PUBLIC HEARING

before

SENATE TRANSPORTATION AND COMMUNICATIONS COMMITTEE

on

BONDING AND FISCAL ELEMENTS OF THE NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY ACT OF 1984

Held:
May 16, 1984
Room 308
State House Annex
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Senator Walter Rand, Chairman
Senator Thomas F. Cowan, Vice Chairman
Senator S. Thomas Gagliano

ALSO PRESENT:

Madelyn Rumowicz
Capital Budgeting Consultant
for the Senate and the Assembly

Peter R. Manoogian, Research Assistant
Office of Legislative Services
Aide, Senate Transportation and
Communications Committee

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SENATE, No. 1446

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 27, 1984

By Senators RAND, GAGLIANO, FORAN, COWAN and HURLEY

Referred to Committee on Transportation and Communications

AN ACT concerning financing for the State's transportation system, creating the New Jersey Transportation Trust Fund Authority and defining its functions, duties and powers, including the authorization to issue bonds, notes and other obligations, creating the Transportation Trust Fund Account within the State General Fund, providing for the credit to the Transportation Trust Fund Account of $88 million and amounts equal to increases authorized in motor vehicle registration fees, providing for payment of funds of the New Jersey Transportation Trust Fund Authority to the Special Transportation Fund, and amending "The New Jersey Highway Authority Act," approved April 14, 1952 (P. L. 1952, c. 16), the "New Jersey Expressway Authority Act," approved February 19, 1962 (P. L. 1962, c. 10), and the "New Jersey Turnpike Authority Act of 1948," approved October 27, 1948 (P. L. 1948, c. 454) to provide authority for contractual payments by these toll road authorities to the State or the New Jersey Transportation Trust Fund Authority, amending various other parts of the statutory law and supplementing Title 27 of the Revised Statutes.

BE IT ENACTED *by the Senate and General Assembly of the State of New Jersey:*

1. (New section) This act shall be known and may be cited as the "New Jersey Transportation Trust Fund Authority Act of 1984."

2. (New section) The Legislature finds and declares that:

a. A sound, balanced transportation system is vital to the future

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.
Matter printed in italics *thus* is new matter.

of the State and is a key factor in its continued economic development.

b. The transportation infrastructure of the State is among the most heavily used in the nation and has deteriorated alarmingly in recent years with parts of the highway system reaching the end of their useful lives. This deterioration has been caused, in part, because New Jersey, unlike most states and the federal government, has not provided a stable source of transportation funding.

c. There exists an urgent need for a stable and assured method of financing the planning, acquisition, engineering, construction, reconstruction, repair and rehabilitation of the State's transportation system, including the financing of the State's share under federal aid highway laws of the cost of planning, acquisition, engineering, construction, reconstruction, repair, resurfacing, and rehabilitation of public highways and of the State's share of the planning, acquisition, engineering, construction, reconstruction, repair and rehabilitation of public transportation and other transportation projects in the State, that will enable the State to construct and maintain the safe, balanced, sound and efficient transportation system necessary for the well being of the State's citizens.

d. Unless additional State funding is provided immediately for the State transportation systems, the cost of repair and reconstruction will increase geometrically and the economic well-being and safety of users of the State's transportation system will be endangered.

e. Transportation facilities under the jurisdiction of counties and municipalities form an integral and vital part of the State's transportation system. Without State aid, counties and municipalities will be unable to meet the cost of maintaining, rehabilitating and improving these facilities.

f. The State's commitment to the payment for and financing of the State transportation system in a stable fashion, thus ensuring a predictable and continuing public investment in transportation and allowing the State to take full advantage of funds provided by the federal government, is a public use and public purpose for which public money may be expended and tax exemptions granted; and that the powers and duties of the New Jersey Transportation Trust Fund Authority and the other measures hereinafter described are necessary and proper for the purpose of achieving the ends herein recited.

3. (New section) The following words or terms as used in this act shall have the following meaning unless a different meaning clearly appears from the context:

a. "Act" means this New Jersey Transportation Trust Fund Authority Act of 1984.

b. "Authority" means the New Jersey Transportation Trust Fund Authority created by section 4 of this act.

c. "Bonds" means bonds issued by the authority pursuant to the act.

d. "Commissioner" means the Commissioner of Transportation.

e. "Department" means the Department of Transportation.

f. "Federal aid highway" means any highway within the State in connection with which the State receives payment or reimbursement from the federal government under the terms of Title 23, United States Code or any amendment, successor, or replacement thereof, for the purposes contained in the act.

g. "Federal government" means the United States of America, and any officer, department, board, commission, bureau, division, corporation, agency or instrumentality thereof.

h. "New Jersey Expressway Authority" means the public corporation created by section 4 of chapter 10 of the Laws of New Jersey of 1962 as amended or its successor.

i. "New Jersey Highway Authority" means the public corporation created by section 4 of chapter 16 of the Laws of New Jersey of 1952 as amended or its successor.

j. "New Jersey Turnpike Authority" means the public corporation created by section 4 or chapter 454 of the Laws of New Jersey of 1948 as amended or its successor.

k. "Notes" means notes issued by the authority pursuant to the act.

l. "State agency" means any officers, department, board, commission, bureau, division, agency or instrumentality of the State.

m. "Toll road authorities" means and includes the New Jersey Turnpike Authority, the New Jersey Highway Authority and the New Jersey Expressway Authority.

4. (New section) a. There is hereby established in the department a public body corporate and politic, with corporate succession, to be known as the "New Jersey Transportation Trust Fund Authority." For the purpose of complying with the provisions of Article V, Section IV, paragraph 1 of the New Jersey Constitution, the authority is hereby allocated within the Department of Transportation, but notwithstanding said allocation, the authority shall be independent of any supervision or control by the department or by any board or officer thereof. The authority is hereby constituted as an instrumentality of the State exercising public and essential governmental functions no part of whose revenues shall

accrue to the benefit of any individual, and the exercise by the authority of the powers conferred by the act shall be deemed and held to be an essential governmental function of the State.

b. The authority shall consist of five members as follows: the commissioner and the State Treasurer, who shall be members ex officio, another member of the executive branch to be appointed by the Governor who shall also serve ex officio and at the pleasure of the Governor, and two public members, who shall not be of the same political party, and who shall be appointed by the Governor, with the advice and consent of the Senate. The public members first appointed by the Governor shall serve for terms of two and four years, respectively, and thereafter for terms of four years.

Each public member shall hold office for the term of their appointment and until their successor shall have been appointed and qualified. A member shall be eligible for reappointment. Any vacancy in the membership occurring other than by expiration of term shall be filled in the same manner as the original appointment but for the unexpired term only.

c. Each public member may be removed from office by the Governor, for cause, after public hearing, and may be suspended by the Governor pending the completion of such hearing. Each member before entering upon their duties shall take and subscribe an oath to perform the duties of their office faithfully, impartially and justly to the best of their ability. A record of such oaths shall be filed in the Office of the Secretary of State.

d. The commissioner shall serve as chairperson of the authority. The members shall annually elect one of their number as vice chairperson. The members shall elect a secretary and a treasurer who need not be members, and the same person may be elected to serve both as secretary and treasurer. The powers of the authority shall be vested in the members thereof in office from time to time and three members of the authority shall constitute a quorum at any meeting thereof. Action may be taken and motions and resolutions adopted by the authority at any meeting thereof by the affirmative vote of at least a majority of the total authorized members of the authority. No vacancy in the membership of the authority shall impair the right of a quorum of the members to exercise all the powers and perform all the duties of the authority.

e. The members of the authority shall serve without compensation, but the authority shall reimburse its members for actual expenses necessarily incurred in the discharge of their duties. Notwithstanding the provisions of any other law, no member shall be deemed to have forfeited nor shall they forfeit their office or employment or any benefits or emoluments thereof by reason of their acceptance of the office of ex officio member of the authority or their services therein.

f. Each ex officio member may designate an employee of their department or agency to represent them at meetings of the authority. Each designee may lawfully vote and otherwise act on behalf of the member for whom they constitute the designee. The designnation shall be in writing delivered to the authority and shall continue in effect until revoked or amended in writing delivered to the authority.

g. A true copy of the minutes of every meeting of the authority shall be forthwith delivered by and under the certification of the secretary thereof to the Governor. No action taken at the meeting by the authority shall have force or effect until 15 days after such copy of the minutes shall have been so delivered unless during this 15-day period the Governor shall approve in writing the same or any part thereof in which case the action shall become effective upon approval. If, in said 15-day period, the Governor returns a copy of the minutes with his veto of any action taken by the authority or any member thereof at the meeting, the action shall be null and void and of no effect. Notwithstanding the foregoing, if the last day of the 15-day period shall be a Saturday, Sunday or legal holiday, then the 15-day period shall be deemed extended to the next following business day. The powers conferred in this paragraph upon the Governor shall be exercised with due regard for the rights of the holders of bonds, notes or other obligations of the authority at any time outstanding, and nothing in, or done pursuant to, this paragraph shall in any way limit, restrict or alter the obligation or powers of the authority or any representative or officer of the authority to carry out and perform in every detail each and every covenant, agreement or contract at any time made or entered into by or on behalf of the authority with respect to its bonds, notes or other obligations or for the benefit, protection or security of the holders thereof.

h. The authority shall continue in existence until dissolved by act of the Legislature on condition that the authority has no debts, contractual duties or obligations outstanding or that provision has been made for the payment, discharge or retirement of these debts, contractual duties or obligations. Upon any dissolution of the authority all property, rights, funds and assets thereof shall pass to and become vested in the State.

5. (New section) It shall be the sole purpose of the authority created under this act, to provide the payment for and financing

of all, or a portion of, the costs incurred by the department for the planning, acquisition, engineering, construction, reconstruction, repair and rehabilitaton of the State's transportation system, including, without limitation, the State's share (including State advances with respect to any federal share) under federal aid highway laws of the costs of planning, acquisition, engineering, construction, reconstruction, repair, resurfacing and rehabilitation of public highways, the State's share (including State advances with respect to any federal share) of the costs of planning, acquisition, engineering, construction, reconstruction, repair and rehabilitation of public transportation, and other transportation projects in the State, and State aid to counties and municipalities for transportation projects, all in furtherance of the public policy declared in section 2 of the act, in the manner provided for in the act.

6. (New section) In addition to all other powers granted to the authority in the act, the authority shall have power:

a. To sue and be sued;

b. To have an official seal and alter the same at its pleasure;

c. To make and alter bylaws for its organization and internal management and rules and regulations for the conduct of its affairs and business;

d. To maintain an office at a place or places within the State as it may determine;

e. To acquire, hold, use and dispose of its income, revenues, funds and moneys;

f. To acquire, own, lease as lessee or lessor, hold, use, sell, transfer, and dispose of real or personal property for its purposes;

g. To borrow money and to issue its bonds, notes or other obligations and to secure the same by its revenues or other funds and otherwise to provide for and secure the payment thereof and to provide for the rights of the holders thereof and to provide for the refunding thereof all as provided in the act;

h. To issue subordinated indebtedness and to enter into bank loan agreements, lines of credit, letters of credit and other security devices as provided for in the act;

i. In its own name or in the name of the State, to apply for and receive and accept appropriations or grants of property, money, services or reimbursements for money previously spent and other assistance offered or made available to it by or from any person, government, agency, public authority or any public and private entity whatever for any lawful corporate purpose of the authority including, without limitation, grants, appropriations or reimbursements from the State or federal government with respect to their respective shares under federal aid highway laws of the costs of planning, acquisition, engineering, construction, reconstruction, repair, resurfacing and rehabilitation of public highways or the costs of planning, acquisition, engineering, construction, reconstruction, repair and rehabilitation of public transportation projects and other transportation projects, in the State and the authority's operating expenses and to apply and negotiate for the same upon such terms and conditions as may be required by any person, or agency government or as the authority may determine to be necessary, convenient or desirable;

j. Subject to any agreement with the holders of bonds, notes or other obligations, to invest moneys of the authority not required for immediate use, including proceeds from the sale of any bonds, notes or other obligations, in obligations, securities and other investments as the authority shall deem prudent;

k. Subject to any agreements with holders of bonds, notes or other obligations, to purchase bonds, notes or other obligations of the authority out of any funds or moneys of the authority available therefor, and to hold, cancel or resell the bonds, notes or other obligations;

l. For its sole purpose as established in section 5 of this act, to appoint and employ an executive director and such additional officers who need not be members of the authority and accountants, financial advisors or experts and all such other or different officers, agents and employees as it may require and determine their qualifications, terms of office, duties and compensation, all without regard to the provisions of Title 11, Civil Service, of the Revised Statutes;

m. To do and perform any acts and things authorized by the act under, through, or by means of its officers, agents or employees or by contracts with any person, firm or corporation or any public body;

n. To procure insurance against any losses in connection with its property, operations, assets or obligations in amounts and from insurers as it deems desirable;

o. To make and enter into any and all contracts and agreements which the authority determines are necessary, incidental, convenient or desirable to the performance of its duties and the execution of its powers under the act; and

p. To do any and all things necessary, convenient or desirable to carry out its purposes and exercise the powers given and granted in the act.

7. (New section) The authority shall have the power to accept

and use any funds appropriated and paid by the State to the authority, including, without limitation, appropriations and payments from the Transportation Trust Fund Account established pursuant to the act, for the purposes for which the appropriations and payments are made.

8. (New section) The authority shall have the power to enter into contracts (or take an assignment of the right and interests in contracts entered into by the treasurer or commissioner) with each toll road authority or other State agency to provide for payments to it by each toll road authority or other State agency from available revenues of the amount or amounts that may be set forth in, or determined in accordance with, the contract and for the fixing of tolls and other charges at rates as shall be required to provide for the payments. Subject as aforesaid, each contract, or assignment, may contain conditions and covenants as shall be agreed to by the authority and each toll road authority or other State agency and in the case of an assignment as agreed to by the treasurer or commissioner, including but not limited to conditions and covenants necessary and desirable to facilitate the issuance and sale of bonds, notes and other obligations of the authority. The authority may receive and use (and contract for the use of) the amounts paid to it pursuant to the contracts for any one or more of its corporate purposes or powers.

9. (New section) a. The authority shall have the power and is hereby authorized from time to time to issue its bonds, notes or other obligations in principal amounts as in the opinion of the authority shall be necessary to provide for any of its corporate purposes, including the payment, funding or refunding of the principal of, or interest or redemption premiums on, any bonds, notes or other obligations issued by it whether the bonds, notes, obligations or interest to be funded or refunded have or have not become due; and to provide for the security thereof and for the establishment or increase of reserves to secure or to pay the bonds, notes or other obligations or interest thereon and all other reserves and all costs or expenses of the authority incident to and necessary or convenient to carry out its corporate purposes and powers; and in addition to its bonds, notes and other obligations the authority shall have the power to issue subordinated indebtedness which shall be subordinate in lien to the lien of any or all of its bonds or notes. No resolution or other action of the authority providing for the issuance of bonds, refunding bonds or other obligations shall be adopted or otherwise made effective by the authority without the prior approval in writing of the Governor and either the State Treasurer or the Comptroller of the Treasury.

b. Except as may be otherwise expressly provided in the act or by the authority, every issue of bonds or notes shall be general obligations payable out of any revenues or funds of the authority, subject only to any agreements with the holders of particular bonds or notes pledging any particular revenues or funds. The authority may provide the security and payment provisions for its bonds or notes as it may determine, including (without limiting the generality of the foregoing) bonds or notes as to which the principal and interest are payable from and secured by all or any portion of the revenues of and payments to the authority and other moneys or funds as the authority shall determine. In addition, the authority may, in anticipation of the issuance of the bonds or the receipts of appropriations, grants, reimbursements or other funds, including without limitation grants from the federal government for federal aid highways or public transportation systems, issue notes the principal of or interest on which or both shall be payable out of the proceeds of notes, bonds or other obligations of the authority or appropriations, grants, reimbursements or other funds or revenues of the authority. The authority may also enter into bank loan agreements, lines of credit and other security devices and obtain for or on its behalf letters of credit in each case for the purpose of securing its bonds, notes or other obligations or to provide direct payment of any costs which the authority is authorized to pay by this act and to secure repayment of any borrowings under the loan agreement, line of credit, letter of credit or other security agreement by its bonds, notes or other obligations or the proceeds thereof or by any or all of the revenues of and payments to the authority or by any appropriation, grant or reimbursement to be received by the authority and other moneys or funds as the authority shall determine.

c. Whether or not the bonds and notes are of the form and character as to be negotiable instruments under the terms of Title 12A, Commercial Transactions, New Jersey Statutes, the bonds and notes are hereby made negotiable instruments within the meaning of and for all the purposes of said Title 12A.

d. Bonds or notes of the authority shall be authorized by a resolution or resolutions of the authority and may be issued in one or more series and shall bear the date, or dates, mature at the time or times, bear interest at the rate or rates of interest per annum, be in the denomination or denominations, be in the form, carry the conversion or registration privileges, have the rank or priority, be executed in the manner, be payable from the sources, in the medium of payment, at the place or places within or without the State, and be subject to the terms of redemption (with or without premium) as the resolution or resolutions may provide. Bonds or notes may be further secured by a trust indenture between the authority and a corporate trustee within or without the State. All other obligations of the authority shall be authorized by resolution containing terms and conditions as the authority shall determine.

e. Bonds, notes or other obligations of the authority may be sold at public or private sale at a price or prices and in a manner as the authority shall determine. Every bond shall mature and be paid not later than 30 years from the date thereof.

f. Bonds or notes may be issued and other obligations incurred under the provisions of the act without obtaining the consent of any department, division, commission, board, bureau or agency of the State, other than the approval as required by subsection a. of this section, and without any other proceeding or the happening of any other conditions or other things than those proceedings, conditions or things which are specifically required by the act.

g. Bonds, notes and other obligations of the authority issued or incurred under the provisions of the act shall not be in any way a debt or liability of the State or of any political subdivision thereof other than the authority and shall not create or constitute any indebtedness, liability or obligation of the State or of any political subdivision or be or constitute a pledge of the faith and credit of the State or of any political subdivision but all bonds, notes and obligations, unless funded or refunded by bonds, notes or other obligations of the authority, shall be payable solely from revenues or funds pledged or available for their payment as authorized in the act. Each bond, note or other obligation shall contain on its face a statement to the effect that the authority is obligated to pay the principal thereof or the interest thereon only from revenues or funds of the authority and that neither the State nor any political subdivision thereof is obligated to pay the principal or interest and that neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or the interest on the bonds, notes or other obligations.

h. All expenses incurred in carrying out the provisions of the act shall be payable solely from revenues or funds provided or to be provided under or pursuant to the provisions of the act and nothing in the act shall be construed to authorize the authority to incur any indebtedness or liability on behalf of or payable by the State or any political subdivision thereof.

10. (New section) In any resolution of the authority authorizing or relating to the issuance of any bonds, notes or other obligations

or in any indenture securing the bonds, notes or other obligations, the authority, in order to secure the payment of the bonds, notes or other obligations and in addition to its other powers, shall have the power by provisions therein which shall constitute covenants by the authority and contracts with the holders of the bonds, notes or other obligations:

a. To pledge all or any part of its revenues or receipts to which its right then exists or may thereafter come into existence and other moneys or funds as the authority shall determine and the moneys derived therefrom, and the proceeds of any bonds, notes or other obligations;

b. To pledge any agreement including, without limitation, the contract or contracts referred to in section 22 of the act, contracts with the toll road authorities or other State agencies, and any grant, contract, or agreement with the federal government or the revenues or payments thereunder and the proceeds thereof;

c. To covenant against pledging all or any part of its revenues or receipts or its agreements and the revenues derived thereunder or the proceeds thereof and other moneys or funds as the authority shall determine and the moneys derived therefrom or against permitting or suffering any lien on any of the foregoing;

d. To covenant with respect to limitations on any right to sell, lease or otherwise dispose of any property of any kind;

e. To covenant as to any bonds, notes and other obligations to be issued and the limitations thereof and the terms and conditions thereof and as to the custody, application, investment, and disposition of the proceeds thereof;

f. To covenant as to the issuance of additional bonds, or notes or other obligations or as to limitations on the issuance of additional bonds, notes or other obligations and on the incurring of other debts by it;

g. To covenant as to the payment of the principal of or interest on the bonds, notes, or other obligations, as to the sources and methods of payment, as to the rank or priority of any bonds, notes or obligations with respect to any lien or security or as to the acceleration of the maturity of any bonds, notes or obligations;

h. To provide for the replacement of lost, stolen, destroyed or mutilated bonds, notes or other obligations;

i. To covenant against extending the time for the payment of bonds, notes or other obligations or interest thereon;

j. To covenant as to the redemption of bonds, notes or other obligations and privileges of exchange thereof for other bonds, notes or other obligations of the authority;

k. Subject to the rights and security interests of the holders from time to time of bonds, notes or other obligations heretofore or hereafter issued by each of the toll road authorities or other State agencies, to covenant as to the enforcement of any term in any agreement, entered into pursuant to the act, to which the authority is a party or an assignee, fixing amounts of funds of the toll road authorities or other State agencies to be paid over to and received by the authority in each year or other period of time, including any term concerning the fixing of tolls and other charges by the toll road authorities or other State agencies at rates as shall be necessary to provide the amounts of funds;

l. To covenant to create or authorize the creation of special funds or moneys to be held in pledge or otherwise for payment or redemption of bonds, notes, or other obligations, reserves or other purposes and as to the use, investment, and disposition of the moneys held in the funds;

m. To establish the procedure, if any, by which the terms of any contract or covenant with or for the benefit of the holders of bonds, notes or other obligations may be amended or abrogated, the amount of bonds, notes or other obligations the holders of which must consent thereto, and the manner in which the consent may be given;

n. To provide for the release of property, agreements, or revenues and receipts from any pledge and to reserve rights and powers in, or the right to dispose of, property which is subject to a pledge;

o. To provide for the rights and liabilities, powers and duties arising upon the breach of any covenant, condition or obligation and to prescribe the events of default and the terms and conditions upon which any or all of the bonds, notes or other obligations of the authority shall become or may be declared due and payable before maturity and the terms and conditions upon which any declaration and its consequences may be waived;

p. To vest in a trustee or trustees within or without the State such property, rights, powers and duties in trust as the authority may determine, and to limit the rights, duties and powers of such trustee;

q. To execute all bills of sale, conveyances, deeds of trust and other instruments necessary or convenient in the exercise of its powers or in the performance of its covenants or duties;

r. To pay the costs or expenses incident to the enforcement of the bonds, notes or other obligations or of the provisions of the resolution or of any covenant or agreement of the authority with the holders of its bonds, notes or other obligations;

s. To limit the rights of the holders of any bonds, notes or other obligations to enforce any pledge or covenant securing the bonds, notes or other obligations; and

t. To make covenants, in addition to the covenants herein expressly authorized, of like or different character, and to make covenants to do or refrain from doing acts and things as may be necessary, or convenient and desirable, in order to better secure bonds, notes or other obligations or which in the absolute discretion of the authority will tend to make bonds, notes or other obligations more marketable, notwithstanding that the covenants, acts or things may not be enumerated herein.

11 (New section) Any pledge of revenues, moneys, funds or other property made by the authority shall be valid and binding from the time when the pledge is made; the revenues, moneys, funds or other property so pledged and thereafter received by the authority shall immediately be subject to the liens of the pledge without any physical delivery thereof or further act, and the lien of any pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the authority, irrespective of whether the parties have notice thereof. Neither the resolution nor any other instrument by which a pledge of revenues, moneys or funds is created need be filed or recorded except in the records of the authority.

12. (New section) Neither the members of the authority nor any person executing bonds or notes or other obligations issued pursuant to this act shall be liable personally on the bonds, notes or other obligations by reason of the issuance thereof.

13. (New section) The authority may establish reserves, funds or accounts as may be, in its discretion, necessary or desirable to further the accomplishment of the purposes of the authority or to comply with the provisions of any agreement made by or any resolution of the authority.

14. (New section) The State does hereby pledge to and covenant and agree with the holders of any bonds, notes or other obligations issued or incurred pursuant to the authorization of the act that the State will not limit or alter the rights or powers hereby vested in the authority in any way that would jeopardize the interest of the holders or inhibit or prevent performance or fulfillment by the authority of the terms of any agreement made with the holders of the bonds, notes or other obligations, or prevent the authority from obtaining sufficient revenues which, together with other available funds, shall be sufficient to meet all expenses of the authority and fulfill the terms of any agreement made with the holders of the

bonds, notes or other obligations, together with interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceedings by or on behalf of the holders, or from receiving payment of funds of the toll road authorities or other State agencies as provided in any agreement provided for in the act or from agreeing with the toll road authorities or other State agencies to fix tolls and other charges at rates as shall be necessary to produce the amounts of funds are required by any agreement, until the bonds, notes or other obligations, together with interest thereon, are fully met and discharged or provided for. The failure of the State to appropriate moneys for any purpose of the act shall not be deemed or construed to be a violation of this section.

15. (New section) The State and all public officers, governmental units and agencies thereof, all banks, trust companies, savings banks and institutions, building and loan associations, savings and loan associations, investment companies, and other persons carrying on a banking business, all insurance companies, insurance associations and other persons carrying on an insurance business, and all executors, administrators, guardians, trustees and other fiduciaries, may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any bonds or notes issued pursuant to the act, and the bonds or notes shall be authorized security for any and all public deposits.

16. (New section) All property of the authority is declared to be public property devoted to an essential public and governmental function and purpose and shall be exempt from all taxes and special assessments of the State or any political subdivision thereof. All bonds, notes or other obligations issued pursuant to the act are hereby declared to be issued by a body corporate and politic of the State and for an essential public and governmental purpose and the bonds, notes and other obligations, and the interest thereon and the income therefrom, and all funds, revenues, income and other moneys received or to be received by the authority and pledged or available to pay or secure the payment of the bonds, notes and other obligations, or interest thereon, shall at all times be exempt from taxation except for transfer, inheritance and estate taxes.

17. (New section) On or before the first day of September in each year the authority shall make an annual report of its objectives for the preceding fiscal year to the Governor and to the Legislature, in addition to responding to other requests made by the Legislature from time to time. Each such report shall set forth a complete

operating and financial statement covering its operations during the year. The authority shall cause an audit of its books and accounts to be made at least once in each year by certified public accountants and the cost thereof shall be considered an expense of the authority and a copy thereof shall be filed with the Comptroller of the Treasury.

18. (New section) All officers, departments, boards, agencies, divisions and commissions of the State are hereby authorized and empowered to render any and all services to the authority as may be within the area of their respective governmental functions as fixed or established by law, and as may be requested by the authority. The cost and expense of any services shall be met and provided for by the authority.

19. (New section) The commissioner is authorized to adopt such rules and regulations, in accordance with the "Administrative Procedure Act," P. L. 1968, c. 410 (C. 52:14B–1 et seq.), as he deems necessary to effectuate the purposes of the act.

20. (New section) There is hereby established in the State General Fund an account entitled "Transportation Trust Fund Account." During the fiscal year beginning July 1, 1984 and during each succeeding fiscal year in which the authority has bonds, notes or other obligations outstanding, the treasurer shall credit to this account commencing with the last business day of August 1984 and on the last business day of each succeeding calendar month an amount not less than $7,333,333.00, provided that if the effective date of the act shall be later than July 1984, the initial credit shall be an amount equal to that which would have been credited to the account had the act become effective on July 1, 1984, and further provided that the amount credited during any fiscal year shall not be less than $88,000,000.00; and an amount equivalent to moneys received by the State in accordance with contracts entered into with toll road authorities or other State agencies. The treasurer shall also credit to this account, in accordance with a contract between the treasurer and the authority, an amount equivalent to an increase of fees for motor vehicle registrations collected pursuant to the amendment to R. S. 39:3–20 made by this act, provided that the total amount credited during any fiscal year shall not be less than $30,000,000.00. No later than the fifth business day of the month following the month in which a credit has been made, the treasurer shall pay to the authority, for its purposes as provided herein, the amounts then credited to the Transportation Trust Fund Account, provided that the payments to the authority shall be subject to and dependent upon appropriations being made from time

to time by the Legislature of the amounts thereof for the purposes of the act.

21. (New section) There is hereby established a separate fund entitled "Special Transportation Fund." This fund shall be maintained by the State Treasurer and may be held in depositories as may be selected by the treasurer and invested and reinvested as other funds in the custody of the treasurer in the manner provided by law. The commissioner may from time to time (but not more frequently than monthly) certify to the authority an amount necessary to fund payments made, or anticipated to be made by or on behalf of the department, from appropriations established for or made to the department from revenues or other funds of the authority. The commissioner's certification shall be deemed conclusive for purposes of the act. The authority shall within 15 days of receipt of the certificate, transfer from available funds of the authority to the treasurer for deposit in the Special Transportation Fund the amount certified by the commissioner, provided that all funds transferred shall only be expended by the department pursuant to appropriations or authorizations made from time to time by the Legislature for the purposes of the act.

22. (New section) In order to implement the arrangement provided for in the act, the treasurer, the commissioner and the authority are hereby authorized to enter into one or more contracts. The contracts shall commence with the fiscal year beginning July 1, 1984, and provide for the credit to the Transportation Trust Fund Account in the amounts provided for in section 20 of the act and for the payment to the authority of the amounts credited to the Transportation Trust Fund Account in accordance with the provisions of section 20 of the act. The contracts shall also provide for the payment by the authority of the amounts provided for in section 21 of the act and for expenditures from the Special Transportation Fund as provided in section 21 of the act. The contract or contracts shall be on terms and conditions as determined by the parties and may contain terms and conditions necessary and desirable to secure the bonds, notes and other obligations of the authority, provided, however, that the incurrence of any obligation by the State under the contract or contracts, including any payments to be made thereunder from the Transportation Trust Fund Account or the Special Transportation Fund, shall be subject to and dependent upon appropriations being made from time to time by the Legislature for the purposes of the act.

23. (New section) To the extent practicable, not less than 10% of the moneys expended from the Special Transportation Fund

shall be expended with business concerns owned and controlled by socially and economically disadvantaged individuals. With respect to projects administered and contracted for by the department or by any other State agency, the commissioner shall adopt whatever rules and regulations or administrative procedures he deems necessary to implement this provision and shall, to the extent practicable, implement the same procedures and standards for minority and female business enterprise participation with respect to projects involving federal aid and those not involving federal aid.

24. (New section) Notwithstanding the provisions of subtitle 4 of Title 27 of the Revised Statutes and P. L. 1946, c. 301 (C. 27:15A-1 et seq.), the commissioner may, pursuant to appropriations or authorizations being made from time to time by the Legislature according to law, allocate to counties and municipalities funds for the planning, acquisition, engineering, construction, reconstruction, repair, resurfacing and rehabilitation of public highways and the planning, acquisition, engineering, construction, reconstruction, repair and rehabilitation of public transportation projects and of other transportation projects which a county or municipality may be authorized by law to undertake. In the case of a county or municipality for which an allocation has been made for the federal fiscal year beginning October 1, 1983, of an amount of federal aid for the federal aid urban system as defined in 23 U. S. C. 103, the amount of State aid allocated under this section in any fiscal year shall not be less than the amount of federal aid so allocated, together with the amount of matching funds required under federal law. No allocation shall be made to a county or municipality without certification by the commissioner (1) that there exists with respect to that county or municipality a comprehensive plan, which he has approved, for the effective allocation, utilization and coordination of available federal and State transportation aid, and (2) that the county or municipality has agreed that State aid provided under this section is provided in lieu of federal aid for the federal aid urban system and that acceptance of this State aid constitutes a waiver of any claims the county or municipality may have with respect to the allocation of that federal aid.

25. (New section) It shall be lawful for each county and municipality, upon notification by the commissioner of approval for and the amount of State aid allocated to a project, to include an amount equal to the amount of such State aid in its annual budget and any amendments and supplements thereto. Immediately thereafter, commitments may be made by counties and municipalities against the amounts so included in their budgets and amendments and supplements thereto.

26. (New section) When the commissioner shall notify the governing body of a county or municipality of the amount of State funds allocated to a project, the governing body may borrow money on temporary loan to an amount not to exceed the amount of the State funds allocated to the project in anticipation of the payment of the amount of State funds so allocated to the county or municipality, and may apply the proceeds of the loan to the payment of the cost of the project. The temporary loan shall be repaid upon payment to the county or municipality of the sum in anticipation of payment of which the loan was made.

27. Section 5 of P. L. 1952, c. 16 (C. 27:12B-5) is amended as follows:

5. The authority shall be a body corporate and politic and shall have perpetual succession and shall have the following powers:

(a) To adopt bylaws for the regulation of its affairs and the conduct of its business;

(b) To adopt an official seal and alter the same at pleasure;

(c) To maintain an office at such place or places within or without the State as it may designate;

(d) To sue and be sued in its own name;

(e) To acquire, construct, maintain, repair and operate projects;

(f) To acquire, lease, build, improve, maintain and operate one or more ferry boats and other craft between a point in Cape May county, New Jersey, and a point in Lewes, Delaware, and to transport passengers and freight between said points by means of such boats;

(g) To acquire in cooperation with the Department of [Conservation and Economic Development] *Environmental Protection* limited roadside areas adjoining said projects and transfer any or all of such areas to the Department of [Conservation and Economic Development] *Environmental Protection* so that said department may maintain such areas as roadside parks;

(h) To issue bonds or notes of the authority and to provide for the rights of the holders thereof as provided in this act;

(i) To fix and revise from time to time and charge and collect tolls or other charges for transit over or use of any project acquired or constructed by it;

(j) To establish and enforce rules and regulations for the use of any project;

(k) To acquire, hold and dispose of real and personal property in the exercise of its powers and the performance of its duties under this act;

(l) To acquire in the name of the authority by purchase or otherwise, on such terms and conditions and in such manner as it may deem proper, or by the exercise of the power of eminent domain, any land and other property, including land under water and riparian rights, within or without the State of New Jersey, which it may determine is reasonably necessary for any project or for the relocation or reconstruction of any public highway by the authority under the provisions of this act or for the construction of any feeder road which the authority is or may be authorized to construct and any and all rights, title and interest in such land and other property, including public lands, parks, playgrounds, reservations, highways or parkways, owned by or in which any county, city, borough, town, township, village, or other political subdivision of the State of New Jersey has any right, title or interest, or parts thereof or rights therein and any fee simple absolute or any lesser interest in private property, and any fee simple absolute in, easements upon, or the benefit of restrictions upon abutting property to preserve and protect projects;

(m) To locate and designate, and to establish, limit and control such points of ingress to and egress from each project as may be necessary or desirable in the judgment of the authority to insure the proper operation and maintenance of such project, and to prohibit entrance to such project from any point or points not so designated;

(n) To take title or any lesser interest to any land or other property in the State of Delaware in any manner permitted by the laws of Delaware. Whenever such property located in the State of Delaware cannot be acquired by the authority in its name or in that of its nominee or trustee by agreement, and the Highway Department of the State of Delaware is willing to condemn such property for the use of the project if reimbursed by the authority for the condemnation money or damages awarded in such condemnation and the expenses thereof, the authority is authorized and empowered to enter into an agreement of reimbursement with the Highway Department of the State of Delaware for such condemnation money or damages and expenses and to secure the same by a deposit of cash or otherwise and to reimburse the Highway Department of the State of Delaware or other proper department or agency of the State of Delaware for all condemnation money or damages and costs legally awarded or incurred in such condemnation;

(o) To make and enter into all contracts and agreements necessary or incidental to the performance of its duties and the execution of its powers under this act;

(p) To construct, maintain, repair and operate any feeder road or any public highway connecting parts of a project or two or more projects which in the opinion of the authority will increase the use of a project or projects, to take over for maintenance, repair and operation any existing public highway as a feeder road, and to realign any such existing public highway and build additional sections of road over new alignment in connection with such existing public highway;

(q) To appoint such additional officers (who need not be members of the authority) and employ such consulting engineers, attorneys, accountants, construction and financial experts, superintendents, managers and other employees and agents as the authority deems advisable and as may be necessary in its judgment; to fix their compensation; and to promote and discharge such officers, employees and agents; all without regard to the provisions of Title 11 of the Revised Statutes;

(r) To receive and accept from any federal agency, subject to the approval of the Governor, grants for or in aid of the acquisition or construction of any project, and to receive and accept aid or contributions, except appropriations by the Legislature, from any source, of either money, property, labor or other things of value, to be held, used and applied only for the purposes for which such grants and contributions may be made;

(s) Subject to the rights and security interests of the holders from time to time of bonds or notes heretofore or hereafter issued by the New Jersey Highway Authority, to enter into contracts with the State or the New Jersey Transportation Trust Fund Authority established by section 4 of the New Jersey Transportation Trust Fund Authority Act of 1984, P. L. 19...., c. .... (C. ....), or other authority or instrumentality established by law, providing for the payment from the revenues of the Highway Authority to the State or to the New Jersey Transportation Trust Fund Authority, or other authority or instrumentality established by law of the amount or amounts of revenues that may be set forth in or determined in accordance with the contracts; and to fix tolls and other charges at rates as may be necessary to provide for those payments. Any contracts authorized pursuant to this section may include conditions and covenants necessary and desirable to facilitate the issuance and sale of bonds, notes and other obligations of the New Jersey Transportation Trust Fund Authority. Any agreements entered into between the State and the Highway Authority pursuant to this subsection shall terminate upon the effective date of any agreement entered into between the New Jersey Transpor-

tation Trust Fund Authority and the Highway Authority providing for the payment of revenues of the Highway Authority directly from the Highway Authority to the New Jersey Transportation Trust Fund Authority.

[(s)] *(t)* To do all acts and things necessary or convenient to carry out the powers and duties expressly provided in this act; and

[(t)] *(u)* To exercise all of the foregoing powers in the State of Delaware in so far as permitted by the laws of that state, and to apply to the authorities of the State of Delaware for all franchises, permits and licenses necessary to exercise such powers.

Nothing contained in this act shall be construed to authorize or empower the authority to acquire State property by the exercise of the power of eminent domain.

28. Section 11 of P. L. 1962, c. 10 (C. 27:12C-11) is amended to read as follows:

11. The authority shall be a public body corporate and politic and shall have perpetual succession and shall have the following powers:

(a) To adopt bylaws for the regulation of its affairs and the conduct of its business;

(b) To adopt and have an official common seal and alter the same at pleasure;

(c) To maintain an office at such place or places within the State as it may designate;

(d) To sue and be sued;

(e) To acquire, construct, maintain, improve, repair and operate projects;

(f) To construct, maintain, improve, repair and operate feeder roads;

(g) To issue bonds or notes of the authority and to provide for the rights of the holders thereof as provided in this act;

(h) To fix and revise from time to time and charge and collect tolls or other charges for transit over or use of any project acquired or constructed by it;

(i) To establish rules and regulations for the use of any project;

(j) To acquire, lease as lessee, hold and dispose of real and personal property or any interest therein, in the exercise of its powers and the performance of its duties under this act;

(k) To acquire in the name of the authority by purchase or otherwise, on such terms and conditions and in such manner as it may deem proper, or by the exercise of the power of eminent domain, any land and other property which it may determine is reasonably necessary for any project or for the relocation or reconstruction of any public highway by the authority under the provisions of this act or for the construction of any feeder road which the authority is or may be authorized to construct and any and all rights, title and interest in such land and other property, including public lands, parks, playgrounds, reservations, highways or parkways owned by or in which any county, municipality or other governmental subdivision of the State has any right, title or interest, or parts thereof or rights therein, and any fee simple absolute or any lesser interest in private property, and any fee simple absolute in, easements upon, or the benefit of restrictions upon abutting property to preserve and protect projects;

(l) To locate and designate, and to establish, limit and control such points of ingress to and egress from each project as may be necessary or desirable in the judgment of the authority to insure the proper operation and maintenance of such project, and to prohibit entrance to such project from any point or points not so designated;

(m) Subject to the limitations of this act, to acquire, construct, maintain, improve, repair or operate any public highway connecting with any one or more projects which in the opinion of the authority will increase the use of a project or projects, to take over for maintenance, improvement, repair or operation any existing public highway as a feeder road and to realign any such existing public highway and build additional sections of road over new alignment in connection with such existing public highway;

(n) To receive and accept from any federal agency, subject to the approval of the Governor, grants for or in aid of the acquisition or construction of any project, and to receive and accept aid or contributions from any other source, of either money, property, labor or other things of value, to be held, used and applied only for the purposes for which such grants and contributions may be made;

(o) Subject to the limitations of this act, to determine the location, type and character of any project and all other matters in connection with such project; **[and]**

(p) Subject to the rights and security interests of the holders from time to time of bonds or notes heretofore or hereafter issued by the New Jersey Expressway Authority, to enter into contracts with the State or the Department of Transportation or the New Jersey Transportation Trust Fund Authority established by section 4 of the New Jersey Transportation Trust Fund Authority Act of 1984, P. L. 19..., c.... (C............), or other authority or

instrumentality established by law providing for the payment from the revenues of the New Jersey Expressway Authority to the State or to the New Jersey Transportation Trust Fund Authority, or other authority or instrumentality established by law of the amount or amounts of revenues that may be set forth in or determined in accordance with the contracts; and to fix tolls and other charges at rates as may be necessary to provide for those payments; provided, that the payments shall be used solely for financing transportation improvement projects in the counties of Ocean, Burlington, Camden, Gloucester, Atlantic, Salem, Cumberland and Cape May, including the payment of principal and interest on any bonds, notes or other obligations issued or entered into by the New Jersey Transportation Trust Fund Authority, the proceeds of which shall be allocated by the New Jersey Transportation Trust Fund Authority to transportation improvement projects within the counties aforesaid; any contracts authorized pursuant to this section may include conditions and covenants necessary and desirable to facilitate the issuance and sale of bonds, notes and other obligations of the New Jersey Transportation Trust Fund Authority. Any agreements entered into between the Department of Transportation and the Expressway Authority pursuant to this subsection shall terminate upon the effective date of any agreement entered into between the Expressway Authority and the New Jersey Transportation Trust Fund Authority providing for payment of revenues of the Expressway Authority directly from the Expressway Authority to the New Jersey Transportation Trust Fund Authority.

[(p)**]** *(q)* To enter into any and all agreements or contracts, execute any and all instruments, and do and perform any and all acts or things necessary, convenient or desirable for the purposes of the authority or to carry out any power expressly given in this act.

29. Section 1 of P. L. 1966, c. 8 (C. 27:23-5.8) is amended to read as follows:

1. The New Jersey Turnpike Authority shall have, in addition to the powers heretofore granted to it**[**,**]** power:

a. To pay or make any advance or contribution to the United States Government or the State of New Jersey or any agency thereof for the purpose of paying the State's share or any portion thereof under the federal aid highway laws of the cost of construction of any highway improvement determined by the authority to be a major improvement necessary to restore or prevent physical damage to the turnpike project, for the safe or efficient operation of such project, or to prevent loss of revenues therefrom.

b. Subject to the rights and security interests of the holders from time to time of bonds or notes heretofore or hereafter issued by the New Jersey Turnpike Authority, to enter into contracts with the State or the New Jersey Transportation Trust Fund Authority established by section 4 of the New Jersey Transportation Trust Fund Authority Act of 1984, P. L. 19..., c. ... (C. ....), or other authority or instrumentality established by law providing for the payment from the revenues of the New Jersey Turnpike Authority to the State or to the New Jersey Transporation Trust Fund Authority or other authority or instrumentality established by law of the amount or amounts of revenues that may be set forth in or determined in accordance with the contracts; and to fix tolls and other charges at rates as may be necessary to provide for those payments. Any contracts authorized pursuant to this section may include conditions and covenants necessary and desirable to facilitate the issuance and sale of bonds, notes and other obligations of the New Jersey Transportation Trust Fund Authority. Any agreements entered into between the State and the Turnpike Authority pursuant to this subsection shall terminate upon the effective date of any agreement entered into between the Turnpike Authority and the New Jersey Transportation Trust Fund Authority providing for the payment of revenues of the Turnpike Authority directly from the Turnpike Authority to the New Jersey Transportation Trust Fund Authority.

30. Section 9 of P. L. 1948, c. 454 (C. 27:23-9) is amended to read as follows:

9. Revenues.

(A) The authority is hereby authorized to fix, revise, charge and collect tolls for the use of each turnpike project and the different parts or sections thereof, and to contract with any person, partnership, association or corporation desiring the use of any part thereof, including the right-of-way adjoining the paved portion, for placing thereon telephone, telegraph, electric light or power lines, gas stations, garages, stores, hotels, and restaurants, or for any other purpose except for tracks for railroad or railway use, and to fix the terms, conditions, rents and rates of charges for such use; provided, that a sufficient number of gas stations may be authorized to be established in each service area along any such highway to permit reasonable competition by private business in the public interest; and provided further, that no contract shall be required, and no rent, fee or other charge of any kind shall be imposed for the use and occupation of any turnpike project for the installation, construction, use, operation, maintenance, repair, renewal, relocation or removal of tracks, pipes, mains, conduits, cables, wires, towers, poles or other equipment or appliances in, on, along, over or under any such turnpike project by any public utility as defined in [section] *R. S.* 27:7-1 [of the Revised Statutes] which is subject to taxation pursuant to either chapter 4 of the laws of 1940, as amended (R. S. §§ 54:31-15.14), or chapter 5 of the laws of 1940, as amended (R. S. §§ 54:31-45 et seq.), or pursuant to any other law imposing a tax for the privilege of using the public streets, highways, roads or other public places in this State. Such tolls shall be so fixed and adjusted as to carry out and perform the terms and provisions of any contract with or for the benefit of bondholders. Such tolls shall not be subject to supervision or regulation by any other commission, board, bureau or agency of the State. The use and disposition of tolls and revenues shall be subject to the provisions of the resolution authorizing the issuance of such bonds or of the trust agreement securing the same.

(B) At any time that tolls are not required for the purpose of carry-out and performing the terms and provisions of any contract with or for the benefit of bondholders, the authority shall cause tolls for the use of the turnpike projects to be charged and collected at the same rates as were last charged and collected by the authority under the provisions of subsection (A) hereof and no change or revision shall be made in such rates except as shall be specifically authorized by law.

(C) All revenues and other funds of the authority not pledged or otherwise required to pay or secure the payment of principal and interest of any indebtedness of the authority existing from time to time under, and not otherwise required for the purpose of, this act shall be deposited to the credit of the State in such depositories and shall be reported to the State Treasurer and to the Director of the Division of Budget and Accounting at such times and in such manner as shall be designated and prescribed by the State Treasurer and said director. *The requirement of this paragraph shall be deemed to be satisfied during any period the New Jersey Turnpike Authority shall have a contract providing for payment of funds to the State or New Jersey Transportation Trust Fund Authority created pursuant to P. L. ...., c. .... (C. ....), or the authority or instrumentality established by law, and no payment in addition to that required by the contract or any amendment thereto shall be payable pursuant to this paragraph.*

31. R. S. 39:3-20 is amended to read as follows:

39:3-20. For the purpose of this act gross weight means the weight of the vehicle or combination of vehicles, including load or contents.

a. The director is authorized to issue registrations for commercial motor vehicles other than omnibuses or motor-drawn vehicles upon application therefor and payment of a fee based on the gross weight of the vehicle including the gross weight of all vehicles in any combination of vehicles of which the commercial motor vehicle is the drawing vehicle. The gross weight of a disabled commercial vehicle or combination of disabled commercial vehicles being removed from a highway shall not be included in the calculation of the registration fee for the drawing vehicle.

Except as otherwise provided in this subsection, every registration for a commercial motor vehicle other than an omnibus or motor-drawn vehicle shall expire and the certificate thereof shall become void on the last day of the eleventh calendar month following the month in which the certificate was issued. The minimum registration fee shall be [$50.00 plus $8.50 for each 1,000 pounds or portion thereof in excess of 5,000 pounds.] *as follows:*

For vehicles not in excess of 5,000 pounds, $50.00.

For vehicles in excess of 5,000 and not in excess of 18,000 pounds, $50.00 plus $11.00 for each 1,000 pounds or portion thereof in excess of 5,000 pounds.

For vehicles in excess of 18,000 and not in excess of 50,000 pounds, $50.00 plus $13.00 for each 1,000 pounds or portion thereof in excess of 5,000 pounds.

For vehicles in excess of 50,000 pounds, $50.00 plus $16.50 for each 1,000 pounds or portion thereof in excess of 5,000 pounds.

Commercial motor vehicles other than omnibuses or motor-drawn vehicles for which commercial motor vehicle registrations had been issued prior to the effective date of this act and which expire March 31, 1982 shall be issued commercial registrations which, in the director's discretion, shall expire on a date to be fixed by him, which date shall not be sooner than four months nor later than 16 months following the date of issuance of the registration. The fees for such registrations shall be fixed by the director in amounts proportionately less or greater than the fees established by this subsection.

b. The director is also authorized to issue registrations for commercial motor vehicles having three or more axles and a gross weight over 40,000 pounds but not exceeding 70,000 pounds, upon application therefor and proof to the satisfaction of the director that the applicant is actually engaged in construction work or in the business of supplying material, transporting material, or using such registered vehicle for construction work.

Except as otherwise provided in this subsection, every registration for these commercial motor vehicles shall expire and the certificate thereof shall become void on the last day of the eleventh calendar month following the month in which the certificate was issued.

The registration fee shall be [$16.00 for each 1,000 pounds or portion thereof of] *as follows:*

For vehicles not in excess of 40,000 pounds, $20.00 for each 1,000 pounds or portion thereof.

For vehicles in excess of 40,000 and not inexcess of 50,000 pounds, $23.00 for each 1,000 pounds or portion thereof.

For vehicles in excess of 50,000 pounds, $30.00 for each 1,000 pounds or portion thereof.

For purposes of calculating this fee, weight means the gross weight including the gross weight of all vehicles in any combination of which such commercial motor vehicle is the drawing vehicle. "Constructor" registrations issued prior to the effective date of this act which expire June 30, 1982 shall be issued contractor vehicle registrations which, in the director's discretion, shall expire on a date to be fixed by him, which date shall not be sooner than four months nor later than 16 months following the date of issuance of the registration. The fees for the registration shall be fixed by the director in amounts proportionately less or greater than the fees established by this subsection.

Such commercial motor vehicle shall be operated in compliance with the speed limitations of Title 39 of the Revised Statutes and shall not be operated at a speed greater than 30 miles per hour when one or more of its axles has a load which exceeds the limitations prescribed in R. S. 39:3-84.

c. The director is also authorized to issue registrations for each of the following solid waste vehicles: two-axle vehicles having a gross weight not exceeding 42,000 pounds; tandem three-axle and four-axle vehicles having a gross weight not exceeding 60,000 pounds; four-axle tractor-trailer combination vehicles having a gross weight not exceeding 60,000 pounds. Registration is based upon application to the director and proof to his satisfaction that the applicant is actually engaged in the performance of solid waste disposal or collection functions and holds a certificate of convenience and necessity therefor issued by the Board of Public Utilities.

Except as otherwise provided in this subsection, every registration for a solid waste vehicle shall expire and the certificate thereof shall become void on the last day of the eleventh calendar month following the month in which the certificate was issued.

The registration fee shall be $50.00 plus $8.50 for each 1,000 pounds or portion thereof in excess of 5,000 pounds.

Solid waste vehicles for which commercial motor vehicles registrations had been issued prior to the effective date of this act and which shall expire June 30, 1982 shall be issued solid waste registrations which, in the director's discretion, shall expire on a date to be fixed by him, which date shall not be sooner than four months or later than 16 months following the date of issuance of the registration. The fees for the registration shall be fixed by the director in amounts proportionately less or greater than the fees established by this subsection.

d. The director is also authorized to issue registrations for commercial motor-drawn vehicles upon application therefor. The registration year for commercial motor-drawn vehicles shall be April 1 to the following March 31 and the fee therefor shall be $18.00 for each such vehicle.

At the discretion of the director, an applicant for registration for a commercial motor-drawn vehicle may be provided the option of registering such vehicle for a period of four years. In the event that the applicant for registration exercises the four-year option, a fee of $64.00 for each such vehicle shall be paid to the director in advance.

If any commercial motor-drawn vehicle registered for a four-year period is sold or withdrawn from use on the highways, the director may, upon surrender of the vehicle registration and plate, refund $16.00 for each full year of unused prepaid registration.

e. It shall be unlawful for any vehicle or combination of vehicles registered under this act having a gross weight, including load or contents, in excess of the gross weight provided on the registration certificate to be operated on the highways of this State.

The owner, lessee, bailee or any one of the aforesaid of a vehicle or combination of vehicles, including load or contents, found or operated on any public road, street or highway or on any public or quasi-public property in this State with a gross weight of that vehicle or combination of vehicles, including load or contents, in excess of the weight limitation permitted by the certificate of registration for the vehicle or combination of vehicles, pursuant to the provisions of this section shall be assessed a penalty of **[**$50.00**]** *$500.00* plus an amount equal to **[**$8.50**]** *$100.00* for each 1,000 pounds or fractional portion of 1,000 pounds of weight in excess of the weight limitation permitted by the certificate of registration for that vehicle or combination of vehicles. A vehicle or combination of vehicles for which there is no valid certificate of registration is deemed to have been registered for zero pounds for the purposes of the enforcement of this act in addition to any other violation of this Title, but is not deemed to be lawfully or validily registered pursuant to the provisions of this Title.

[Moneys realized from the increase of the fees for registrations issued pursuant to the provisions of this act shall be paid into the State Treasury and credited to the General State Fund and available for general State purposes.]

This section shall not be construed to supersede or repeal the provisions of section 39:3-84, 39:4-75, or 39:4-76 of this Title.

32. R. S. 39:3-25 is amended to read as follows:

39:3-25. In addition to the motor vehicle licenses authorized to be issued pursuant to the provisions of this chapter, the director shall issue, upon application therefor, a license plate for trucks marked "farmer," which shall be issued upon evidence satisfactory to the director that the applicant is a farmer and is actually engaged in the growing, raising and producing of farm products as an occupation. License plates issued under authority of this section shall be placed upon motor trucks engaged exclusively in the carrying or transportation of applicant's farm products, raised or produced on his farm, and farm supplies, and not engaged in hauling for hire.

Applicants for license plates herein authorized shall pay [therefore at a rate equal to one-half the present] *a* registration fee *of $25.00 plus $4.25 for each 1,000 pounds or portion thereof in excess of 5,000 pounds* [provided for trucks by this chapter].

Except as otherwise provided in this section, every registration for a farm truck shall expire and the certificate thereof shall become void on the last day of the eleventh calendar month following the month in which the certificate was issued.

Farm trucks for which farm truck registrations had been issued prior to the effective date of this act and which expire June 30, 1982 shall be issued registrations which, in the director's discretion, shall expire on a date to be fixed by him, which date shall not be sooner than four months nor later than 16 months following the date of issuance of the registration. The fees for such registrations shall be fixed by the director in amounts proportionately less or greater than the fees established by this section.

The term "farmer" as used in this section means any person engaged in the commercial raising, growing and producing of farm products on a farm not less than three acres in area, and who does not engage in the business of buying farm products for resale; and the term "farm products" means any crop, livestock or fur products.

33. (New section) Nothing in the act shall be deemed or con-

strued so as to limit, alter or impair in any way the rights and obligations of the toll road authorities or other State agencies under the provisions of the contracts made with the holders from time to time of bonds and notes heretofore or hereafter issued by said toll road authorities or other State agencies or in any way impair the rights and security of the holders under the contracts.

34. (New section) If any clause, sentence, paragraph, section or part of the act shall be adjudged by any court of competent jurisdiction to be invalid, the judgment shall not affect, impair or invalidate the remainder thereof, but shall be confined in its operation to the clause, sentence, paragraph, section or part thereof directly involved in the controversy in which the judgment shall have been rendered.

35. (New section) This act shall be interpreted liberally to effect the purposes set forth herein.

36. (New section) This act shall be deemed to provide an additional, alternative and complete method for the doing of the things authorized hereby and shall be deemed and construed to be supplemental and additional to any powers conferred by other laws on public agencies and not in derogation of any such powers now existing, provided that, insofar as the provisions of this act are inconsistent with the provisions of any other law, general, special or local, now in existence or hereafter (unless with specific reference to this act) adopted, the provisions of this act shall be controlling.

37. This act shall take effect immediately, except that sections 31 and 32 shall take effect 60 days after the date of enactment.

STATEMENT

This bill, the "New Jersey Transportation Trust Fund Authority Act of 1984," is designed to restore to excellence New Jersey's deteriorating transportation network by establishing a stable funding program for transportation capital expenditures.

Three sources of revenue will be made available to the Transportation Trust Fund Authority: $88 million from the General Fund; an amount equal to increases in heavy truck registration fees (but not less than $30 million) from the General Fund; and approximately $25 million from agreements with the three toll road authorities. The bill provides in each case where payment of amounts is to be made to the authority directly by the State, that the payment shall be subject to and dependent upon the appropriation of the amounts being made, from time to time, by the Legislature.

The authority will consist of five members: the Commissioner of Transportation; the State Treasurer; an executive branch official chosen by the Governor; and two public members appointed by the Governor with the advice and consent of the Senate.

The authority will be authorized to issue bonds payable solely from its revenues and other funds. Proceeds of the bond sales, combined with other available authority revenues, will be used to finance the capital portion of New Jersey's transportation budget, including matching funds for federal aid for highways and public transportation and some funds for 100% State-financed projects on both the State highway and local roadway system.

Operating expenses for both the Department of Transportation and New Jersey Transit Corporation will continue to be funded through the regular appropriations from the General Fund.

Heavy truck registration fees will be increased for both commercial vehicles in excess of 5,000 pounds and constructor vehicles. Trucks 5,000 pounds and under, agricultural vehicles and solid waste vehicles are excluded from the increase. The new fee schedules will be progressive in proportion to the much greater wear and tear that the heaviest truck combinations cause on New Jersey's highways. For instance, the annual fee for trucks weighing 6,000 pounds will increase from $58.50 to $60.00, while the fee for an 80,000-pound tractor-semitrailer combination will increase from $705.50 to $1,305.50. Despite this increase, when all taxes and fees are considered, New Jersey's user charges on the operation of trucks will rank 37th in the country. At present, New Jersey ranks 46th in user charges imposed on trucks.

The penalty for violation of the registration law also will be increased substantially to deter evasion. The penalty schedule will be increased from $50,00 plus $8.50 for each 1,000 pounds or portion thereof in excess to $500.00 plus $100.00 for each 1,000 pounds or portion thereof in excess.

The contributions from the toll road authorities will be based on contractual agreements between the State and the authorities and are estimated to be in the range of $25 million for the three toll roads combined.

The bill also establishes a new program of State aid for counties and municipalities. The program is designed to replace the present federal aid urban system (FAUS) program as the main source of assistance for county and municipal transportation systems. Counties and municipalities which now receive an allocation of federal and State aid under the FAUS program will be guaranteed a minimum allocation of the same amount under the new 100% State-funded program. Program requirements under the new system, however, will be much simpler and should produce substantial savings and expedited completion of local projects. Federal aid allocated to New Jersey's urbanized areas under the FAUS program will be programmed by the Commissioner of Transportation, with the continued participation and cooperation of local officials, for State, county and municipal projects on the federal aid urban system.

The Legislature will continue to have the authority to review and approve the capital budget of the Department of Transportation and NJ TRANSIT. That authority is in no way infringed upon by the New Jersey Transportation Trust Fund Authority, which is designed to pay for the transportation improvements approved by the Legislature.

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SENATOR WALTER RAND (Chairman): Good morning, ladies and gentlemen. I am Senator Walter Rand, Chairman of the Senate Transportation and Communications Committee. I am happy to welcome you here this morning.

At this time, I would like to introduce the members of the Committee. To my left is Senator Thomas Cowan, who is the Vice Chairman of this Committee, and to my right is our Aide, Dr. Peter Manoogian. We also have Madelyn Rumowicz with us, who is the Capital Budgeting Consultant for the Senate and the Assembly.

If you wish to have your name added to the speakers' list, contact Peter Manoogian here immediately, and he will put your name on our list.

This is the fourth and final hearing on Senate Bill 1446. It will focus primarily on the bonding, funding, and expenditure provisions of the bill. Consideration will be given to Sections 9 to 16, 20 to 23, and 34 to 37 of the bill. Our concern today is to examine the mechanisms by which the Trust Fund Authority will receive funds, and the manner in which these funds will be distributed. What are the roles of the Transportation Trust Fund and the Special Transportation Fund? For example, in this process, how are the bond proceeds to be used? These and other questions are of interest.

Once we conclude the hearing on this issue, we will hear anyone else who wishes to discuss, or give testimony on any other portions of the bill, or the bill in its entirety. This is not to say that anyone will be precluded from testifying before the regular Senate Committee meetings -- when we begin to hold them starting next Monday -- at which we will address the bill and the amendments to get the bill reported out. At that time, if anyone wants to be heard, we will hear him.

Senator Cowan, I know you would like to make an opening statement, or some opening remarks.

SENATOR COWAN: Well, this is the first time I have been on time out of the last three or four hearings, so I think, rather than waste anyone's time, I would like to just start our session.

SENATOR RAND: Thank you very much, Senator. You have been here every time we have had a meeting, whether on time or not. We are very grateful for that.

The first speaker will be Michael Horn, our State Treasurer. Good morning, Mr. Treasurer.

MICHAEL M. HORN: Good morning, and thank you, Senator. I would like to compliment your Committee for starting this hearing on time. I think that is terrific.

SENATOR RAND: Not exactly on time.

MR. HORN: Well, close enough. Senators, Commissioner Sheridan, members of the staff, and members of the public: I am pleased to be here to testify on the areas of concern which have been set forth by the Committee Chairman with respect to the proposed Transportation Trust Fund Authority Act of 1984.

I think it would be appropriate to briefly review for you the historical context within which this proposal has emerged. The State of New Jersey has long been active in financing capital construction projects through general obligation bonds backed by the State's full faith and credit. General obligation bonds, or GO bonds as they are called, are then supplemented by capital appropriations from annual budgets, which have been New Jersey's traditional source for funding its transportation capital projects.

In 1930, the State approved its first General Obligation Bond Act to fund highway improvements. Since that time, the State has authorized borrowing $4.6 billion for capital projects. Of that $4.6 billion, the voters have authorized four bond acts totaling $1.3 billion for transportation; that is, of the $4.6 billion total authorized borrowing, $1.3 of that has been for transportation, or more than 25% has been for transportation. Of that $1.3 billion, $255 million still remains to be issued. It has been authorized, but is unissued. One hundred and twenty million dollars under the 1979 Act, and $135 million dollars from the 1983 Bridge Rehabilitation and Improvement Bond Act have not yet been issued. But, one billion, two hundred and forty-five million dollars in bonds for other purposes has been authorized by the voters for purposes other than transportation --

prisons, environmental protection, energy conservation, and Green Acres. The State has been allocating a third to a half of the proceeds of its general obligation bond sales each year to transportation, but the sheer volume of the other purposes I have mentioned, for which we also have to borrow, is so great that another GO bond authorization for transportation is simply not a practical solution to the financing problems of today.

We strongly believe that transportation needs and costs of the magnitude of the proposed program can no longer be financed through GO bonds, without either seriously jeopardizing our Triple A bond rating or deferring the funding of other programs, or both. It was essential that we explore alternative funding to meet the increasing capital needs of the State's transportation system. The creation of the New Jersey Transportation Trust Fund Authority is the most practical and financially solid alternative to GO bonds. It integrates all of the State's transportation resources and taps each to address statewide needs totaling $3.3 billion over the next four years.

The Trust Fund's stable funding plan would rely on the toll road authorities, motor vehicle fees, and the State General Fund to generate $143 million each year, to be paid into a Transportation Trust Fund Authority. The Authority would then leverage this money to get the maximum Federal dollars available and to issue enough bonds to support a $230 million capital program for each of the next four years.

The remainder of my testimony, Mr. Chairman, I will devote to the flow of funds in the Department of the Treasury, the bond financing aspects, and the Treasurer's responsibilities.

Now, with respect to the flow of funds, it would be as follows: The bill establishes a Transportation Trust Fund appropriation account within the General Fund. During a year, the Trust Fund account would periodically receive from the General Fund, money budgeted by the Legislature -- $88 million by the Legislature -- and $30 million from the increase in motor vehicle registration fees. The toll road authorities would pay a total of $25 million annually directly to the Trust Fund Authority.

I would like to show you that visually. (The Treasurer holds up a small chart to illustrate his points.) The General Fund would appropriate $118 million each year -- that is the $88 million plus the $30 million.

SENATOR RAND: Eighty-eight and thirty, which will flow to the Transportation Trust Fund Authority?

MR. HORN: Yes, to the Transportation Trust Fund Authority.

SENATOR RAND: Now, where would the--

MR. HORN: (interrupting) Also flowing directly into that Transportation Trust Fund Authority, but through the Office of the Treasurer, would be authority contributions. So, the Transportation Trust Fund Authority would have $143 million each year, plus interest which is earned on the money it already has. That is how we end up with the money in the Authority, but that is only half of the picture of what you have asked in terms of the flow of funds.

Before the Treasurer can release funds to the Authority, the State Legislature must specifically appropriate the funds, so that the $118 million, before it gets in there, must be appropriated each year by the Legislature.

SENATOR RAND: The $118 million, and the $30 million?

MR. HORN: It's the $88 million and the $30 million.

SENATOR RAND: Oh yes, $118 million.

MR. HORN: The $88 million and the $30 million becomes $118 million.

SENATOR RAND: How do they appropriate it, with a general appropriation measure? In other words, you will come in and say, "Herein is appropriated $118 million from the General Fund to the Authority."

MR. HORN: That's right.

SENATOR RAND: Which, of course, leads me to the question-- In the first step, the Legislature has no input, except just giving the money carte blanche, is that correct?

MR. HORN: That is the first step.

SENATOR RAND: The first step, okay.

MR. HORN: When the New Jersey Department of Transportation needs to draw down the funds to pay for its capital projects, it will notify the Trust Fund Authority of its needs. The Trust Fund Authority will pay the necessary money to the State Treasurer, who will deposit it in a special transportation account in the New Jersey Department of the Treasury. However, before these funds can be spent by the Department of Transportation, the State Legislature must approve these funds, including the toll road payments, to the Department of Transportation. That brings me to the lower half of my chart here.

So, the Legislature has appropriated $118 million, the toll roads have put in the $25, and that adds up to $143 million, plus the interest. That just shows how the money is drawn in. Now, we're talking about paying it out. It requires a legislative appropriation--

SENATOR RAND: (interrupting) Just back up for one minute.

MR. HORN: All right.

SENATOR RAND: So far, no money is given directly to the Authority, is that correct? The money is put into a fund. Let's get that straight.

ELIZABETH FELKER: That's right.

SENATOR RAND: In other words, it doesn't flow from the Treasury, to the Authority, to a special transportation fund. It flows from the Treasury to a special transportation fund, according to the bill. Am I correct in that, Peter?

DR. MANOOGIAN: Well, as I understand it, the $118 million is appropriated to the Transportation Trust Fund account. Is that correct?

MR. HORN: That's right.

DR. MANOOGIAN: And the $25 million flows directly to the Trust Fund Authority.

MR. HORN: Well, okay.

MS. FELKER: Through the Treasury.

DR. MANOOGIAN: Through the Treasury.

SENATOR RAND: Why aren't they both deposited? Do you need a legal entity to receive them? Is that what it is?

MR. HORN: You need a legal entity to borrow.

SENATOR RAND: Let's forget the legal entity to borrow, Mr. Treasurer. Let's stick with the flow. We'll get to the other a little later. Why isn't the $25 million from the authorities put directly into the Special Transportation Fund?

DR. MANOOGIAN: The Transportation Trust Fund Account.

SENATOR RAND: The Special Transportation Trust Fund Account?

DR. MANOOGIAN: No, the Transportation Trust Fund account.

MR. HORN: No, not the $25 million.

SENATOR RAND: No, Peter, the $25 million can't go to that, because it needs a legal entity to receive it outside of the General Treasury. What I'm saying is, why can't that $25 million go to the Special Transportation Fund, exactly where the $118 million goes? I want to by-pass the Authority.

MS. FELKER: Because you could, some day, decide to leverage that money. It would provide that possibility, although we do not have any need to do that now.

SENATOR RAND: What you are doing then is, $118 million is going to the Fund, and $25 million is going to the Authority and then to the Fund.

MS. FELKER: That's right. It goes through, and then back out again. The other answer is that you can keep the interest earnings and use them too.

SENATOR RAND: Okay. That is what I wanted, because originally there was a chart which showed that everything goes to the Authority, and is then deposited in a Special Transportation Fund. What you are saying is that the $118 million goes directly to the Special Transportation Fund.

MS. FELKER: Everything funnels through the Authority; it is like a magnet.

SENATOR RAND: That is what I wanted to make sure of. Even the $118 million goes to the Authority to be deposited in this Special Transportation Fund. Is that correct?

MR. HORN: That's right.

SENATOR RAND: Then the chart should really show the flow to the Authority, and then to the Special Transportation Fund.

MS. FELKER: Yes, that is what this does.

MR. HORN: Okay. We have been talking about two different funds. Yes, everything goes to the Authority first; then, ultimately into the Special Transportation Fund. Expenditures cannot be made out of the Special Transportation Fund without legislative appropriation.

SENATOR RAND: Okay. Let me get to that. When the Authority raises the bond money, where is that bond money deposited?

MR. HORN: In the Transportation Trust Fund Authority. That all goes--

SENATOR RAND: (interrupting) Is that written into the language? It is not clarified to the extent that the flow of the bond money has to come into that Special Transportation Fund.

MS. FELKER: There is no other place it can go.

SENATOR RAND: The Authority could hold it.

MS. FELKER: Well, it could hold it or not hold it.

SENATOR RAND: The Authority can hold it. They can hold it for 30 days, 60 days, 90 days.

MR. HORN: It should have the authority to do that.

MS. FELKER: If they hold it for 15 days, they have to pay it. It is in Section 21.

SENATOR RAND: Pardon me -- Section 21?

MS. FELKER: Yes.

SENATOR RAND: Page 16 or 17?

MS. FELKER: Page 16.

SENATOR RAND: There is no flow from the Authority into the Trust Fund of the amount of bonds it raises. If it raises $348 million worth of bonds, it does not say where those bonds are going to be deposited.

MS. RUMOWICZ: Yes, it does.

SENATOR RAND: Where?

MS. RUMOWICZ: On Page 9, Section b. It says, "Every issue of bonds or notes shall be general obligations payable out of any revenues or funds of the Authority..." The funds of the Authority-- May I ask Ms. Felker for a confirmation of this?

SENATOR RAND: Yes, you may.

MR. HORN: Ask the question.

MS. RUMOWICZ: Liz, my reading of 9b. is that when the Transportation Authority issues the bonds, that money is deposited in the Transportation Trust Fund.

SENATOR RAND: It does not state it.

MS. FELKER: Do you mean the fund of the General Fund?

MS. RUMOWICZ: No, the Authority's Trust Fund.

SENATOR RAND: The Special Transportation Fund.

MS. RUMOWICZ: No, not the Special Fund, the Transportation Trust Fund, which belongs--

MR. HORN: (interrupting) The Transportation Trust Fund Authority.

MS. FELKER: This Authority, like any authority, will have a couple of different kinds of funds. It will have a debt service reserve fund; it will have a debt service payment fund; and, it will have a revenue fund, into which you would deposit its bond proceeds. It would make its payments out of that revenue fund.

MR. HORN: But, it will be held by the Authority.

MS. FELKER: It will be held by the Authority.

MS. RUMOWICZ: The Authority -- that's what I'm asking.

MS. FELKER: Or, by a trustee actually.

MS. RUMOWICZ: The bonds that you issue -- the funds from that will be held by you in the Transportation Trust Fund, not the Special Transportation Fund.

MR. HORN: Not the Special Transportation Fund, right.

MS. FELKER: The proceeds of the bonds are kept by the Authority until DOT requisitions them.

MS. RUMOWICZ: Right; exactly. I think that is called for in 9b. The language may not state that.

SENATOR RAND: Let me hear this. The difference between the $134 million and the $230 million which is to be raised by bonds -- which according to my figures is $87 million-- Very quickly, is that correct?

MS. FELKER: Well, bonds and interest earnings.

SENATOR RAND: Eighty-seven million dollars, bonds and interest, whatever, the $87 million plus, is to be deposited where?

MR. HORN: In the Transportation Trust Fund Authority; in the Authority itself. It will be an account in the Authority, because it does the borrowing.

SENATOR RAND: Besides the Special Transportation Fund, and besides the Transportation--

MS. RUMOWICZ: (interrupting) No. It is deposited into the Transportation Trust Fund, which is the Authority's fund.

SENATOR RAND: No, no, there are two funds.

MS. RUMOWICZ: I know that.

SENATOR RAND: The first is the Transportation Trust Fund, which the Treasury controls.

MS. RUMOWICZ: No.

SENATOR RAND: That is the one it flows from. The Transportation Trust Fund is controlled in the Treasury.

MS. RUMOWICZ: No.

MR HORN: See, this is the confusion, this thing up here (referring to chart).

MS. FELKER: That is an appropriation account within the General Fund.

DR. MANOOGIAN: The appropriation account is this one. The Transportation Trust Fund account only receives the appropriations.

SENATOR RAND: That is correct.

DR. MANOOGIAN: It doesn't receive the bond proceeds.

SENATOR RAND: I understand. The Special Transportation Fund, the special one--

DR. MANOOGIAN: (interrupting) It receives the bond proceeds, payable from funds of the Authority.

MR. HORN: The Special Transportation Fund -- and I haven't even addressed that one yet -- is the one that Assistant Treasurer Felker indicated. Items get put into there--

SENATOR RAND: (interrupting) Is that where the bond money is deposited?

MR. HORN: No.

SENATOR RAND: Okay. The bond money is not deposited in either "A," the first Trust Fund account, or "B," the second Trust Fund account?

MR. HORN: Right.

MS. FELKER: No, not initially.

SENATOR RAND: Not initially.

MR. HORN: Not initially, right.

SENATOR RAND: When would that money be put into that Trust Fund account?

MR. HORN: When the Department of Transportation calls for that money to be used. It gets put in there, but it cannot be spent until the Legislature appropriates from that.

SENATOR RAND: Why would an authority borrow $50 million and hold the $50 million in whatever reserve account they may set up? Rather, why wouldn't it be deposited in the Special Transportation Trust Fund account -- not the "A" account, but the "B" account? Are you telling me we are going to set up other fund accounts?

MR. HORN: Well, the Transportation Trust Fund Authority is the vehicle for the borrowing of funds.

SENATOR RAND: I understand that.

MR. HORN: It would have no intention of holding the funds in its bank account, unless and until it is needed. It would borrow at the appropriate time in the market, balanced against when the needs are there. If there is a window for great financing opportunity to have the money, it may want to hold it for a short period of time, but, obviously, it would do it knowing that it has a project it has to fund one, two, three, four or six months--

SENATOR RAND: (interrupting) Then, a lateral movement on a chart would be the Authority, and then, certainly, the reserve bond fund accounts. Is that correct?

MR. HORN: Right. What is not needed for debt service, what is not needed for reserve funds--

SENATOR RAND: (interrupting) Would then be put into the Special Transportation Fund.

MR. HORN: But, only upon call--

MS. FELKER: (interrupting) When DOT has a bill to pay.

MR. HORN: A bill to pay, but that bill can't be paid unless and until it has been authorized by an appropriation--

SENATOR RAND: (interrupting) Then the Authority will control the total bond funds?

MR. HORN: That's right, until the Legislature-- The Authority is the vehicle for the raising of the money, and the holding of the money, but the spending process--

SENATOR RAND: (interrupting) Not the $118 million.

MR. HORN: That's right.

SENATOR RAND: Not the $118 million.

MR. HORN: That's the Legislature.

SENATOR RAND: You put that in the Special Transportation Fund. You are talking about the $25 million and the proceeds of the bonds. Well, that is what I want to try to get to, Liz.

MS. FELKER: It all comes in.

SENATOR RAND: Then, let's get the flow chart right. What it ought to be is a flow from the Treasury, to the Authority, to the Special Transportation Fund, with a lateral of reserve funds for the bonds.

MR. HORN: That's right.

MS. FELKER: That's right.

MR. HORN: That's it.

SENATOR RAND: That is what my flow chart shows.

MR. HORN: And that is correct. That is correct.

SENATOR RAND: When the Authority gets the $118 million, are they limited by time or procedure as to when they have to deposit that money in the Special Transportation Fund?

MS. FELKER: That is in Section 21.

SENATOR RAND: Pages 16 and 17. (Senator Rand reads section of bill.) Here it is. "The Authority shall within 15 days of receipt of the certificate..." Now, that is the flow of the funds from the Special Transportation Fund to the DOT.

MS. FELKER: No, that is the funds from the Authority to the Special Transportation Fund.

MR. HORN: That is what he said.

MS. FELKER: In order for the money to get into the Special Transportation Fund, the Commissioner of Transportation takes some action. He makes a certification--

SENATOR RAND: (interrupting) Only when the Commissioner notifies them does he put it in there.

MS. FELKER: Then the--

SENATOR RAND: (interrupting) Then, the truth of the matter is that the Authority really controls the flow of the money subject to a call.

MS. FELKER: They have no choice; when they are asked for it, they have to make the payment. But, until then, yes, they will invest the balances.

SENATOR RAND: Okay. I just wanted to get that clarified, Mr. Treasurer. Please continue with your statement.

MR. HORN: However, before any funds can be spent by the Department of Transportation, the State Legislature must appropriate those funds, including the toll road payment moneys, to the Department of Transportation. So, there are two appropriations. One is to the Trust Fund account, or let's shorten it and say, one is to the Trust Fund Authority, and one is to the Special Transportation Fund. So, the Legislature really has--

MS. FELKER: (interrupting) It's from the the Special Transportation Fund.

MR. HORN: From the Special Transportation Fund, so the Legislature really has two authorizations to make; one is to get it in, and one is to get it out.

SENATOR RAND: Mr. Treasurer, what do you call authorizations on appropriations?

MR. HORN: Either appropriations, bills--

MS. FELKER: (interrupting) Appropriations, yes.

SENATOR RAND: Would you call these appropriations? I submit to you Chapter 408 of Senate Bill 3489, and this, I believe, was Assembly Bill-- This is the other one. These are the two component parts of the 1979 bond issue. Would you say those were appropriation measures?

MR. HORN: Yes.

SENATOR RAND: You would have no problem with appropriation measures such as that?

MS. FELKER: They're legal.

SENATOR RAND: Oh, they're legal.

MR. HORN: The answer is "yes." Chairman Rand, I assume the reason for wanting to have that assurance is so that the Legislature can determine which projects get funded. Is that correct?

SENATOR RAND: Would you want me to give you a blank check for $3.3 billion?

MR. HORN: No, and I agree with that. There has never been any statement by anyone involved with this proposal to the contrary.

SENATOR RAND: Why I say that is because this is an unusual bill. It is a bill, truthfully, of a ten-year general obligation bond. That is what it is. It is based upon a pay-as-you-go method, with some bonding. At that first opportunity, the Legislature has no input whatsoever, except to say, yes, they appropriate the bond money. Under the GO bond issue, or under those bond obligations, the Legislature has a right to take a look at those, and pass on them, whether we go to that particular facility or not. Then they get a second crack. If we follow up without this procedure, what you are saying is, the Legislature ought to give a blank check, and then, upon being asked to appropriate the money for the second time, give another blank check. That is why I bring these things up.

MR. HORN: Yes. The answer to the question is, we do not want a blank check.

SENATOR RAND: I'm happy that you answered that way, Mr. Treasurer, because you make me feel much better.

MS. RUMOWICZ: That was the right answer.

SENATOR RAND: That was the right answer, as far as we are concerned. Okay.

MR. HORN: I should talk briefly about the bonds, before you ask additional questions. The bond financing, which is proposed as part of this program, uses, as has been oftentimes phrased, an "appropriation bond," very similar to the Building Authority bonds and the State-supported school and county college bonds, which are very similar in structure and method -- method in terms of Wall Street -- of being repaid. The primary characteristic of these bonds is that in order for the borrower to pay the annual debt service on any bonds issued, an annual appropriation must be made by the Legislature. Future appropriations for future debt-service payments must be made by future Legislatures for the Authority to meet its obligations.

What I said in the previous sentence is not new to New Jersey. It was done in connection with the State Building Authority, and it was done in connection with those State-supported school and county college bonds. Exactly the same procedure would be used for this as was used for those.

SENATOR RAND: I voted for that Building Authority, and I must pay for the sins I committed then. I make no denial, but let me ask you some questions.

MR. HORN: Sure.

SENATOR RAND: When the Building Authority floats their bonds, is there any input by the Legislature at that time, or has the Legislature given them carte blanche?

MR. HORN: In terms of the bond floating, there is no input. There is a limit, a $250 million limit.

SENATOR RAND: Yes, I understand that.

MR. HORN: In terms of the expenditures though-- Is that in the appropriations?

MS. FELKER: The expenditures were lease rentals by the State. The Building Authority's are in the appropriations bill.

SENATOR RAND: What was that now?

MS. FELKER: The expenditures of rental--

MR. HORN: (interrupting) To pay the bonds--

MS. FELKER: (continuing) to the Building Authority, which happened to be the debt service, are in your appropriations annual bill.

SENATOR RAND: Are in the appropriations.

MR. HORN: So, the method of control, to control what construction the Building Authority projects go into, comes by virtue of the appropriations bill.

SENATOR RAND: Would you have any objection before the bonds are issued, when the Authority has to float a $50 million bond issue, with no line items, that it be approved by a concurrent resolution of the Legislature?

MR. HORN: There would be an objection. If the Legislature has control over how the funds would be spent, as it does with GO bonds, I don't see why this one has to be handled any differently than any other. The money cannot be spent unless the Legislature gives its okay, and that is appropriate as a coequal branch of government. But, on whether the bonds should be floated or not, I think that is a constitutional question. Once the Authority has been set up, obviously, it is not going to borrow unless it has an indication that the project is going to be approved by the Legislature. So, in terms of the separation of powers, I would say, yes, it is highly appropriate for legislative oversight in terms of how the money should be spent, but the raising of the money should be done by the Authority, after authorization by this.

By the way, I think we ought to talk about the Authority. You know, what we are really talking about is myself, and I guess the Commissioner of Transportation. We are not talking about the other types of authorities in the State. We are basically talking about an in-house authority.

SENATOR RAND: If I thought we were talking about another type of authority, I certainly would not be up here sponsoring a bill.

MR. HORN: It is really a mechanism for the borrowing. We have to use the term "authority," but it is almost an inappropriate word.

SENATOR RAND: So far, I like your answer on the previous question, and this one. I have no problem. I am just trying to get all I can for the Legislature.

MR. HORN: I would think that it would be inappropriate to have a legislative concurrent resolution for the borrowing.

SENATOR RAND: The only reason I brought it up was, suppose the Authority wanted to go out and float, at one time, $300 million worth of bonds, not needing them? There is no control, nor any mechanism to control that Authority if it goes out to float $300 million, even though it might not be used for the third, fourth, or fifth year. What is to prevent that, may I ask, Mr. Treasurer?

MR. HORN: Prudence, I guess.

SENATOR RAND: Can we legalize that in some language of prudence?

MR. HORN: That has been talked about.

MS. FELKER: We could put in a coverage test.

MR. HORN: Is that a Federal law?

MS. FELKER: No, we could put in a coverage test.

MR. HORN: Okay. Would you explain that to myself and to the Senator.

MS. FELKER: You could limit the amount of bonds that could be issued by putting a coverage test in the bill. In other words, you could limit the ratio of the Authority's receipts to their debt-service obligations.

SENATOR RAND: In that particular year?

MS. FELKER: That would cover every year, yes. You couldn't overdo it.

SENATOR RAND: Okay. I like that. Do you understand what I am driving at? I have no fear that you are going to do that, Mr. Horn, that you are going to go out and say, "We need $348 million. Let's float the bonds today, and that's the end it." That is not the way I anticipate this working. I anticipate this working that if the $118 million flows in, and with the $25 million that is $143 million, if you have to leverage $230 million based upon what the market price is going to be and your idea -- and, of course, you can't guarantee that -- you are going to say that we need $87 million worth of bonds, plus the necessary interest, and you are going to go out to float those bonds. Is that correct? I would assume that that is the logical way.

MS. FELKER: The same exact procedure applies to the issuance of general obligation bonds.

SENATOR RAND: That is exactly--

MS. FELKER: (interrupting) We are not about to go out and sell a billion, four-hundred and ninety-seven million in bonds -- even though we have authorization to do that -- all at once.

SENATOR RAND: Okay.

MS. FELKER: However, what we do is, we try to forecast the exact needs that will need to be funded over a foreseeable period of time -- usually less than a year -- and we borrow only that amount of money. But, you have actually given-- In the bond acts, people have given to the issuing officials, who are the same people who have to approve these bond issues, the power to issue as many as they find necessary.

SENATOR RAND: I understand that.

MS. FELKER: The same people who approved those general obligation bonds have to approve these general obligation bonds, or these Authority bonds.

SENATOR RAND: Well, they can issue up to the total debt, that is correct. They can't issue above that. What I was concerned about is the fact that no authority over-bonds for the amount of money they need at that particular moment.

MS. FELKER: From a practical standpoint, it would be impossible to get a rating on a bond when you were contemplating incurring debt service obligations in excess of what your income was going to be. So, the market would stop you. No counsel would give you an opinion to proceed.

SENATOR RAND: I have another question I would like to ask you, Liz, along those lines. Do you bid these bonds?

MS. FELKER: They could be bid, surely.

MR. HORN: They could be bid.

SENATOR RAND: They could?

MR. HORN: We would make a judgment at the time we went out for the bonds whether they could be bid.

SENATOR RAND: Why would you make a judgment on the bidding of bonds? They are done every day. That is the way your general obligation bonds are done. Why would these be any different? We would insist that you bid them.

MR. HORN: Maybe I misinterpreted what you meant by bidding.

MS. FELKER: Competitive bidding.

SENATOR RAND: I have a letter right here that a certain firm would underwrite--

MR. HORN: (interrupting) I was thinking of private placement.

MS. FELKER: Oh well, market conditions.

MR. HORN: Yes.

SENATOR RAND: I have a letter right here that a certain firm would underwrite, immediately, $500 million worth of transportation bonds.

MR. HORN: What was intended there was -- there were some questions in some legislators' minds as to whether there was a market for these bonds.

SENATOR RAND: Right.

MR. HORN: So we went to Wall Street and said, "Will you give us, and the Legislature, an indication of that?" The reason I answered the question the way I did was, there is an alternative way which, under certain circumstances, sometimes makes sense as opposed to bidding. That is called private placement, or a negotiated price, where we think we can do better. In most issues, including the recent Educational Facilities Authority issue, on State lease-purchase financing, we have gone out on bid, and have done very well with competitive bidding.

SENATOR RAND: Don't you find competitive bidding?

MR. HORN: Absolutely.

SENATOR RAND: We would ask that you certainly use these bonds in competitive bidding, and we might want to run language that you follow the same procedure.

MR. HORN: Please don't interpret that letter as--

SENATOR RAND: (interrupting) No, no, I don't. I just asked, and again, I am only giving you suppositions. I am trying to preclude all the problems that could come down the pike. I have enough problems with other legislators, sir, let alone with problems in this bill.

MR. HORN: I understand.

MS. FELKER: May I comment on that?

SENATOR RAND: Yes, Liz.

MS. FELKER: I think the obligation that you should place on the Authority is that it get the best cost of money realizable in the market. Very often that might be done by an auction of the bonds. There could be markets, and we have had those markets within the last couple of years -- and I think we may be coming into another period like that -- where there is a scarcity of funds, and where it might be better to do a different method in order to keep the costs minimal.

You should make it the obligation of the Authority to diligently examine the methods of sale available to it, and choose the one which will be the most cost effective.

SENATOR RAND: Yes, because the responsibility rests on you. I can assure you that there will be people watching out there to see that the Authority does the best it can for the State. I believe that New Jersey bonds are very sought after.

MS. FELKER: They are.

MR. HORN: That is because we have responsible Legislative and Executive Branches through both political parties in terms of our bonding. I compliment you on that.

SENATOR RAND: I would want to continue the bonding on a competitive scale, to realize the credit rating, and to realize those rates.

MS. FELKER: It is because of our good credit rating that we are able to do those competitive sales. States with lousy credit ratings very often cannot accomplish the same thing, and must go to other measures.

SENATOR RAND: Mr. Treasurer, you may continue. I'm sorry I interrupted you.

MR. HORN: Okay. The stable funding plan calls for the Authority to issue ten-year bonds to supplement its revenue received from the General Fund and the toll road authorities. A portion of the revenues of the Authority will have to be used to pay debt service. Over a four-year period, about 28% of the funds which the Trust Fund Authority receives would be used to pay the interest and principal on debt incurred to generate the remaining needed capital. But, the Authority will earn a substantial amount of interest on its reserve funds which will partially offset the debt-service expenses.

As State Treasurer, I find the most compelling argument for the Trust Fund Authority to be the fact that this stable funding program will enable a substantial portion of the projects to be paid for with cash, rather than with bond proceeds.

Of the $920 million in State funds required for transportation projects initiated over the four-year period, less than half of the funds for the projects would need to be borrowed. Thus, the sources for the direct State's funds would be as follows, over the four years: The authorities, $100 million; truck registration increase, $120 million; and, General Fund -- $88 million times four -- $352 million, or non-borrowed funds of $572 million, out of that $920 million. This, of course, is on a pay-as-you-go basis.

After 1988, there will still be an average of $100 million available for transportation capital projects, that is, assuming we are able to accomplish all that we want to in these next four years with this mechanism, but, obviously, there will be new transportation projects that will have to be done. Are we going to say there is nothing left? There will be something left. There will be $100 million available for transportation capital projects, but the Department of Transportation will need an enhanced funding program to continue its capital construction and maintenance responsibilities at any higher level. Such a program can be developed in the context of the State's financial and economic position at the time. So, what we are saying is, this is going to work, at least for the next four years. Let's see what the needs are; let's see what the economic status of the State is; let's see what happens nationally and, at that time -- sometime within the next four years -- the Legislature is going to have to again say, "What are our needs for the next four, eight, or twelve years?"

But, we say this: Once you have gotten going down this road -- if I may use that term -- the proposed stable funding widens the options of the Legislature at that time.

SENATOR RAND: We have been joined by Senator Tom Gagliano. Good morning, Tom.

SENATOR GAGLIANO: Good morning. Mr. Chairman, members, ladies and gentlemen: I apologize for being tardy. I was at another meeting dealing with land-use issues across the street in Senator Stockman's office from nine-fifteen, and I was just able to break away. I'm sorry, but I am here now.

SENATOR RAND: We are glad to have you with us. Mr. Horn, you said that after 1988, according to your projections, there would be $100 million annually?

MR. HORN: Average.

SENATOR RAND: Average -- there would be an average of $100 million which could be used for capital expenditures. Is that correct?

MR. HORN: That's right.

SENATOR RAND: And, you said that at the end of that time, and I would approximate 1988 -- that is not an exact date -- we would then be faced with whether we were going to increase that capital appropriation to a point according--

MS. FELKER: (interrupting) Or borrow more money.

MR. HORN: Or borrow more money, or whatever. For example, if we look back four years ago--

SENATOR RAND: (interrupting) We would have passed the gasoline tax.

MR. HORN: That is correct. But, if we look back at the financial situation in the State four years ago, first of all, there wouldn't have been a Federal five-cent gas tax, which we are now leveraging with this money. We would not have known what the economic situation of the State would be at this time. We would not have known that the toll roads would be able to provide us the $25 million a year. What I am saying is, there may be enough changes in the spectrum, on both the national and State levels, for the State to again make choices. It may want to continue along the existing program, or expand it somewhat. It may want to choose a different program. Maybe the Legislature will determine sometime between now and then that additional revenue should be used.

We're saying we know this will get us through the next four years; we are not saying it will get us through to the end of the twentieth century. We think that obviously the benefit of this is, to give the Transportation Commissioner the ability to plan for the next four years, and get these projects started and completed.

In the interim, the stable funding program enables the State to secure every available Federal dollar -- which Commissioner Sheridan has mentioned so often -- to fund its transportation capital needs.

In closing, I also want to say that although I was not Treasurer when this proposal was initially put forward, I made my own independent study of the financial aspects of the program. I discussed it in very great detail with the former Treasurer. After having made my own independent analysis of the program, I am satisfied to give my endorsement to the program, along with that of the previous Treasurer.

SENATOR RAND: We are basing this on some absolute figures, are we not?

MR. HORN: Yes.

SENATOR RAND: Suppose -- and that leads me back to the question of why I say I want to stagger the flotation of bond issues -- the Federal government appropriation goes down? That would lower the amount we have to borrow. Am I correct? We don't know actually what the Federal government is going to give us until October 1, 1984, because they have not finalized their budget. Now, there are only projections on the STA appropriations.

MR. HORN: I am not familiar with that. Maybe Commissioner Sheridan--

SENATOR RAND: (interrupting) We will address that to him. According to some of the records I just received, and I received this from the National Conference of State Legislators-- Kathy Brennan Wiggins advised me that transit is going to take a decrease in funding. That is according to her figures; I don't know. I guess she is only opinionating according to the available figures being projected, but we won't know that.

SENATOR GAGLIANO: Is that the theory they have been using in not funding operations, or is that just an overall--

SENATOR RAND: (interrupting) They do not fund operation subsidies. Theirs, of course, is based mostly on capital.

SENATOR GAGLIANO: Is that what you're talking about, just capital?

SENATOR RAND: Yes. That is why I would say we would be in a position to just float the amount of bonds we need to leverage whatever money we need, whether it goes down or not. Is that correct?

MS. FELKER: I don't think you would float a bond to pay a share of a project when you didn't know whether you had the rest of the money.

MR. HORN: That is correct.

SENATOR RAND: Senator Cowan?

SENATOR COWAN: Mike, you mentioned $100 million after 1988. Where is this figure? Will you just give a brief explanation of what you are talking about and how long that would continue?

MR. HORN: I guess what it is, is an average of what would be available. Don't forget, the $143 million is still going in there. Some of that will be needed for debt service and interest costs.

MS. FELKER: The most the debt service will be, according to the projections we were using which were based on a certain interest rate scenario-- Under that scenario, approximately $72 million would be the most you would have to use out of the $143 million to pay your debt service. So that leaves you, that year, of the maximum, with $71 million. If you never issued any more bonds after the first four years, you would gradually start to pay off those bonds, and there would be more and more of that $143 million left that wasn't required for debt service. If you look at--

SENATOR RAND: (interrupting) Is that where that $100 million projection comes in?

MS. FELKER: That is the average between years five and fourteen of what is in there. It is an interesting number, because it is similar to the amount of money we presently pay out of general obligation bonds for transportation projects.

SENATOR GAGLIANO: So, what you're saying is, on average, for those nine years, there will be $100 million that could go back into the program, which is not needed to amortize the bonds.

MS. FELKER: That's right.

SENATOR GAGLIANO: That's pretty good. I think that's pretty good.

SENATOR RAND: Senator Cowan, you may continue.

SENATOR COWAN: I think that's the best answer we've had all day, but we're only starting I guess. Are there any other states now which use this? I know this question has been posed many times, but as far as our Triple A rating is concerned, are there any other states which use this type of funding at all?

MS. FELKER: Are you asking me?

MR. HORN: He is asking both of us. The answer is "yes," but I would like Ms. Felker to give a detailed answer.

MS. FELKER: There are a number of appropriation-based authorities in other states, like our Building Authority. For instance, Virginia has one. That is a Triple A state; they have just completed the sale for their Building Authority. As far as transportation purposes, we are one of the few states which doesn't have a completely segregated, dedicated motor fuel tax. Many of the states which have those kinds of dedications have set up revenue bond funding programs for transportation, and wouldn't have any reason to look for this type of methodology.

Since we have all of our tax revenues in one General Fund, we have a different kind of problem here. There are several states, regardless of how they handle their transportation revenues, which have looked to form new funding mechanisms for transportation recently, to match the Federal money. Wisconsin is one. They put out a new transportation revenue bond just about a month ago, successfully, which is outside of their general obligation bond program. New York State has had a program which is based on a legislative appropriation of just the kind we are talking about to the MTA. They have been successful in selling bonds with the same kind of legislative appropriation, with a 30-year contract with their Legislature. They have a 30-year period over which they expect to get these payments, which is a lot longer than what we are talking about here. They were able to market such bonds.

So, I have said several things. One is, Triple A states do use this kind of funding mechanism for non-general obligation bond projects. Other states have funded transportation through a legislative appropriation as a source of debt service.

MR. HORN: I think the most important thing Ms. Felker has said is that most states -- and I think we are probably talking about

42 or so out of the 50 -- don't even have to look to this type of appropriation, because they already have in place a mechanism of stable funding of transportation projects. I guess that is why we're here; we do not have one.

SENATOR GAGLIANO: And, they do not have nearly the problems we have.

MR. HORN: That is exactly right.

MS. FELKER: This is the New York State deal, which was based on service contract bonds. This was done in February of this year. They sold $200 million worth of service contract bonds, transit facility service contract bonds and commuter facility service contract bonds, and those contracts are based on the legislative appropriations.

SENATOR COWAN: What rate did they go at?

MS. FELKER: I didn't write it down, but I think they are about an "A" level. New York State's rating is not what ours is.

SENATOR COWAN: What was the cost?

MS. FELKER: The cost? Their longest bonds were 2017 -- matured in 2017, 35 years; they were at a nine and seven-eights percent interest rate. The shortest ones were 1985, and they were at five sixty. So, in the middle, you have about an eight forty in 1993. I don't think that is too bad, considering the lower rating. Dillon Read was the senior manager of that.

SENATOR COWAN: At the present-day rate of discount, what would these go for now -- just a guesstimate?

MS. FELKER: Nine something.

SENATOR COWAN: Ours would go-- Double "A?"

MS. FELKER: Yes. Oh, no, I'm sorry. I was thinking longer term. I think they would be lower than that. Maybe we could get someone who looked at the market this morning to give us a better feeling for that.

MR. HORN: We're talking ten-year bonds.

MS. FELKER: Our 20-year bonds would be in the 9% range now.

SENATOR COWAN: Okay, thank you.

SENATOR RAND: Senator Gagliano?

SENATOR GAGLIANO: I would just like to follow up on one thing. Where you have an average of $100 million, as planned now, the then Administration and the then Legislature -- say, three or four years from now -- could get together and extend this program for, say, two or three years, and still do the funding within the original period of time.

MS. FELKER: They could authorize additional bonds.

SENATOR GAGLIANO: So, actually this borrowing could go on, and we could still pay off everything within the initially-planned 14-year period.

MS. FELKER: They could encumber more of the money in the form of debt service. I don't think they could encumber all of it.

SENATOR GAGLIANO: That's what I mean. But, what I'm saying is, you could extend it maybe two or three years, depending upon whether you had projects. One of our biggest problems is the projects that were never finished, as you know, the missing links, and the rest of it. So, if we have a good program going for four years, the then Commissioner could recommend that we go on for, say, another two years, and we would not have to disturb the basic premise upon which this was built. Correct?

MR. HORN: That is correct.

MS. FELKER: You would have that option, yes.

SENATOR RAND: It is our opinion, Senator, that at the end of one year, if this program is no good, the Legislature could abolish it, and just assume whatever debts there are. That is what makes it so interesting, because the Legislature can "poof" at anytime it wants to.

SENATOR GAGLIANO: I'm talking about extending it though.

SENATOR RAND: I understand that, but let's first see if it is any good. We are going into a new adventure, and I want to make sure that the Legislature has safeguards. We have begun to address some of these things by the limitation of the flotation of the bonds, because if the Legislature, at the end of one year, deems it advisable not to continue a program, I would hate for them to be burdened with a $471 million bond issue that was immediately put out by the Authority, without any consideration. That is one of the things we addressed. I have no objection to a $50 million or a $75 million bond issue, but according to what we have received from the Office of Legislative Services to our attorney, the Legislature has a right to curtail this program anytime at all.

SENATOR GAGLIANO: You mean the Legislature, with the Governor's signature?

SENATOR RAND: That is correct. That is one of the things we want to put some oversight on, because that would leave us in a bind. What happens if the Legislature refuses to appropriate the $88 million?

MR. HORN: Or, the Legislature will not fund the project. I would try to de-emphasize the somewhat radical ways of ending a program, but clearly the simplest way would be just to say, "We will not fund these projects." That would be one way of putting a halt--

SENATOR RAND: (interrupting) And then, take up the debt.

SENATOR GAGLIANO: I know we can't stop that, but that is one of the things that caused the missing links. For example, Route 18 -- and I think the bill is going to be $60 million to complete Route 18 -- would have been less than $15 million if it was built at the time. There would have been a lot less dislocation.

SENATOR RAND: Senator, that is why we are trying to construct a bill that will give you the right to get on the floor, when the appropriation comes before you, to look at what is being done, and to say that that is the proper thing to be done. We have no problems. We are trying to construct the bill, and to amend the bill, so that we think we have a consensus which everyone will be happy with. I think it is our job to make sure--

SENATOR GAGLIANO: (interrupting) Okay. I just don't want to get into a situation where we are going to have to -- and I have mentioned this before -- as legislators, do a pork barrel thing on this and say, "Okay, I'll deal with you Hudson County, provided Monmouth and Camden Counties get this and that." I think if we get to that, we will probably build nothing.

SENATOR RAND: Are you prepared then to give a blank check for the $3.3 billion? I am not, sir, I can tell you that.

SENATOR GAGLIANO: I don't know that I am prepared to do that, but I certainly do not think it would be appropriate for us to tie the hands of the Administration, whomever it might be, because I don't think we will build what we want to build.

SENATOR RAND: Well, according to the testimony given by the Treasurer, the initial $118 million is just an outright appropriation. All you do is just say you will give $118 million. It goes into the Transportation Trust Fund, and then flows to the Authority. The $25 million automatically flows to the Authority. Then, you get one more shot on the $3.3 billion, whether it be transit, or whether it be the Highway Department. That is when DOT requests the money from the Authority -- or, it is deposited in the Special Transportation Fund and they come before us with their appropriation measure. They will say at that time that they want $126 million. Are you prepared at that time? I will tell you this very clearly, I am not. I don't know if Senator Cowan is, but I will not give a blank check for $126 million. Maybe you will, sir; that is your privilege. I ran a bond issue of $475 million, and I showed these issues to the Treasurer just a few moments before you came in. These are the issues on which we spent total money and which drew down Federal money also. The Treasurer said he had no problems with that.

SENATOR GAGLIANO: These were pretty well explained to us.

SENATOR RAND: That is correct.

SENATOR GAGLIANO: These were explained to us when they went through Committee.

SENATOR RAND: Absolutely.

SENATOR GAGLIANO: Right. What you are saying is, you want the same kind of thing.

SENATOR RAND: Absolutely. I do not intend to obligate this Legislature, or any other Legislature, for $3.3 billion, without some oversight, and without some review.

SENATOR GAGLIANO: I agree that we have to have some overview, but I just don't want to see us in a position where we are going to be--

SENATOR RAND: (interrupting) We would hope that the legislators would be statesmen, rather than politicians.

SENATOR GAGLIANO: Well, you talk about blank checks. (laughter)

MS. FELKER: Why is everyone laughing?

MR. HORN: I guess there should be some type of happy medium. I agree with Senator Rand's statement. I hope that the program is successful enough so that the legislators will act as statesmen, and will feel that the most needed projects are being done, and that the program is fairly administered.

I think the interesting thing about this, and the reason I think it is going to be not only successfully enacted, but successfully implemented, is that out of 120 legislators, not one has said, "We do not need a program to do what we all know has to be done."

SENATOR RAND: That is a truism; absolutely.

MR. HORN: Given that, I am confident there will be some statesmanlike actions.

SENATOR RAND: We would hope so. Mr. Treasurer, you said -- in your remarks I think you used this term -- "that seriously jeopardize our Triple A rating." Whose words are these, may I ask?

MR. HORN: No, I did not use that term.

SENATOR RAND: I heard that.

MR. HORN: Oh, okay. Let me read that sentence again: "We strongly believe that the transportation needs and costs of the magnitude of the proposed program can no longer be financed through general obligation bonds, without seriously jeopardizing our Triple A rating." What I am saying is, go the other route. People have suggested the use of GO bonds. GO bonds turned out to be more expensive than accomplishing what we want to do and, as you know, what the rating agencies look at, in terms of rating our debt, whether it be GO debt or other debt, is the total income, the stability of that income, and the total outflow. What I am saying is, to go the other route would be the route which might seriously jeopardize the Triple A rating.

SENATOR RAND: That is your opinion, sir. Is that correct?

MR. HORN: Yes, that's right.

SENATOR RAND: No rating agency said that?

MR. HORN: One rating agency has said -- and Commissioner Sheridan has this as part of his remarks -- that this program would have the tendency, because of the pay-as-you-go nature of it and the benefits that the State would derive from implementing it, to make it look at the State in a more favorable light.

SENATOR RAND: Okay, we will ask Commissioner Sheridan to identify the source of that remark. I am going to ask you, for my full comprehension, if you will tell me the difference between the bonds you have now, which are supposedly obligation bonds, and the general obligation bonds, based on the $348 million we have to borrow on a short term as we are. Ten years is considered a short term, as against general obligation bonds which are 20 years, or no more than 30 years in the State of New Jersey. Is that right, Liz?

MS. FELKER: Thirty-five years.

SENATOR RAND: Thirty-five years. Tell me the difference.

MR. HORN: Total interest cost difference?

MS. FELKER: The cost structure or what?

SENATOR RAND: Well, yes. I would just like to know what the difference is, if there is a difference because of the flow of money, or if there is a difference because of the flow of interest, and how much. I'm giving you the answers, but I would like to know that to clear it up in my own mind, and for the record here.

MR. HORN: I don't have that in my pile of material here.

MS. FELKER: There are a lot of differences.

MR. HORN: Liz, don't you have a memo on that somewhere?

MS. FELKER: First of all, clearly if you borrow money for less time, you are going to pay less interest.

SENATOR RAND: How much less interest would you say, and I've heard some figures? Is it half -- in round figures?

MS. FELKER: The figures that the Transportation Commissioner has been giving you are correct. Well, it could be half; it could be 50% or 60% of the cost of the long-term bonds.

SENATOR RAND: Are you saying that the $348 million that we are borrowing is going to cost us -- from what I have heard -- about $648 million? Is that correct?

MR. HORN: With interest?

SENATOR RAND: Yes.

MS. FELKER: The total payments, including interest, yes.

SENATOR RAND: Are $648 million?

MS. FELKER: Yes.

SENATOR RAND: That's $348 million, and we have to borrow $471 million, which I will get to a little later, because I don't quite understand it, and I want to go through that again. We need $348 million worth of bonds, and I know we are going to borrow $471 million to cover that $348 million. You are going to explain that to me, but that is another question. The $348 million is going to cost us-- I know you borrowed $471 million and we need $648 with the interest to cover that $471 million, which we are borrowing to accommodate the $348 million. I am trying to uncomplicate it as much as I can.

MR. HORN: Okay.

SENATOR RAND: What is the difference?

MS. FELKER: I think it is $390 million. It would be $472 million to cover $390 million, of which the net debt service cost is $642 million, all on a total cash basis, not a present-value basis.

SENATOR RAND: But, it's $390 million we have to borrow?

MS. FELKER: That is the net to the project.

SENATOR GAGLIANO: You would have to borrow more than that.

MS. FELKER: You have to borrow enough to set up a debt service reserve fund, which you can then use to pay off some of your debt service at the end. So, although you are borrowing extra money, it is not costing you more.

SENATOR RAND: Let me start all over again here. I understand we are getting $118 million and $25 million, which is $143 million. We need $230 million to leverage for the Federal funds. If I deduct $143 from $230, I get $87 million, which is what we need. Four times $87 million for a four-year period is $348 million. That is what we need for four years. Now, unless my figures are wrong, or I don't understand it-- You tell me if we need any more money than $348 million, Liz. According to my figures, we need just the $348 million to cover it. I am not talking about the interest. I will get to that in a second.

MS. FELKER: Yes.

SENATOR RAND: Is that what we need, $348 million?

MS. FELKER: Yes, it is, because you need $920 million.

SENATOR RAND: Nine hundred and what?

MS. FELKER: Your program is $230 million times four; you need $920 million.

SENATOR RAND: But, we are taking in $143 million, and we need $230 million a year. You're right. The difference between the $143 million you're taking in, and the $230 million, is $87 million. That is what we need. If we could fund $87 million more for the next four years, we would not have to borrow a dime. If this Legislature would give us $87 million more -- if the Appropriations Committee would walk in here today and say, "Here's $87 million"--

MR. HORN: That adds up to $920 million; that's right.

SENATOR RAND: Okay. If we have to borrow $348 million, I would like to know, as against the general obligation bonds, what we are paying under this, and what it would cost us under a 20-year, a 25-year, or a 30-year bond? This is a 10-year bond; I understand.

MS. FELKER: I don't think it would be practical.

SENATOR RAND: Pardon me?

MS. FELKER: If you issue 10-year general obligation bonds with a level principal amortization, which is the way in which we do them, you would end up with much greater costs in the early years.

MR. HORN: We're using 20-year GO bonds versus the 10-year Transportation Trust Fund bonds. Are you saying the interest cost is double?

MS. FELKER: The interest cost is double, yes; double the amount of principal with the bonds.

SENATOR RAND: Do you mean a GO bond is double?

MS. FELKER: If you issue a 10-year bond versus a 20-year bond--

MR. HORN: (interrupting) No, we're doing 20.

SENATOR RAND: A 20-year bond.

MR. HORN: Oh, I'm sorry.

MS. FELKER: Do you want to do 20-year revenue bonds versus--

MR. HORN: No, 20-year GO bonds versus--

SENATOR RAND: (interrupting) I am trying to find out the difference between the 10-year-- We don't really call them revenue bonds, because in the bill--

MR. HORN: (interrupting) They are not revenue bonds.

SENATOR RAND: That's right, they are not revenue bonds.

DR. MANOOGIAN: They are Trust Fund bonds.

SENATOR RAND: They're what?

DR. MANOOGIAN: They're Trust Fund bonds.

MS. FELKER: The Trust Fund bonds are revenue bonds.

SENATOR RAND: They are not called revenue bonds.

MR. HORN: They are appropriation bonds.

SENATOR GAGLIANO: Whatever.

SENATOR RAND: What I would like to know is--

MS. FELKER: (interrupting) We have a calculation here. If you do 10-year revenue bonds versus 10-year GO bonds, the cost is almost identical.

MR. HORN: Now, 20-year GO bonds--

SENATOR GAGLIANO: What was that, Liz?

MS. FELKER: If you fund this program with revenue bonds versus GO bonds, the cost is almost identical, because--

MS. RUMOWICZ: When you say almost, Liz, what interest rates--

MS. FELKER: (interrupting) I am using net interest costs and the revenue is at 9.1%. On the GO bonds it is 8.3%.

MS. RUMOWICZ: Eight point three?

MS. FELKER: Right.

SENATOR RAND: Would you say that again, Liz?

MS. FELKER: Eight point three versus nine point one is what I am using. This is something we received from our Advisory Committee.

SENATOR RAND: Eight point three, nine point one.

MS. FELKER: Now, you would have to issue different principal amounts to generate the same amount of dollars to the programs.

SENATOR GAGLIANO: Over the same period of time?

MS. FELKER: Ten years.

SENATOR RAND: Do you have a copy of that spread sheet?

MS. FELKER: It's not really a spread sheet.

SENATOR RAND: Okay.

MS. RUMOWICZ: It's a debt service schedule.

SENATOR RAND: Liz, would you repeat that for me, please?

MS. FELKER: I said that the net debt service for the 10-year revenue bonds versus the 10-year GO, would be almost the same.

MR. HORN: That is a 10-year GO.

SENATOR RAND: Right. Almost the same thing?

MS. RUMOWICZ: What would be the exact difference?

MS. FELKER: Four million dollars.

MS. RUMOWICZ: Four million dollars. Do you have that compared there? Could we get a copy of that?

MS. FELKER: I think I could prepare something for you. I am not prepared to release this, because it isn't addressed to me; I don't feel that I own it.

SENATOR RAND: Okay, let me continue. Regarding the $348 million, we got the clarification. You're saying that a 20-year GO is about double a 10-year appropriation bond, or whatever it is.

MS. FELKER: I want to clarify something. In that figure I gave you, I was assuming that you would have to appropriate from the General Fund all the interest that might have accrued on the balance in the Transportation Bond Fund from that general obligation bond. If you didn't have the desire to make that appropriation, you would have to increase the size of the general obligation bond-borrowing in order to make the amounts equivalent, and that would increase the cost of the general obligation bond substantially. Do you follow me?

SENATOR RAND: All right.

MS. RUMOWICZ: But it really wouldn't increase it, because the General Fund would be getting the same kind of interest.

MS. FELKER: Yes, but they would have to be willing to make a higher appropriation.

MS. RUMOWICZ: Okay, but in terms of the total amount of money, I mean, the interest is going to go to the State.

MS. FELKER: Presumably, the interest will benefit some program, but it may not--

MS. RUMOWICZ: (interrupting) So, it will benefit a program, but what I'm saying is, you are not losing the interest. You have a GO bond issue; you are not losing the interest. We are not losing any interest.

MS. FELKER: The State General Fund gets the interest.

MS. RUMOWICZ: Right.

MS. FELKER: The amount, though, that has to be appropriated would be--

MS. RUMOWICZ: (interrupting) From the General Fund -- which would have been increased by the interest, would also have to be increased accordingly to account for that.

MS. FELKER: You are correct, Madelyn. The sources of funds would be there, but the Legislature would have to ante up by physically appropriating more.

MS. RUMOWICZ: Yes, I understand that.

MS. FELKER: Or else they would have to increase the borrowing authorization by a much larger amount.

SENATOR RAND: Are you through?

MS. RUMOWICZ: Well, I had some other questions along that line.

SENATOR RAND: Go ahead; we'll give you the time to do that.

MS. RUMOWICZ: You mentioned in the first account that you would be borrowing more under the appropriation bond setup to get the total amount of construction money we actually want, because you have to have a debt reserve fund, which will sit there the first year -- correct?

MS. FELKER: It will sit there for the entire life of the bonds, until--

MS. RUMOWICZ: (interrupting) For the entire time, until the last year, at which time it will be used to pay off-- Is that the $30 million? What is that reserve?

MS. FELKER: It is about one year's debt service payment.

MS. RUMOWICZ: It's one year's debt service.

MS. FELKER: Over four years, it would build up to a maximum of $71 million.

MS. RUMOWICZ: Okay, so that is money that is actually lost to construction.

MS. FELKER: No, it's not. It is used to pay off debt service, and it earns money while it is there. Actually, the earnings on that fund go into the construction.

MS. RUMOWICZ: Okay. Well then, that brings me back to something else, which is your $100 million average. You said there would be an average in the out years.

MS. FELKER: Yes.

MS. RUMOWICZ: In the first year, with the $230 million construction program, some of that $230 -- $143 million -- is really not available for construction, is it? You said in your debt service schedule -- you gave me a copy -- that the first year you have to pay interest of approximately $4 million.

MS. FELKER: That's right.

MS. RUMOWICZ: So, where is that $4 million coming from?

MS. FELKER: It is not coming out of the $230 million; it is coming out of the $143 million. You see, out of the $143, you have-- From zero to $71 million during the 14-year period will be spent on debt service.

MS. RUMOWICZ: Yes, I saw that. Right.

MS. FELKER: It gradually goes up, and then it gradually goes down.

MS. RUMOWICZ: So, you really have $139 million plus $87 million for construction that first year, because you have to pay four years on interest the first year.

MS. FELKER: What?

MR. HORN: I think she meant $4 million on that.

MS. FELKER: Four million, yes.

MS. RUMOWICZ: Four million on interest the first year-- So, out of the $143 million--

MS. FELKER: (interrupting) You're earning more than that.

MS. RUMOWICZ: But, you have already calculated your earnings, if I recall, in the last column. It is already part of that. I'm sorry; I don't have that schedule with me, but if I recall, you had already calculated your earnings, which are really not very much the first year.

MS. FELKER: Well, you wouldn't be borrowing--

MS. RUMOWICZ: (interrupting) Do you have a copy of that debt service schedule?

MS. FELKER: You have the same schedule.

MS. RUMOWICZ: I don't have it with me. That is why I wanted to know about the $143 million.

SENATOR RAND: I may have it.

MS. FELKER: The way the $143 million gets used in the first year is--

MS. RUMOWICZ: (Senator Rand supplies Ms. Rumowicz with schedule she is referring to.) The bond proceeds are eighty-two sixty four. You are only actually getting eighty-two sixty four out of the bond proceeds.

MS. FELKER: That is how much you're spending on the bond proceeds during that year.

MS. RUMOWICZ: You're only spending eighty-two of the bond proceeds.

MS. FELKER: Yes. Most of the money you're spending is straightforward cash, and some interest earnings that you are going to have on the $143 million, pending spending, and on the debt service reserve fund you have just borrowed, and on the balance of your bond proceeds.

MS. RUMOWICZ: That is what I am looking for here. It says, "Debt service reserve zero point zero zero in 1985," according to the schedule I have. Your debt service reserve is a zero up to-- This is not the schedule I have; this is the one that Senator Rand just gave me, which I assume he received from you, or from Treasury. I have not seen it before.

MR. HORN: It must be from Legislative Services.

MS. RUMOWICZ: It is not the same one that you and I discussed.

MS. FELKER: It doesn't look familiar to me. I haven't generated anything at all like that. What are you really wondering about?

MS. RUMOWICZ: What I am really trying to find out is-- There is $143 million which goes into the Authority fund, plus, you have $87 million worth of revenue from bonds you have sold. That adds up to your $230 million construction fund. Is that correct?

MS. FELKER: The $230 million in 1985 is made up as follows: $25 million from the authorities; $30 million from the truck fees; and, $83.84 from the $88 million.

MS. RUMOWICZ: In other words, of the $88 million -- all of that is not going to be used?

MS. FELKER: That's right, because you need a little bit for the debt service. But, you do have a credit of $8.52 from earnings on balances.

MS. RUMOWICZ: Yes, that is what I am trying to find, the credit.

MS. FELKER: The rest is from your bond proceeds.

SENATOR RAND: Okay, we have a lot of work to do. Let me go back to what I said originally to clarify my point. If you need $348 million, Liz, and you do not borrow the $348 million all at one time, because you told me you are probably going to stagger it--

MS. FELKER: (interrupting) That's right.

SENATOR RAND: Okay. Now, you tell me why you need $390 million. I understand that you are going to get the reserve. In turn, why does that $390 need $471 million?

MS. FELKER: How did we get from $348 to $390 million?

SENATOR RAND: You mentioned that figure before.

MS. FELKER: I must have made a mistake. The $390 figure is the net amount that is needed to get into projects.

SENATOR RAND: Okay. You have to float $471 to get the $348?

MS. FELKER: That's right -- to get $390. I don't understand the $348.

SENATOR RAND: The $348 is what you need. You need $348 million in four years to leverage that money to draw down Federal money. You need $87 million times four, and that's $348 million. The difference between the $143 million and the $230 million you need is $87 million.

MS. FELKER: Okay.

SENATOR RAND: If you need $87 million each year to leverage the $230 in order to draw down the Federal funds, then four times $87 is $348 million. I have to get it straight in my mind. If we have to borrow $348 million, and let's say we are going to do it in four years-- Let's start at the first year. You are going to borrow $87 million the first year. What do you need to borrow that $87 million?

MS. FELKER: If you had $230 million in cash, you would not need to do any borrowing the first year.

SENATOR RAND: I understand. You need $87 million more than the cash you have on hand.

MS. FELKER: That's right.

SENATOR RAND: Okay. What total bond proceeds do you need to get that $87 million?

MS. FELKER: The first year--

SENATOR RAND: (interrupting) Let's say you are going out to sell $87 million worth of bonds tomorrow morning. How much do you need to realize $87 million?

MS. FELKER: I think what you need is $82 million, but you need $99.8 million to get that.

SENATOR RAND: Did you say you need $82 million?

MS. FELKER: (Ms. Felker consults with colleague.) As you start the borrowing program, some portion of the $143 million is not going to be available.

SENATOR RAND: Why not?

MS. FELKER: Because you are going to have to use it to pay debt service.

MS. RUMOWICZ: That is what I was getting at, but you didn't have it.

SENATOR RAND: Just a minute. Let's say we get $118 million in next year. Coming in, we've got the $118 million. We need $87 million more, is that correct?

MS. FELKER: Looking at it from the point of view of the project, in order for DOT to make a commitment to projects totaling $230 million, they have to know that they are going to be able to have available that amount of money to pay the bills.

SENATOR RAND: Which could take six months, eight months, nine months, or a year. It may take them fifteen months.

MS. FELKER: Yes, right. So, the Authority will say, "DOT, let's get a forecast." Then, they will figure out when they need the money, and the assumption here is that they would do a $99.8 million bond sale on January 1, 1985.

SENATOR RAND: Ninety-nine point eight -- that would be what they would need to get the--

MS. FELKER: To raise $82.6 million.

SENATOR RAND: Ninety-nine point eight, approximately $100 million.

MS. FELKER: Yes. And, of that, $15 million goes into the bank as a debt service reserve.

SENATOR RAND: Fifteen million goes into the bank?

MS. FELKER: Yes.

SENATOR RAND: Okay. So, you have projected a $100 million bond issue for $82 million. Is that correct?

MS. FELKER: Right; $82.6 million is the net proceeds.

SENATOR RAND: And, $15 million goes into the bank.

MS. FELKER: Yes.

SENATOR RAND: Okay. Now, if you raise it each time, four times would be $400 million.

MS. FELKER: Each time, though, you are going to have to do a little larger sale, because you won't have as much left to-- You are going to have to take care of the debt service.

SENATOR RAND: Because the bond indebtedness comes out of that original $118 million and the $25 million -- the $143 million.

MS. FELKER: Yes. There is a little less of the $143 million left to pay cash in, because you are using it up for the debt service from the last year's issue.

SENATOR RAND: The $15 million that you put in reserves--

MS. FELKER: (interrupting) Right.

SENATOR RAND: (continuing) out of that $99 million -- what is the debt service on that $99.8?

MS. FELKER: About $15 million.

SENATOR RAND: So, what you are actually putting aside is $15 million. Is that every year?

MS. FELKER: No, just the first year.

SENATOR RAND: No, no, the first year, but you are going to pay interest of $15 million every year.

MS. FELKER: Every year you will pay about $15 million, which is part principal and part interest.

SENATOR RAND: Okay. You are beginning to get my point, and you are beginning to answer my question. Now, if you do that four times, then that is your three hundred and ninety some million you're raising. Is that correct?

MS. FELKER: Yes, if you do that borrowing, but bear in mind that every issue is not giving you $100 million.

SENATOR RAND: I understand.

MS. FELKER: It is going to be up a little bit.

SENATOR RAND: Up a little bit probably. Okay. Now, we have gotten to that point. We're at four hundred. Would you agree that $400 million is a round figure?

MS. FELKER: Yes.

SENATOR RAND: Four ten, four fifteen?

MS. FELKER: For proceeds that are going to projects.

SENATOR RAND: Not the interest.

MS. FELKER: Not interest. There would be additional money if it was interest going to projects.

SENATOR RAND: Fine. Then why in the initial report we received did it say that if you have to borrow $348 million, you will have to borrow $471 million?

MS. FELKER: Well, the right figure for the net amount of borrowed money to projects is $390 million.

SENATOR RAND: Is what?

MS. FELKER: Three ninety.

MR. HORN: Three ninety, which is close to your $400 million.

SENATOR RAND: Okay.

MS. FELKER: The difference between that and the $472 is one year's debt service on all four bond sales. It is $15 million on the first one, about $18 million on the second one, a little over $20 million on the third, and $43 million or so on the fourth. If you add all that up, you get $71 million.

SENATOR GAGLIANO: Which you must have for reserve.

MS. FELKER: You must set that aside in the reserve. You get to use it later.

SENATOR RAND: Wait a minute. When you get the second bond issue, you are not getting a reserve on the first bond issue, are you?

MS. FELKER: You keep that, and it adds up. You put aside $15 million and you leave it there for ten years.

SENATOR RAND: Let me start again. You told me on the first bond issue of $99.8 million, out of that you got $15 million.

MS. FELKER: And, you set it aside in a reserve, and leave it there.

SENATOR RAND: You set it aside, right. I understand that. With the second one it's $100 million, and you have, whatever it is, $16 million or $17 million set aside.

MS. FELKER: Yes, that is correct.

SENATOR RAND: Which leaves you around $82 million again. Each time you are being left with $82 million to fund.

MS. FELKER: No, more. Each time the amount of the fund goes up too.

SENATOR RAND: I have to understand why, when my totals here come to around $400 million that you have to borrow piecemeal. Let's say that it comes to $471; I want to know where that $70 million comes from.

MS. FELKER: The $70 million is in the bank earning interest. It is a security device for the bondholders, so that know that if something goes wrong, and the Legislature doesn't pass the budget--

SENATOR RAND: (interrupting) Is that the reserve each year of $15 million, $16 million, and so forth?

MS. FELKER: Think of it as a savings account you have in case you lose your job and you don't have any money to pay your mortgage. You need to have something set aside.

SENATOR RAND: But, why would it come to $471, when you give me a total of four single years--

SENATOR GAGLIANO: (interrupting) I think I have figured out the problem. I think the reason the Chairman comes up with an approximately $71 million difference is because if you take your numbers and multiply times four, you get the $400 million, which includes the cushion, or the set-aside. I think what the Chairman is saying is, there is $71 million there not accounted for.

SENATOR RAND: That is exactly right.

SENATOR GAGLIANO: Answer it.

MS. FELKER: Seventy-one million is the reserve?

SENATOR GAGLIANO: No. You said before that you are borrowing $100 million -- in round numbers -- and you are going to net eighty-two something, and in that is $15 million. Multiply that four times $15 million, or four times $18 million, whatever it is, and you are still at about $100 million. You are nowhere near the $171 million difference he is talking about. There is a $71 million gap in his discussion. I don't know what it is either.

MS. FELKER: It is the earnings on the reserve funds that you are also spending on projects. That is where that is coming from.

SENATOR RAND: Why would you borrow-- I can understand if you are borrowing $99 million for $82 million. Let's multiply your $100 million by four. You are going out and you are going to spend $400 million for the $348 million, and you have to have $15 million, or whatever it is -- let's take $15, $16, $17, and $18 million. I may be wrong. That would give me $66 million.

SENATOR GAGLIANO: Could it be the interest costs on top of all of that?

SENATOR RAND: Wait a minute. The interest costs you are going to have to pay from the ten times $88 million that you are getting for ten years -- why do you have to borrow $471 million? I can see you borrowing $400 million; I can understand that with no problem. Now, tell me why we have to borrow $471.

MR. HORN: What is the difference between the $400 we need and the $471 that we borrow?

SENATOR GAGLIANO: Interest costs.

SENATOR RAND: Oh, no. The interest costs are being paid out of the amortization.

MS. FELKER: Well, no they're not all.

SENATOR GAGLIANO: No, they're not; it's on top.

SENATOR RAND: Okay. Let me hear it; that is what I want to hear.

MS. FELKER: You are taking $72 million. You are borrowing that money for over four years. You are hanging onto it for nine years in each case. In the tenth year, instead of taking from the $143 million to pay that debt service, you are paying it out of the $72 million that is your special bank account. That is what is happening here.

MR. HORN: So, the $71 million is reserve. How does $15 million translate into $71 million?

SENATOR RAND: It seems to me to make better sense. By the way, let me make it verv clear that I have no problem with these appropriation bonds. I mean, there are some people who are getting very upset here in this room, and I want to assure them that I have no problem with these revenue bonds. My problem is the amount of money that has to be borrowed, and the amount of interest we are paying.

MS. FELKER: Let me give you some--

SENATOR RAND: (interrupting) You see, Liz, you are borrowing $348 million, and that is what we need. I always like to see what kind of mortgage we need, and we are well paid for it. Now, if you need $348 million -- that is the total payment on $348 million?

MS. FELKER: Six forty two. It's on $390 million though.

SENATOR RAND: I understand. You're paying $300 million more for that bond issue than you are expending, but you are going to make some money on that $300 million. I understand that. Now, how much money are we going to make on that $300 million that you have to expend extra on the bond issue?

MS. FELKER: The total debt service reserve earnings over the time period is $85 million.

SENATOR RAND: So, you have gotten from $300 million down to $215 million, approximately. My question to you is, if we borrow against the $348 million, and have the Legislature put up that extra little money, which might be $5 million each year, do we have a substantial saving on that extra $71 million that we should not be borrowing?

MS. FELKER: How much extra money do you want to put up?

SENATOR RAND: I don't know; you would have to give me that figure.

MR. HORN: Senator, the answer to your question is, if the Legislature feels it is appropriate in a later year, or in the first year, to increase the legislative appropriation, yes, that would save borrowing costs; no question about it.

SENATOR RAND: Well, I have to get some answers, Mr. Horn. The answer is very simply this: If you are paying $648 million for $348 million, then that is a $300 million difference, less the $85 million you can pay. Now, why should be borrow $471 million when we need $399 or $400 million to float a $348 million bond issue? That is the question I ask you.

MS. FELKER: Because we have to set up a reserve fund in order to be able to borrow at all.

SENATOR RAND: You've got the reserve fund set up out of each one of these appropriations. You just told me $15 million, $16 million, and so forth.

MS. FELKER: Oh, it is not coming out of the appropriations. It is coming out of the proceeds of the bonds.

SENATOR COWAN: The bond sales.

MS. FELKER: You are borrowing that reserve fund, and you might as well, because you can invest it and have a positive--

SENATOR RAND: (interrupting) Absolutely, but you said you are only borrowing $100 million and out of that $100 million you are taking the first $15 million.

MS. FELKER: That's right.

SENATOR RAND: Four times $100 million still represents $400 million to me.

MS. FELKER: You're only borrowing $100 million the first year. You are borrowing more the second year.

SENATOR RAND: How much are you borrowing the second year?

MS. FELKER: The second year you are borrowing $105 million.

SENATOR RAND: The third year?

MS. FELKER: One twenty-three.

SENATOR RAND: One twenty-three.

MS. FELKER: And the fourth year, $143.4 million. It goes up because--

SENATOR RAND: (interrupting) Oh, now I have the answer. That makes the $471 million. Is that correct?

MS. FELKER: That's right.

SENATOR RAND: Why do you need to borrow $143 million the last year? I won't ask you about the second or third years, but that is a big one.

MS. FELKER: Because you need to get Commissioner Sheridan's $230 million, and the only way you are going to do that is by borrowing more, since you will have less available from your legislative appropriation because you will be using some of that money for debt service on the three preceding years.

SENATOR RAND: Then why don't we extend that out a little bit longer -- the payment of the $88 million?

MR. HORN: What do you mean extend it out a little longer?

SENATOR RAND: We have a 10-year payout of $88 million.

MS. FELKER: Borrow for a longer period of time?

MR. HORN: No, the Senator wasn't asking that.

MS. FELKER: Senator, what did you mean?

SENATOR RAND: Maybe we ought to have a 12-year payout, I don't know.

SENATOR GAGLIANO: Would we pay more interest if we did that?

SENATOR RAND: I don't know.

SENATOR GAGLIANO: That would be contrary to what you have been talking about for the last half hour.

SENATOR RAND: I just want to know; I just want to get the input.

MR. HORN: The longer the bonds, the more interest you pay. That is why the ten is better than the 20.

SENATOR RAND: Suppose you do not float that bond until 1987, or 1988, or 1989. Then you wouldn't need $143 million, because the Legislature has appropriated the $88 million for 10 years. Is that correct? This whole program is based upon borrowing it in four years -- one, two, three, and four.

MR. HORN: But, the $88 million continues on for 10 years. Am I right, Liz?

MS. FELKER: Well, 14 years.

SENATOR RAND: Fourteen years?

MS. FELKER: If you did it in four years and had 10-year bonds.

SENATOR GAGLIANO: Maybe John Sheridan, who has probably been over this a million times--

SENATOR RAND: (interrupting) No, no; Mr. Horn and Liz are the ones to answer this question. I do not want to burden Commissioner Sheridan with this. I have to get this bond thing straightened out in my mind -- why we need to pay $648 million for a bond of $348 million. The $71 million disturbs me. I have no objection to the $100 million and the $105 million, but when you get to that fourth point, I just don't know why we need that $143 million. I understand it is because the initial appropriation begins to decrease in value as the interest increases.

MS. FELKER: The reason you are borrowing the additional money-- There are two benefits to you. One is that it benefits you because it helps you sell the bonds in the first place. It is additional security for the bondholders, and they are comfortable. That reserve fund is available in case there is a shortfall, or in case something happens and there is no budget passed. From that money will come the debt service payment for their bonds. Then they will be more comfortable and will be more willing to put up their money to lend it to us.

MR. HORN: The answer we could give though is, why don't we do $143 million all four years? The Senator wants to know why it goes up from $100 million to $143 million over the course of four years.

SENATOR RAND: Let me ask my question another way. What kind of reserve does the general obligation debt service have?

MS. FELKER: It has the entire General State Fund, but it has no special set-aside.

SENATOR RAND: In other words, you don't skim the top.

MS. FELKER: You make an appropriation every year for the general obligation bonds. If you fail do that, the Treasurer has the right to make counties raise property taxes, so that is security for it.

SENATOR RAND: Now I think you've answered my questions.

SENATOR GAGLIANO: That total starts out at fifteen and rises with the amount of borrowing.

SENATOR RAND: Up to forty-three.

MS. FELKER: You only borrow the minimum amount you need each year.

SENATOR GAGLIANO: Is that standard practice in the bonding community? In other words, New Jersey doesn't have to pay any more than anyone else?

MS. FELKER: No. Some of the toll road authorities have more than a year's reserve.

SENATOR GAGLIANO: And the sewerage authority too? They all have to have reserves on the revenue bonds, right?

MS. FELKER: Yes, surely.

SENATOR GAGLIANO: Okay, it is a standard practice and it is a standard amount.

SENATOR RAND: Senator Cowan, do you want to chair the hearing now, or do you want to adjourn for one hour? I have to go to the Cancer Control Commission.

SENATOR COWAN: It is up to you, whatever you want to do.

SENATOR RAND: I would like to adjourn for an hour. Is that all right?

SENATOR COWAN: Okay. Senator Gagliano, are you going to be here the rest of the afternoon?

SENATOR GAGLIANO: I'll be here for awhile. I can't stay all afternoon.

SENATOR RAND: I have to leave for about fifteen or twenty minutes.

SENATOR GAGLIANO: We'll wait until you get back.

SENATOR RAND: Okay, we are going to adjourn now until twelve-thirty. Mr. Treasurer, I'm sorry to do this, but I have to go over to the Cancer Control Commission. They are opening their office. We'll be back here at twelve-thirty.

MR. HORN: Okay. At that time, will Commissioner Sheridan testify? Are you finished with Liz and me?

SENATOR RAND: Are there any other questions? Tom?

SENATOR GAGLIANO: I have no questions.

SENATOR COWAN: No, I have no questions.

SENATOR RAND: I have no further questions. I want to thank you very much, Mr. Treasurer. Liz, thank you.

RECESS

AFTER RECESS

SENATOR RAND: Good afternoon, Commissioner.

COMMISSIONER JOHN P. SHERIDAN, JR. : Good afternoon, Senator.

SENATOR RAND: After that workout this morning, I'm sure you're ready to go. You'll have an easy day today.

COMMISSIONER SHERIDAN: I had an easy one this morning sitting in the back row. (laughter)

Mr. Chairman, once again, thank you for this opportunity to appear before you and discuss the Transportation Trust Fund Authority Act of 1984.

At our three previous meetings, I outlined for you the nature of the Transportation Trust Fund Authority and the fact that its sole purpose will be to finance transportation capital projects.

I spelled out what we believe is an extremely fair and equitable effort to place a fair share of the cost of building and maintaining our transportation system on trucks by increasing registration fees.

Last week, with the assistance of representatives from the State's three independent toll road authorities, I believe we convinced you that the moneys the Trust Fund would receive from the authorities will not prompt a toll increase.

Today, Mr. Chairman, I would like to detail the financing mechanism envisioned by the Transportation Trust Fund Authority Act of 1984.

As you know, the legislation calls for three sources of revenue totaling $143 million annually to flow into the Trust Fund: $88 million annually from the General Fund; $30 million annually from the increase in truck registration fees; and, $25 million from the three toll roads.

The Trust Fund Authority would then sell bonds in an amount sufficient to enable the State to produce an average of $230 million for projects in each year of the four-year program.

These bonds would be paid off over a period of ten years from the date of their sale with appropriations from the General Fund. At no time in the debt redemption process would the combined amount of interest and principal, exceed $88 million in any single year.

This combination of relatively short-term bonds and 58% pay-as-you-go capital makes this program a much less expensive means of paying for transportation capital improvements than the traditional route of general obligation bond financing.

A sound transportation system is absolutely fundamental to the continued economic growth of the State and an improved quality of life for our citizens.

It is our responsibility, as public officials, to assure that we have a sound transportation system. But, it is also our responsibility, as public officials, to provide that system in the most effective, least expensive way possible.

This program, through the sale of appropriation bonds, rather than general obligation bonds, is the most effective, least expensive proposal yet put forth to meet these dual responsibilities. Not only does it provide necessary funds, but also, and perhaps even more importantly, it provides the kind of stability and funding predictability that has been missing in New Jersey for too long now.

I would like to emphasize several points that I believe should be part of any review of this Trust Fund proposal.

First, in formulating the Trust Fund Act of 1984, we sought the expert advice of two investment banking firms -- Dillion Read and Bear-Stearns -- independent bond counsel, Mudge, Rose, Guthrie, Alexander and Ferdon, and the Attorney General.

Secondly, although the bond rating agencies cannot and will not rate the bonds of the Transportation Trust Fund Authority until they are ready to be sold, former Treasurer Biederman, Treasurer Horn, and our Wall Street advisors all agree that this proposal will not adversely affect the State's Triple A credit rating. Based on their experience, they project that the Trust Fund bonds will be rated Double A, just like the State Building Authority. One of the rating agencies expressed an informal view that the program would actually help strengthen the State's Triple A rating.

Thirdly, although Merrill Lynch did not advise us on the formulation of this program, we submitted the proposal to that firm for review and comment. I have a copy of the firm's letter of response, which clearly indicates that Merrill Lynch not only believes the bonds are marketable, but in addition, they offer to underwrite with their own funds up to $500 million of the Trust Fund bonds. I have sent a copy of this letter to each member of the Legislature, and I have copies available today if you care to review it.

Fourthly, the total interest on the $472 million in Trust Fund bonds we anticipate selling would be much less than the traditional method of financing an equivalent amount of general obligation bonds. By comparison, $620 million in 1968 transportation bonds will cost the taxpayers $500 million in interest by the time they are paid off. The $475 million in 1979 transportation bonds will cost the taxpayers $478 million in interest. The Transportation Trust Fund bonds will cost $170 million in net interest. This lower interest cost is the result of shorter-term bonds -- 10 years versus the traditional 20 to 30 years for general obligation bonds -- and the earnings of a debt service reserve fund, which cannot be done with general obligation bonds because of IRS regulations.

Finally, the constitutionality of this proposal has been reviewed by both the Attorney General and Mudge, Rose, Guthrie, Alexander and Ferdon. They have both offered the unqualified opinion that the Transportation Trust Fund Authority Act of 1984 complies with the Constitution of the State of New Jersey.

In conclusion, the Transportation Trust Fund Authority Act of 1984 provides a transportation capital program for the next four years that won't raise tolls; it won't adversely affect the State's credit rating -- in fact, it may strengthen it -- and, it doesn't require a tax increase to implement. By any standard, Mr. Chairman, I believe that is a good deal for the taxpayers of this State.

Thank you, and I'll try to answer any questions you may have.

SENATOR RAND: Thank you, Commissioner. Let me just get my papers in order, and then we'll start.

I don't think we are going to get involved with the Authority and the bonds, because I think that was amply addressed by Liz Felker and the Treasurer.

COMMISSIONER SHERIDAN: We are prepared, Mr. Chairman, to discuss those questions, or similar questions, if you so desire.

SENATOR RAND: Okay. I would like to ask you one thing, because I would like to be honest about it. The last part of your statement said that it doesn't require a tax increase to implement. Very honestly, I would submit to you that the motor truck fee is a tax measure of some sort. Of course, we have a lot of problems with the truckers, and they are looking for some sort of relief. You don't have to address that, unless you care to address it.

COMMISSIONER SHERIDAN: Well, I'm making the statement that a fee is not a tax as far as I'm concerned. That is the context in which I made the statement.

SENATOR RAND: We'll accept that. I certainly am in agreement with you that it is not a general tax.

I would like to ask you a few questions, if I may, because today is our last public hearing. You heard my remarks about the nature of the appropriation process, and you know I've been very concerned about that.

The initial appropriation of $118 million is appropriated to the Transportation Trust Fund account, and that is turned over to the Treasury by the Authority. I guess that appropriation is, as usual, a carte blanche appropriation, the same as any capital appropriation which is made in the budgetary process. Am I right, Mr. Nutt?

ROGER E. NUTT: That is correct.

SENATOR RAND: I understand that. What I would like to do is, somewhere along the line-- I suppose the next step would be when you certifiy the amount of money you need and it is turned over to you by the Special Transportation Fund, or deposited in the Special Transportation Fund, you then go to the Legislature for an appropriation. According to the bill, on Page 16, Lines 15 through 18, it says, "The amount is certified to the Commissioner, provided that all funds transferred shall only be expended by the Department pursuant to appropriation or authorizations made from time to time by the Legislature for the purposes of the Act." How do you interpret that, sir?

COMMISSIONER SHERIDAN: I interpret that to mean that the Commissioner, or any successor, on behalf of either the New Jersey Department of Transportation or New Jersey Transit would have to have budgetary support for any expenditure. During the course of the normal appropriation process, before we could spend dollar one, there would have to be an appropriation similar to the present appropriations process.

SENATOR RAND: I will give you the two 1979 bond issues -- one sponsored by Senator Weiss, and the other sponsored by myself -- which Mr. Horn said is the appropriate way to go. I would like to ask you if they would meet with your consideration.

COMMISSIONER SHERIDAN: Well, Senator, you know that we have discussed this issue before.

SENATOR RAND: Ad infinitum.

COMMISSIONER SHERIDAN: I think there is some reasonable ground which would provide for the kind of legislative oversight that there needs to be, and should be. I would prefer that we not have a project-by-project appropriations process.

First of all, in my opinion, it will effectively delay this four-year program for six months to a year. All we have to do is go back to November of last year. We will see that the Bridge Bond Bill passed during that month, and the Appropriations Bill has yet to clear the Legislature.

The same thing was true with the 1979 bond funds. Notwithstanding that, I think the Legislature deserves to have some assurance that the Department is going to deliver what it says it is going to deliver. But, we need some flexibility to get that job done.

Project costs will change; project schedules will change. Even though the ones selected, in my opinion, are all doable within the four-year period, there will be some problems with some of the projects that will be well beyond the control of the Department, or any Commissioner. An example is the emergency like the Routes 1 and 9 situation, which came up just two weeks ago. Just imagine if there was a major catastrophe, like what happened in Connecticut. There just needs to be the kind of flexibility, I think, that the present process, with respect to our budget, provides.

We give a request, and the request is broken down into a considerable amount of detail. For instance, there is so much under "interstate", so much under "urban systems", and so much under "primaries". That locks us in, so we can't decide on our own that we would prefer to spend some of this money in a different category. We may decide that we would prefer not to provide the match for a Federal aid rural project; instead, we may prefer to increase the amount of money going to consolidated primaries. I don't think it would be appropriate for us to have that authority.

I would prefer that we don't get into -- and, I use this word with some circumspection -- a situation where projects are not being selected on an overall priority planning basis, but are being selected in a legislative process that would tend, in my opinion, to put a little more emphasis on the political nature of things, as opposed to what is an important transportation project, and is doable.

SENATOR RAND: Yet, you are asking us to commit $118 million, without any proviso whatsoever. As an example, on Page 349 of the budget this year, we have your capital request for Fiscal Year 1985, and there seems to be a difference from last year in that the capital request is a lump sum -- $143 million -- rather than being divided into programs. That is the first step.

MR. NUTT: Mr. Chairman, on Page 352, there is a schedule which shows how that money would be spent. We would envision the Appropriations Act that would come out of that for these projects to be identical to the current year's Appropriations Act.

There is a schedule with that budget, and the traditional budget message generally had categories in it with schedules on how we could spend it. That is on Page 352; it details it. It is more than a $143 million lump sum.

SENATOR RAND: Then, Roger, why didn't New Jersey Transit have that when they gave us the lump sum -- I think it was two years ago -- of $124 million? We had to break our necks until we got a breakdown of that from New Jersey Transit. It is up to $160 million this year.

COMMISSIONER SHERIDAN: Senator, you should demand that budget. If you do not have sufficient detail on New Jersey Transit's budget, we will get it to you. You deserve to have it.

SENATOR RAND: We are getting it now. After Senator Weiss and the Committee demanded that we get a breakdown, we finally got it.

COMMISSIONER SHERIDAN: Senator, I understand what the legislative need is. I really do fully appreciate the fact that they want to know when I put out a four-year program, that that is what we are working on. We are working diligently to produce, and we are not going to change our priorities, except to address significant changes in circumstances.

SENATOR RAND: We do have a Committee on Transfers, and we haven't had a problem until two weeks ago.

COMMISSIONER SHERIDAN: I am really concerned about the idea that it might take us a year to develop a bill, and that the bill may have some things in it that I can't deliver in a year. It isn't based on what can be done in that first year, but what individual members of the Legislature say should be done. Whether it should be done or not is not always the criteria. It is a question of whether we are in a position because of the right-of-way work, the status of the design work, and the status of the EIS studies to produce it.

Notwithstanding that, I think I will keep working with you, and we will come out with a good, solid middle ground that will give the Legislature the assurances it needs -- that we are going to deliver the program we've talked about. I would hope we don't have to have a negotiation of what the transportation program for this State ought to be, which goes down to every single project.

SENATOR RAND: Okay, we'll pursue that a little later on. Commissioner, during the 1984/85 period, starting October 1, how much in Federal funds is available on the road side and the transit side, according to your projections or the information you've gotten?

COMMISSIONER SHERIDAN: Please bear with us for a second, Senator.

SENATOR RAND: All right. I intend to be here all day and all evening.

MR. NUTT: Mr. Chairman, I don't have the budget with me. (Someone from audience supplies Mr. Nutt with a copy of the budget)

Mr. Chairman, I'm going to read from Page 352. The total Federal money we are talking about is $606 million, which we are going to use in the $905 million program.

SENATOR RAND: Six hundred and six million dollars?

MR. NUTT: Yes, of that, roughly $180 million is public transit.

SENATOR RAND: Which leaves you with about $426 million for Federal roads. What do you need -- $230 million -- to draw that down to both of those?

COMMISSIONER SHERIDAN: No, no, no. The matching requirements are not $230 million. The matching requirements are only a portion of that $230 million.

SENATOR RAND: How much would you need to draw down that $606 million?

COMMISSIONER SHERIDAN: I can't tell you the exact dollar figure, but--

SENATOR RAND: (interrupting) That is all right, just give me round figures.

COMMISSIONER SHERIDAN: Roughly figure 25%.

SENATOR RAND: So, you would need about $150 million.

COMMISSIONER SHERIDAN: No, that is too high, much too high. I would say on the order of a little less than $100 million.

SENATOR RAND: To draw down that $606 million?

COMMISSIONER SHERIDAN: Yes.

MR. NUTT: The $606 million is the total--

COMMISSIONER SHERIDAN: (interrupting) Oh, you're including the transit piece, I'm sorry.

SENATOR RAND: Yes, I want transit and everything.

COMMISSIONER SHERIDAN: Our estimate is about $120 million.

SENATOR RAND: One hundred and twenty million dollars. Maybe it is not fair for me to ask you this, but I'm going to ask anyway, Commissioner. If necessary, we'll have Liz Felker come back. If we need the $606 million and the $120 million -- the other is $3.3 billion, which is about eight hundred and some million per year; I don't have your breakdown -- why wouldn't we match $120 million with that to draw down that $606 million? That would give us $726 million a year. If my figures are correct, that would be $2.9 billion. On that basis, which is only a drop of three hundred and some million dollars, and by which you commit the Legislature to four years-- You have your program with you, you don't commit the Legislature, and you don't have to pay $300 million for borrowing it.

COMMISSIONER SHERIDAN: Senator, first of all, the $606 million isn't available every year. It happens to be available this year, because of a lap-over of fiscal years, which lets us take advantage of some funds that are not going to be there every single year.

SENATOR RAND: Do you mean it will go down next year?

COMMISSIONER SHERIDAN: Yes.

SENATOR RAND: That is all the more reason. You have an even lesser appropriation.

COMMISSIONER SHERIDAN: Maybe the best thing to do is go back and talk about the basic program.

SENATOR RAND: Okay.

COMMISSIONER SHERIDAN: What are we trying to accomplish with the $230 million? I am going to talk about it in terms of average--

SENATOR RAND: (interrupting) What are we trying to accomplish with $3.3 billion?

COMMISSIONER SHERIDAN: The same thing.

SENATOR RAND: No, there is a difference.

COMMISSIONER SHERIDAN: But, I think--

SENATOR RAND: (interrupting) You want $3.3 billion for four years.

COMMISSIONER SHERIDAN: But, you have to understand that out of the $3.3 billion, $920 million is State dollars.

SENATOR RAND: Nine hundred and twenty million is State dollars?

COMMISSIONER SHERIDAN: Yes. Nine hundred and twenty million dollars is raised through this program. In addition, you have to add the $135 million in bridge bond dollars. Okay? So, there is over a billion dollars here which is State dollars. Okay?

SENATOR RAND: Okay.

COMMISSIONER SHERIDAN: Let me tell you what we were trying to do; I think it would be very helpful, I really do. Please bear with me a minute.

We didn't back into the number. We didn't say, "What can we get, and how can we spend it?" That is not what we did. We sat down and decided what we needed to do, consistent with what we could do. Okay?

SENATOR RAND: Okay.

COMMISSIONER SHERIDAN: It seems to us that as far as sending a lot of money to Washington, as New Jersey does, the best thing for us to do was to take back as much as we could get our hands on.

SENATOR RAND: Agreed.

COMMISSIONER SHERIDAN: That partly relates to the previous question about the project list, because one thing we tried to emphasize was, we wanted to spend our money as fast as we possibly could. As far as that is concerned, I think our record is pretty good. We were forty-eighth in the nation at the rate at which we were spending Federal funds when I took office. We are now twenty-eighth after the first 18 months. We jumped 20 places. That is after a decade of being forty-eight to fiftieth.

We wanted to match every available Federal highway dollar and bridge dollar. We wanted to match every available transit dollar.

SENATOR RAND: For this year?

COMMISSIONER SHERIDAN: Every year.

SENATOR RAND: For the next four years?

COMMISSIONER SHERIDAN: For the next four years. We made estimates about how much Federal money is going to be there.

SENATOR RAND: What are the estimates for the four years, and then for the one year?

COMMISSIONER SHERIDAN: Well, the estimates of the matching needs are $120 million per year average.

SENATOR RAND: Okay.

COMMISSIONER SHERIDAN: Fifty million dollars for transit, and seventy million dollars for highways.

SENATOR RAND: Okay.

COMMISSIONER SHERIDAN: I'm sorry, it is $58 million for highways, and $50 million for transit. That is $108 million. We are getting an additional $15 million to $20 million per year to match bridge funds from the Bridge Bond Act that passed. That is how I'm getting to roughly the $120 million a year that we need.

We wanted to be able to catch our road systems that are deteriorating rapidly at the appropriate stage in their life cycles, so we could extend their useful life. Basically, what we decided to do was, have a significant resurfacing program. For example, New Jersey appropriated the whopping sum of about $5 million for resurfacing. Sussex County spent $4.5 million on just its County roads to resurface them last year. The State of Georgia spent $100 million. That is the largest state in area, and their problems are different than ours. The basic point I'm making is, we can save a lot of money by spending a relatively smaller amount of money. So, we've devised a resurfacing program to do that. It is roughly $25 million a year, a fivefold increase over what we have been doing. That is pure resurfacing money.

In parts of some of our other projects, there is some resurfacing money, but just to go out and attack those roads that need to be resurfaced--

The fourth thing we wanted to do was, in looking at the Federal program, we don't get the amount-- I mean, I get a lump sum every year, but I don't get it as a blank check. I get it in categories: so much for interstate roads; so much for bridges; so much for rural roads; so much for Federal aid urban system highways; and, so much for consolidated primaries -- the Route 1's, the 30's, the 40's, the 90's, and the 55's -- that basic category. What was obvious to me after a couple of years of trying to live with the demands and needs out there, was that the Federal program was very, very weak in terms of New Jersey's needs in two specific categories: the consolidated primaries, as I mentioned, the Route 1's, the 9's, the 30's, the 40's, and the 55's; and, the Federal aid urban system roads.

In these two categories of funding, we were working on projects that were triple, or more, in terms of producing them than what is available out of the Federal program over the next four-year period. Let me give you an example.

In this category of funding, out of all the Federal funds we get, for consolidated primaries, we get $48 million a year. Take one project -- one with which you are super familiar, one with which you have said to the Department over and over again, "Please get this project done," and one which we have attempted in a very large measure to address -- which is the first 7.7 miles of Route 55 that are under construction. The remaining 13 miles is a consolidated primary highway -- one highway in this State -- and it is in that category that we get $48 million a year. The amount needed to build out that 13 miles over the next four years would be $90 million, two year's worth of that same amount of money.

SENATOR RAND: Ninety million dollars worth of State money, or ninety million dollars worth of total money?

COMMISSIONER SHERIDAN: No, $90 million worth of construction money.

SENATOR RAND: Right, and of the $90 million, you are getting 75/25. Is that correct?

COMMISSIONER SHERIDAN: No. What I am saying to you is, I get $48 million a year in that category. That is all I get. If I spend the next two years' money on Route 55, we would have enough money, plus a little more, to do that project. But, all the rest of the consolidated primary highways in the entire State of New Jersey would not get a nickel of Federal funds.

SENATOR RAND: What you're doing is, you're taking State money to do that.

COMMISSIONER SHERIDAN: The fourth thing we're doing in this program is supplementing the Federal program where it is weak. In addition to that missing link, we can complete all of the other missing links, and we can continue to do work on the existing highway systems that need attending to.

SENATOR RAND: Is the $48 million Federal funds?

COMMISSIONER SHERIDAN: Yes, sir.

SENATOR RAND: Is that what you are allocated each year in that particular category?

COMMISSIONER SHERIDAN: Yes. If you look at it this way: You have Route 18, which is $60 million; you have Route 24, which is $60 million; and, you have Route 55, which is $90 million. The Route 17 expansion in the northern part of Bergen County is $20 million. In addition, there are hundreds -- literally hundreds -- of things that need to be done on that existing system.

SENATOR RAND: You're saying the $348 million that you will borrow will let you do all of those things.

COMMISSIONER SHERIDAN: I'm not finished. I've only gotten through four of the five things we were talking about.

SENATOR RAND: Okay.

COMMISSIONER SHERIDAN: In that category, we are talking about $62 million worth of funds to basically supplement the consolidated primary area. Okay?

In addition, we proposed the FAUS SWAP -- the dollar-for-dollar swap with the counties, so they can get out from under the Federal program. They get the same dollars they are now getting, but they get them without all the red tape. We think, in that category of funding, they can get 50% more projects done for the same dollars. In addition, it freezes up the Federal resource, because I said "swap." We give them $35 million in 100% State cash, and we take back those Federal funds. That is an additional $35 million that was being dribbled out on hundreds of little projects all over the State of New Jersey, which will be attended to, because now they have the State funds. In exchange, I've gotten a lump sum of $35 million which will allow us to spend it on the Federal aid urban system. Let me give you a couple of examples of projects that would never, ever get done, except for the SWAP Program.

There are Routes 169 and 185 in Bayonne and Jersey City. There is $60 million to $80 million worth of construction left on that project. There was zero, and there has been zero, in the State budget to attend to a project like that. There is Eisenhower Parkway, which is $30 to $40 million. That is the same kind of situation. There is Carteret Industrial Road, and I'm sure there are some down in South Jersey. The numbers just escape me for the moment. Right here in Trenton, we have Route 129, and there is no funding, except by doing this SWAP.

So, that is the $230 million in State funds. That is how we envision it. On average -- and, it is not going to be exactly those figures every year -- over the four years, it is going to average out to roughly those amounts in each of those categories of funding. Because we are greatly supplementing the Federal dollars, what we are able to do is a host of projects that, within the Federal program, cannot be done. One of the reasons they have never been done is because the Federal dollars have basically gone up over $100 million during the last two years. Before that, we had $100 million less than we now have in Federal funds per year.

SENATOR RAND: Commissioner, I compliment you on the FAUS SWAP, which I know needs State dollars, but in turn, you are going to get Federal money, which you are trading for.

COMMISSIONER SHERIDAN: Yes.

SENATOR RAND: I have no problem with a lot of things, but I have a last and final problem in my mind as to the $3.2 billion -- is that the exact figure?

COMMISSIONER SHERIDAN: It is $3.3 billion.

SENATOR RAND: I have to be convinced in my own mind that the borrowing for that four-year period is intrinsically better for the State to pay for $348 million rather than $645 million, or to stretch this out over an extra year or two years. I want to make sure that the value received for that $348 million is concerned -- and, that is all it is -- whether it pays us for the four-year period to pay $645 million for that $348 million. Can it be stretched out to five years or six years to do the very same things? The only thing you are doing is, you are postponing it for a couple of years. You are going to get the same money back, but you don't have a 14-year payout.

The bonds, I must tell you, disturb me a little bit. I guess when I begin to visualize it, on balance, it may be the best way to go. But, I have to explore the possibility, because you are getting $88 million, $30 million, and $25 million. You only need to draw down $606 million, which you said was the total for both, and you need $120 million. You now have $23 million more in State dollars, which you can use. I was wondering if you could stretch that out a little bit, you would begin getting $143 in your fifth year, unless you were going to use some of that to match other Federal money.

Is a six-year payout better than the payout when you borrow bonds?

COMMISSIONER SHERIDAN: Senator, we've looked at that. First of all, you have to understand how the Federal government works. That $25 million, for instance, that we talk about in resurfacing funds, we can't use Federal money for that purpose. Stretching doesn't get you to--

SENATOR RAND: (interrupting) What do you need -- $25 million for resurfacing?

COMMISSIONER SHERIDAN: That is $100 million over four years.

SENATOR RAND: What else do you need?

COMMISSIONER SHERIDAN: The other thing that obviously doesn't happen by using the Federal funds is that the SWAP Program will never take effect, and the 50% extra projects the locals would receive by getting unencumbered dollars would never happen. The other thing we would lose -- and, I think this has been a problem in New Jersey for as long as I can remember -- is that by not doing it now, by never getting to the point where we say, "Now is the time we are going to bite the bullet; now is the time we're going to do it," -- we have projects that I can-- You know them.

SENATOR RAND: Commissioner, New Jersey Transit hasn't spent their 1979 bond money, and it is now five years down the line. They haven't even had their buses delivered. I don't know how many aren't delivered, but they haven't had many delivered.

COMMISSIONER SHERIDAN: Senator, we had 700 commuter buses brought into this State in a one-year period.

SENATOR RAND: But, how many haven't been delivered?

COMMISSIONER SHERIDAN: The only ones that haven't been delivered are the ones which have just been ordered. They are the articulated buses.

SENATOR RAND: Which are from the 1979 bond issue?

COMMISSIONER SHERIDAN: Well, most of it is Port Authority money. What remains in New Jersey Transit's bond funds is about $30 million, which is all accounted for in the $3.3 billion program. Basically, if you look at this year's budget, that $30 million is available, I think, to provide part of the match for this year.

SENATOR RAND: You're telling me then that absolutely after four years, we'll be able to spend that money.

COMMISSIONER SHERIDAN: One of the things that was very easy to do was to make this-- If I thought it was deliverable, I would have. I said two things to you. I said we wanted to deal with what needed to be done, constrained by what was doable.

SENATOR RAND: That is correct.

COMMISSIONER SHERIDAN: A lot more than what we are talking about here needs to be done. If I could possibly do it in four years, I would do it. But, what I've said to my staff is, "I want to know what can be done. What is doable and deliverable?" Those are the projects we've given you.

SENATOR RAND: The $3.3 billion is absolutely deliverable in four years?

COMMISSIONER SHERIDAN: I believe it is. I worked hard -- the Department worked hard -- and I convinced the Department to work hard, because I thought we had a credibility problem. We don't deliver what we say we're going to deliver. We had a long history, for a lot of reasons -- not all the Department's fault -- of things that hadn't been delivered quickly. We started with a $200 million construction program in 1982. Up until July 1 of this year, our construction program -- by that, I mean right-of-way design and construction dollars -- $450 million this fiscal year-- In two years, we doubled, plus, that program, and we did it at a time when we reduced our staff by 300 people.

We can do the extra work. I won't tell you that it won't be without busting our backs, because it won't be.

SENATOR RAND: I would like you to do that.

COMMISSIONER SHERIDAN: Absolutely. We are geared up to do it. I'm committed to doing it without making a significant increase in our staff. We are internally moving staff around in the Department. We need more engineering to produce all of these projects and to supervise them correctly. We're doing that.

Let me give you some examples. We instituted a sick-leave program last year that produced 50 extra people, just by reducing our sick leave by a day and one-half, per person, per employee. We are committed to another day and one-half this year.

As part of the Governor's Management Improvement Program, we identified 50 slots that we felt were duplicative or unnecessary. We have taken those slots and used them as a resource.

We were over-clericalized in the Department, and we have identified 70 slots that have already been taken into account. We have converted them to engineering positions.

The local aid program, the FAUS SWAP, has a net benefit to us over the next two or three years of 200 people who are in local aid projects, and who can be put to work on this program.

What I am saying to you, Senator, is, we don't only think we can do it, but we know how we're going to do it.

SENATOR RAND: If we asked you at the end of each year to give the Legislature a report, would there be any objection to that?

COMMISSIONER SHERIDAN: Not only that, but I would think -- my staff may not like to hear this; I would like to put their feet to the fire -- six-month reports are in order.

SENATOR RAND: We are going to ask for that, Commissioner.

COMMISSIONER SHERIDAN: Okay.

SENATOR RAND: I'm looking for the paper with the 1979 yearly report that we just received. Did you just send that out recently?

MR. NUTT: Yes, the bridge bond has a six-month requirement. Section 17 has an annual report that is required.

SENATOR RAND: Is that from the Authority or the DOT?

DR. MANOOGIAN: It is from the Authority.

COMMISSIONER SHERIDAN: Senator, the kind of project-by-project information you are asking for, particularly compared to that book we put out, I think is entirely in order. Three months seems almost too short. We would be working on the next report before we would get it, but I think a six-month report would be entirely appropriate. If you were to require that, I would be only too delighted to endorse it.

SENATOR RAND: All right, Commissioner. I would like to ask you just a couple more questions.

We are contemplating a municipal road aid appropriation, and I was asked by some of your staff if we could raise that $230 million. I replied negatively. We are going to insert some municipal road aid in this bill. I know you need the dollars, but we can't believe we are going to spend $3.3 billion, and we are not going to provide a small amount -- we're not talking about huge figures -- of somewhere around $10 million a year to give you some discretionary money. We hope you will look upon that favorably. I know we're squeezing you, but we intend to. We cut that program out, and the last municipal road aid program was from the 1979 bond issue. I don't have to tell you that out of the $48 million which was allocated, the requests came in at some $480 million.

COMMISSIONER SHERIDAN: There is no question about that.

SENATOR RAND: I don't know if you want to comment on that or not, but you are certainly welcome. If you want to pass, that is all right too.

COMMISSIONER SHERIDAN: Senator, I certainly recognize that there are local aid needs. I think we should understand, though, that there are local aid moneys in the $3.3 billion that go beyond the $35 million in FAUS dollars. For instance, $118 million of the bridge money is for projects on the local road system. That is only the first set of appropriations bills; there will be some additional ones. I should say in that regard that we were required by the Federal government to devote 15% of our bridge program to local bridges. We have devoted 30%. We recognize the needs out there.

In addition, there is a local aid component of the Federal de-designation moneys that we've gotten, but not much. A significant amount of money from the de-designation system is on local projects.

SENATOR RAND: Outright grants?

COMMISSIONER SHERIDAN: Yes, project-specific things, but on the local system.

SENATOR RAND: Are you saying that $10 million is too much of an allocation?

COMMISSIONER SHERIDAN: No, I'm not saying that. I just wanted to put the discussion in some context. It is not just the $35 million we are talking about.

I would prefer -- and this is John Sheridan speaking for John Sheridan -- if we could find a way to have this as an add-on to the program, rather than a subtraction from the $230 million.

SENATOR RAND: Do you mean as an add-on to the $230 million?

COMMISSIONER SHERIDAN: Yes, sir.

SENATOR RAND: You've got enough problems with the Legislature now, Commissioner. (laughter) And, you want $10 million more?

COMMISSIONER SHERIDAN: The question is, what gets cut? The matching funds don't get cut, I'm sure.

SENATOR RAND: We don't want to say what gets cut. I don't ever want to say that, because I think we are in agreement that we have a lot of catching up to do. I guess we have to prioritize, and I know if you came to Camden County, I would say to you, "No, no, no, don't put me off." I would suppose that in four years, we are not going to overcome the ills of what has been done in 25 to 28 years. We are just going to have to do it in six years, not in four years.

I think municipal road aid is a priority in these communities that can't stand anymore increase in property taxes; and we have to address that. The input I'm getting is, if we're going to expend this much money -- $3.3 billion -- then $40 million is certainly not a tremendous amount of money. It is really $45 million, because $5 million is discretionary money for you. It is certainly not a lot of money in this program. We hope that when the bill comes before you, if and when it does -- and I'm sure it will -- that you will look favorably upon it. We would be quite upset if that was not included, even though the counties are asking for more money. Along with the counties requesting more money, they are asking for a guarantee that if the State funds dry up, they can be assured of a return to the FAUS funds. We're putting that it.

Peter, is that in the bill?

DR. MANOOGIAN: We would be putting it in.

SENATOR RAND: We would be putting that in. In other words, they are guaranteed, safe and harmless.

COMMISSIONER SHERIDAN: I think that is perfectly fair.

SENATOR RAND: They would like additional money, but I don't think we have it. But, we certainly do have to address municipal road aid.

COMMISSIONER SHERIDAN: You're saying that $10 million is for municipal road aid.

SENATOR RAND: Yes.

COMMISSIONER SHERIDAN: Do you have an idea as to how that would be distributed?

SENATOR RAND: We were supposed to go back on a county and population basis. I think we should work out an equal situation. I'm not here to deny any county, whether it be the smallest county or the largest county.

COMMISSIONER SHERIDAN: Would you object to-- What I'm thinking about is, how we would deal with this. Would it be the way the 1979 bond issue worked?

SENATOR RAND: I thought that was pretty equitable, but I'm not going to hold you to it, because if you have a better way, we'll accept it. I have always been one to say, "If there is anything you can improve, I'm willing to listen." If that was not satisfactory, and you can improve on that formula, fine.

I'm trying and I think you are -- I'm sure you are. You want to see that every part of the State is treated fairly and squarely. I have no problem with that, John. You don't even have to answer me.

COMMISSIONER SHERIDAN: It was relatively easy to do, considering that the needs were statewide when we looked at projects.

DR. MANOOGIAN: You don't want to get into the bond proceeds?

SENATOR RAND: No, I don't want to get into the bond proceeds. I think we've questioned John long enough.

Commissioner, thank you very much.

COMMISSIONER SHERIDAN: Thank you, Senator. As always, we appreciate it.

SENATOR RAND: Thank you, Roger.

MR. NUTT: Thank you.

SENATOR RAND: Mr. Harm, Director of Transportation, Greater Newark Chamber of Commerce? Good afternoon, sir.

JOE HARM: Good afternoon. I'll be very brief.

SENATOR RAND: Yes, sir. We're happy you came, and you can say whatever you would like to say.

MR. HARM: Okay. My name is Joe Harm, and I am Director of Transportation for the Greater Newark Chamber of Commerce.

The Greater Newark Chamber of Commerce is a New Jersey not-for-profit corporation, tracing its roots back to the year 1793 in Newark. It represents over 1600 businesses in the northern New Jersey area.

The New Jersey Transportation Trust Fund proposal, as reflected in Senate Bill 1446 and Assembly Bill 1574, represents an innovative approach toward financing more than $3 billion worth of transportation projects. The annual revenue sources of the Trust Fund which are proposed appear to spread costs fairly.

The inclusion of the sale of revenue bonds, as part of the plan, makes sensible use of this resource, and will help build a financial base to qualify for matching Federal funding to produce an annual program of $800 million per year over four years.

The Chamber has studied transportation issues for years, and has long been an advocate for improved transportation services and maintenance of infrastructure. This proposal will help strengthen our system without putting a financial burden on any single group.

We ask you to release this bill from Committee. Thank you.

SENATOR RAND: As is, or as amended?

MR. HARM: As is. (laughter)

SENATOR RAND: I'm afraid we can't do that, Mr. Harm. Don't you want municipal road aid?

MR. HARM: Yes.

SENATOR RAND: Well then, we have to amend the bill. (laughter) That is just one of the problems. We are very happy that you came, and we appreciate your input. We have a lot of amendments that we think will strengthen the bill, and we have a lot of amendments which involve the Legislature. They are appropriating the money, and they have a right to some overview and oversight, and hoping we can report a bill out that will satisfy the majority.

Thank you very much.

Mr. Silliphant from Legislative Services? Good afternoon, sir.

GERALD D. SILLIPHANT: Good afternoon, Senator Rand. I am the Legislative Budget Officer and the Director of the Division of Budget and Program Review. Seated to my left is Steve Fritsky, who is my assistant. Allan Parry and Karl Weber are elsewhere in the room; they are from my staff.

The purpose of my appearance here, based on my previous discussions, is to address the issue of stabilized funding for this bond proposal. I need not repeat the basic elements of the funding package for this proposal, but I think it is important to raise one or two points, even if they have been brought up before this Committee on previous occasions.

I would preface my remarks by indicating that unlike, I believe, almost everyone who has appeared before this Committee to discuss this bill, I, as an employee of the Legislature in a nonpartisan role, am enjoined from either advocating or opposing this bill, or any piece of legislation before the Legislature. My remarks should be taken in the context of objectivity and purely from a professional's point of view.

Clearly, one of the major issues that must be addressed by the Legislature, in conjunction with the long-term funding for this project -- which is, in essence, a 14-year program, not a four-year program, although the construction is limited to four years under the terms of the bill -- is the very critical issue about the continuity of non-bond funding. It has to be addressed, because obviously the success of this program, in the form in which it is presented in the bill, is contingent upon the perennial appropriation, a least a perennial appropriation for the 14-year period, of State moneys of the direct State appropriation, the fund to be derived from the additional tax on commerical vehicles, and the Authority money.

I think there certainly is a risk, as unlikely as it may appear to be at this juncture, that some future Legislature may choose to withhold funding for this program. That would have obvious effects on both the program itself, and clearly on the future of any similar proposals before the Legislature.

There is a question which should be addressed in terms of the availability of the Authority moneys. There has been a great deal of discussion about this in the newspapers -- about the possible impact on the future activities within the three authorities. This covers everything from the construction and expansion of future toll booths to the disposition of the funds that would otherwise be available to the authorities. There needs to be a set of agreements worked out which will help guarantee the availability of that money.

If the increase in truckers' fees, which is to generate approximately $30 million, is, in fact, enacted, that needs to be watched, too, in terms of its future revenue production. It may be greater, or it may be less. I don't think anyone could take it for granted at this point that for the next 14 years, $30 million will be produced from that source.

Clearly, alternate sources of additional revenue should be considered. I couldn't help but be taken back in my mind to some 15 years ago, when Commissioner Sheridan indicated that this program represents a beginning, and that we have to start somewhere. I recall that in 1969, when I was a staff member of the old legislative budget office, I was called upon by the Speaker of the General Assembly to put together a proposal for his consideration on a highway construction and reconstruction program. The proposal I came up with for his consideration was a combination of a pay-as-you-go and a bonding proposal. The pay-as-you-go portion of it would have been funded by an increase in gasoline tax. The estimate, at that time, was that the increase under consideration would generate $50 million, which would have gone into a highway trust fund, similar to that appearing in this bill. It would have functioned essentially as a revolving fund, and it would have been replaced by future appropriations -- again, the issue of binding future Legislatures. The remainder would have been financed by a series of smaller-scale bond issues.

The theory behind that is, the establishment of the capital fund would have provided money for long-term planning, and it would have generated a cash flow, which would have ensured the continuity of an orderly construction program. The bonding essentially would have been earmarked for emergent construction needs, which could not wait for capitalization from a $50 million annual source. Needless to say, that program never saw the light of day, and it fell by the wayside, as did many other programs.

However, the point is, it was an attempt to make a beginning to address the problem which will never leave us; that is, the problem of reconstruction, repair, and construction of new roadways.

Clearly, there are other revenue sources which could be considered by the Legislature for the State's share of this money. There are revenue sources which could be identified, and which would obviate the need for any bonding whatsoever, whether it be general obligation funds, or whether it be these revenue bonds.

I would like to turn, for the moment, to some of the issues of the construction proposal, most of which may have already been raised. I think they bear repeating and further consideration. It is important to emphasize that the availablity of Federal matching is essentially determined by Federal formulas, and the state-by-state distribution of receipts into the Federal Highway Trust Fund. There is no necessity, per se, for the generation of any bond funds to serve as matching funds within the framework of this proposal, provided that equivalent resources are available from another source, whether it be direct appropriations or whatever, to secure those funds. Those funds, in essence, are locked in, and their draw down is not contingent upon the passage of a bond proposal.

The State has received TRANSPAC funds from the Port Authority of New York and New Jersey in previous years. The amount averaged something like $50 million a year. There is no identification of current or future funding from those sources, as far as we have been able to determine, based on our review of this program. We bring this to the Committee's attention in order to determine if and when future funding will be available from that source.

One of the other concerns about the program is, as the Commissioner said, the current construction schedule within the Department, which is at the rate of $450 million a year. That is up from $300 million to $350 million in previous years. This program envisions the expenditure of $900 million during the first year, and I think the Committee should address the issue to determine if the construction capacity exists within the State to double the rate of construction and reconstruction which is currently under way. That would be in terms of equipment, and in terms of all of the elements outside of the departmental resources which would be required for this purpose.

Again, the 1979 bond issue still has a $120 million authorization, which has not actually been issued. The Department has indicated that these moneys are programed, but I think the Committee would do well to review that programing to determine whether there might be alternative uses for the funds, and whether those funds would fit within the framework of this proposal.

The Committee should also bear in mind that this is a four-year construction proposal, although the financing package extends for a period of fourteen years. Given the notion that the need for construction and reconstruction of our highway and transit systems will be an ongoing requirement, and not simply a one-time phenonemon that can be addressed or solved permanently by a one-time program, there is the definite possibility that there would be a necessity for a second bond issue following the first four years of this construction program. In fact, that, or some other source of funding, would be required to continue a construction program at that level in those subsequent years.

These are some of the issues we feel should be considered by the Committee before it reaches any decisions. Again, I will make no comment -- I would be disinclined anyway, even if the law di not prevent me from doing it -- either in favor of the proposal or against the proposal. However, I believe that a thorough review of this is necessary to answer the questions and address the issues that I have raised. Certainly, many others have raised a host of additional issues.

If you have any questions, the staff and I will do our best to respond.

SENATOR RAND: Thank you, Mr. Silliphant. I am going to ask you some questions, I hope, as objectively as possible. I am sure you will answer them as objectively as possible.

MR. SILLIPHANT: I'll try to answer them as objectively as possible.

SENATOR RAND: I think you mentioned that it is a 14-year program, or a 14-year payout. I don't remember exactly, but isn't it a 10-year program, as far as what the Legislature commits itself to?

MR. SILLIPHANT: Steve, would you like to answer that?

STEPHEN J. FRITSKY: It is a 14-year commitment by the Legislature of approximately $1.2 billion in direct State appropriations: $350 million from Authority moneys; and, approximately $420 million in increased fees from the truckers.

SENATOR RAND: Will you give me those figures again?

MR. FRITSKY: The total 14-year commitment for the direct State appropriation is 88 times 14, $1.232 billion--

SENATOR RAND: (interrupting) One point--

MR. FRITSKY: (continuing) Two three two billion. The Authority moneys would be $350 million, and the increased trucking fees amount to $420 million.

SENATOR RAND: Are you telling me that we will need a 14-year appropriation of $88 million to pay off these bonds?

MR. FRITSKY: Yes, sir.

SENATOR RAND: Will we also need $350 million from the Authority to pay off these bonds, and a $420 increase in--

MR. FRITSKY: (interrupting) That is correct. That would be bonds and construction, the total package.

SENATOR RAND: The testimony that was offered at the initial presentation of the bill was that it would be a 10-year appropriation obligation of $88 million. Am I being told now that it will be a 14-year obligation of the $88 million?

MR. SILLIPHANT: It is 10 years past the first four years, for a total of 14 years. That may be the misunderstanding in the original presentation.

SENATOR RAND: We were told that there would have to be a 10-year appropriation, if I recall. Is that correct?

MS. RUMOWICZ: I think they said 10 years for each series of bonds, and that there is a three--

MR. FRITSKY: (interrupting) We have used the Department's numbers, and what we have basically done is broken them down into total income and total payouts over a 14-year period, which gives you a balance of zero at the end of 14 years.

SENATOR RAND: All right. Does your breakdown accept the figure of $348 million as the amount we need? We have to borrow $390-some million, with a payout of $645 million, or $648 million; I don't recall.

MS. RUMOWICZ: It is $642 million.

SENATOR RAND: It is $642 million? How do your figures come out on that?

MR. FRITSKY: These are not our figures, by the way. These are the Department of Transportation's figures.

SENATOR RAND: Well, the figures I'm giving you are the Department's.

MR. FRITSKY: We have manipulated these figures somewhat. The total bond principal to be raised, I believe, is $472.19 million, of which $390.89 million will be devoted to project construction. Eight point four eight million dollars will be expenses, and $72.82 million will be the debt reserve, which totals the $472.19 million.

SENATOR RAND: How about the interest on that?

MR. FRITSKY: The repayment of principal and interest, which is a total payback of $728.13 million dollars--

SENATOR RAND: (interrupting) How much is that?

MR. FRITSKY: (continuing) It is $728.04 million dollars which comes directly from State appropriations. It is paid directly out of the direct appropriation that the State puts out.

SENATOR RAND: You're telling me then that the $348 million will cost us $728 million?

MR. FRITSKY: I don't have a $348 million--

SENATOR RAND: (interrupting) Three hundred and forty-eight million dollars is the amount of money we initially needed to cover that $238 million -- $88 million, $88 million-- I multiplied it, even though it doesn't give us our carrying charges and our reserve. In order to get that $348 million, you have to borrow $472 million, because you need that amount in reserve.

MR. FRITSKY: Right. The principal amount of bonds you are selling is $472.19 million.

SENATOR RAND: It is a payout of $728 million.

MR. FRITSKY: Your interest payment on that is $255.945 million, close to $256 million on a $472.19 million principal.

SENATOR RAND: If the Legislature refuses to appropriate, Mr. Silliphant, what would occur at that point? Let's suppose there is $100 million worth of bonds which are put out -- the initial bond flotation.

MR. SILLIPHANT: If the Legislature refuses to appropriate, and there is insufficient debt reserve to cover the debt service of these bonds, then there would be a default situation.

SENATOR RAND: Could the Legislature legally -- maybe I should address this to counsel -- at that time, absorb the payment of these bonds under the General Treasury?

MR. SILLIPHANT: I see no reason why not, as long as the terms of the bond covenant are met. I'm not sure the covenants would address the issue of the source, as long as the obligation was fully discharged.

SENATOR RAND: Okay. I would suppose that even if they didn't appropriate at that time, and if they refused, they could still do that under this by curtailing the program.

MR. SILLIPHANT: Yes, that certainly is an alternative.

SENATOR RAND: I think the legislation allows them to do that. Is that correct?

MR. SILLIPHANT: Yes.

SENATOR RAND: It allows them to do that by merely saying they will honor the bonds, etc. Am I right about that?

MR. SILLIPHANT: Yes, certainly.

SENATOR RAND: I would also like to say that the truckers' fees, which you talked about -- and, we're not sure if we're going to get $30 million if trucking is decreased -- leaves an open situation that we are addressing.

When you spoke about an alternate source, were you talking about a gasoline tax?

MR. SILLIPHANT: The gasoline taxes are always the most obvious source for the funding of highway projects. The Federal

Highway Trust Fund is financed from the Federal gasoline tax. It doesn't necessary follow in a cause-and-effect relationship; it has to be transportation-related. It could come out of the sales tax, or it could come out of any General Fund source.

SENATOR RAND: I would like to ask you about the legal ramifications if we were to use language-- Instead of the $88 million direct appropriation by the Legislature, can we use an appropriation from the existing gasoline tax to the tune of two cents to two and one-half cents, with an $88 million base? It would then preclude a direct appropriation by the Legislature.

MR. SILLIPHANT: The gasoline tax is now a General Fund revenue; it is not a dedicated revenue.

SENATOR RAND: I understand that, but you could earmark it.

MR. SILLIPHANT: You would have to do this by legislation; otherwise, if you were identifying the General Fund as the source for this purpose, it would have no identity.

SENATOR RAND: Well, we did that under the Division of Motor Vehicles. We took the registration money of $7.5 million, if I recall, in 1979 -- or 1978 -- I don't remember exactly. Couldn't we do the same thing?

MR. SILLIPHANT: You, as the legislative body, have the authority to do whatever you wish in this regard.

SENATOR RAND: In your mind, what would be that obligation, as far as a direct appropriation from the Legislature for 14 years is concerned? What would it do to that?

MR. SILLIPHANT: Again, you don't have the constitutional authority to bind the Legislature for succeeding years. You could do this for one year.

SENATOR RAND: Then that would be built into the budget; is that correct -- as an $88 million expenditure?

MR. SILLIPHANT: Yes.

SENATOR RAND: In your opinion-- No, I can't ask you that question. Would you want to comment on the value of that course, as opposed to this course?

MR. SILLIPHANT: No, it would be improper for me to do so, sir.

SENATOR RAND: Okay, I understand, and I apologize for asking that. You spoke about the Port Authority. That money is now going for infrastructure, from what I understand. I don't know, but I will ask about TRANSPAC.

One of the things I want to break down is, tou spoke about a $900 million package, and you told us that it had gone up from $300 million to $450 million.

MR. SILLIPHANT: Right, the Commissioner indicated to you a while ago that the current rate of construction expenditure for this fiscal year would be $450 million.

SENATOR RAND: Let me break that down, because the $900 million is not really $900 million. It is about $600-some million for highways and bridges, as opposed to $300 million for transit. Do you believe that they could do $600-some million per year based on their records for the last two years?

MR. SILLIPHANT: I think that question has to be answered by them, but I think it is a legitimate question, because of prior performance. That level of construction, to the best of my knowledge -- perhaps staff can correct me on this -- has never reached the level of $600 million. Is that correct?

UNIDENTIFIED PERSON FROM AUDIENCE: Yes, that is correct.

MR. SILLIPHANT: The question clearly has to be raised: Is there a system capacity to absorb this, not only from within the Department itself, but actually out of the roads?

SENATOR RAND: If there isn't a capacity to absorb this type of expenditure, then it would be foolish to bond against this type of expenditure. Am I right?

MR. SILLIPHANT: If the expenditure is not programed in a reasonable period of time, then certainly the alternative that would have to be considered is, is it necessary to float "x" amount of bonds to cover projects which cannot be covered within that original period of time? The same issue pertains to the 1979 bond issue with the $120 million, which is presently unissued. It is obligated in the sense that projects are identified against it, but these projects have not yet actually gone to the construction phase. At that time, the funds would be necessary.

SENATOR RAND: Did you hear the testimony when the Treasurer was here with Ms. Felker?

MR. SILLIPHANT: I heard most of it.

SENATOR RAND: We asked Ms. Felker how the bonds would be sold, and she said, "In staggered amounts. They wouldn't be sold at one time." I agree with that, because if you can't go to capacity, you certainly are not going to need the bonds. Would you agree that that is the right way to go?

MR. SILLIPHANT: I think there are two answers to that. It depends upon the marketplace as much as anything -- whether the funds could be generated by bond proceeds. These are idle funds. They could be invested in the earnings on those which would create a reserve, and also, at the same time, they would discharge the debt service obligations. Those conditions would have to be determined, however, at that point -- whether it would be wiser to postpone the sale, or to go ahead with the sale. The conditions of the market would be very critical at that time.

I should remind you, Senator -- I know you probably know this better than anyone -- at the current time, the State has approximately $1.4 billion worth of authorized, but unissued, bonds. The Committee may also wish to address the impact on general bond ratings, as well as the ratings that these bonds may have, because I don't think these can be considered independently of any other State bonds. I think they would have some impact on future bond ratings.

SENATOR RAND: I am told, and I have no proof, that the issuance of these bonds would not affect our credit rating as severely as the issuance of general obligation bonds on a long-term basis. Would you care to comment on that?

MR. SILLIPHANT: These comments have been based on the counsel of professional firms in this business. I wouldn't want to challenge their wisdom at this time.

MS. RUMOWICZ: Mr. Chairman, I wonder if I could ask Steve about some of the numbers?

SENATOR RAND: Go right ahead.

MS. RUMOWICZ: Undoubtedly you are using the numbers that the Administration -- Treasury -- gave you. They are the same numbers I have.

This chart I received this morning from Senator Rand indicates that in the out years, they are going to have balances left in their accounts.

MR. FRITSKY: Okay, may I see that just for a second? I think it is the chart I put together.

MS. RUMOWICZ: Is this your chart?

MR. FRITSKY: I believe so. We put together their figures originally, with one piece lacking. The piece that was lacking, because we were having a little difficulty getting it, was the construction program for years five through fourteen. Without those construction figures in there, you end up with a "balance" of somewhere around $1.9 billion. Subsequent to that, they supplied at least an annual guesstimate, I would guess, of what the construction program will look like starting in Fiscal Year 1989 through the out year of 1998. When you punch those numbers in, you come out with a zero balance.

In effect, what that says is, if this program is adopted as proposed, if all of the revenues are realized, and if the expenditures are limited to what they have projected, you have stabilized funding for 14 years.

MS. RUMOWICZ: For 14 years?

MR. FRITSKY: Yes, for 14 years. Now, there are a lot of "ifs" and it is only for 14 years.

MS. RUMOWICZ: I'm looking at the bottom column that you have on the first page where you have expenses. We go out the first four years: $230 million. In the second column is the debt service. Now we're in year five, and you have debt service as seventy-one sixty.

MR. FRITSKY: That is correct.

MS. RUMOWICZ: Okay. You have capital projects as ninety-six. Is that the number you are referring to? Did you take that out of their capital projects plan?

MR. FRITSKY: That is correct. The only thing we have-- In fact, I think you might have a copy of it up there. It is this little cut-off sheet.

MS. RUMOWICZ: No, I don't have it.

MR. FRITSKY: Oh, you don't. I'm sorry. These are their figures. All we really got from them was a single number for capital construction for 1989 through 1998.

MS. RUMOWICZ: A single number?

MR. FRITSKY: A single number -- 96, 96, 96. We note that $25 million of that is Authority money. The balance was put under "Direct State Appropriation." That number is a little off; there are probably some that should be charged against fund earnings, but we didn't have the breakdown. Right now, it wasn't that important.

MS. RUMOWICZ: Okay. The reason I am asking the question is -- I didn't get a chance to ask Ms. Felker this morning -- but you mentioned that in the out years, there would be an average of $100 million extra available.

MR. FRITSKY: (interrupting) Well, it is not extra.

MS. RUMOWICZ: (continuing) Well, it is available for construction, in addition to paying the debt service.

MR. FRITSKY: That is right. I would suspect that those figures, if you total them, would come out to somewhere around $100 million. Again--

SENATOR RAND: (interrupting) After the four-year program is over?

MR. FRITSKY: After the four-year program is over. That is in the magnitude of $100 million each year. This, again, assumes all the anticipated revenue comes in -- that the expenditures anticipated are limited to these numbers, that the bonds sell, and that the interest is adequate. All those things being true, yes, it balances out, and you come up with a zero balance after 14 years.

SENATOR RAND: Do you mean, if we have enough, you would like this? Do you mean, if all of a sudden we are paying 10% or 10.5% for bonds?

MR. FRITSKY: Well, yes.

SENATOR RAND: Then it is time to look it over.

MR. FRITSKY: Then you have to look it over again.

MS. RUMOWICZ: But, based on the numbers Ms. Felker gave, which I think were the 9.1% interest rate--

MR. FRITSKY: Right, these are her numbers. We basically got these numbers from her.

MS. RUMOWICZ: Right, and she used an 11% debt service return.

MR. FRITSKY: The point is that as it is presented, yes, it is a stabilized funding program, but only for 14 years, only under these conditions, and only with those limits on the expenditures.

SENATOR RAND: But, again, if we face that, let's say, one year from now, and the conditions are not the same, can't the Legislature go "poof" under this--

MR. FRITSKY: (interrupting) I would assume so, certainly.

MR. SILLIPHANT: Yes, absolutely.

SENATOR RAND: Okay; I just want to make sure. And, I preface that by saying, "Let bonds go to 11%, or 10-1/2%," which would throw the whole thing out of whack. Is that correct?

MR. FRITSKY: It would throw, not necessarily the whole thing out of whack, but it would throw some of the internal numbers out.

SENATOR RAND: The figures. Yes, that is what I am talking about.

MS. RUMOWICZ: It would throw this last number, which is the most important number, out of whack considerably.

MR. FRITSKY: You could adjust with the construction funds to pay that, but that would mean you were stealing from Peter to pay Paul.

MS. RUMOWICZ: Your construction program would be lost.

SENATOR RAND: Or, you could stretch the payments out longer, or make them larger.

MR. FRITSKY: You could stretch them out longer. And, if you reach the point someplace along the line where you start talking about a potential second bond issue, as an example, all of these numbers become a new ball game. They will not hold at this level. For example, I think the figures we have from Treasury indicate that if you wanted to hold your construction program at $230 million for the whole shooting match -- and I don't remember the exact figures -- somewhere along the fifth year, if you went into another bond issue, I believe the numbers are for the fifth and sixth years, you would add $33 million to the direct State appropriation you would need. From year seven on out, it would be an additional $67 million you would be talking about, not $143 million. You would be talking about $243 million.

MS. RUMOWICZ: Given that if you didn't float any new bonds, and given that all these other things stay the same, you still show approximately $100 million in the out years available for construction.

MR. SILLIPHANT: Oh, yes, yes.

DR. MANOOGIAN: How would you compare the general obligation method with the appropriation bond method?

MR. SILLIPHANT: Well, I think the Commissioner has commented on that. The advantage, obviously, is a cost advantage, and despite the anticipated Double A rating instead of a Triple A rating, the shorter term of the bonds would naturally lead to a lower debt service ratio. I think the range of that would probably be of the magnitude of close to 60% of what the full-term general obligation bonds would be. However, there is a provision in this bill which authorizes the issuance of bonds for periods of up to 30 years. That would certainly have to be determined, again, by the interest rates, and the other conditions which determine the bond market at any given time.

MS. RUMOWICZ: Didn't she also say, however, that if you issue 10-year GO bonds -- the same term -- that the difference would be approximately $4 million cheaper, or less for the GO bonds?

MR. SILLIPHANT: Yes, I believe she did say that.

MS. RUMOWICZ: The reason for that, I understand, is that you don't have the debt service reserve to invest. But, would it be less expensive at the same term?

MR. SILLIPHANT: Yes. I think the reasoning is very sound on that point.

SENATOR RAND: Do you have any knowledge of the difference between a GO bond, percentage-wise, and a bond such as this?

MR. SILLIPHANT: Yes, I indicated, Senator, when you were out of the room that it would be something on the order of 60% of what the normal general obligation would be. Here, again, there is a variety of variables that would determine this. I mean, to get a strict comparison, you would have to issue bonds of this kind parallel with GO bonds, and make your projections based on that.

SENATOR RAND: The reserves we have -- are we not allowed to invest them in rates that are commensurate with the rates we are paying on those bonds so there really would be no loss? The turnpikes refer to them as "slugs."

MS. RUMOWICZ: No, that was different.

SENATOR RAND: They had permission to invest by the Federal government. They could invest their money at a rate commensurate with what they were paying on their bonds. If they sold 6% bonds, they could only invest their money at a certain rate. They could not invest it at a higher rate. If they sold bonds at 9%, then the government allowed them to invest that money at a higher rate. Is that correct?

MS. RUMOWICZ: Yes.

SENATOR RAND: Would that hold true of this Authority?

MR. SILLIPHANT: I'm not sure. Do you have anything on that, Allan? (Mr. Silliphant consults with Allan Parry from his staff.)

MR. PARRY: You are getting into arbitrage there, and I am no authority on that.

MS. RUMOWICZ: The arbitrage is, you cannot sell your tax-exempt bonds and then, while you are holding the money waiting to spend it, you cannot invest that in something that gets a higher return. Otherwise, everyone would sell tax-exempt bonds and then invest. It is a little more complicated than that. I believe you can do it for a three-year period if the bonds are for construction, versus--

SENATOR RAND: (interrupting) But, I would hesitate to say that between a 10-year general obligation bond and a 10-year bond of this type that there is a $4 million difference. I would have to see the figures before I would recognize that.

MR. SILLIPHANT: Yes. That is a good question. We will certainly attempt to get that answer in writing to you, Senator.

SENATOR RAND: Is there anything else? (no response) Mr. Silliphant, thank you very much.

MR. SILLIPHANT: Thank you, Senator. It was a pleasure.

SENATOR RAND: Our next speaker will be Mr. Robert Briant from the Utility Contractors Association. Good afternoon, sir.

ROBERT BRIANT, JR.: Good afternoon, Senators. My name is Robert Briant, Jr. I am employed by the Utility Contractors Association of New Jersey. I am also here representing the views of the ATC Contractors of New Jersey, and the Asphalt Paving Association of New Jersey.

Although my comments are going to be very brief, and will not concern the financial aspects of the bill, but another matter, and since this is the last shot on the Senate side, we hoped that you would like to hear them.

We feel that somewhere in the bill we would like to have an amendment which would call for the DOT to be limited to 1,500 tons of asphalt when using it to repair or improve roads. I mean 150,000 tons; I'm very sorry.

SENATOR RAND: That's all right. There is a little bit of a difference there.

MR. BRIANT: That is a big difference, quite a difference, and I think I would be in trouble if I left it that way. The paper I handed out to the Aide is also an amendment. We are not offering that at this time as a formal amendment, because we are still talking to Mr. Snedeker.

SENATOR RAND: Mr. Snedeker, the Director of the Division of Motor Vehicles?

MR. BRIANT: Yes. As a matter of fact, we are meeting with him today. Since I do not know the outcome of that meeting, I cannot offer anything on that amendment at this time.

SENATOR RAND: Senator Cowan, who was here with us before, has shown me a copy of that amendment. I think he is discussing it with Commissioner Sheridan. I thought at first that it would have to be a separate bill, but if the Commissioner wants us to incorporate it in this bill, I have no problem with that. I know I tried to move that bill about two years ago. I look favorably on it, but if it is to be incorporated in the bill, I would have to have, certainly, the Commissioner's acquiescence to that.

MR. BRIANT: Yes, we would have to sit down and work that out with him.

SENATOR RAND: We have no problem with that.

MR. BRIANT: Okay. Thank you very much.

SENATOR RAND: You want to get paid, don't you? You ought to be interested in the financing.

MR. BRIANT: We are interested in the financing part of it, but I have no expertise along that line.

SENATOR RAND: I'm just kidding.

MR. BRIANT: I know.

SENATOR RAND: Thank you very much.

MR. BRIANT: Thank you very much for giving me this opportunity.

SENATOR RAND: We will consider that amendment very seriously.

MR. BRIANT: All right, thank you.

SENATOR RAND: Mr. James Wunsch, Associate Director of the New Jersey Committee of the Regional Plan Association. Good afternoon.

JAMES L. WUNSCH: I have a prepared statement.

SENATOR RAND: Fine, thank you.

MR. WUNSCH: Senator, I would like to take the liberty of reading my statement. Senator Rand and Ms. Rumowicz, it is good to see you again.

I am James Wunsch, the Associate Director of the New Jersey Committee of the Regional Plan Association. The Regional Plan -- now in its second half-century -- is the nation's oldest private nonprofit planning organization. Since the late 1920's, the Association has been concerned with the development of the great metropolitan region from Trenton, to New York City, to New Haven. Regional Plan maintains a strong New Jersey presence with a fully-staffed office in Newark.

As you may know, Regional Plan has long been concerned with transportation issues. During the 1920's and 1930's, Regional Plan laid out a plan which led to the development of our metropolitan bridge and highway system.

During the 1910's, we pleaded for a balanced approach for transportation. That meant fighting to save bus and rail transportation as an alternative to the automobile.

For the past 10 to 15 years, we have pointed out the need to spend more dollars, not so much to extend our highway and transit systems, but to improve and maintain what presently exist. Transportation facilities have been falling apart much faster than we have been repairing them and, without increased public investment, that trend threatens to accelerate.

That issue brings us to Trenton today. Regional Plan emphatically supports Senate Bill 1446. It establishes a reasonable way to meet the State's transportation capital needs for the next four years, and it offers an ongoing mechanism, if not the funds, to provide stable funding for transportation capital reinvestments needed beyond 1988.

We understand that this bill is supported by the present Republican Administration and sponsored by the Chairman of this Committee, Senator Walter Rand, a Democrat, who, as is evident today, wishes some amendments. That is the way it should be. The timely repair and improvement of our transportation infrastructure is a nonpartisan issue. The public certainly understands more clearly than ever before that delaying repairs now, only leads to enormous bills later.

I wish to explain first the strengths of this proposal, and second, chiefly from a fiscal point of view, how it could be made even stronger.

The proposed legislation is practical. It would generate $175 million annually for the next four years to finance transportation infrastructure repair, improvements, and operations. The Governor's Management Improvement Plan (GMIP) analysis of transportation said that at current funding levels, the State's infrastructure rehabilitation backlog -- roads and bridges -- would grow from $1.5 billion in 1983 to nearly $5 billion in 1998. They concluded, however, that the level of funding required to eliminate the backlog over 15 years would be four to five times the present funding levels, and well beyond a realistic financing capacity by the State. The middle ground -- which this proposal adheres to -- is aimed at keeping the infrastructure rehabilitation backlog within manageable levels and avoiding what GMIP called "the decay dynamic" -- acceleration in the deterioration rate.

The additional revenues for transportation would be generated by vehicular user fees -- tolls from the three highway authorities and increases in fees on heavy trucks. Increasing revenues from user sources is consistent with Regional Plan's position. As we pointed out in our recent study, Transportation in New Jersey: The Road to Renewal, "The motorist should be considered the user of a public utility -- the road and highway system. As the cost of using the utility increases, so should the cost of the motorist." In New Jersey in recent years, tolls, license and registration fees, and the gas tax have not increased much, even though the infrastructure has been falling apart and the cost of repairing it has been rapidly increasing. In this bill, the highway authorities, for the first time, will commit revenues to general highway and transit maintenance. Bravo. Regional Plan has favored this change in policy for many years.

This legislation also maintains the Legislature's control over transportation expenditures and revenues through the annual appropriation process. It avoids the controversial issue of constitutionally-dedicated revenues cumbersome to institute and reform.

This legislation will substantially reduce, if not eliminate, the State's dependence on general obligation bonds to finance transportation repairs, using long-term borrowing to pay for past maintenance failures. To the extent that borrowing is used, shorter-term revenue bonds offer greater flexibility. Because of this flexibility and a larger commitment to pay-as-you-go funding, the DOT estimates that debt service will be a relatively low 36% of the total borrowed.

A word on how the bill could be strengthened: Over the long-term, this legislation should ensure that all the pay-as-you-go revenues required for the Trust Fund are available, and motor fuel taxes are the best way to do that. This year, with a large projected budget surplus, the $88 million from general revenues can well be afforded. But what about next year, and the year after? Regional Plan is the kind of organization which can look ahead. In time of rain, we consider drought. In feast, we consider famine. And, deficits can follow surpluses. Will the Legislature in hard times be as willing to appropriate at least $88 million annually for this program?

We suggest an alternative -- the gas tax. Phased in, at say a penny a year, it would generate approximately an additional $35 million annually for each penny increase. Its effect on total automobile operating costs would be very minor indeed. New Jersey has the lowest gas tax in the region. A modest increase in the gas tax, appropriated annually to the Trust Fund, would provide a great deal more stability for the ongoing transportation capital improvement program that New Jersey needs. That, we suggest, is the prudent course to follow.

We encourage you to pass this bill, and we encourage you to provide for a secure and stable transportation financing program.

Thank you for your consideration.

SENATOR RAND: Mr. Wunsch, thank you very much, but you're talking to the wrong person, because I happen to agree with you on an accelerated gasoline tax, at a penny each year. In fact, I would say that by the end of the second year, or the third year, we would not need any short-term obligation bond financing.

MR. WUNSCH: Well, we think that it could be such a-- First of all, I hope we don't, in the quarrels that may ensue over such a proposal -- and we are talking to the right people here -- throw the baby out with the bath water. That is why we have to be cautious; we know what happened the last time around on the gas tax. But, surely here may be an opportunity for some nonpartisan and partisan compromise along these lines, to make a better bill and a much more stable program.

SENATOR RAND: I would agree with you, but can only tell you that I think the Governor frowns upon it. His counsel just left the moment you started to speak, and I am wondering why. I guess I am in the minority, but I happen to believe that a gasoline tax is the right way to go. Two cents right now would negate us needing any bonding whatsoever, and we would not have to be paying $648 million for $348 million.

MR. WUNSCH: Even a penny this year might be reasonable, given the budget situation. I also -- lest you believe you are talking to a pie-in-the-sky advocate or a dreamer -- should point out that the State of Connecticut, this year, has passed, in many respects, an even more aggressive bill than you have before you. They are phasing in a gasoline tax which begins in Connecticut at fourteen cents a gallon next July, to go to fifteen cents and, over the next 10 years through 1994, progressive increases, unless the Legislature says no; automatic increases--

SENATOR RAND: (interrupting) Up to 21 cents.

MR. WUNSCH: Up to 21 cents, and additional phased-in increases unless the Legislature says no, on license and registration fees. That is a fiscally-prudent program. We think this bill, which you have before you right now, is a reasonable start and a good mechanism. With a little bit more, unnoticeable almost to the average motorist, we can make it a very good bill indeed. Thank you, Senator.

SENATOR RAND: You're welcome, I'm sure. Thank you very much. Mr. Frank Reilly, Executive Director, Morris County Board of Transportation. Good afternoon, sir.

FRANK T. REILLY: Good afternoon, Senator Rand. It is a pleasure to be here to discuss the county portion of the New Jersey Transportation Trust Fund. What I have given you is a copy of a resolution passed by our Board of Transportation, which has also been adopted by the County Board of Chosen Freeholders. I understand the New Jersey Association of Counties has looked at several portions of this resolution, and have included them in their testimony.

I would just like to take a few minutes to highlight a few points in this resolution which we feel are very critical. First, we concur with the need for adequate and stable funding for transportation in New Jersey. But, we are very concerned with the Federal Aide Urban

System Substitution Program. Currently, the FAUS funds which are available to Morris County and the other counties in New Jersey are vital to the improvement of the County Transportation Program. We have some serious reservations about the FAUS Substitution Program, as outlined in the bill.

SENATOR RAND: We are going to write in an amendment to that which will guarantee that if State funds come to an end, you will revert back to the original intention. So, you will be considered safe and harmless no matter what happens.

MR. REILLY: Great. That was our major concern, our number one concern, the guaranteed funding.

SENATOR RAND: We made sure that we would get you the funding source. I think two years ago, when we did not have the match money, the Legislature appropriated, along with the acquiescence of the Governor, eight point some million dollars. So, we are particularly interested in looking out for the counties and the municipalities.

MR. REILLY: Great.

SENATOR RAND: From there on in, I think you might have a problem, but up to that point, we are both on the same beam.

MR. REILLY: We feel that too often our voices are not heard down here. That was our number one concern, the funding issue.

We also feel that ride-sharing activities such as van-pool loans and local public transit activities should be eligible under the FAUS Substitution Program. These are presently eligible expenses, but as proposed by New Jersey DOT, they will no longer be eligible, which will wipe out ride-sharing programs in virtually every county in New Jersey.

SENATOR RAND: We really have not gotten to the transit side of this yet, because we have been so intent on the highway side. However, I would imagine that probably next Tuesday they will appear before the Joint Appropriations Committee, and we will address this. This is one of the questions, Madelyn, that we want to address to New Jersey Transit when Mr. Premo comes before us.

MR. REILLY: Yes. Presently, this money comes out of the highway end of it. This does not come out of the transit end. The ride-sharing activities do come out of the--

SENATOR RAND: (interrupting) Well, they're getting a lot of money, and maybe they can get some money out of the transit end. It is not defined in the bill; maybe we ought to do that.

MR. REILLY: I concur 100%, gentlemen.

SENATOR RAND: You gave us a good point; maybe we ought to define those particular areas.

MR. REILLY: We feel the counties should have -- I have listed 5% in our statement here, but I would even say at this point -- 1% of the funds set aside for county use, so that counties could apply for funds to either New Jersey Transit or the New Jersey Department of Transportation for ride-sharing and local public transit activities, such as benches and things of that nature.

SENATOR COWAN: You were here when I asked for municipal road aid. I thought I was taking away their lives.

MR. REILLY: That was one of the other points I was going to make. I was delighted to hear about municipal road aid. We lost it several years ago; it was an appropriation that was cut.

SENATOR RAND: Well, you're not really getting a bonanza, but I think a minimal amount should be given, and I am sure we are going to write that into the bill.

MR. REILLY: Also, just keep in mind that 90% of the roads in New Jersey are non-State highways. They are municipal and county facilities.

SENATOR RAND: If I had my way, I would put in $25 million a year, but I can't have my way. There are four other members of this Committee.

MR. REILLY: Yes, sir. Another portion is Number 3 of our resolution. Under the present guidelines, with any increases in FAUS funding, New Jersey DOT would reap a 100% benefit.

SENATOR RAND: Okay.

MR. REILLY: Right now, a portion of that would go to the counties if there is a 2%--

SENATOR RAND: I understand.

MR. REILLY: With the five-cent Federal dedication of motor fuel tax, that has been increasing by a small degree, a few million a year.

SENATOR RAND: You don't want it taken away like the gross utilities' tax?

MR. REILLY: Right, sir.

SENATOR RAND: I can't blame you.

MR. REILLY: Also, New Jersey DOT proposes a one-year limit for spending on the FAUS substitute funds. We feel that that should be eliminated, since this would be the only program which would restrict funding to one year. The counties, which will be administering the program, should have the option of either reallocating those funds for other county projects, or permitting them to be carried over in the event of unforeseen circumstances, such as litigation or extensive preliminary engineering, and the like.

SENATOR RAND: He doesn't want it to lapse.

MR. REILLY: From what we understand, under the existing legislation, under the FAUS Substitute Program, if Morris County is allocated $1.5 million dollars, and we spend $1.3 million, we stand to lose $200,000, and that would revert to New Jersey DOT. What we are saying is that we feel those funds should be carried over for at least one year, or permit us to reallocate them.

SENATOR RAND: Is that the way it works now?

MR. REILLY: Yes. Right now, we can carry them for four years.

SENATOR RAND: And, under this bill that is eliminated, and it has to be one year?

MR. REILLY: Right. Number 5 is, we feel that the FAUS Substitution Fund should only be used for the Federal Aid Urban System projects. The present funding system is only for Federal Aid Urban System projects, and is really woefully inadequately funded. By broadening the scope of eligible projects to include all roads and bridges, the small amount of funds available now will be rapidly exhausted, and we will not be able to address any of those needs.

SENATOR RAND: On the bridges, they have a lot of money that is coming down to you.

MR. REILLY: Yes.

SENATOR RAND: Which is an increase, so to speak, besides the FAUS Program?

MR. REILLY: Yes, sir. Basically, under the proposed FAUS Substitution Program, each county would have to create a new entity on a county level to solicit, analyze, approve or disapprove, and prioritize every municipal and county FAUS substitute project for each municipality within a county. We feel that this would be adding a great deal of brueaucracy to an already bureaucratic process.

SENATOR RAND: Have they or haven't they come to an agreement on the regulations that they sent down?

MR. REILLY: They have not come to an agreement as far as we know. As a matter of fact, I was late this morning because we had Mike Barrett from New Jersey DOT giving a pep talk for the Transit Trust Fund up in Morris County.

SENATOR RAND: We want to protect you in every way, but I hate to get involved in the bill with all types of regulations, which should be promulgated by the Department. We would like to help you in anyway we can, except that if you start to make a bill messy to address every particular item that should be accounted for in the regulations-- Maybe we can sit down and sort of get this straightened out.

MR. REILLY: That would be fine.

SENATOR RAND: Okay.

MR. REILLY: The other thing is, the bill calls for -- and this will be my last point -- the development of a Capital Transportation Program by each county. We feel that that should be eliminated in favor of retaining the present Transportation Improvement Program, the TIP. The TIP is a unified, comprehensive, coordinated planning document which is required by the metropolitan planning organizations, as well as by the Federal agencies, UMTA and FHWA. What a lot of people do not realize is that the TIP will have to be maintained on a county level for at least two years, because any FAUS-funded project that is in the stream will continue to be FAUS funded. It will not be replaced with 100% State money.

Furthermore, the Feds will not fund the development and maintenance of the Capital Transportation Program. They have told us that they will only fund projects and planning efforts which involve FHWA or UMTA funds. That means that with the existing money that would come down under the FAUS Substitute Program, additional staff would have to be hired to administer the Program. If the TIP is retained, which is doing the identical thing as the Capital Transportation Program, we would not be restricted, nor have another layer of bureaucracy laid on us.

SENATOR RAND: I am going to ask Commissioner Sheridan -- he is going to appear before the Joint Appropriations Committee on Tuesday -- some questions pertaining to this.

Now, let me ask you one question.

MR. REILLY: Certainly.

SENATOR RAND: On balance, is this a good program, or is it not, the substitution of State money for Federal money? With all that you have addressed here, all your concerns, I want you to tell us, yes or no. Of all the concerns you are addressing, there are some pretty good ones here, I have to admit that to you. If they are not ironed out, then I am going to ask you an objective question.

MR. REILLY: Certainly.

SENATOR RAND: Is it a good program, or is it not? Is it to the benefit of the counties, or to the detriment of the counties?

MR. REILLY: I would say it would not take away from what the counties have now basically.

SENATOR RAND: Would it add anything?

MR. REILLY: I do not see it adding a great deal.

SENATOR RAND: Then what good is the program? We were told that it would add 50%. In other words, if it was $35 million, it would be worth $50 million, with the elimination of the Federal involvement, the environmental impact, all the red tape, and so forth. If not, why are we going through this?

MR. REILLY: On a major project, it would cut considerable red tape.

SENATOR RAND: Well, we're talking about balance.

MR. REILLY: We're talking about projects on the TIP, which are intersection improvements. We're talking about making a two-and-a-half lane intersection three lanes, and striking them properly to speed the flow of traffic.

SENATOR RAND: That disturbs me. Then why would the county groups acquiesce so quickly, because of some pressures? You come from a county which I am sure is going to be objective -- in fact, you are going to be very objective. Why would we want to substitute State money for Federal money if it serves no value to the counties, and have the counties endorse that proposal?

MR. REILLY: The basic reason why we are endorsing the proposal is because we feel that the overall funding situation for transportation infrastructure is of just overwhelming importance. That is the overriding factor.

SENATOR RAND: But, if the substitution of State funds does not address a plus, and a major plus, then why do we have to use State funds on something it is so easy to get Federal money for, and go through a different process? We have to utilize additional State money, and that was made very clear today. In order to draw down, we have to substitute State money, not match money. If it isn't such a plus, I'll tell you this, I am going to make some calls this weekend.

MR. REILLY: I'm not sure it is that much of a plus. As far as it being increased, every county has been told that we will be getting the exact same funding that we have received this year and last year.

SENATOR RAND: But, it will be worth more, I am told.

MR. REILLY: The way it would be worth more is that a project could be expedited. In other words, instead of a project taking three years, it may take two years. An additional loss of funds due to inflation over a three-year period would, in effect, be your net gain.

SENATOR RAND: Well, I thank you very much for coming down here today, Mr. Reilly. I must admit to you that of all the testimony we have heard, I end on a note of a little bit of dismay, because this is a proposal which is not that beneficial. Again, I am not making any comments, except to say that I am going to be a little bit inquisitive to find out why it is not beneficial. It is the fact that you are telling me something. If it adds no monetary value -- and that is the bottom line in infrastructure -- then why are we doing it?

Let me ask you another question. Would you rather it go the old way?

MR. REILLY: I believe to the counties, it is not going to make that much of a difference if it goes either way on 90% of the projects. On 10% of the projects, it could have an impact.

SENATOR RAND: Well then, in general, isn't it better the old way?

MR. REILLY: I would say for the 10%--

SENATOR RAND: (interrupting) No, no, for the whole 100%.

MR. REILLY: For the whole 100%?

SENATOR RAND: Yes.

MR. REILLY: I would say it makes very little difference.

SENATOR RAND: Okay. Do you have any questions, Madelyn?

MS. RUMOWICZ: I would just like to ask, do you think it is going to be a wash then?

MR. REILLY: Yes, I would say basically a wash. If we have to develop a Capital Improvement Program, it may be less than a wash. We may end up on the short end of the stick spending additional funds to maintain two sets of records, one for the State, and one for the Feds, when right now the records we maintain for the Feds are also accepted by the State.

MS. RUMOWICZ: You also mentioned in your paper that there is no participation, as opposed to the old program, where you have local participation in what projects are selected. Is that correct?

MR. REILLY: Yes.

MS. RUMOWICZ: You will not have that now?

MR. REILLY: No, we would have it on two different levels. We would have it for Federally-funded projects. Then, we would also have to have a separate level of bureaucracy to handle the Capital Improvement Program.

SENATOR RAND: Mr. Reilly, I have to tell you something. I would suggest, if you are in touch with the county people, and if their concerns are as valid as your concerns, and I would assume that they certainly are, I would think that someone would be down here from the Association on Monday to address this. You raised some very interesting questions, and you raised some questions of whether we are taking, at word, the Commissioner and his staff, who are telling us that you are going to have a bonanza, and that the State substitution of money is a plus to the tune of somewhere around one-third to 50%. If that is not the case--

MR. REILLY: (interrupting) We have not been sold on that yet. One of the problems we've had is that the traveling road show is going around to municipal officials, and the municipal officials are calling us up, saying, "We are going to be getting an extra $1.5 million a year for Morris County under the substitute program." I said, "We are not getting that. We have $1.5 million now; we will have $1.5 million then.

SENATOR RAND: I am going to leave it to you to have a representative here Monday to discuss this with the Committee, very fully. We will have a full Committee.

MR. REILLY: What time will that be, sir?

SENATOR RAND: What time is that meeting, Peter?

DR. MANOOGIAN: It is at 10:30.

SENATOR RAND: Ten-thirty. You have just shot down what I considered a major plus for this bill. I'm sorry that the Commissioner is not here to hear it.

MR. REILLY: This resolution was drafted, I might say, in conjunction with the county engineer and the Director of our Regional Transportation Planning Program.

SENATOR RAND: Have you heard from some of the other counties?

MR. REILLY: We have sent copies of this resolution to all of the other counties in the State. The verbal comment we have gotten is that this resolution is basically the bottom line. This resolution expresses their concerns.

SENATOR RAND: I would suggest that they have someone here Monday to speak for the Association of Counties -- very quickly on Monday. Time is running out, and this is a big problem.

MR. REILLY: I might also mention that the North Jersey Transportation Coordinating Council's Technical Advisory Committee adopted a position extremely similar to this, almost verbatim. I believe that was adopted unanimously by the 11 North Jersey counties.

SENATOR RAND: In fact, I must tell you -- and I don't want to mention this as gospel -- but I certainly am seriously thinking that if the input comes from the Association of Counties as you have just given it to us, I would seriously question the wisdom of a substitution of State funds.

MR. REILLY: Did Freeholder Crabiel address this group?

SENATOR RAND: Yes, and he had concerns, although he endorsed the proposal. His concerns were not as obvious as yours. We have Freeholder Crabiel's testimony, is that correct?

DR. MANOOGIAN: Yes.

SENATOR RAND: These concerns are certainly more pointed. You made a statement that there is no bottom line plus.

MR. REILLY: Yes, as far as the small portion that deals with the counties is concerned. We still feel that the overall program is very, very worthwhile.

SENATOR RAND: I understand that.

MR. REILLY: We strongly endorse that part.

SENATOR RAND: Let me see if I can separate the FAUS funds. That is what I am trying to do.

MR. REILLY: Okay. I do not want to kill the whole program because of this.

SENATOR RAND: No, no, I understand. I don't think you are going to kill the whole program. What we may have to do though, if we get enough input, is not substitute State funds. Maybe we don't have to substitute State funds; I don't know. But, I certainly would like to take another look, and I would certainly like to hear from someone from the Association of Counties. Do you have any questions, Peter?

DR. MANOOGIAN: I just wondered -- a claim was made that it would do away with red tape surrounding environmental impact statements and things of that sort. But, most of your projects are not sufficiently large to be bothered by that.

MR. REILLY: Exactly. The projects that would come under this were mentioned this morning, such as the Eisenhower Expressway, which is really too big for a TIP type project. Although it is on a TIP, it can't move because there are not enough funds there. But, regardless of whether it is on a TIP or is funded by the New Jersey Department of Transportation, you are still going to have to have the environmental impact statement.

SENATOR RAND: Okay. Thank you very much.

MR. REILLY: Thank you.

SENATOR RAND: Is there anyone here who we have neglected to call on, or is there anyone here who would like to testify? (no response) I see Mr. Frank Haines is in the assembly. Are you just listening, Mr. Haines.

MR. HAINES: I'm learning.

SENATOR RAND: Is there anyone else? (no response) If not, this hearing is adjourned. Thank you very much for coming everyone.

(HEARING CONCLUDED)