the Legislature would like to know before the media knows sometimes too, but it doesn't always work that way.

MR. GROSSMAN: Okay. That's your prerogative. I have no subpoena power, though. But at least as the media gets the story we like to hear about it too.

ASSEMBLYMAN SCHUBER: I mean, that was a concern to me too. I appreciate your role is to review that and establish a credit rating as a result of that, and outright candor would have been--

MR. GROSSMAN: Well that's why I emphasized the credibility and accountability. To me it's always been very important. And occasionally we get confidential information before it's announced, and we use it only as background. We won't publish it, number one. Number two, it helps us to react to the press inquiries that we always get, because as soon as something goes out, we get calls from the newspapers. And if

we say, "Gee we don't know anything about it," I think the State looks bad. We look bad -- not bad, we don't look as good as we'd like to look. So, we want to be in a position to respond quickly to the news inquiries, which they are entitled to ask about, "What do you think about this, that, and the other?" as they did with the Highway Authority. When the Treasury did their report in early February we were aware of their conclusions and we were prepared to respond when it came out in the newspapers. Treasury has been very cooperative in keeping us concurrently informed so we don't read about it two or three days later. That's helpful I think to the State, as well as our own work.

ASSEMBLYMAN SCHUBER: With the Highway Authority, the actions of the Treasury you are talking about are the ones that the Governor instructed--

MR. GROSSMAN: Yes.

ASSEMBLYMAN SCHUBER: --as a result of what happened with the toll increase?

MR. GROSSMAN: Right.

ASSEMBLYMAN SCHUBER: In your review of the Highway Authority's plans, during the course of the time that you visited with them, had they ever said anything to you about the toll hike increase prior to it being announced?

MR. GROSSMAN: Well, to tell you the truth, they came in in the summer of '87. I personally was on vacation, and didn't know about the meeting until later. They indicated they were doing this interim financing with the bank.

To tell you the truth, had I been there at the time, I would have immediately said, "That means a toll increase." I don't know how they would have responded to that because you know, if you have \$50 million or \$80 million due next year, you don't have \$50 million or \$80 million to pay it off without a re-funding, a refinancing, which in turn, based on '87 results-- Their net revenues went way down, in case you don't

know, which meant they could not meet the bond covenant requirements in terms of issuing additional parity bonds, without a toll increase. So when I see 50 million to 80 million hit next year, that won't be paid when due from current revenues because there aren't any, need the refinancing, but you have to have, pursuant to the bond covenants that are out there -- which are contracts with bondholders -- you need to have developed a plan that the engineer will certify will cover by 1.20 the coverage requirement. So that meant a toll increase. How much, I don't know.

The toll increase in place now will allow them to cover the \$50 million to \$80 million this year, but probably not more than that in 1988. So the Governor's command to the Authority to come back with a plan that's fully justified -- and I think that will be done towards the end of the year or the turn of the new year -- at that point they'll have a plan in place that will be justified, and to the extent it's justified, the Governor will approve whatever is justified in terms of additional financing and a companion toll increase on the barriers, to the extent they can justify the need. So that is where that is at this point.

ASSEMBLYMAN SCHUBER: That summer meeting of '87, the Highway Authority obviously came in and said they were doing some interim financing.

MR. GROSSMAN: To begin a new project.

ASSEMBLYMAN SCHUBER: Correct. But they said nothing about a toll increase or the necessity of such?

MR. GROSSMAN: I really don't know, because I wasn't there. I can't believe a toll increase was not discussed or hinted at. I think the question was, at what point in time they would need it? We knew that they would need to have it in place if they were going to do all the projects that were put down before us. It required over the next two or three years \$100 million, \$200 million, or \$300 million in additional

financing. So obviously the toll increase would have to be significant.

ASSEMBLYMAN SCHUBER: By the summer of '87, would that have been the first time that the Highway Authority had indicated to you any new financing plan or the potential for any toll increase at that point?

MR. GROSSMAN: You mean prior to the summer of '87?

ASSEMBLYMAN SCHUBER: Was there any time prior to that in your review of their--

MR. GROSSMAN: I don't think so. Nothing specific.

ASSEMBLYMAN SCHUBER: Nothing that you remember?

MR. GROSSMAN: No. We knew, for example, looking down several years that traffic was building up on all the toll roads in the State of New Jersey. The State has been lucky. The economy is booming. It brings cars, cars, cars, and people, people, people to the highways. So at some point in time, the highway -- the Garden State Parkway -- already had projects being done. You know, the Asbury Park area down there. I personally use the Raritan toll barrier everyday. That is-- It's not a disaster area, but that is a pain in the neck barrier. So obviously some major improvements are needed along the Parkway's highway.

ASSEMBLYMAN SCHUBER: Mr. Grossman, one of the suggestions that we've been looking at with regard to the authorities is to have their capital projects reviewed by the Capital Planning Commission on an ongoing basis, which is obviously a commission here in the State of New Jersey that reviews the State's building plans, capital projects. Do you have any thoughts with regard to that?

MR. GROSSMAN: Well the argument is, will it impinge upon the independence of the authorities, on the authorities' projects, financing, and so forth. I don't think a capital planning commission oversight is a bad idea. I think we need to have the oversight process not be an unduly delaying

process. It ought to be something that's another check, a verification. It can add input to the process. That's where it ought to be coming from, not a barrier per se. And again, in most instances it probably depends on the people involved, rather than on the structure. So I think the people involved ought to be competent, independent, and knowledgeable.

ASSEMBLYMAN SCHUBER: One of the recommendations that you had made was something that we had been kicking around too, the establishment of an oversight entity over all of the State's authorities, similarly to the PACB in New York. I haven't read this article which you've provided for us, but it looks interesting. The question is, you deal also with New York authorities too in the course of your work, isn't that true?

MR. GROSSMAN: Yes.

ASSEMBLYMAN SCHUBER: What has been your experience through working with those authorities with the New York State PACB?

MR. GROSSMAN: I think it's been positive. I think it's been positive. It has helped in some instances avoid a problem situation; particularly one of the agencies in the State of New York is heavily committed to financing hospitals in distressed areas, which as you know is a legitimate public purpose. The question is, the hospitals in distressed areas are financially in great difficulty, and how do you do it? Through this authority's control board, further study was given because as I said it includes budget and legislative representation. So it's not all one-sided and you have an input of budget impact directly with the Legislature and the executive. And it created a financing concept that distressed hospitals will be supported in effect by certain dedicated Medicaid related revenues that the State provides but will carve out and assure that debt service gets paid for these entities, and will keep them ongoing. The point I'm making is

that occasionally this mechanism can work to add a thought process to this whole procedure which is helpful. And to that extent I think it's been successful in New York.

ASSEMBLYMAN SCHUBER: So it's been successful, and your feeling is that it does not create another bureaucratic layer or some other independent authority which is that much more removed from the public?

MR. GROSSMAN: That is correct. Some people feel though, and I think maybe here -- I don't know, I can't speak for the executive or Treasury -- that when the Legislature gets involved they want to assure that, as too often in authorities and government projects get going, the Legislature has a friend he'd like to see there, and there, and over there. If that happens, you're going to get bogged down.

ASSEMBLYMAN SCHUBER: Right.

MR. GROSSMAN: I think the Legislature, as I've traveled around the country, the Legislature in people -- members as well as staff -- I think they've elevated themselves over the last 10 years or so. Not that politics disappears, but I think their level of sophistication has been enhanced. Really. I'm not just saying it because you're here. I think it's true, and I've said it in other places.

ASSEMBLYMAN SCHUBER: The other legislation that's pending here, Senator Rand's bill to add the Commissioner of Transportation onto the -- and Commissioner Gluck will be here in a few minutes -- to add the Commissioner on to the boards of all of the highway authorities. Do you have any feeling with regard to that as a reform?

MR. GROSSMAN: Well I think that's a step in the right direction. I think it moves along at least some of my recommendations. I think it will help coordinate the State's transportation system on a statewide basis, because DOT I think has the expertise, it has the relationship with the Federal government, State planning process, and I think it will help

facilitate the coordination that's so vitally needed. You know, when DOT and TTFA get involved in something, they need to be aware what the Turnpike is doing, what the Garden State Parkway is doing, and what the Atlantic City Expressway is doing in the South Jersey area. I think it will enhance this coordinating and information sharing process. If it's done on a formal basis, that assures that it gets done.

ASSEMBLYMAN LOVEYS: If I may?

MR. GROSSMAN: Sure.

ASSEMBLYMAN LOVEYS: In your report, Mr. Grossman-- Your report is strictly a financial review of the three toll roads.

MR. GROSSMAN: Yes.

ASSEMBLYMAN LOVEYS: I just would like to know why you expressed certain things in two certain areas here. On page two, your second or third paragraph, you say "The financing of this huge project was discussed with preliminary documents just before the 1985 elections." Why would you not say, "The financing of this huge project was discussed with preliminary documents in September and October of 1985?"

MR. GROSSMAN: Because it was discussed literally the week before. Now, the reason--

ASSEMBLYMAN LOVEYS: So what?

MR. GROSSMAN: All right. The reason I mentioned elections was the Highway Authority situation, the flap if you will, dealt with the 1987 elections.

ASSEMBLYMAN LOVEYS: That's my next question.

MR. GROSSMAN: Yeah, okay.

ASSEMBLYMAN LOVEYS: Why could you not have said, "In November of 1987 the Authority went public with its proposed toll increase?" You say, "After the '87 elections." This is strictly an analytical and financial review. I wonder why you expressed it this way?

MR. GROSSMAN: No, excuse me. This prepared statement is not a financial review. These credit reports that are published by Standard & Poor's are the credit reports.

ASSEMBLYMAN LOVEYS: Okay.

MR. GROSSMAN: This preliminary overview statement is my philosophy. If you want to say it's mine, it's mine. I accept responsibility for that statement. When I evaluate credibility and accountability -- that I think are vital in credit evaluation ultimately, because you have to believe the people you're examining financially -- credibility is important. If somebody comes to me with a prospectus preliminarily just before an election, and there's a 40% toll increase indicated in there, that already has been circulated at least to some places. And the reason I mention that is because later on in a few weeks all of a sudden the 40% toll increase that was required, if you will, by the earlier report, disappeared. It disappeared. And the traffic forecasting was revised, and the toll increase then was not indicated to be needed until 1990.

I bring to my analysis experience in government. I was an elected public official in my home town. And I bring the political process to bear as I evaluate State and local government finances, because you can't ignore it. That's my own judgment.

ASSEMBLYMAN LOVEYS: Mr. Grossman, I did not ask the question to be argumentative. And I'm glad I did ask the question, because precisely I think that's why you did say it. But I just wanted to hear the reasons why. Okay?

MR. GROSSMAN: Oh, okay. I don't shy--

ASSEMBLYMAN LOVEYS: Somebody else could have just used the month October or the month November. You chose not to, and I wanted to hear why.

MR. GROSSMAN: My statement is deliberate.

ASSEMBLYMAN LOVEYS: Thank you.

MR. GROSSMAN: Thank you.

ASSEMBLYMAN GILL: Mr. Chairman?

ASSEMBLYMAN SCHUBER: Mr. Gill?

ASSEMBLYMAN GILL: You mentioned before that you couldn't believe that a toll increase was not discussed or hinted at in the summer of '87.

MR. GROSSMAN: I'm not sure. I wasn't there, so I can't be positive.

ASSEMBLYMAN GILL: But do you believe that there was any violation of the law at that point, or do you believe that there was any intent to cover up any of the proceedings?

MR. GROSSMAN: I have no idea, because I didn't know until later on, until the news media got into reporting on this whole question of were there meetings, were there closed door meetings, and so forth. I'm only going by-- That I have no idea on personally, but judging from the Public Advocate's report, and everything else that's been released on the public record since then, that there was probably a violation of the Open Public Meetings Act.

ASSEMBLYMAN GILL: Thank you.

MR. GROSSMAN: I say, probably.

ASSEMBLYMAN SCHUBER: I appreciate that. I think we all would agree that the--

MR. GROSSMAN: And I think everybody's learned something.

ASSEMBLYMAN SCHUBER: We would all agree that the Open Public Meetings Law will have to be addressed as part of the reforms that will be implemented or recommended by this Committee at the end of its deliberations. There's no doubt about the fact that there appears to have been a violation of that in our minds.

The other question though, would it be fair to say in summing up-- We appreciate your being here because it has given us good insight from outside the authorities looking in.

MR. GROSSMAN: Excuse me. Just as an add on to Assemblyman Lovey's point about-- I spent four years on a town council in Marlboro Township, so I'm familiar with the Open Public Meetings Act. That's why I'm extra sensitive to that. So I know. Anytime we have a five member council I said, "Hey, no more than two of you in one room at the same time," you know, unless we were holding a session. So I'm very sensitive to that. That's why I also brought that up in my prepared statement. And again, it's my statement.

ASSEMBLYMAN SCHUBER: I appreciate that. And if I could ask for your statement, without putting you on the spot. Would it be fair to say that given the fact that you have emphasized something which is important to us -- the accountability and credibility of these agencies -- would it be fair to say that our authorities are not necessarily as accountable to the public as they should be, based on your analysis?

MR. GROSSMAN: I think there's room for improvement. And I think this process, the hearings, the media that are focusing attention on that-- I'm hopeful that in the end, constructive, positive suggestions will come out of it. That's what has to happen in the end that we will learn from it.

ASSEMBLYMAN SCHUBER: I would assume that you would agree that possibly the credibility of these authorities is in question based on the activities that have gone on over the last year or two?

MR. GROSSMAN: As I say, I think that they've been slightly tarnished, but I think there's room and time to improve. I hope, and frankly expect that they will. The Turnpike specifically has done an improvement in terms of our relationship.

ASSEMBLYMAN SCHUBER: Are there any other questions?
(no response) Thank you, Mr. Grossman. We appreciate your candor very much.

MR. GROSSMAN: You're welcome.

ASSEMBLYMAN SCHUBER: Thank you for joining us.

MR. GROSSMAN: You're welcome.

ASSEMBLYMAN SCHUBER: If you come across any other materials with regard to that, if you would furnish them to the Committee I would appreciate it.

MR. GROSSMAN: Okay. I just saw--

ASSEMBLYMAN LOVEYS: Excuse me. Do you recommend we buy bonds-- (inaudible because of laughter)

MR. GROSSMAN: Standard & Poor's doesn't recommend. We don't buy or sell. We rate. But personally I think municipal bonds are offering very high yields right now, historically speaking.

Senate 2174, I just noticed, Senator Rand has introduced a bill on the Sports Authority. If I can get a copy of that?

ASSEMBLYMAN SCHUBER: Yes. Ms. Persichilli will give it to you. Thank you.

MR. GROSSMAN: Okay. You're welcome.

ASSEMBLYMAN SCHUBER: I note that Assemblyman Mazur is with us. Ben why don't you come on up?

A S S E M B L Y M A N D. B E N N E T T M A Z U R: You want me to go on?

ASSEMBLYMAN SCHUBER: Assemblyman Mazur is the sponsor of legislation which would abolish the toll road authorities, and give their functions basically over to the DOT. Is that correct?

ASSEMBLYMAN MAZUR: That's correct.

ASSEMBLYMAN SCHUBER: Correct. I have asked him to testify here as he has written a number of articles-- (pause while members of audience finish individual conversations)

ASSEMBLYMAN MAZUR: You know when the stars are in the room it's sometimes--

ASSEMBLYMAN SCHUBER: Okay.

ASSEMBLYMAN MAZUR: Before I really get into this, I would like to point out that a report was done in this State by the New Jersey Autonomous Authorities Study Commission, and was submitted in 1972. At that time amongst the recommendations: That authorities must be prevented from building their debt structure indefinitely so that they can never liquidate. They must be in the nature of self-limited and self-liquidating enterprises, and in some cases with a built-in timetable for discontinuance. Another item, the statutory provision should require the prompt dissolution of each authority as its function is achieved, together with a transfer of its funds and properties to its corresponding governmental counterpart, in this case we're talking about DOT.

ASSEMBLYMAN SCHUBER: Right.

ASSEMBLYMAN MAZUR: I've done some extensive readings in the area of organizational behavior, or bureaucratic behavior, in search of my doctorate and Ph.D. in urban planning and public policy. I'm presently putting together information for an academic article on the dysfunctional effects -- or the potential dysfunctional effects -- of authorities. Some of these thoughts are going to be worked through that article.

First of all, I know that there are other proposals to simply add Commissioner Gluck to all the toll authorities. I don't really think that's adequate -- although it's a good step in the right direction -- because I think she'll probably be forced to send a surrogate to these Commission meetings. She would be apprised of what had gone on, but it would already have gone on. Secondly, although she has very commendable persuasive powers, I think she'd be either outweighed or outvoted. Thirdly, the same procedure could take place in a clique or a caucus within the commission itself, where decisions would be made somewhere else and presented to her. In other words, she would be sort of excluded from the real decision making process.

The problem with the authorities is that they develop an agenda of their own, without regard for the other jurisdictions with which they must interact. An example of that would be the New Jersey Turnpike, which suddenly announced its plans for the issuance of bonds, the whole procedure, without consulting with any other jurisdiction, any county along the right-of-way. Now those counties had roads which were feeders to the Turnpike, and they were going to have to bear the brunt of the traffic. I don't know how much information was exchanged with the Department of Transportation, but at the time the announcement was being made I heard protestations in the press that they were not properly informed, that they were not aware of these developments taking place on the Turnpike; although in our county, and in your district, I-95 is the State highway for that mile to the George Washington Bridge.

The Port Authority-- I was informed by people in their planning division that they were called three days in advance of the announcement, and asked to endorse these plans that they never even heard of -- never heard of -- and they refused. Now, the Port Authority and those tunnels -- bearing in mind that this is I-95, an interstate highway really, a route -- were going to have to bear the brunt of a doubling of the capacity of the Turnpike. It's just inconceivable. And they're overtaxed as it is now.

So what we see is an enormous shortfall and no conference with or no conducting of information back and forth, and it sort of defies a proper planning process. It makes transportation planning impossible in this context.

Another item is that they suffer from an overwhelming sense of their own importance. Their goals are the only ones to be fulfilled in the State. And I would, in this case, refer to lack of sufficient funding for mass transportation. As a matter of fact, in testimony before a Senate committee, Mr.

Sullivan made the simple statement when I asked him, "What about mass transportation?" He said, "We are the mass transportation system of New Jersey." It just kind of exhibits an organizational egotism that just does not allow the existence of any other need. Their needs are the only ones.

The appointments are made by the Governor. He makes these appointments to these agencies. They're usually businessmen; predominantly businessmen. They bring a different set of values to the operation of these agencies; values that we would not tolerate for a minute in other sectors of public life. The corporate executive may expect a corporate jet to shuttle him around the country, a chauffeur driven limousine to get him to and from work. The board of directors in a corporation may provide a golden parachute for their retiring executives to enrich their retirement pension plans. We expect all of these things in the world of business. We accept them. It's also a world of profits where the money is available. But we do not expect these things in public life as we have witnessed in the independent authorities here in New Jersey, where we turn the decision making over to people of the business world, not the public world.

There's an old bit of campaign rhetoric that government should be run as a business. Well business values are fine for the business world which deals with private property, not public property. The management of public property has a set of values which demands that services will be dealt with in the most cost-effective manner, openly, and with public access, not as a set of business secrets to be conducted in the secrecy of a board room. And this is what's been going on. These are the values that have been followed, particularly by the New Jersey Turnpike Authority.

Third, another problem with authorities is that frequently the Commissioners are appointed on the basis of major political contributions. I think the prior speaker said

the authorities are apolitical. They're certainly not apolitical. These contributions have been made in past campaigns. That makes the appointing officer -- whether it be a governor, mayor, freeholder, or whatever -- makes them reluctant to offend these people, the people to whom they owe a debt. This increases the problem of their independence, increases their sense of independence, and the lack of accountability. They feel that they have a private empire. They may build it as they wish, and that this is a reward in effect, something that they deserve from that particular process.

As you know, these two bills before the Committee-- I might say they may not be our final answer. However, I think that the boards of directors, the Commissioners, are something that should be replaced, and perhaps-- My particular legislation calls for them to be collapsed into the Department of Transportation. And they could have an exact structure, something that could be amended or worked out, to have a deputy commissioner in charge of each one of these particular agencies. And if it was felt necessary to have outside input of a technical nature, certainly an advisory commission could be put together for each of the three agencies. I do think, and my legislation reflects, that they would be kept as separate entities. They would continue to raise tolls.

The purpose of my legislation was that it would provide a more coordinated and controlled transportation system.

Second, it would make large capital expenditures more accountable to the public.

Third, it would apply the tremendous revenues and capitalization abilities of the toll roads to other important transportation needs, including mass transportation, throughout the State not just on their corridor.

Fourth, it would eliminate the abuses and wasteful self-indulgent spending practices of management personnel and Commissioners, which is the by-product of their independent status.

As to method, I'd say that we'd have the State assume the debt of the authorities and retire the portions of the Turnpike debt incurred for expansion; transfer responsibilities for tolls roads to the executive branch of government where it properly should be; continuing our tolls as a source of support for the bonds that would have to be issued. You'd have to retire the bonds.

My legislation calls for the retirement of the bonds and the dissolution of the authorities. Those authorities were originally, in their enabling legislation, said that they would be dissolved when the debt was paid off. And what they have in effect done is continue to roll over that debt and search for, in some cases, increased activities.

It's very nice that we have cultural activities in the Arts Center, but that's not something that really should be a function of those particular toll roads. I think, and I assume, that that is something that originally D. Louis Tonti, when he as the first Executive Director of the Garden State Parkway, took from the old days when they had trolley lines. And the trolley companies, to increase utilization of the trolley lines, built amusement parks at the end of their lines. That would keep traffic going on the weekends. It was something along those lines, I would guess that spurred this imagination. However, it's not an activity that should be paid for by the public, or certainly not through this context, and certainly should be supported by a cultural commission, or something along those lines. Building a \$10 million palace for a reception center in a place like that is just bizarre. I mean, that's probably something that would never pass on a bond referendum question anywhere, and it just puts this whole major expenditure out of public purview.

I just would summarize and say that the State would be authorized to assume the debt of the authorities that is achieved through issuance of bonds. And I would also say that the authorities have a great deal of revenues in reserve funds, etc., which add up to-- Well, certainly they still hold the \$2 billion that they've already floated, and we estimate that it would be about \$3 billion to retire all of that debt. I think it's something very conceivable and I think it would do much to improve the diversity of transportation in New Jersey, and make a more effective system.

I would point out that in our county, Mr. Schuber, according to the Department of Motor Vehicles, there was an increase of four percent in automobile ownership each year, four percent. That means that in a five-year period there's a 20% increase in automobile traffic. You can just go on and extrapolate that, and you would see the growing deluge and gridlock that's going to seize us pretty soon unless we make some major investments in mass transportation and a more rational system -- not where all of the funds available are absorbed in Mr. Sullivan's mass transportation system.

If you have any questions, if I can answer them, I'll be glad to.

ASSEMBLYMAN SCHUBER: Any questions?

ASSEMBLYMAN GILL: Mr. Mazur, can you give me a copy of that transcript, or the entire thing you read? There's so much you brought out and I'm not that fast in taking notes.

ASSEMBLYMAN MAZUR: Certainly. I don't have it typed up, Lou, but I certainly will do that.

ASSEMBLYMAN GILL: If someday next week you can get me a copy, I'd really appreciate it.

ASSEMBLYMAN MAZUR: If you promise not to publish it.
(laughter)

ASSEMBLYMAN SCHUBER: What you could do, Ben, if you would-- I was going to ask you please to provide that copy to

the Committee for our records, and to the members; also if you would provide us a copy of the article that you wrote for The Bergen Record with regard to authorities. I kept one in the legislative office but forgot to bring it down here. If you could provide us with one I'd appreciate it.

ASSEMBLYMAN MAZUR: Yes, well I know you're now going to hear from Commissioner Gluck.

ASSEMBLYMAN GILL: Assemblyman, can I--

ASSEMBLYMAN SCHUBER: Yeah, sure.

ASSEMBLYMAN GILL: Ben, you mentioned before that most of the members on the boards are businessmen.

ASSEMBLYMAN MAZUR: Yes, they are.

ASSEMBLYMAN GILL: You pointed out that they should possibly not be on that board. Who would you recommend be on that board, and why?

ASSEMBLYMAN MAZUR: Well, I'm recommending the dissolution of the commissions. I think that is something that should be conducted by people who are in the public sector. They should be accountable to somebody like Commissioner Gluck and the Governor and the Legislature; people who have to go out periodically and stand before the public and answer and listen to the complaints, and do something about them. Rather to take this spine of transportation we have, which is just monopolizing all of the attention that the State gets, and the resources into this one narrow corridor -- or two or three narrow corridors.

And I would say that Hazel Gluck is a very capable person. She would make a wonderful Tsarina of Transportation.
(laughter)

ASSEMBLYMAN SCHUBER: Ben, thank you for joining us. Your legislation will certainly be considered during the course of our deliberations in this particular area.

Our next witness has been introduced already. The Tsarina is here. Commissioner Hazel Gluck, Commissioner of Transportation, is our next witness. Hazel?

C O M M I S S I O N E R H A Z E L F R A N K G L U C K :
Thank you.

ASSEMBLYMAN SCHUBER: Welcome.

COMMISSIONER GLUCK: Mr. Chairman, gentlemen, thank you. Nice to be with you.

Let me begin by saying that I followed very closely the deliberations of this Committee with a great deal of interest. And I would begin by saying probably something very different than has been said here, at least by Assemblyman Mazur -- although I appreciate his point of view -- and that is that I think that the independent toll road authorities have a job to do and they do it well. If we can separate out the capital construction that they do on the Turnpike, the Highway Authority, and the Atlantic City Expressway, from the other things, I don't think there's any question that they've had a job to do and they do it well. They do it probably more quickly and efficiently than they could if they were placed under the direct control of the Department of Transportation, especially given the way we do our business right now.

I would add to that, that I do not think that the mission of the authorities -- which was promulgated when they were in the '50s -- is obviously the same mission that we have today in the '80s. And therefore, if the independent authorities remain independent, it would be my suggestion that we take a look at that mission. If we're going to spend billions and billions of dollars in the State of New Jersey, between us and all the authorities, on transportation in the State, we've got to be talking about moving people and not cars. That is not their mission. That is not what was set out for them, I don't believe, in the statute. I'm not an attorney, but I think that quite obviously the 30 years between when they began and today, we live in a totally different world.

Having said that about the authorities, I will say that it is the expressed purpose and intent of N.J.S.A. 27:1A-1 -- which created the Department of Transportation in 1966 -- that the Department, and I quote: "Prepare and implement comprehensive plans and programs for all modes of transportation development in the State, and coordinate the transportation activities of State agencies, State created public authorities, and other public agencies with transportation responsibilities within the State."

Despite this clear statutory mandate, DOT does not now have a direct means by which to coordinate the operations of the tolls roads with the rest of New Jersey's transportation system. So while I may be responsible for that as Commissioner today, and as Commissioners before me, the mechanism is not there to do it.

From the perspective of statewide and long-range transportation planning in a state as small, as densely populated, as heavily traveled as New Jersey, such coordination is absolutely critical. And I don't have to tell you that, in all the districts that you represent.

Because project development is not automatically carried out within the context of the total transportation system, the process is usually accomplished without sufficient consideration at the initial stages of the project development for the needs of the statewide system and the effect of the proposed project on that system. We work as islands, the DOT, the Turnpike Authority, the Atlantic City Expressway, the Highway Authority.

The three toll road authorities are integral components of the State's transportation network, but their effectiveness and efficiency vis-a-vis the statewide transportation system, is hindered by the present informal relationship between the authorities and the Department.

The exchange of critical information between the Department and the authorities is too often on an ad hoc basis, frequently at the wrong level of the organization. And by that I mean there may be staff contact -- and that's necessary and I'm not denigrating that -- but by the same token, we're talking public policy stuff here as well.

There is presently no way to systematically develop projects without a lengthy, unwieldy negotiation process, and there is virtually no coordination between DOT's plans and projects of the authorities. There is some, maybe more in the last year or year-and-a-half than before, but not as much as there should be.

This often results in an inexcusable lack of coordination in timing of construction, establishment and signing of detours during construction, and costly, time consuming duplication of effort in seeking solutions to shared problems.

I would urge the Legislature to pass S-23 or A-2304. They're identical bills which would give the DOT Commissioner, or the Commissioner's designee, a seat on the toll authority boards. Both bills have been released from Committee and are awaiting action in their respective houses.

Now, if I may digress for a moment. I have read and heard some of the testimony about how the DOT Commissioner doesn't have the time, how the DOT Commissioner won't be able to handle all of these appointments. I can tell you right now this DOT Commissioner would say to her Deputy and to her Assistant Commissioners -- for whom she has the highest regard, they happen to be professionals-- I would assign them to sit on the toll road authorities.

Or if not, so you know, I have just created another position of Assistant Commissioner in the Department during our reorganization. That person is going to have the responsibility for intergovernmental agencies. The reason why

I've done that should be fairly obvious, and that is-- This person is Roger Nutt. He is now Assistant Commissioner for Finance and Administration in the Department. He has a substantial financial background. And what he's going to be doing is doing the coordination for the Department of the financial aspects of each of the groups that we are involved with. We have an agreement with the Atlantic City Expressway that requires that they submit their budget to us before their capital programs can go forward. So between that and the Transportation Trust Fund Authority, the waterfront, New Jersey Transit-- It's the kind of coordination job that the Commissioner herself or himself -- whomever it might be -- can't do.

However, I would also submit to you that that's a kind of specious argument -- the fact that the Commissioner won't have time -- because the Treasurer is on 42 boards, and Commissioners, and the Attorney General etc., all send designees, and it seems to work out pretty well. If you're talking about being able to have a certain amount of oversight and holding one's feet to the fire, I would submit to you that my appearances before both the Assembly and the Senate, and the various committees, are frequent, and everybody knows where the Commissioner of Transportation is and how to get ahold of that person to answer the questions that need to be answered.

Having a seat on these authorities would give the Commissioner greater input and access to activities and plans of authorities resulting in integration of the authorities' activities within the framework of the State's transportation policy. I could speak of that just a little bit, having just been named to the Port Authority, and to tell you that it's absolutely terrific for the State; not only to have the Commissioner of Transportation negotiating one on one with the Port Authority for certain things and having the staff work together, but when I sit at the table-- I'm a

Commissioner/Commissioner now, if you will, and when I sit at the table I sit there as a Commissioner of the Port Authority as well, and that's another whole dimension. It brings a great deal more to the State of New Jersey. That's my personal opinion from the short time that I've been there.

I think that the Governor would be better informed to evaluate the authorities' plans.

It cannot be over-emphasized, the language in the currently proposed legislation does not compromise the rights of the bondholders. I can't subscribe to that theory at all. It was testimony presented last year by the Turnpike Authority that said that. I think Hy Grossman was here this morning, and I'm sure you asked him about that.

It would not place the authorities under DOT's direct control. The DOT Commissioner would have only one vote.

It certainly does not affect the Governor's veto power over the minutes of the authorities.

To insure wise use of every taxpayer dollar, and sound planning of every transportation improvement needed by New Jersey, I think this legislation is crucial at the very least.

As I said, the reorganization that we have planned now didn't initially include having an Assistant Commissioner who would coordinate all this, but it has come to a point where I feel very strongly that it's necessary because our exposure is always a financial exposure. I want to make sure that from the Department of Transportation's point of view that the liaisons are set up, and that if there's any kind of financial exposure or anything like that, that we know about it early on.

ASSEMBLYMAN SCHUBER: Well certainly I think we would applaud your efforts with regard to the new position to coordinate those activities. I think it's an important one, and goes a way towards helping meet some of the problems we've addressed here in particular with those highway authorities.

My analysis of this situation is similar to yours to the extent that there's no doubt in that what we have seen over the course of the last several months as we have reviewed the authority, is the fact that there appears to be cases where their policies are at cross purposes and there's a duplication, etc. etc. And we want to remedy that too as a result of these hearings. The question I have for you is simply this, how would you recommend that we provide for the coordination of that, over and above the Rand bill?

COMMISSIONER GLUCK: Are you talking about coordination planning effort now?

ASSEMBLYMAN SCHUBER: Yes.

COMMISSIONER GLUCK: When we reviewed the capital construction program of the Highway Authority, in a cover letter that I sent to the Governor I talked about the need to somehow coordinate the planning effort between all of the agencies, and I think offered several alternatives. One of them, if I recall correctly, was the possibility of having the plans come through the Department first, which I think will be deeply resented by the authorities, by some of the members on the board of authorities. But it is very difficult, Mr. Chairman, as you well know, to receive after the fact the Turnpike Authority's capital construction program, or the Highway Authority's capital construction program, and then comment on it after the fact. And yet there is no other mechanism right now that is at anybody's disposal to do it before the fact. So that a mechanism to do it before the fact I think is mandatory. I mean, we've got enough problems in the State without each of us doing our own thing.

ASSEMBLYMAN SCHUBER: Over the course of time, absent the mandate the Governor gave you with regard to the Highway Authority, in the past if you've asked for the plans and policies to be given to you from the authorities, have they cooperated with you?

COMMISSIONER GLUCK: Well, I've only been there two years. During the two-year period that I've been there I think that there's been cooperation. One of the things that we found in the analysis that we did though, was that there was-- When we did the analysis of the Highway Authority, we put it into three or four categories. The first category was that these had backup and justification and therefore they were priority number one. There was a second category where we felt there wasn't sufficient backup or justification, but it didn't mean that it couldn't have been considered a number one priority. It's just that we didn't have the justification and the backup on which to judge whether it was or it wasn't.

We don't get together in a public policy sense, and we don't get together in a planning sense is my observation over the two years that I've been at the Department. I think tomorrow's my anniversary, again. But, I don't think we get together enough. You know, it's strictly on an ad hoc basis.

ASSEMBLYMAN SCHUBER: Would you have any objection to legislation that would require that projects over and above the activities of your own Department -- that would require the capital improvement projects of the authorities to be put before the Capital Planning Commission on the State level?

COMMISSIONER GLUCK: I wouldn't have any objection to it. I just wonder if that would suffice with regard to whether if everything was as coordinated as it should be? I mean, can the Capital Planning Commission really look at the coordination of planning? It seems to me it will take some pretty talented planners and engineers to be able to put that together. And I don't know if it will accomplish what you want it to accomplish. I mean, sure, you can pick out a project here or there and say, "Well, why aren't you doing this one here, and why aren't you doing that one?" But I don't know that that's going to necessarily accomplish what you want.

ASSEMBLYMAN SCHUBER: Well there's a possibility that we could address both issues with regard to our legislation, the transportation coordination and the issue of the review of their projects. But over and above that, another area that we've been exploring, which we explored with Mr. Grossman when he was here before, was the area of doing away with the highway authorities and establishing a new entity similar to the Transportation Trust Fund for finance purposes, and subcontracting out their services, basically -- if you want to use that term -- back to DOT. How would you feel about that?

COMMISSIONER GLUCK: When you say subcontracting out--

ASSEMBLYMAN SCHUBER: In essence what would happen is, the shell would be there for the purpose of maintaining the financial ability of the authority, and therefore doing away with the argument that's been raised with abolishing the authorities -- that it could cause a problem with our financial structure in the State based on the assumption of those debts -- but at the same time I guess it would abolish the Board of Commissioners with regard to that, and their duties would be undertaken by another entity, which would be, let's say for argument's sake, DOT.

COMMISSIONER GLUCK: Well that's tantamount to--

ASSEMBLYMAN SCHUBER: Like your Transportation Trust Fund.

COMMISSIONER GLUCK: Yes but, the Transportation Trust Fund does exactly what you said. I mean, there's a board there. They don't make policy with regard to the way the Trust Fund money is spent. That's done through the Department, coming before the Legislature with all the checks and balances.

ASSEMBLYMAN SCHUBER: That's correct.

COMMISSIONER GLUCK: You're asking me if the Department of Transportation should take over the operations -- really in essence is what you're talking about -- of the authorities. Is it possible that the Department could do that? Yes.

ASSEMBLYMAN SCHUBER: Yes.

COMMISSIONER GLUCK: Is it the wisest thing to do? I'm not sure that it is. I'm really not.

ASSEMBLYMAN SCHUBER: It's something that we're looking at for the simple reason that it provides us the two goals that we're seeking. One, we don't have to jeopardize the State's financial picture necessarily. And secondarily, it gives us some type of accountability over what's going on, for the simple reason that it now becomes necessary for all those activities to go through a department, which has to go before our Appropriations Committee.

COMMISSIONER GLUCK: I understand that.

ASSEMBLYMAN SCHUBER: So it provides some interesting observations on our part to meet some of the objections we've had on some other aspects.

COMMISSIONER GLUCK: Well, Mr. Chairman, I can tell you, from what I quoted to you from the statute that enabled the Department of Transportation to come into being, the quote that I took out of that -- which was part of a large quote -- really says that all modes of transportation development in the State, and coordination of the transportation activities of State agencies -- State created public authorities with transportation responsibilities -- rests with the Department of Transportation. So the statute and the language of the statute is there. How you decide the best way to do that, is something else again.

I really think that having the presence of the Commissioner or the Commissioner's designee that sits there at the table, at closed sessions as well as open sessions, is an important thing to do. And that it may not be necessary if you do that, to make a show. It may be that that alone brings a whole different dimension to the coordination of transportation in the State.

ASSEMBLYMAN SCHUBER: Well I think in the case of yourself, Commissioner, I don't think we'd have any problem with that, knowing your abilities. But the concern is that there would be a time when there would be a new Commissioner, and whether we want to rely on the fact that it depends on the abilities of the Commissioner at the time, I'm not so sure.

COMMISSIONER GLUCK: Well, let me just say this, Mr. Chairman. This Commissioner would not sit on all of those.

ASSEMBLYMAN SCHUBER: I appreciate that.

COMMISSIONER GLUCK: What you would be relying on is the abilities of professional staff that also understands public policy, and even though New Jersey Transit was split out in 1980 from the Department so there wouldn't be a conflict between a highway department and a transit agency, I can tell you right now that we never sit down at the Department of Transportation when we look at a region, where we don't talk about transit alternatives. I mean, you can almost make that together at this point. It's interesting that only eight years ago it was split apart for obvious reasons, but we are not a highway department any more. And the philosophy and the public policy that is demanded in the State of New Jersey, I think that direction will continue with the next Commissioner and the next Commissioner. So, you're talking about dealing with professionals and the tone of public policy that you want to set.

ASSEMBLYMAN SCHUBER: Along the lines of those areas, which is the issue of accountability, is the serious concern that we have had on the ongoing nature of these investigations of the actions with regard to the Commissioners in certain areas, such as retirement. Certainly we've been very very disturbed by some of the policies that we've uncovered with regard to that. We have proposed legislation -- which we will hold a hearing on in the first or second week of June -- with regard to requiring the authorities' upper level executives to

adhere to the policy that is the policy for the other members of the State government. It appears to me that the Commissioners do not feel they are part of the State government. How would you feel with regard to that?

COMMISSIONER GLUCK: With regard to--

ASSEMBLYMAN SCHUBER: To that legislation.

COMMISSIONER GLUCK: Tell me again--

ASSEMBLYMAN SCHUBER: All right. The legislation would require the executive-- Right now the authorities--

COMMISSIONER GLUCK: Oh, to cap the--

ASSEMBLYMAN SCHUBER: Correct.

COMMISSIONER GLUCK: I would agree with it 1000%. I mean, New Jersey Transit has the same policy as the State, and it doesn't seem to hinder the ability to bring talented people in. The problem sometimes when you go out to hire people to run some of these agencies -- and I'm obviously more familiar with the waterfront and more familiar with New Jersey Transit that I am with the toll roads -- is that there is a very limited market nationally for some of these things, people with experience. Not many people put in light rail systems. Not many people have run transit agencies. And there are some premiere people in the country, and they don't always fit under a civil service kind of job description. So that it is true that in some instances some of these people earn more than, for instance, the Commissioner does at the Department of Transportation, but I don't think that that should be a problem.

When it comes to retirement and being paid off vis-a-vis benefits, I mean I feel much the same as you have all expressed, and I've seen in the papers. I think it's an outrage to be paying someone hundreds of thousands of dollars as a fee for them. I mean, it's a golden parachute. That's really what you're talking about. And there's no golden parachutes in the public sector. You're lucky if you parachute out all right, let alone that it be golden. (laughter) That's not acceptable, and shouldn't be allowed.

ASSEMBLYMAN SCHUBER: Certainly I think for us that has highlighted what we consider to be the ultimate independence of these authorities, to conduct their business that way outside the public limelight.

COMMISSIONER GLUCK: Mr. Chairman, if you allow me, I've had something that's been kicking around in my head for awhile. That is that is not difficult in a closed session of any group, during the free discourse that happens on a subject, for anybody to stray off what is allowed, vis-a-vis the Sunshine Law. However, when you have a Deputy Attorney General sitting there it doesn't take more than five seconds for that person to look at the chair and go like this, or that person just to speak up and say, "You're deviating from what's allowed under the Sunshine Laws."

The authorities don't have the benefit, if you will, of having a DAG sit at the table. I'm not sure how much, or how many, private sector law firms appreciate what you can and can't do with regard to the Sunshine Law, and what you can and can't do with regard to the way you conduct your business. I have found that the Deputy Attorney Generals who have sat in on meetings have been more than helpful. I don't know whether it should be a consideration.

And that doesn't preclude hiring outside counsel. There are specialized counsel. We have a labor negotiator at Transit that's a special outside counsel. That doesn't preclude hiring outside counsel because obviously the DAGs are not going to be specialized in everything. But it seems to me it's something that maybe you would want to consider with regard to having that kind of representation for the authorities from the Attorney General's office. I said that to somebody and they moaned, but I just throw it out. I don't know whether it's worth consideration or not. I know it's been an enormous help in any of the areas where I've served.

ASSEMBLYMAN SCHUBER: Certainly it's a recommendation that we would look at, and probably favorably. Although I would indicate to you that I think that those who undertake these positions on these boards of commissioners with regard to that, have staff members that are available to them that I would think should know at least the elementary aspects of the Open Public Meetings Law, especially in the one case where there was obviously counsel there making advice one way or the other.

COMMISSIONER GLUCK: I don't disagree with that premise, but I think for the most part -- up until we reached this point in our history in the '80s in this State -- that the authorities have been kind of an island, you know, very separate from the what the rest of us have lived with. As a matter of fact, in talking to some-- These are not Commissioners-- I've been talking to some staff people and they have told quite candidly that they just never considered themselves public sector. I mean, nobody ever equated the collection of tolls with taxpayers' monies. These were the toll payers' monies and it just never equated out. I found that fascinating. And they said it to me not in any kind of arrogance or anything, but I mean they were really -- we're talking about staff now -- they were really mystified. This was a whole new ball game to them.

ASSEMBLYMAN SCHUBER: That's the tragedy of the situation, because that's what many of them believe to be the case. But it isn't the case.

COMMISSIONER GLUCK: That's exactly right.

ASSEMBLYMAN SCHUBER: I guess it's John Dunne who says, "No man is an island unto himself." And if there's anything that's going to come out of these hearings it's going to be the fact that we will reemphasize to all of these entities that they are all part of the public sector, whether they like it or they don't. They are, and they're responsible,

and they will be responsible for their actions. I think that's the overall theme of what we will enact as a result of all of this. I would agree with you. I'm perplexed and amazed by listening to the staff members and others speak about that, and comments I've seen from Commissioners of the authorities in the papers with regard to, "Well, wait this is a business." Yeah, it's a public business. It's a public entity that is to be run in a businesslike manner. There's a difference.

COMMISSIONER GLUCK: Yes.

ASSEMBLYMAN SCHUBER: And I think that's what we're looking to do with regard to these authorities.

COMMISSIONER GLUCK: Well we have attorneys and business people on the board of New Jersey Transit as well. But we also have a Deputy Attorney General. We have appointments that are made by the Speaker and the President of the Senate. It's the same with the Transportation Trust Fund Authority, lawyers and business people, but we have a DAG there and we understand-- I think if you have a DAG there, if you say that the benefits for retirement, etc. are the same as they are in the State, if you say that the same ethics rules apply, the same kind of travel policy applies, and you begin to pick these things off one at a time, everybody begins to understand that they are in fact and indeed part of the State of New Jersey; rather than being able to do whatever it is that they put together themselves. In some instances it's 30 years of this kind of thing happening that you're trying to rectify now. And I think that you could probably accomplish that without saying that the authorities have to be done away with.

ASSEMBLYMAN SCHUBER: Mr. Loveys?

ASSEMBLYMAN LOVEYS: No.

ASSEMBLYMAN SCHUBER: Mr. Gill?

ASSEMBLYMAN GILL: Yeah, I have just one or two little things. I think somewhere in the beginning of your presentation you pointed out that you made an arrangement with

the Atlantic City Expressway Authority to review their books and their capital programs. What prevented you from doing that with the Turnpike or the Parkway?

COMMISSIONER GLUCK: You know, I don't know-- Is Roger Nutt here? Mr. Chairman if I may?

ASSEMBLYMAN SCHUBER: Yeah, sure.

COMMISSIONER GLUCK: It's a 1983 agreement, Assemblyman, and I don't know how or why it came about. This is Assistant Commissioner Roger Nutt.

A S S T. C O M M I S S I O N E R R O G E R E. N U T T:
(from audience) There is a separate agreement that we went into which has some background in the legislation. The legislation doesn't give us specific authority to look at the budget, but it said that they have to consult until-- (inaudible) --there's an agreement reached that we look at their budget, which includes both operation and capital-- (inaudible) The agreement has been interpreted that it doesn't go into effect unless we give our concurrence with that. The agreement suggests that. That same kind of legislative wording does not appear in any of the other authorities. It's just in the Expressway Authority.

ASSEMBLYMAN GILL: I was wondering why it was--

COMMISSIONER GLUCK: Which gives us the opportunity, Assemblyman, to look at it from the financial point of view, as well as from the capital projects point of view.

ASSEMBLYMAN GILL: You also pointed out that these entities are all separate islands. And yet you say that although the toll authorities do a good job -- probably better and more quickly than the DOT -- you didn't mention anything about efficiently or finance-wise. Do you think if we were to incorporate these authorities under the DOT, can we maintain, or can we prevent future toll increases? Can we do it more efficiently and cost-effectively than does the present authority?

COMMISSIONER GLUCK: Assemblyman, if you look at the Garden State Parkway, the Highway Authority, that has become a growth corridor from the top to the bottom. Once that road went in, it opened up all those areas. I live in one of those areas. I happen to live in Ocean County. When you open up the area for growth, that means that the road becomes more congested and you have to expand the road. Okay? Now, in the expansion of the road, they have done a quality job with that. In the larger view of where the Highway Authority, the Turnpike Authority, the Atlantic City Expressway, and the Department of Transportation, all fit in together, there's been precious little of that. So when I say they did their job well-- I think they did do their job well. I'm only talking about from the capital construction and maintenance and rehabilitation aspect. From the financial aspect, I think that the Treasurer made her report to the Governor. But certainly from the aspect that we would judge it in the Department, I think they have done a good job.

ASSEMBLYMAN GILL: Thank you.

COMMISSIONER GLUCK: They're not responsible for the growth. And if I may add, we're not going to be pouring concrete -- and I think this is one of the big points -- any more from the Atlantic to the Delaware. What we have to say is, how can we manage our roads better? How can we better connect them up? How can we move people instead of cars? How can we have more mobility? And I can't tell you that, nobody could, unless we all got together and decided how the devil we were going to do it.

ASSEMBLYMAN SCHUBER: Commissioner, as you know the Governor has an entity in the Counsel's office that deals with independent authorities.

COMMISSIONER GLUCK: Yes.

ASSEMBLYMAN SCHUBER: It's relatively small, but it's the first time that it's been done. And you have now established a Deputy Commissioner who's in charge of intergovernmental relations.

COMMISSIONER GLUCK: Assistant Commissioner.

ASSEMBLYMAN SCHUBER: Assistant Commissioner. As a result of that, are you creating a kind of Independent Authorities Unit within your own Department?

COMMISSIONER GLUCK: No. Part of Roger's responsibilities is going to be to make sure that we have the proper liaison with, like the Turnpike Authority and the Highway Authority, with which we have no official liaison--

ASSEMBLYMAN SCHUBER: Right.

COMMISSIONER GLUCK: To make sure that whatever we have to do with the Atlantic City Expressway is done and done correctly from a financial point of view, to coordinate with the Authorities Unit, to coordinate with whatever we're going to be doing with the Port Authority, the Transportation Trust Fund, the waterfront, and New Jersey Transit. So no, I am not doing that. We don't have the ability to go to a meeting of the Turnpike Authority or the Highway Authority and sit at a closed session, or the Atlantic City Expressway. And really I don't think that without that ability to do that, that in fact you really get the full flavor or thrust of what's happening in each one of these authorities.

I did this because I feel that the greatest exposure that we have is financial. I mean, if you go from the planning, you may delay something from three to six months. Nobody likes it. It's not quite the catastrophe it is if you in fact and indeed have problems on the financial end. And I'm not talking about the bonding. I'm talking about all the stuff that comes up. Witness some of the things that have happened recently with New Jersey Transit.

I have to be able to sleep at night too, and I have to have a level of comfort. I cannot do this alone. So I have made this position to sort of help with labor negotiations, make sure that audit units are in place, make sure financially the procedures are acceptable and being followed, and the policies are being followed, because I'm accountable.

ASSEMBLYMAN SCHUBER: Commissioner Gluck, we thank you for being with us today.

COMMISSIONER GLUCK: Thank you for having me, gentlemen. I appreciate it.

ASSEMBLYMAN SCHUBER: We appreciate it. We appreciate your insight into the issue. We'd ask if you would provide us with a copy of your statement--

COMMISSIONER GLUCK: Yes, I will. We're going to Xerox some more.

ASSEMBLYMAN SCHUBER: --for the records of the Committee. I would indicate for those in the audience that the next hearing on this will be established for the early part of June. And I envision that our deliberations on this issue will be concluded by the end of June. We will be looking at a few more authorities, so there will be some more expert testimony. And we will be taking up the issue of the benefits legislation before the end of the month also.

ASSEMBLYMAN GILL: Mr. Chairman, before we conclude, can I request as a priority a transcript of today's--

ASSEMBLYMAN SCHUBER: Yes. We'll get the transcripts out. Thank you. Thank you all. This meeting is adjourned.

(MEETING CONCLUDED)

APPENDIX

Statement of Hyman C. Grossman*
New Jersey State Assembly
Independent Authorities Committee
State House Annex, Trenton, New Jersey
May 26, 1988

Mr. Chairman, I am honored to appear before the Assembly Independent Authorities Committee to provide some views concerning aspects of your present deliberations related to New Jersey's three toll road authorities.

At the outset, let me state that any reasonable observer of the New Jersey scene must acknowledge the success of the three major toll roads; the Turnpike, Garden State Parkway and Atlantic City Expressway in providing quite efficient and relatively cheap access to the movement of people and goods through the state. They have therefore been a major force in the state's economic development over the past twenty years.

The creation of authorities, and specifically toll road authorities, is a well founded and widely accepted method for financing and construction of facilities paid for essentially by those who avail themselves of their use. The generally accepted rationale for authority user-based financing include the following broadly stated characteristics:

*Managing Director, Standard & Poor's Corporation, 25 Broadway, New York, New York 10004.

1. Concentrated effort upon a specific mandate
2. Professionalism
3. Apolitical
4. Efficiency

When Authorities deviate from any of these characteristics, they dilute the rationale for their establishment. Authorities also are usually beyond the province of certain restrictions that sometimes control projects by way of zoning, permits, codes, contracts and civil service.

But as we may agree upon these fairly common characteristics of authorities, there must always be present accountability and credibility to the people through their elected legislature and executive. Credibility to the bondholders and financial community is also a vital and ongoing necessity. And, it is in this twin element of accountability and credibility that at least the Turnpike and Parkway Authorities slipped some in the past several years.

In 1984, the Turnpike told us there was nothing major on the horizon in terms of new capital projects. Within a year, the significant \$2 billion financing was announced by the Chairman with no advance notice. The financing of this huge project was discussed with preliminary documents just before the 1985 elections showing a need for a 40% basic toll increase within the following year. The financing took place later in the year, all at once, to take full advantage of maximizing the investment return from bond proceeds to

the fullest extent permitted by prevailing tax code provisions. By the time the financing was closed, projections were revised showing that no toll increase would be needed before 1990 or another bond issue. Undeniably, the Authority did well by the financing which at the time was innovative. After some delays caused by litigation and environmental permit requirements, the project has begun to move forward. So concerning the turnpike, any "flap" was shortlived.

The Highway Authority has thus far not experienced a similar ending. In the summer of 1987, the Highway Authority began discussing a new Capital Improvement Program to be initially funded with the private placement or non-public sale of up to \$80 million subordinated debt in the form of a bank loan due in July, 1988. After the 1987 elections, the Authority went public with its proposed toll increase and Capital Program. The rest, as the phrase goes, "is history" and has been too well documented already to need further elaboration by me. The legislature and public reacted quickly and with decided skepticism. The governor also responded quickly and forcefully. To his credit, he got Treasury and the DOT to do some quick but targeted studies which by February of 1988 had documented a number of management shortcomings. The governor vetoed the 1988 budget and toll increase proposal. As we all know, a ramp toll increase has become effective and the major portion of the Authority's capital proposal needs renewed justification and documentation. So, democracy has a way of working its way into the process when there exist together, an alert press, legislature and a decisive executive.

So, where should you all move to from this point? I think it is important to remember that the Authorities have had major successes. Indeed, it is not likely that the state's major toll roads could have been accomplished in the way and time they were completed without the Authority and companion revenue-user bond mechanism. Indeed, you have not too long ago recognized the concept with the more recent creation of the Transportation Trust Fund Authority which like the other Authorities, avoids the annual competition at the State House with basic service oriented agencies such as Education, Human Services, Corrections, et al. Also, as pointed out in S&P's toll roads special report (attached as Appendix III), the Federal Surface Transportation Act of 1987 opens up possibilities for federal financing participation in toll roads.

The following are specific areas I suggest the Committee examine for possible legislative action concerning the toll road authorities:

1. Study New York State's Public Authorities Control Board for possible use in New Jersey. A recent article on the subject is attached as Appendix IV.
2. Require by law, location of a central coordination effort - likely the DOT - for annual review and update and coordination of a state-wide transportation program including the TTFA, N.J. Transit, Toll Roads and the Port Authority.

3. Have the legislature involved in the planning and oversight process by legislative representation on coordinating and oversight bodies.
4. Require at least an annual formal report and presentation by the Authorities to the legislature concerning the financial and capital improvement program status of projects.
5. Require that in addition to an annual audited financial statement, such annual report also include a full management letter concerning controls and status of reserves as to their levels be they too low or excessive.

Even though some of the foregoing suggestions may be in the process of being adopted, including an enhanced recognition of the Open Public Meetings Act, it is my judgment that should the legislature move along the lines suggested above, it will make significant progress in meeting the ongoing challenge of accountability and credibility so important to the people in a democracy as well as the financial community, of which we are a part.

With this as background, I will be happy to do my best to answer any questions.

- - - -

APPENDICES

Biography	I
New Jersey CreditReview, March 21, 1988	II
Toll Roads CreditReview, May 23, 1988	III
The PACB - Covering New York's Public Authorities <u>Empire State Report</u> , May 1988	IV

Standard & Poor's Corporation

I

25 Broadway, New York, New York 10004



Biography of:

Hyman C. Grossman

Hyman C. Grossman is Managing Director-Municipal Ratings at Standard & Poor's Corporation and Chairman of its Municipal Governance Committee.

Mr. Grossman has been with S&P since 1963, when he joined the Municipal Bond Department as an analyst. Since then, he has held a number of managerial positions in the department and was named Managing Director in 1984. Before joining S&P, Mr. Grossman was a bond analyst with Dun & Bradstreet.

Mr. Grossman is a member of the Municipal Forum of New York, The Society of Municipal Analysts, the Government Finance Officers Association, the Governmental Accounting Standards Advisory Council, the Municipal Analysts Group of New York, member of the Business Practices Committee of the National Federation of Municipal Analysts, advisor to the G.F.O.A. Committee on Accounting and Financial Reporting, Municipal Credit Research Committee of the Public Securities Association.

He is a 1958 graduate of New York University. Over the years, he has appeared before regional and national groups concerned with municipal finance, has received recognition awards, served on special task forces, and has also written extensively on the subject.

Mr. Grossman is a Past Master of the Radiant-Loyalty Lodge No. 739, F.&A.M.; also a member of the Scottish Rite Bodies of New York, former Council President of the Township of Marlboro, New Jersey, Secretary of the Freehold Area Hospital Foundation, Lifetime Trustee of Congregation Ohav Shalom (Marlboro Jewish Center).

Mr. Grossman, his wife and their two sons live in Marlboro Township, New Jersey.



Copyright © 1988 Standard & Poor's Corp. Reproduction in whole or in part prohibited except by permission. All rights reserved.

MARCH 21, 1988

REPRINTED FROM CREDITWEEK

15X

Talking Points of Transportation Commissioner
Hazel Frank Gluck
Before the Independent Authorities Committee
May 26, 1988

- The independent toll road authorities have a job to do and they do it well, more quickly and efficiently than they could if they were placed under the direct control of the Department of Transportation.

- However, it is the expressed purpose and intent of NJSA 27:1A-1 which created the DOT in 1966 that the Department "prepare and implement comprehensive plans and programs for all modes of transportation development in the state; and...coordinate the transportation activities of State agencies, State-created public authorities, and other public agencies with transportation responsibilities within the State."

- Despite this clear statutory mandate, the DOT does not now have a direct means by which to coordinate the operations of the toll roads with the rest of New Jersey's transportation system.

- From the perspective of statewide and long-range transportation planning in a state as small, as densely populated and as heavily travelled as New Jersey, such coordination is absolutely critical.

- Because project development is not automatically carried out within the context of the total transportation system, the process is usually accomplished without sufficient consideration at the initial stages of the project for the needs of the statewide system and the effect of the proposed project on that system.

- The three toll road Authorities are integral components of state's transportation network but their effectiveness and efficiency vis `a vis the statewide transportation system is hindered by the present informal relationship between the Authorities and the DOT.

- The exchange of critical information between the Department and the Authorities is too often on an ad hoc basis, frequently at the wrong level of the organization.

- There is presently no way to systematically develop joint projects without a lengthy, unwieldy negotiation process and there is virtually no coordination between DOT's plans and projects and projects of the authorities.

- This often results in an inexcusable lack of coordination in timing of construction, establishment and signing of detours during construction, and costly, time-consuming duplication of effort in seeking solutions to shared problems (eg., the current parallel investigations of an additional crossing of the Raritan River).

- Urge Legislature to pass either S-23 (Rand) or A-2304 (Miller) IDENTICAL BILLS, which would give DOT commissioner ^{by DeLuca} a seat on the toll authority boards (Both bills have been released from Committee and are awaiting action in their respective houses).

- Would give Commissioner greater input and access to activities and plans of authorities resulting in integration of the authorities' activities within the framework of the state's transportation policy.

- Governor would be better informed so he/she could better evaluate authorities' plans

- It cannot be over-emphasized -- the language in the currently proposed legislation DOES NOT compromise the rights of bondholders (testimony presented last year by the Turnpike Authority implied that bondholders would be harmed).

- Legislation DOES NOT place authorities under DOT's control.

- DOT commissioner would have only one vote.

- DOES NOT affect the Governor's veto power over the minutes of the authorities.

• TO INSURE WISE USE OF EVERY TAXPAYER DOLLAR AND SOUND PLANNING OF EVERY TRANSPORTATION IMPROVEMENT NEEDED BY NEW JERSEY, THIS LEGISLATION IS CRUCIAL.

NOTE: You may wish to discuss DOT commitment in this area: under DOT's recent reorganization the position of Assistant Commissioner for Interagency Coordination to more closely coordinate with public authorities has been established.

TESTIMONY BEFORE INDEPENDENT AUTHORITIES COMMITTEE
BY ASSEMBLYMAN D. BENNETT MAZUR
MAY 26, 1988

Thank you for the opportunity to testify before this committee. My proposal for the takeover of the Highway Authorities is not as radical as it may seem at first glance. It is, rather, an effort to offset the dysfunctional effect of the Authorities on rational transportation planning in New Jersey. There are a number of other proposals such as adding Commissioner Gluck to be a member of the Toll Authorities, but they are not adequate because:

- 1) She probably would be forced to send a surrogate;
- 2) Although her persuasive powers are to be commended,

I think she will be outweighed and outvoted.

The problem with the Authorities is that they develop agendas of their own, without regard for the other jurisdictions with which they must interact. An example is the case of the New Jersey Turnpike; whose planned \$2 billion expansion program was a secret to county planning agencies and public works departments, along their right of way; agencies which act as a feeder system to the Turnpike and which must bear the brunt of the doubled traffic capacity of the Turnpike. The Port Authority of New York and New Jersey was notified three days in advance of the announcement and asked to

-continued-

endorse the plans. In justifiable outrage, they refused. Even the Department of Transportation expressed surprise and dismay over those plans, bearing in mind that it operates a segment of Route 95, from the Turnpike to the George Washington Bridge, as well as other intersecting highways which would be heavily impacted.

The Authorities suffer from an overwhelming sense of self-importance. Their goals are the only ones to be fulfilled in the state. There are no others. An example is the testimony of Turnpike Commission Chairman Joseph A. "Bo" Sullivan, speaking before the Assembly Transportation Committee, when asked about funding for mass transit replied:

"We (the New Jersey Turnpike) are New Jersey's mass transit system."

Never before has the need for mass transportation been more evident than when these remarks were made.

The appointments the Governors make to these agencies are usually affluent businessmen. They bring a different set of values to the operation of these agencies - values that we would not tolerate for a minute in other sectors of public life. The corporate executive may expect a corporate jet to shuttle him around the country and a chauffeur driven limousine to get him to and from work. The Board of Directors provide "golden parachutes" for retiring executives to enrich their retirement pension plans. We accept all of this in the world

-continued-

of business and profits - we do not expect these things in public life as we have witnessed them in these Independent Authorities where we have turned the decision making over to people of the business world.

There's an old bit of campaign rhetoric that government should be run as a business. Well, business values are fine for the business world which deals with private property, not with public property. The management of public property has a set of values which demands that services will be provided in the most cost effective manner and done openly with full public scrutiny, not treated like business secrets.

Another problem with Authorities is the fact that frequently the Commissioners being appointed are major financial contributors to past campaigns. The appointing officer (Governor, Mayors, Freeholders, etc.) are reluctant to offend these people to whom they are so greatly in debt and they, in turn, look on their appointment as something that was owed them. This increases the problem of their independence and lack of accountability to the public.

As you know, I have two bills before this committee. The main bill (A-712), would disband the Authorities and their operation and maintenance would be continued by the Department of Transportation. Tolls would continue to be collected to retire a new set of bonds. The other bill (A-713), authorizes issuance of sufficient bonds to retire the present outstanding

-continued-

debt and conclude the Authorities' business. The Authorities were supposed to go out of existence when their debt was retired according to the statutes which created them. The toll highways, under our legislation, would be maintained as separate units and contracts with the unions honored. Existing bargaining units would be recognized.

It is conceivable that each of the toll roads' administrative structure would be put in the domain of a Deputy Commissioner of Transportation.