

**PUBLIC HEARING**

before

**ASSEMBLY APPROPRIATIONS SUB-COMMITTEE ON  
GOVERNMENTAL OPERATIONS, PUBLIC INVESTMENTS, AND FINANCE**

**ASSEMBLY CONCURRENT RESOLUTION NO. 75 (1R)**  
(Proposed Constitutional Amendment which would increase from  
\$0.025 per gallon to \$0.07 per gallon the constitutional  
dedication of motor fuels tax revenue for transportation  
purposes and make the dedication permanent)

February 29, 1988  
3rd Floor Conference Room  
State Library  
Trenton, New Jersey

**MEMBERS OF COMMITTEE PRESENT:**

Assemblyman Rodney P. Frelinghuysen, Chairman  
Assemblywoman Clare M. Farragher, Vice Chairman  
Assemblyman John V. Kelly  
Assemblyman C. Richard Kamin  
Assemblyman John S. Watson  
Assemblyman Byron M. Baer  
Assemblyman Robert G. Smith

**ALSO PRESENT:**

Assemblyman Walter J. Kavanaugh, Acting Chairman  
(Chairman, Assembly Appropriations Sub-Committee on  
Taxation and State-Aid)

Thomas A. Hancock  
Office of Legislative Services  
Aide, Assembly Appropriations Sub-Committee

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





New Jersey State Legislature  
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ANTHONY M. VILLANE, JR.  
*Chairman*  
C. RICHARD KAMIN  
*Vice-Chairman*  
RODNEY P. FRELINGHUYSEN  
*Sub-Committee Chairman*  
WALTER J. KAVANAUGH  
*Sub-Committee Chairman*

February 17, 1988

## NOTICE OF A PUBLIC HEARING

The Assembly Appropriations Sub-Committee on Governmental Operations, Public Investments and Finance will hold a public hearing on Monday, February 29, 1988 beginning at 10:30 a.m. in the 3rd Floor Conference Room of the State Library, Trenton, N.J.

The purpose of the public hearing is to take testimony in accordance with Article IX, paragraph 1 of the Constitution of the State of New Jersey on Assembly Concurrent Resolution No. 75 (1R), a proposed constitutional amendment which would increase from \$0.025 per gallon to \$0.07 per gallon the constitutional dedication of motor fuels tax revenue for transportation purposes and make the dedication permanent.

Anyone wishing to testify should contact Thomas A. Hancock, Committee Aide, at (609) 984-6799.



[FIRST REPRINT]  
ASSEMBLY CONCURRENT RESOLUTION No. 75

STATE OF NEW JERSEY

INTRODUCED JANUARY 25, 1988

By Assemblyman HAYTAIAN

1 A CONCURRENT RESOLUTION proposing to amend Article VIII,  
2 Section II, paragraph 4 of the Constitution of the State of New  
3 Jersey.

5 BE IT RESOLVED by the General Assembly of the State of  
6 New Jersey (the Senate concurring):

7 1. The following proposed amendment to the Constitution of  
8 the State of New Jersey is agreed to:

9

PROPOSED AMENDMENT

11

Amend Article VIII, Section II, paragraph 4, as follows:

13

14 4. There shall be credited annually to a special account in the  
15 General Fund an amount equivalent to the revenue derived from  
16 [\$0.025] <sup>1</sup>\$0.025 per gallon from December 6, 1984 through  
17 December 7, 1988, and <sup>1</sup>\$0.07 per gallon <sup>1</sup>thereafter, <sup>1</sup>from the  
18 tax imposed on the sale of motor fuels pursuant to chapter 39 of  
19 Title 54 of the Revised Statutes or any other State law of similar  
20 effect; provided, however, the dedication and use of such  
21 revenues as provided in this paragraph shall be subject and  
22 subordinate to (a) all appropriations of revenues from such taxes  
23 made by laws [previously] <sup>1</sup>previously<sup>1</sup> enacted <sup>1</sup>[on or before the  
24 effective date of this amendment]<sup>1</sup> in accordance with Article  
25 VIII, Section II, paragraph 3 of the State Constitution in order to  
26 provide the ways and means to pay the principal and interest on  
27 bonds of the State [presently] <sup>1</sup>presently<sup>1</sup> outstanding <sup>1</sup>[on the  
28 effective date of this amendment]<sup>1</sup> or authorized to be issued  
29 under such laws or (b) any other use of those revenues [previously]  
30 <sup>1</sup>previously<sup>1</sup> enacted into law <sup>1</sup>[on or before the effective date of  
31 this amendment]<sup>1</sup>. This amount shall be appropriated from time  
to time by the Legislature, only for the purposes of paying or

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 underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:  
<sup>1</sup> Assembly AAP committee amendments adopted February 1, 1988.



1 financing the cost of planning, acquisition, engineering,  
 3 construction, reconstruction, repair and rehabilitation of the  
 transportation system in this State and it shall not be competent  
 for the Legislature to borrow, appropriate or use this amount or  
 5 any part thereof for any other purpose, under any pretense  
 whatever. <sup>1</sup>[The provisions of this paragraph shall be of no effect  
 7 after 17 years from the date on which this 1988 amendment  
 becomes part of the Constitution]<sup>1</sup>.

9 (cf: Article VIII, Section II, paragraph 4, added effective  
 December 6, 1984)

11 2. When this proposed amendment to the Constitution is finally  
 agreed to pursuant to Article IX, paragraph 1 of the Constitution,  
 13 it shall be submitted to the people at the next general election  
 occurring more than three months after the final agreement and  
 15 shall be published at least once in at least one newspaper of each  
 county designated by the President of the Senate, the Speaker of  
 17 the General Assembly and the Secretary of State, not less than  
 three months prior to the general election.

19 3. This proposed amendment to the Constitution shall be  
 submitted to the people at that election in the following manner  
 21 and form:

There shall be printed on each official ballot to be used at the  
 23 general election, the following:

a. In every municipality in which voting machines are not used,  
 25 a legend which shall immediately precede the question, as follows:

If you favor the proposition printed below make a cross (x), plus  
 27 (+) or check (✓) in the square opposite the word "Yes." If you are  
 opposed thereto make a cross (x), plus (+) or check (✓) in the  
 29 square opposite the word "No."

b. In every municipality the following question:





1		
3		DEDICATION OF THE TAXES ON MOTOR
5		FUELS FOR TRANSPORTATION PURPOSES IN
		THIS STATE
7	YES.	Do you approve amending Article VIII, Section II,
9		paragraph 4 of the Constitution of the State of New
11		Jersey to increase the amount <sup>1</sup> annually <sup>1</sup> dedicated
13		to a special account in the General Fund, and which
15		is available to be appropriated by the Legislature
17		only for the purposes of paying or financing the cost
19		of planning, acquisition, engineering, construction,
21		reconstruction, repair and rehabilitation of the
23		transportation system in this State, <sup>1</sup> [if this amount
25		has not been dedicated by law prior to the date of
27		this amendment] <u>subject however to previous</u>
29		<u>enactments dedicating any of this amount for debt</u>
31		<u>service on bonds of the State and for other</u>
33		<u>uses<sup>1</sup>, such increase <sup>1</sup>in dedicated revenue<sup>1</sup> to be</u>
35		<u><sup>1</sup>[from an amount currently equivalent] equal<sup>1</sup> to</u>
37		<u><sup>1</sup>the difference between<sup>1</sup> the <sup>1</sup>amount of<sup>1</sup> revenue</u>
39		<u>derived from <sup>1</sup>the current dedication of<sup>1</sup> \$0.025 per</u>
41		<u>gallon of the tax on motor fuels <sup>1</sup>[to] and<sup>1</sup> an amount</u>
43		<u>equivalent to the revenue derived from \$0.07 per</u>
45		<u>gallon of the tax on motor fuels, and to <sup>1</sup>[amend the</u>
47		<u>language concerning when the provisions of this</u>
49		<u>paragraph of the Constitution would become</u>
51		<u>inoperative from the year 2001 to the year 2005]</u>
		<u>make the provisions of this paragraph permanent by</u>
		<u>deleting the current expiration date<sup>1</sup> ?</u>
33		INTERPRETIVE STATEMENT
35	No.	If this proposed constitutional amendment is
37		adopted, the amount of State revenue <sup>1</sup> annually <sup>1</sup>
39		dedicated <sup>1</sup> [solely] <sup>1</sup> for <sup>1</sup> [paying or financing] <sup>1</sup> the
41		<sup>1</sup> [cost of] <sup>1</sup> planning, acquisition, engineering,
43		construction, reconstruction, repair and
45		rehabilitation of the transportation system in New
47		Jersey, if not <sup>1</sup> [already] <u>previously<sup>1</sup></u> dedicated by
49		law, would be increased from the current dedicated
		amount <sup>1</sup> [, equal to] of <sup>1</sup> 2-1/2 cents per gallon of the
		motor fuels tax, to <sup>1</sup> [an amount equal to] <sup>1</sup> 7 cents
		per gallon <sup>1</sup> [of that tax] <sup>1</sup> , and the dedication of
		revenue, which <sup>1</sup> [now expires] <u>is due to expire<sup>1</sup></u> in
		2001, would <sup>1</sup> [expire in 2005] <u>be made permanent<sup>1</sup>.</u>



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## STATEMENT

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5 The purpose of this proposed constitutional amendment is  
expressed in the interpretive statement.

7

## TRANSPORTATION

9

## Motor Fuels

11 Increases from \$0.025 per gallon to \$0.07 per gallon the  
constitutional dedication of motor fuels tax revenue to  
13 transportation purposes and makes the dedication permanent.



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ASSEMBLYMAN RODNEY P. FRELINGHUYSEN (Chairman): The purpose of this is to take testimony in accordance with Article IX paragraph 1 of the Constitution of the State of New Jersey on Assembly Concurrent Resolution No. 75, a proposed constitutional amendment which would increase from .025 per gallon to .07 per gallon the constitutional dedication of motor fuels tax revenue for transportation purposes and make the dedication permanent.

Anything else we have to read here? A summary of the bills?

MR. HANCOCK (Committee Aide): Assembly Concurrent Resolution No. 75 provides for the amount of State revenue dedicated for financing the cost of the transportation system in New Jersey, to be increased from the current dedicated amount of 2.5 cents per gallon of the motor fuels tax, to 7 cents per gallon of that tax. In addition, the expiration date for the dedication of revenues in the Constitution would be deleted, and the dedication would become permanent. The additional 4.5 cents per gallon dedication allows for an increase of approximately \$180 million per year in current dollars in the amount of revenue dedicated for these purposes.

ASSEMBLYMAN WALTER J. KAVANAUGH (Acting Chairman): Steve Hanson from DOT? Is Steve here? Come on up. Yes, good morning.

STEPHEN B. HANSON: Good morning.

ASSEMBLYMAN KAVANAUGH: Would you like to comment on our purposes for being here?

MR. HANSON: Just to say that the Department of Transportation does support the amendment to dedicate the full 7 cents of the motor fuel tax.

ASSEMBLYMAN KAVANAUGH: Do you have anything else to add, or is that-- Do you have any written testimony, or is that it?

MR. HANSON: We did submit written answers to Senator Haines' questions.

ASSEMBLYMAN KAVANAUGH: Are they available for--

ASSEMBLYMAN FRELINGHUYSEN: Yes.

ASSEMBLYMAN KAVANAUGH: All right, they'll be made available to all the members. If that's all, thank you Steve; that was short and sweet.

Sam LoBue, concerned citizen, come forward please.

S A M U E L L o B U E: You'll excuse me for walking slowly, I'm not as young as I used to be. Which mike?

ASSEMBLYMAN KAVANAUGH: Either one.

MR. LoBUE: Mr. Chairman--

ASSEMBLYMAN KAVANAUGH: Would you identify yourself, sir?

MR. LoBUE: I'm Sam LoBue. I'm speaking as a private citizen, not for a corporation, not for an outfit--

ASSEMBLYMAN KAVANAUGH: And your from where, Sam?

MR. LoBUE: I'm from Hamilton Township.

ASSEMBLYMAN KAVANAUGH: Hamilton? Okay, proceed.

MR. LoBUE: Now, one or two weeks ago, when Governor Kean asked for a 5 cent tax on gasoline to be used for corridor 1, and I questioned that, because when the automobiles came off the assembly line, all taxes from gasoline, oil, drivers' licenses and registrations, went to the Department of Transportation. When their finances got so big, bigger than the State, the State in 1978 -- I assume in 1978, if the legal advisor told me the right story now -- they passed a resolution that no money will be collected and held for a specific purpose except two: that is the Lottery, and the Casino fund. And we know what they're for.

So, when this here legal advisor told me that this here fund of 5 cents was going to be only for 17 years until corridor 1 was completed, well I didn't want to object to that. Money has to come from someplace to build corridor 1. But when I see ACR-75 saying that it's going to be permanent, then I object. Because what's to prevent that 7 cents to be 8



next year because your budget is low? (sentence inaudible) When is it going to prevent who is administrating the funds -- maybe the Appropriations Committee, or maybe the Treasury Department says, we need more funds?

This is what I'm concerned about. Not for me, I'm 66. I served my time in the service. I was a POW; I think I did enough for this country to have a little consideration to me. I asked Mr. Cheesman for transportation to the VA facility. "It will be done." I'm still waiting for an answer; it is not done. So, don't tell me that we are getting service when we are getting lip service.

Now, I'm not concerned about this here 7 cent gas tax might be increased. You know who's going to pay for it? My grandson. And maybe his grandson will pay 15 cents. Is that the only place where you can grab money from? Mopeds used to ride around free at one time; now they've got to have registration, they've got to have drivers' licenses. Mr. Chairman, do you know that?

ASSEMBLYMAN KAVANAUGH: Yes, sir.

ASSEMBLYMAN FRELINGHUYSEN: They have to be registered.

MR. LOBUE: All right. So, there is an extra revenue that you took. Now, I hope they don't come up with sidecars and you add an additional tax with that, on these motorcycles and mopeds. Because, California is loaded with them. They asked me at Cooper's Cycle Ranch why we don't have sidecars? I said I don't know. I'd like to see it. That makes it like a bicycle, or a motorbike. But we don't have them in Jersey.

But, I am concerned why I was told one story two or three weeks ago that it would quit in 17 years, and today I see that ACR-75 says it's going to be permanent even after. What are they going to do with it, and where is the money going to go to? General Account? Sir?

ASSEMBLYMAN KAVANAUGH: Well, as you know, Mr. LoBue the purpose on Assemblyman Haytaian's dedication is that it'll

be first the current from the 2.5 to 7 cents for a seven-year period which will generate some \$275 million annually. We have had, as legislators, many complaints from our constituents. I'm sure all of you drove here, or whatever method that you got here, had the problem with potholes, which is just one of the major things people see on an everyday basis. We haven't had a stable source of funding. The Trust Fund I, after it ran out, we saw many many roads-- And the economy of New Jersey will benefit from this also, because of the jobs that will be enhanced by this method of funding.

Dedication is something, as you mentioned, that is only in two areas of government at this time, but it seemed to be of the wisdom of the Legislature, who are elected by the people, and the Assembly, which stands before the people every two years. And there is an overwhelming force there with the citizens of New Jersey asking for something to be done with the road system to stabilize this. That is why ACR-75 is before us today.

Your concern is dedication. Is that your primary--

MR. LoBUE: My concern is, is it going to be raised any higher than what it is proposed right now? Can you put it in writing to me that it will never go up any higher?

ASSEMBLYMAN KAVANAUGH: This is something that we cannot tell. I think that also will be at the wisdom of the Legislature in the future. It seems that the amount of dollars that will be generated by the gas tax put into effect should be sufficient. Because, it will be an annual review by the Department, and will give them some sense of direction. Here now, a ship without a rudder. They have so many things that have to be done, and there's no money to do it. It takes somewhere up to ten years to plan for -- by the time you go in through your studies and in through your construction phase. In my district alone, we've been studying to death the Somerville Traffic Circle for some 20 years. We have just

completed a major mall where we asked the off-site improvements be done by the developer, who spent over \$20 million. Now we're seeing a chaotic situation because the State has not fulfilled the needs to have this renovation of the circle. This is going to put in place so that the DOT, whoever the Commissioner will be in future years, to know that they have a stable source of funding. I think it's good business sense, good practice to do it in this manner.

For you to ask if the tax will be raised, that will be up to the future legislators. We cannot bind in that sense.

MR. LoBUE: All right. Could I ask you one thing? Suppose your funds go high; would you lower-- Let's say, after you finish your potholes and everything, and you keep on getting this high income, and you have an excess of funds, what would happen then? Don't tell me like the Homestead Rebate that they give to the citizens. I don't even ask for that Homestead Rebate for my house. I don't want nothing for nothing. I do object to somebody taking money out of my pocket when-- I'm so darn--

I don't know if you can see this picture. This is me as a POW after I got hit and left in the field for dead. (witness displays photographs) This is me when I finished basic training. Does that look like the same person? Do I look like the same person? I'm in an aggravated condition. An aggravated person; suicidal tendency is there permanently. I dream a lot. And when I get stuff like this, which aggravates me, and I get two stories -- not from different sources, but from your Department, the State of New Jersey-- One legal officer said one thing, and one legal officer says another thing. Is it because the Legislature changed its mind in the interim of two weeks ago?

ASSEMBLYMAN KAVANAUGH: Who did you speak to with regard to two weeks ago? I'm not clear with--

New Jersey State Library

MR. LoBUE: I don't know who I spoke to two weeks ago, but I know who I spoke to this week.

ASSEMBLYMAN KAVANAUGH: And your question was what two weeks ago?

MR. LoBUE: How long will this 5 cent sales tax for corridor 1 last? Forever? And then go back to raising somebody's pay, or-- Because usually I don't see--

ASSEMBLYMAN KAVANAUGH: With corridor 1, your description of that, you're talking about corridor-- This is for over the entire State. This is not just generated for corridor 1.

MR. LoBUE: I know this one-- I am saying that this-- I'll say nothing but it's for transportation. We had transportation before 1978, didn't we? Before the Constitution said that no money will be brought into the State revenue, or State Treasury, and earmarked for a specific purpose? All money will be appropriated by the Finance and Appropriations Committee, which to me killed the veterans very badly. When Mr. Cheesman cannot furnish me transportation to the VA, I am pretty well perturbed. I think I gave enough blood to this country, and I'm not native born; I'm foreign born. I picked this country out. I've got my own citizenship paper. And I fought for this country. And I would like to know why this country does this to me, and to other veterans like me? The POWs are being abused. Do you know what a POW emblem looks like? Two swords. They're either going to cut you, or are going to impale you.

ASSEMBLYMAN KAVANAUGH: Mr. LoBue, I appreciate your dedication to the service, and those of us who have served know the need for military personnel, but regarding this and certainly the dedication that you have for that is the same type of dedication that we have this morning, asking for a dedication of this tax so that we can progress until the State of New Jersey is going to return to the system of roads that they had a number of years ago.

The question on the Constitutional-- It would become inoperative from the year -- extending that to the year 2005, the money then after as far as the general fund, is something you're concerned where this money will go. There's always a need, and I think that the road systems in the future years, legislators will see. And I think that the results of this annual appropriation which will come forth to some, as I mentioned, \$275 million a year, the success of that will certainly be something to ensure that it will be continued. And I can't say dedication, but it will be there for roads and rehabilitation.

And you know I think that your suggestions here that you are a concerned citizen as far as the expansion of government and where the money is going. And if the money is not needed, I'm certainly sure that we find -- and I'm not going to be here; but the way you seem, you'll probably be here to testify in the year 2005 -- and if that happens--

MR. LoBUE: No I won't. I've got a four-bypass heart condition. I will never live to be your age.

ASSEMBLYMAN KAVANAUGH: You passed me, I hope.

MR. LoBUE: I am past you right now, but you'll outlive me ten years more than I will ever live.

ASSEMBLYMAN KAVANAUGH: Well, I thank you for your testimony. Is there any member of the Committee that has any questions of Mr. LoBue?

MR. LoBUE: Yes. I'd like to know-- I asked one question you didn't answer. If the budget gets high enough, that you know what you do with it--

ASSEMBLYMAN KAVANAUGH: You mean the revenue. You're talking revenue.

MR. LoBUE: Revenue. From the sales tax of the gasoline, not anything else--

ASSEMBLYMAN KAVANAUGH: Well, it's not a sales tax, it's a tax.

MR. LOBUE: It's a tax.

ASSEMBLYMAN KAVANAUGH: Dedicated tax from motor fuels, yes.

MR. LOBUE: Motor fuels. Now, when it gets high enough, is there any provision made in this legislation to say, well, we'll drop it down from 7 to 5, or 4?

ASSEMBLYMAN KAVANAUGH: A member of the Committee, Assemblyman Kamin, would like to respond.

ASSEMBLYMAN KAMIN: Yes, Mr. Chairman, through you if I might. I think the thing to remember when you're working with bureaucrats or legislators is watch what they do, not what they say. And, we seem to find here in Trenton, or Washington, programs to fill the revenue surpluses each and every time. Tax rebates, tax cuts, just don't seem to be the order of the day. In the case of this example we're talking about -- the transportation -- if there's surplus revenue, I'm sure we're going to find the roads and bridges to spend the revenue on. I would, however, in a more realistic fashion say that the revenue does not meet the needs of New Jersey's transportation shortfalls right now. So as far as a surplus in the transportation budget over the next 20 years, I would say we're probably not going to have the revenue for enough of the programs that have been proposed by DOT.

MR. LOBUE: Could I ask you a question, Assemblyman?

ASSEMBLYMAN KAVANAUGH: Through the Chair.

MR. LOBUE: Through the Chair. Was the newspaper saying that there was a \$1 billion surplus in the State of New Jersey, and that they were going to do something with it?

ASSEMBLYMAN KAMIN: Well, through you, Mr. Chairman, if I can respond to the question, there's all kinds of proposals from different legislators of what to do with the money. Very few of those proposals indicate a refund or a tax cut. So--

MR. LoBUE: I am not worrying about taxes per se, for me. I'm worrying about my--

ASSEMBLYMAN KAMIN: There's all kinds of--

MR. LoBUE: --generation to come. I've got a grandson, two years old in June. I don't want him to be saddled. I've got a three-wheeled senior citizen bike not to pay gas. How do you like that? But I can't drive in the wintertime. I've got to drive a piece of junk.

ASSEMBLYMAN KAVANAUGH: Well, I think what you'll find here, is the philosophy of some of us is that the user pays. And that's what you're doing here to the people. Plus the thing that you must keep in mind is that close to 30% of the gasoline that is sold in New Jersey is sold to out-of-state motorists. So, they'll assist in this rehabilitation and the maintenance of our roads and the construction of the roads.

MR. LoBUE: I hope I didn't--

ASSEMBLYMAN KAMIN: If I may add one other point, Mr. Chairman, a recent surcharge for insurance that was passed applies to every driver in the State of New Jersey except for the senior citizens 65-years and older.

MR. LoBUE: I'm 66. What do you mean by that now?

ASSEMBLYMAN KAMIN: That means, through you Mr. Chairman, that anyone who is 65-years or older does not pay the recently imposed \$66 to \$73 surcharge to continually fund the JUA. So, it's another way the Legislature and the Governor have moved to respond to needs of special groups, in this case the senior citizens.

MR. LoBUE: Could I have that in writing?

ASSEMBLYMAN KAVANAUGH: What you can do Mr. LoBue, because we have to move through here-- I appreciate your coming, and Assemblyman Kamin will make his time available to you if you have a moment after.

ASSEMBLYMAN KAMIN: I'd be happy to chat with you after the meeting, sir.

MR. LoBUE: You'll take care of me?

ASSEMBLYMAN KAMIN: I don't know that I can take care of you, if you want me to make--

MR. LoBUE: No, I mean, you can hand me the bill.

ASSEMBLYMAN KAVANAUGH: He'll probably give you a check. (laughter)

MR. LoBUE: No, no I don't want a check. I'll have to pay tax on that check.

ASSEMBLYMAN KAVANAUGH: Thank you very much Sam. Is there anyone else who would care to be heard?

MR. LoBUE: I'm sorry if I sound loud, but I have hard hearing due to the service.

ASSEMBLYMAN KAVANAUGH: Thank you; thank you very much. Yes, ma'am.

M A R I E C U R T I S: I'm from the League of Women Voters.

ASSEMBLYMAN KAVANAUGH: Would you care to come forward so you'll be heard on the tape? You'll give us your name?

MS. CURTIS: Yes, Assemblyman. I'm Marie Curtis, legislative vice president of the League of Women Voters of New Jersey. And, we're here once again to urge the Legislature not to act precipitously in the Constitutional dedication of yet another tax. The League is not here to argue or dispute the need for the motor fuels tax increase. Nor are we here to dispute the identification of such funds for transportation purposes. We do recognize that need. Our concern is with the permanent dedication of any tax for any specific purpose.

League members in New Jersey have studied the question of dedicated taxes more than once. In 1971, again in 1973 and still again in 1984, the consensus of our members, reached at the grass roots level, was to reaffirm our opposition to the dedication of specific taxes for specific purposes, no matter how essential that service might be. Indeed, in 1984, the League of Women Voters was among those who formed a coalition to support the original Transportation Trust Fund concept and



the idea of stable funding for the State's transportation needs. We did see this need; we worked for that. But when the Constitutional dedication of the motor fuels tax became part of that package, however, we very publicly withdrew our support.

We believe that legislators, such as you, should be free to set program priorities through the budgetary process with flexibility, if necessary, should emergencies arise. The proliferation of dedicated taxes and dedicated funds ties all of you legislators to past decisions and perhaps outdated public policy.

Furthermore, it is rare that a dedicated tax will exactly meet the need for which it is intended. It may surpass that amount and provide a surplus that cannot then be used for other emerging State needs; or it may fall short of the necessary funding level and require budget juggling or supplemental appropriations to fulfill the original mandate.

If, however, the tax increase and a statement earmarking those funds for transportation purposes is thought to be absolutely essential, we would urge that such a proposal be statutory, not constitutional. At least then the elected legislators would have the ability to act in response to changing situations without recourse to the lengthy Constitutional amendment process.

Thank you for the opportunity to appear before you today. Do you have any questions?

ASSEMBLYMAN KAVANAUGH: Thank you, Ms. Curtis. Any questions from the Committee? (negative response) Thank you very much.

ASSEMBLYMAN FRELINGHUYSEN: Thank you very much.

ASSEMBLYMAN KAVANAUGH: Does anyone else care to be heard? Any Committee member care to be heard?

ASSEMBLYMAN FRELINGHUYSEN: Anything else from the public relative to the public hearing? All right, the public hearing is closed, and for those of you who attended just for that purpose, we thank you for coming. Is there anything further we need for the record? That's it. The hearing is officially closed then.

**(HEARING CONCLUDED)**

## **APPENDIX**



Statement Submitted by Frank W. Haines, Jr.

To Assembly Sub Committee on Governmental Operations,  
Public Investments and Finance, of Assembly Appropriations Committee,  
For Public Hearing Record on Assembly Concurrent Resolution  
No. 75, OCR, A Constitutional Amendment to Amend  
Article VIII, Section II, paragraph 4, of the New Jersey Constitution.

Trenton, N.J., February 29, 1988

My name is Frank W. Haines, Jr. I reside in Ewing Township. I am a retired Association Executive who for over thirty-four years was involved with continuous review of governmental finances and close observation of the New Jersey legislative process.

The Amendment being considered at this hearing would increase the constitutional dedication of the motor fuels tax for specified transportation purposes from \$.025 per gallon to \$.07 per gallon and make the dedication permanent.

I am opposed to constitutional dedication (earmarking) of revenues for the principal reason that it reduces the financial discretion of both the Legislature and the Chief Executive. I also dislike statutory dedication, but realize that the statutory approach makes amendments easier if it becomes necessary to meet an emergency situation.

At the meeting of the Assembly Appropriations Committee on February 1, I asked several questions about motor fuels tax revenue dedication and the Transportation Trust Fund, answers to which were prepared for the Committee by the Transportation Department. I hope the information provided will become part of this hearing record since it should increase understanding of the Transportation Trust Fund and its role in financing transportation in New Jersey.

Chapter 460, P.L. 1987, extended funding of the Transportation Trust Fund for fiscal year 1989 and the next six fiscal years. It established the annual State appropriation level for the Fund at \$331 million, placed an annual fund authorization level of the Trust Fund from revenues and other non-federal funds at \$365 million, increased the total debt authorization of the Trust Fund by \$825 million from \$875 million to \$1.7 billion, increased the motor fuels tax from 8¢ to 10.5¢ a gallon, effective July 1, 1988 and required that the equivalent of motor fuels tax revenue from an additional 4.5¢ per gallon be used for funding the State budget appropriation for capital, bringing the total dedication to 7¢ a gallon which under the proposed constitutional amendment would become permanent.

This leads to the observation that the constitutional amendment increasing the dedication, if approved, would take effect December 8, 1988, partway through the fiscal year. From July 1, 1988 through December 7, 1988, the 7¢ dedication is statutory. The dedication by law would continue even if the constitutional amendment were defeated by the voters. There is no reason to clutter the Constitution with dates which will be obsolete at first printing.

Voters should recognize that dedication of the motor fuels tax in New Jersey differs significantly from that used in other states. First, the dedication is solely for capital spending. Second, the amount of the dedication is less than the total yield of the tax. States which dedicate highway user revenues, generally limit spending for all highway and highway-related purposes to the total user tax yield.

None of New Jersey's constitutionally dedicated revenues -- personal income tax, lottery, casino tax, and motor fuels tax, is the sole financing source for all purposes or programs to which it is dedicated. In every case, spending is augmented by appropriations from the General Fund.

In view of the statutory provisions of the Transportation Trust Fund, and the spending amounts proposed in the Governor's Budget for Fiscal Year 1989, I see the interpretive statement accompanying the constitutional amendment as lacking clarity, because it fails to give voters desirable understanding of the implications of the amendment.

For reasons stated herein, I consider increased dedication of motor fuels taxes as set forth in ACR No. 75, OCR, as unnecessary and undesirable fiscal policy.

Response to Assembly Appropriations Committee  
Questions on Dedication of Motor Fuel Taxes

1. Why a 4.5 cent increase in dedication when the fuel tax increase on July 1, 1988 is 2.5 cents?

The revenue equivalent of 4.5 cents in motor fuel taxes (\$178 million) is required by the Trust Fund legislation to support annual appropriations for support of the Authority. Rather than raise the gas tax by 4.5 cents, the Legislature chose to increase the tax by only 2.5 cents and increase the dedication of existing gasoline tax revenues by 2.0 cents.

2. What are the final implications of the dedication-i.e., the estimated dollar amount of the dedication for the next seven years and whether yield from the motor fuel use tax is included.

The estimated dedication of revenues equivalent to 7.0 cents of the Motor Fuel Tax revenues is \$276.5 million per year or \$1.9 billion over the next seven years. Revenues from the Motor Fuel Use Tax are not part of the Motor Fuel Tax dedication. However, increased Motor Fuel Use tax revenues and registration fees resulting from truck tax increases in 1985 were used as justification for an equivalent \$30 million General Fund appropriation to the Trust Fund.

3. How does the 7 cents pledge relate to the primary constitutional pledge of the tax to general obligation debt service for transportation purposes? Does the primary pledge offset limit the 7 cent pledge, and under which circumstances would it effect the capital dedication?

State statutes allow the Treasurer to first use surplus General Fund revenues to retire transportation general obligation debt. As long as there are sufficient General Fund revenues to fund the State's outstanding general obligation bond payments, there is no requirement to specifically use motor fuel taxes for general obligation debt service. Even if such a need did develop, the remaining 3.5 cents of undedicated Motor Fuel Tax revenues is more than enough to pay annual transportation general obligation debt service.

4. What is the relationship of the 7 cents dedication to the 1988 law extending the Transportation Trust Fund and requiring a \$331 million dollar annual General Fund Appropriation to the Trust Fund? Does dedication mandate an increase in the statutory appropriation level?

The equivalent of seven cents of motor fuel tax revenues (currently \$276.5 million) is credited to a special account in the General Fund as well as \$30 million generated from truck fee increases and \$24.5 million in Toll Road Authority contributions. These amounts support the \$331 million appropriation to the Trust Fund. Dedication does not technically mandate an increase in the statutory appropriation of Fund monies to the Trust Fund.

5. Is the 7 cent dedication designed to enhance the credit standing of the Transportation Trust Fund or improve its bonding power? If so, how?

The dedication of revenues is designed primarily to assure the long-term stability required for transportation capital improvement planning and to assure the public that highway user fee increases will be used for transportation purposes. Dedication may strengthen the bond ratings of the Transportation Trust Fund Authority since it indicates the Legislature's and State citizen's support of programs funded by the Authority.

6. How much debt will the Trust Fund create in the next decade and what will it cost to amortize it?

The Trust Fund Legislation limits new debt issuance to \$1.375 billion (.261 billion already issued) in aggregate principle. Although the interest cost of amortizing this debt will vary based on the principal amounts, interest rates and timing of future bond issues, current projections indicate \$500 million in interest charges will be incurred on this new debt.

7. What will be the source of revenue to pay off the debt service of the Transportation Trust Fund?

The planned funding source for retiring Trust Fund debt is the minimum \$331 million annual appropriation consisting of dedicated funds, toll road authority contributions and General Fund revenues.

8. Will the dedicated motor fuel tax be used to pay off the Trust Fund bonds?

The planned retirement of Trust Fund debt includes using dedicated motor fuel taxes.

9. Is the constitutional dedication of motor fuel taxes unique in comparison with other states-i.e. capital vs. overall highway or transportation expenditures?

Approximately 44 of the 50 states have constitutional dedication of motor fuel and/or motor vehicle registration fees for transportation purposes. The most typical arrangement is to dedicate all motor fuel and motor vehicle taxes for all transportation expenditures. New Jersey is somewhat unique in that it dedicates only a portion of the motor fuel tax, dedicates none of the motor vehicle taxes, uses dedication for capital purposes only and funds a large public transportation component.



10. What will happen if the amendment is not enacted? In other words, is it essential to continued highway financing, and why?

Due to the long lead times associated with planning, designing and building transportation improvements, transportation funding must have a high degree of stability over a long time period. Dedication of revenues assures that stability. Without passage of the amendment, the certainty of long term revenue stability is lessened.

11. If the amendment is enacted, will the dollar amount expended for transportation capital be limited to dedication, or will General Fund revenues also be appropriated?

The dollar amount of appropriations will include not only dedicated Motor Fuel Tax revenues but also contributions received from the toll road authorities and \$30 million in General Fund revenues equivalent to those raised by truck fee increases. In addition, there are currently Legislative proposals which might provide additional transportation capital funding through the issue of general obligation debt. If that occurs, it is assumed that General Fund revenues will be made available for the resulting debt service.

12. If the State has already been spending the equivalent of the dedicated 7 cents tax for capital construction purposes, why then is the dedication necessary?

The State has not been spending the equivalent of revenues derived from 7 cents on the Motor Fuel Tax. Before recent enactment of the Trust Fund Renewal legislation, statutes only provided for the appropriation of 2.5 cents in Motor Fuel Taxes to the Transportation Trust Fund.

