

P U B L I C H E A R I N G

before

ASSEMBLY AGRICULTURE AND ENVIRONMENT COMMITTEE

on

ASSEMBLY, NO. 1818

(Natural Resources Bond Issue)

Held:

June 19, 1980

Assembly Chamber

State House

Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman H. Donald Stewart

Assemblywoman Barbara W. McConnell

Assemblyman Raymond Lesniak

Assemblyman John O. Bennett

ALSO:

Norman Miller, Research Associate

Office of Legislative Services

Aide, Assembly Agriculture and Environment Committee

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ASSEMBLY, No. 1818

STATE OF NEW JERSEY

INTRODUCED JUNE 12, 1980

By Assemblyman STEWART

Referred to Committee on Agriculture and Environment

AN Act authorizing the creation of a debt of the State of New Jersey by issuance of bonds of the State in the aggregate principal amount of \$145,000,000.00 for the purposes of State or local projects to plan, test, design, acquire and construct resource recovery facilities, sewage treatment facilities, water supply facilities, dam restoration projects and harbor clean up projects; providing the ways and means to pay the interest of such debt and also to pay and discharge the principal thereof; and providing for the submission of this act to the people at a general election; and providing an appropriation therefor.

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

1 1. This act shall be known and may be cited as the "Natural
2 Resources Bond Act of 1980."

1 2. The Legislature finds and determines that:

2 a. The health, safety, welfare, recreation, commerce and pros-
3 perity of the people of the State depend upon the conservation,
4 development and maintenance of our natural resources.

5 b. The land disposal of waste is wasteful of materials which
6 have been shown to be susceptible to reclamation and recovery and
7 which, when disposed on the land, pose known environmental
8 threats to New Jersey's ground and surface water, now and for
9 years to come.

10 c. The disposal of waste on the land makes land unusable which
11 would be capable of development, were it not used for landfilling
12 purposes.

13 d. If the State is to have a meaningful and responsible role in
14 the solution of solid waste problems in New Jersey and if the
15 goals of recently completed Statewide solid waste planning are to be
16 realized, the State must be ready and able to lead all needed assist-
17 ance through issuance of grants or loans, technical assistance and
18 the actual development of needed resource recovery facilities.

19 e. The construction of sewage treatment facilities will help solve
20 existing water quality problems and will promote proper land use
21 planning procedures and priority should be given to investment
22 in developed areas with existing problems.

23 f. The restoration of New Jersey dams will help assure a con-
24 tinuous water supply service, flood control, and recreation and
25 will protect the life and property of the State's citizens by repair-
26 ing high hazard dams.

27 g. The clean up of our harbors will be a significant aid to navi-
28 gation and commerce and will benefit the economy, general safety
29 and welfare of our citizens and will help revitalize the urban water-
30 front.

31 h. The purveyance of water throughout the State between vary-
32 ing systems will help assure the supply of water to all the State's
33 citizens through such interconnections or other projects as may
34 be necessary.

1 3. As used in this act:

2 a. "Bonds" means the bonds authorized to be issued, or issued
3 under this act;

4 b. "Commission" means the New Jersey Commission on Capital
5 Budgeting and Planning;

6 c. "Commissioner" means the Commissioner of Environmental
7 Protection;

8 d. "Construct" and "construction" mean, in addition to the usual
9 meaning thereof, acts of construction, reconstruction, replacement,
10 extension, improvement and betterment;

11 e. "Cost" means the cost of acquisition or construction of all or
12 any part of a project and of all or any real or personal property,
13 agreements and franchises deemed by the department to be nec-
14 essary or useful and convenient therefor or in connection there-
15 with, including interest or discount on bonds, cost of issuance of
16 bonds, cost of geological and hydrological services, administrative
17 costs, interconnection testing, engineering and inspection costs and
18 legal expenses, costs of financial, professional and other estimates
19 and advice, organization, operating and other expenses prior to
20 and during such acquisition or construction, and all such other
21 expenses as may be necessary or incident to the financing, acquisi-
22 tion, construction and completion of such project or part thereof
23 and the placing of the same in operation, and also such provision
24 for a reserve fund, or reserves for working capital, operating,
25 maintenance or replacement expenses and for payment or security
26 of principal of or interest on bonds during or after such acquisition
27 or construction as the State Comptroller may determine;

28 f. "Dam restoration" means the demolition, reconstruction, re-
29 habilitation, or restoration of structures that impound water for
30 supply purposes, flood control or recreation;

31 g. "Department" means the Department of Environmental Pro-
32 tection;

33 h. "Harbor clean up" means the removal of piers, bulkheads,
34 sunken vessels and other derelict structures adjacent to the water-
35 front that contribute to the source of drift;

36 i. "Project" means any work relating to resource recovery fa-
37 cilities, sewage treatment facilities, water supply facilities, dam
38 restoration projects and harbor clean up projects;

39 j. "Real property" means lands, within or without the State, and
40 improvements thereof or thereon, any and all rights-of-way, water,
41 riparian and other rights, and any and all easements, and priv-
42 ileges in real property, and any right or interest of any kind or
43 description in, relating to or connected with real property;

44 k. "Resource recovery facilities" means the plants, structures,
45 machinery, equipment, real and personal property acquired, con-
46 structed or operated or to be acquired, constructed or operated in
47 whole or in part by or on behalf of a political subdivision or sub-
48 divisions of the State or any agency thereof or the Hackensack
49 Meadowlands Development Commission and other personal prop-
50 erty, and appurtenances necessary or useful and convenient for
51 the collection, separation, removal and reuse of materials in the
52 stream of wastes presently going to landfills, including those ma-
53 terials which are capable of recycling and direct delivery to manu-
54 facturers for use as raw materials as well as the conversion of
55 waste for energy production;

56 l. "Water supply facilities" means and refers to the real prop-
57 erty and the plants, structures, interconnections between existing
58 water supply facilities, machinery and equipment and other prop-
59 erty, real, personal and mixed, acquired, constructed or operated,
60 or to be acquired, constructed or operated in whole or in part by
61 or on behalf of the State, or of a political subdivision of the State
62 or any agency thereof, for the purpose of augmenting the natural
63 water resources of the State and making available an increased
64 supply of water for all uses, and any and all appurtenances neces-
65 sary, useful or convenient for the collecting, impounding, storing,
66 improving, treating, filtering or transmitting of water, and for the
67 preservation and protection of these resources and facilities and
68 providing for the conservation and development of future water
69 supply resources, and facilitating incidental recreational uses
70 thereof;

71 m. "Sewage treatment facilities" means the plants, structures,
 72 real and personal property acquired, constructed or operated or
 73 to be acquired, constructed or operated in whole or in part by or
 74 on behalf of a political subdivision of the State or any agency
 75 thereof including pumping and ventilating stations, sewage treat-
 76 ment systems, plants and works, connections, outfalls, interceptors,
 77 trunk lines, and other personal property, and appurtenances nec-
 78 essary or useful and convenient for the treatment, purification,
 79 disposal or recycling and recovery in a sanitary manner of any
 80 sewage, liquid or solid wastes, night soil, or industrial wastes to
 81 preserve and protect natural water resources and facilities.

1 4. Bonds of the State of New Jersey are authorized to be issued
 2 in the aggregate principal amount of \$145,000,000.00 to meet the
 3 cost of providing State or local projects for resource recovery
 4 facilities, sewage treatment facilities, water supply facilities, dam
 5 restoration projects and harbor clean up projects.

6 a. Of the total moneys available under this act, \$50,000,000.00
 7 is allocated for grants or loans to local governments or the Hack-
 8 ensack Meadowlands Development Commission for designing,
 9 acquiring, and constructing resource recovery facilities. Such
 10 facilities shall be consistent with the plans of the department and
 11 of the respective solid waste management districts prepared pur-
 12 suant to the "Solid Waste Management Act" P. L. 1970, c. 39
 13 (C. 13:15-1 et seq.).

14 b. Of the total moneys available under this act, \$60,000,000.00 is
 15 allocated for matching grants to local governments for planning,
 16 designing, acquiring and constructing sewage treatment facilities.

17 c. Of the total moneys available under this act, \$35,000,000.00
 18 is allocated for the following projects provided, however, that up to
 19 \$4,000,000.00 may be transferred from any of the categories to the
 20 other categories:

21 (1) \$12,000,000.00 to match Federal funds or for State projects
 22 for harbor clean up;

23 (2) \$15,000,000.00 for dam restoration for State projects, for
 24 matching grants to local governments or for emergency repairs
 25 to local or private dams, subject to repayment by the local govern-
 26 ment or private owner;

27 (3) \$8,000,000.00 for State projects and matching grants to local
 28 governments for planning, testing, designing, acquiring, and con-
 29 structing water supply interconnection facilities and for the design
 30 of the Manasquan Reservoir project.

1 5. The commissioner shall issue and promulgate, pursuant to law,
 2 such rules and regulations as are necessary and appropriate to

3 carry out the provisions of this act. The commissioner shall review
4 and consider the findings and recommendations of the commission
5 in the administration of the provisions of this act.

1 6. The bonds shall be serial bonds and known as "Natural Re-
2 sources Bonds" and as to each series, the last annual installment
3 thereof (subject to redemption prior to maturity) shall mature
4 and be paid not later than 35 years from the date of its issuance
5 but may be issued in whole or in part for a shorter term. Said
6 bonds shall be issued from time to time as the issuing officials
7 herein named shall determine.

1 7. The Governor, State Treasurer and Comptroller of the Treas-
2 ury or any two of such officials (hereinafter referred to as "the
3 issuing officials") are hereby authorized to carry out the provisions
4 of this act relating to the issuance of said bonds, and shall deter-
5 mine all matters in connection therewith subject to provisions
6 hereof. In case any of said officials shall be absent from the State
7 or incapable of acting for any reason, his powers and duties shall
8 be exercised and performed by such person as shall be authorized
9 by law to act in his place as a State official.

1 8. Bonds issued in accordance with the provisions of this act
2 shall be a direct obligation of the State of New Jersey and the faith
3 and credit of the State are pledged for the payment of the interest
4 thereon as same shall become due and the payment of the principal
5 at maturity. The principal and interest of such bonds shall be
6 exempt from taxation by the State or by any county, municipality
7 or other taxing district of the State.

1 9. The bonds shall be signed in the name of the State by the
2 Governor or by his facsimile signature, under the Great Seal of
3 the State, and attested by the Secretary of State, or an assistant
4 Secretary of State, and shall be countersigned by the facsimile
5 signature of the Comptroller of the Treasury. Interest coupons
6 attached to said bonds shall be signed by the facsimile signature
7 of the Comptroller of the Treasury. Such bonds may be issued
8 notwithstanding that any of the officials signing them or whose
9 facsimile signatures appear on the bonds or coupons shall cease
10 to hold office at the time of such issue or at the time of the delivery
11 of such bonds to the purchaser.

1 10. a. The bonds shall recite that they are issued for the pur-
2 poses set forth in section 4 of this act and that they are issued in
3 pursuance of this act and that this act was submitted to the people
4 of the State at the general election held in the month of November,
5 1980 and that it received the approval of the majority of votes
6 cast for and against it at such election. Such recital in said bonds

7 shall be conclusive evidence of the authority of the State to issue
8 said bonds and of their validity. Any bonds containing such re-
9 cital shall in any suit, action or proceeding involving their validity
10 be conclusively deemed to be fully authorized by this act and to
11 have been issued, sold, executed and delivered in conformity there-
12 with and with all other provisions of statutes applicable thereto,
13 and shall be incontestable for any cause.

14 b. Such bonds shall be issued in such denominations and in such
15 form or forms, whether coupon or registered as to both principal
16 and interest, and with or without such provisions for interchange-
17 ability thereof, as may be determined by the issuing officials.

1 11. When the bonds are issued from time to time the bonds of
2 each issue shall constitute a separate series to be designated by
3 the issuing officials. Each series of bonds shall bear such rate or
4 rates of interest as may be determined by the issuing officials, which
5 interest shall be payable semiannually; provided, that the first and
6 last interest periods may be longer or shorter, in order that inter-
7 vening semiannual payments may be at convenient dates.

1 12. The bonds shall be issued and sold at such price not less than
2 the par value thereof and accrued interest thereon, and under such
3 terms, conditions and regulations as the issuing officials may pre-
4 scribe, after notice of said sale, published at least once in at least
5 three newspapers published in the State of New Jersey, and at
6 least once in a publication carrying municipal bond notices and
7 devoted primarily to financial news, published in New Jersey or
8 the city of New York, the first notice to be at least 5 days prior to
9 the day of bidding. The said notice of sale may contain a provision
10 to the effect that any or all bids in pursuance thereof may be re-
11 jected. In the event of such rejection or of failure to receive any
12 acceptable bid, the issuing officials, at any time within 60 days
13 from the date of such advertised sale, may sell such bonds at pri-
14 vate sale at such price not less than the par value thereof and
15 accrued interest thereon and under such terms and conditions as
16 the issuing officials may prescribe. The issuing officials may sell
17 all or part of the bonds of any series as issued to any State fund
18 or to the Federal Government or any agency thereof, at private
19 sale, without advertisement.

1 13. Until permanent bonds can be prepared, the issuing officials
2 may, in their discretion, issue in lieu of the permanent bonds tem-
3 porary bonds in such form and with such privileges as to regis-
4 tration and exchange for permanent bonds as may be determined
5 by the issuing officials.

1 14. The proceeds from the sale of the bonds shall be paid to the
2 State Treasurer and be held by him in a separate fund, and be
3 deposited in such depositories as may be selected by him to the
4 credit of the fund, which fund shall be known as the "Natural
5 Resources Fund."

1 15. a. The moneys in said "Natural Resources Fund" are hereby
2 specifically dedicated and shall be applied to the cost of the pur-
3 poses set forth in section 4 of this act, and all such moneys are
4 hereby appropriated for such purposes, and no such moneys shall
5 be expended for such purpose (except as otherwise hereinbelow
6 authorized) without the specific appropriation thereof by the Leg-
7 islature, but bonds may be issued as herein provided notwithstand-
8 ing that the Legislature shall not have then adopted an act making
9 specific appropriation of any of said moneys.

10 b. At any time prior to the issuance and sale of bonds under this
11 act, the State Treasurer is hereby authorized to transfer from any
12 available money in the Treasury of the State to the credit of the
13 "Natural Resources Fund" such sum as he may deem necessary.
14 Said sum so transferred shall be returned to the treasury of this
15 State by the treasurer thereof from the proceeds of the sale of the
16 first issue of bonds.

17 c. Pending their application to the purpose provided in this act,
18 moneys in the "Natural Resources Fund" may be invested and re-
19 invested as other trust funds in the custody of the State Treasurer
20 in the manner provided by law. Net earnings received from the
21 investment or deposit of such fund shall be paid into the General
22 State Fund.

1 16. In case any coupon bonds or coupons thereunto appertaining
2 or any registered bond shall become lost, mutilated or destroyed,
3 a new bond shall be executed and delivered of like tenor, in substi-
4 tution for the lost, mutilated or destroyed bonds or coupons, upon
5 the owner furnishing to the issuing officials evidence satisfactory
6 to them of such loss, mutilation or destruction, proof of ownership
7 and such security and indemnity and reimbursement for expenses
8 as the issuing officials may require.

1 17. Accrued interest received upon the sale of said bonds shall
2 be applied to the discharge of a like amount of interest upon said
3 bonds when due. Any expense incurred by the issuing officials for
4 advertising, engraving, printing, clerical, legal or other services
5 necessary to carry out the duties imposed upon them by the pro-
6 visions of this act shall be paid from the proceeds of the sale of
7 said bonds, by the State Treasurer upon warrant of the Comp-
8 troller of the Treasury, in the same manner as other obligations
9 of the State are paid.

1 18. Bonds of each series issued hereunder shall mature in annual
 2 installments commencing not later than the tenth year and ending
 3 not later than the thirty-fifth year from the date of issue of such
 4 series, and in such amounts as shall be determined by the issuing
 5 officials, and the issuing officials may reserve to the State by ap-
 6 propriate provision in the bonds of any series the power to redeem
 7 all or any of such bonds prior to maturity at such price or prices
 8 and upon such terms and conditions as may be provided in such
 9 bonds.

1 19. The issuing officials may at any time and from time to time
 2 issue refunding bonds for the purpose of refunding in whole or in
 3 part an equal principal amount of the bonds of any series issued
 4 and outstanding hereunder, which by their terms are subject to
 5 redemption prior to maturity, provided such refunding bonds shall
 6 mature at any time or times not later than the latest maturity date
 7 of such series, and the aggregate amount of interest to be paid on
 8 the refunding bonds, plus the premium, if any, to be paid on the
 9 bonds refunded, shall not exceed the aggregate amount of interest
 10 which would be paid on the bonds refunded if such bonds were
 11 not so refunded. Refunding bonds shall constitute direct obliga-
 12 tions of the State of New Jersey, and the faith and credit of the
 13 State are pledged for the payment of the principal thereof and
 14 the interest thereon. The proceeds received from the sale of re-
 15 funding bonds shall be held in trust and applied to the payment of
 16 the bonds refunded thereby. Refunding bonds shall be entitled to
 17 all the benefits of this act and subject to all its limitations except
 18 as to the maturities thereof and to the extent herein otherwise
 19 expressly provided.

1 20. To provide funds to meet the interest and principal payment
 2 requirements for the bonds issued under this act and outstanding,
 3 there is hereby appropriated in the order following:

4 a. Revenue derived from the collection of taxes as provided by
 5 the "Sales and Use Tax Act," P. L. 1966, c. 30 (C. 54:32B-1 et seq.)
 6 as amended and supplemented, or so much thereof as may be re-
 7 quired; and

8 b. If in any year or at any time funds, as hereinabove appro-
 9 priated, necessary to meet interest and principal payments upon
 10 outstanding bonds issued under this act, be insufficient or not avail-
 11 able then and in that case there shall be assessed, levied and col-
 12 lected annually in each of the municipalities of the counties of this
 13 State a tax on real and personal property upon which municipal
 14 taxes are or shall be assessed, levied and collected, sufficient to
 15 meet the interest on all outstanding bonds issued hereunder and

16 on such bonds as it is proposed to issue under this act in the cal-
17 endar year in which such tax is to be raised and for the payment
18 of bonds falling due in the year following the year for which the
19 tax is levied. The tax thus imposed shall be assessed, levied and
20 collected in the same manner and at the same time as other taxes
21 upon real and personal property are assessed, levied and collected.
22 The governing body of each municipality shall cause to be paid to
23 the county treasurer of the county in which such municipality is
24 located, on or before December 15 in each year, the amount of tax
25 herein directed to be assessed and levied, and the county treasurer
26 shall pay the amount of said tax to the State Treasurer on or
27 before December 20 in each year.

28 If on or before December 31 in any year the issuing officials
29 shall determine that there are moneys in the General State Fund
30 beyond the needs of the State, sufficient to meet the principal of
31 bonds falling due and all interest payable in the ensuing calendar
32 year, then and in the event such issuing officials shall by resolution
33 so find and shall file the same in the office of the State Treasurer,
34 whereupon the State Treasurer shall transfer such moneys to a
35 separate fund to be designated by him, and shall pay the principal
36 and interest out of said fund as the same shall become due and
37 payable, and the other sources of payment of said principal and
38 interest provided for in this section shall not then be available,
39 and the receipts for said year from the tax specified in subsection
40 a. of this section shall thereon be considered and treated as part
41 of the General State Fund, available for general purposes.

1 21. Should the State Treasurer, by December 31 of any year,
2 deem it necessary, because of insufficiency of funds to be collected
3 from the sources of revenues as hereinabove provided, to meet the
4 interest and principal payments for the year after the ensuing
5 year, then the treasurer shall certify to the Comptroller of the
6 Treasury the amount necessary to be raised by taxation for such
7 purposes, the same to be assessed, levied and collected for and in
8 the ensuing calendar year. In such case the Comptroller of the
9 Treasury shall, on or before March 1 following, calculate the amount
10 in dollars to be assessed, levied and collected as herein set forth
11 in each county. Such calculation shall be based upon the corrected
12 assessed valuation of such county for the year preceding the year
13 in which such tax is to be assessed, but such tax shall be assessed,
14 levied and collected upon the assessed valuation of the year in which
15 the tax is assessed and levied. The Comptroller of the Treasury
16 shall certify said amount to the county board of taxation and the
17 county treasurer of each county. The said county board of taxa-

tion shall include the proper amount in the current tax levy of the several taxing districts of the county in proportion to the rates as ascertained for the current year.

22. For the purpose of complying with the provisions of the State Constitution this act shall, at the general election to be held in the month of November, 1980 be submitted to the people. In order to inform the people of the contents of this act it shall be the duty of the Secretary of State, after this section shall take effect, and at least 15 days prior to the said election, to cause this act to be published in at least 10 newspapers published in the State and to notify the clerk of each county of this State of the passage of this act, and the said clerks respectively, in accordance with the instructions of the Secretary of State, shall cause to be printed on each of the said ballots, the following:

If you approve the act entitled below, make a cross (X), plus (+), or check (✓) mark in the square opposite the word "Yes."

If you disapprove the act entitled below, make a cross (X), plus (+), or check (✓) mark in the square opposite the word "No."

If voting machines are used, a vote of "Yes" or "No" shall be equivalent to such markings respectively.

	Yes.	<p>NATURAL RESOURCES BOND ISSUE</p> <p>Should the "Natural Resources Bond Act of 1980" which authorizes the State to issue bonds in the amount of \$145,000,000.00 for the purposes of testing, designing, acquiring, planning, and constructing resource recovery facilities, sewage treatment facilities, water supply facilities, dam restoration projects, and harbor clean up projects, providing the ways and means to pay the interest of such debt and also to pay and discharge the principal thereof, be approved?</p>
	No.	<p>INTERPRETIVE STATEMENT</p> <p>Approval of this act would authorize the sale of \$145,000,000.00 in bonds to be used for the development and construction of resource recover facilities, sewage treatment facilities, water supply facilities, dam restoration projects, and harbor clean up projects. Several of these items are intended to convert waste products into useful materials, including metals, glass, paper, water, steam, and other energy resources or raw materials.</p>

The fact and date of the approval or passage of this act, as the case may be, may be inserted in the appropriate place after the title in said ballot. No other requirements of law of any kind or

21 character as to notice or procedure except as herein provided need
22 be adhered to.

23 The said votes so cast for and against the approval of this act,
24 by ballot or voting machine, shall be counted and the result thereof
25 returned by the election officer, and a canvass of such election had
26 in the same manner as is provided for by law in the case of the
27 election of a Governor, and the approval or disapproval of this act
28 so determined shall be declared in the same manner as the result
29 of an election for a Governor, and if there shall be a majority of
30 all the votes cast for and against it at such election in favor of
31 the approval of this act, then all the provisions of this act not made
32 effective theretofore shall take effect forthwith.

1 23. There is appropriated the sum of \$5,000.00 to the Depart-
2 ment of State for expenses in connection with the publication of
3 notice pursuant to section 22.

1 24. The commissioner shall submit to the State Treasurer and
2 the commission with the department's annual budget request a
3 plan for the expenditure of funds from the "Natural Resources
4 Fund" for the upcoming fiscal year. This plan shall include the
5 following information: a performance evaluation of the expendi-
6 tures made from the fund to date; a description of programs
7 planned during the upcoming fiscal year; a copy of the regulations
8 in force governing the operation of programs that are financed,
9 in part or whole, by funds from the "Natural Resources Fund";
10 and an estimate of expenditures for the upcoming fiscal year.

1 25. Immediately following the submission to the Legislature of
2 the Governor's Annual Budget Message the commissioner shall
3 submit to the special joint legislative committee created pursuant
4 to Assembly Concurrent Resolution No. 66 of the 1968 Legislature,
5 as reconstituted and continued by the Legislature from time to
6 time, a copy of the plan called for under section 24 of this act,
7 together with such changes therein as may have been required by
8 the Governor's budget message.

1 26. Not less than 30 days prior to the commissioner entering
2 into any contract, lease, obligation, or agreement to effectuate the
3 purposes of this act, the commissioner shall report to and consult
4 with the special joint legislative committee created pursuant to
5 Assembly Concurrent Resolution No. 66 of the 1968 Legislature
6 as reconstituted and continued from time to time by the Legislature.

1 27. This section and sections 22 and 23 shall take effect immedi-
2 ately and the remainder of the act shall take effect as and when
3 provided in section 22.

STATEMENT

This bill authorizes the creation of a debt of the State of New Jersey of \$145,000,000.00, of which \$50,000,000.00 is allocated for grants or loans to local governments for resource recovery facilities, \$60,000,000.00 is allocated for matching grants to local governments for sewage treatment facilities and \$35,000,000.00 is allocated for State projects or for matching grants to local governments for water supply facilities, dam restoration projects and harbor clean up projects.

ASSEMBLYMAN H. DONALD STEWART (Chairman): Good afternoon. This is a public hearing of the Assembly Agriculture and Environment Committee to discuss Assembly Bill 1818, which is the Natural Resources Bond Act of 1980.

Our first witness will be the Commissioner of the Department of Environmental Protection, Jerry English.

J E R R Y F I T Z G E R A L D E N G L I S H: Thank you, Mr. Chairman.

At the conclusion of my testimony, I would like, with your permission, Mr. Chairman, to have members of my department who have the line responsibility for many of the items we are talking about to stay in the chamber and respond to any questions that you might have.

I would like to introduce Deputy Commissioner Betty Wilson, Assistant Commissioner for Environmental Management Paul Arbesman, and Assistant Commissioner for Natural Resources Donald Graham. They will be available to answer questions in detail that the Committee may have.

I have been before you, as you recall, earlier about the overall needs from the capital point of view in my initial meeting with your Committee. I did show you all of the beautiful pictures that have already been the subject matter of long deliberation, not only by the Capital Needs and Planning Commission, but that have been the subject of debate and discussion in my department and in the Legislature for many years. You will recall at the time that I initially talked with you, we outlined some \$700 million in needs. Those needs, I hasten to assure you, remain; and then one has to resort to the art form, if you will, of what is the proper size of capital indebtedness that a Triple A state takes, number one, to the voters, and, thereafter, to the bond market for sale.

The time that elapsed between October and the time this present bill before you was written and the deliberations of the Capital Needs and Budget Committee have resulted in the following: a single bond issue with diverse parts, the legality of which has been reviewed by the Attorney General's Office - and I will give you that opinion letter - indicating that natural resources may be brought together on a single question to the people. In terms of dollars, the overall amount is \$145 million, consisting of the following: \$60 million for sewerage grants; \$50 million for resource recovery grants and/or loans; and \$35 million for water resources, including dam construction grants, harbor clean-up, water supply systems interconnections, and reservoir design.

All the members of the Committee will have a copy of my statement that you can refer to as we go along.

In any event, the request was developed through careful capital planning within the department. It was then presented to the Commission on Capital Budgeting and Planning where it was subjected to a thorough and critical review. The Commission, in accordance with its charter, carefully reviewed each project and weighed the priorities in light of the current economic picture. After an intensive review, the final recommendation emerged which we think will maintain New Jersey's Triple A bond rating and New Jersey's concerns for these important matters.

The most pressing capital need of the department is in the area of resource recovery. What are we doing about our dumps? Are they eyesores or potential assets? New Jersey, as I said before, has only a four-year supply of remaining landfill capacity. After that, there is no more room. If there were room for additional landfills, we would not wish to use them because of their effect upon our groundwater. I do not have to tell you again about the effects of leachate from landfills on the groundwater of New Jersey, the source of more than 50 percent of our water supply. In the past

year, there have been numerous examples of leachate poisoning supplies of groundwater.

The crux of the problem in initiating resource recovery in New Jersey is the disparity between the \$4 tipping fee now charged at landfills and the \$18 tipping fee necessary to operate a successful resource facility.

The State Legislature recognized New Jersey's growing solid waste disposal problem as early as 1975. The response was Public Law 1975, Chapter 326, requiring that each county submit a solid waste management plan that made maximum use of resource recovery facilities. These plans have been completed and it is now up to us in the department to supply the agenda action.

Resource recovery facilities, while relatively new to this country, are in common use throughout Western Europe. Europeans faced the problems of limited disposal areas long before we did and developed resource recovery technology. This technology is available and is operating successfully in many parts of our country.

You will recall that I showed you one slide of the plant at Saugus, Massachusetts, which produces steam from garbage and sells it to a local general electric facility. There are several plants, notably one in Assemblyman Lesniak's District, where such a plan is being actively considered by the private sector. The technology is of the water-wall type with ferrous metal separation. This technology eliminates over 80 percent of the waste.

Bond legislation has been introduced to encourage private sector involvement in the development and operation of resource recovery plants.

The \$50 million provided by this bond issue will enable us to establish an ongoing program and enable the counties to address the resource recovery problem. The bond issue, if approved, will enable us to begin implementation of some solid waste plans and will provide some assistance in overcoming the tipping fee disparity.

The largest public works item currently in the State of New Jersey is the sewerage construction grants program. The bond issue provides a 4-year, \$60 million program for wastewater facility design and construction. I have tried to train my department not to call it that, but to call it sewers, so that we have a common frame of reference. These funds will be used to continue our local grants program. Under our grant program, the State supplies an 8 percent portion of the local 25 percent match for the 75 percent federal match. This program is of long standing dating back to the passage of the 1969 Water Conservation Bond Issue and continued by the 1976 Clean Waters Bond Issue, a trend that we think should be continued in this State. Over \$1.5 billion has been put into New Jersey's economy through this program and the projection for the next five years would at least equal that. Today we are beginning to see the results of this program with cleaner rivers, cleaner bays, and the reopening of previously condemned shellfish beds, which is very important, we think, when you are taking a bond issue to the public. People should see the results of their indebtedness.

Water resources are, of course, the source of life. This section of the proposed bond issue provides \$35 million for harbor cleanup, dam reconstruction, water supply system interconnections, and reservoir design. The breakdown between that, as you will recall, is \$12 million for harbor cleanup, \$15 million for dam reconstruction, and \$8 million for interconnections and reservoirs. To provide flexibility among these programs, according to the bill, any one program may be increased by up to \$4 million, provided the others are decreased accordingly. And that often makes sense when we are trying to deal with matches on the federal level that go through an appropriation process in the Congress as well. So those that

are ready to go and operate, we hope to be on line with.

The harbor cleanup funds will enable us to complete the harbor cleanup in the New York-New Jersey harbor area and allow us finally to do work in Camden and South Jersey. The Department's harbor cleanup program, as you will recall, began at Liberty State Park in 1976. In 1977, the voters approved a \$10 million Beaches and Harbors Bond Fund for harbor cleanup for the expansion of this program. Each dollar of Harbor Cleanup Funds is used to match two federal dollars from the United States Army Corps of Engineers New York harbor collection and removal of drift project. The \$10 million provided under the 1977 Beaches and Harbors Bond Act was intended to start the program in the Hudson River area. Many of you who are following, as we all are, the federal budget process at the present time, know that the Army Corps of Engineers has frozen its funds for its projects. But we expect this freeze to be removed early in the fall and we should have the first projects advertised during the fiscal year 1981.

In order to complete the work in the New York area and to provide aid to the City of Camden, \$12 million in new bond funding is needed. Ten million of this will be used to complete the New York Harbor cleanup and \$2 million will be allotted for work in South Jersey.

The benefits of harbor cleanup include what really is, I suppose, obvious. Once you see Liberty State Park, you see almost a classical miracle of what these kinds of funds can be used for. They create a magnet for rebuilding and sustaining our most valuable resources in the waterfront. The benefits include improvement of waterfront property values, reduction of damage to vessels, reduction of fire hazards, improvements in air and water pollution, elimination of hazards to life and health, and improvement in the general appearance of the waterfront. This is a targeted program and the primary beneficiaries of harbor cleanup are New Jersey's urban areas.

Dam reconstruction - I showed you the pictures of the Army Corps' project, which has been an examination of dams throughout this State. The \$15 million for dam reconstruction will fund a two-year program of grants for the repair of dams. The U. S. Army Corps of Engineers has undertaken a program to inspect the safety of New Jersey's dams. Some of these are classified as high or significant hazard dams. By definition, these have the potential to cause loss of life or major property damage should failure occur. The Army Corps of Engineers has identified many dams in need of modification or major reconstruction. The funds proposed will enable our State to begin to address this serious problem. I say "begin" because this is a project that unhappily has not gone forward with the type of planning in the past that it should have in the future. This would put that type of program finally in place. You will recall that until we put such a program in place, we are faced with three alternatives: have the owner repair the dam, repair the dam ourselves, or drain the lake.

The third alternative is undesirable. The possible consequences of having a lake drained are, as follows: the loss of a municipal water supply; increased flooding problems for communities immediately downstream from the lakes because of the loss of flood storage; loss of recreation uses such as swimming, boating and fishing; decreased property values of the homes adjacent to the lake; and esthetically unpleasant views of the lake bottom.

Under this program the State will provide grants to municipalities for the repair of dams. Grants will be limited to \$1 million per project. No grant will be made for dams which are part of a system generating a revenue stream.

We have had several instances in the past few days which point to the

need for modern water interconnections. That is the next part of this bond issue that I want to address. The \$8 million of the bond issue which will provide a one-year program for interconnections between water supply systems and for design of reservoirs will be allocated for the following projects:

A major testing program to determine the adequacy of interconnections will be initiated. Approximately 80 interconnections will be tested and analyzed. When testing is completed, a construction and rehabilitation program will begin. There has been handed to the Committee a draft of what one of the projects would be comprised, which is called the Great Notch Interconnection. When constructed, this interconnection and pumping station will enable us to transfer water among areas served by the North Jersey District Water Supply Commission, the Passaic Valley Water Commission, the Newark Water Department, and the Jersey City Water Department.

In the 1976 Clean Waters Bond Act, some funding (\$2.83 million) was provided for design of the Manasquan Reservoir. This bond fund will provide sufficient funds to complete this design.

In summary, I urge this Committee to act favorably on this legislation. Again, it is a matter that does not come to you as a surprise. I have already been before the Committee to discuss with you in depth our long-term needs in this State. The \$700 million in projects, I repeat, has not gone away. Nonetheless, our interim water supply master plan, for example, identified considerable additional needs for construction of new reservoirs and rehabilitation of aging water supply systems. It is our plan to return to the Capital Commission and seek additional funding for the water supply program and for other programs next year. I am certain that the Committee appreciates that the capital needs as addressed to this Committee and to the Capital Needs Commission are part of a dynamic process. It is one that is ongoing, that is refined as needs come to our combined attention; and, hopefully, will help to put in place that code term "infrastructure," which is an art form in government, but it really is the basic life-sustaining earth works that we depend upon in the State, I think, to insure that we have a dynamic society, that this is an exciting place in which to live, that we have dependable municipal services in water and sewerage, that we have a water supply system and quantity supply system that is in place, and that we continue to have a harbor and riverland potential second to none.

I thank the Committee for permitting me to be here.

ASSEMBLYMAN STEWART: Commissioner, I realize you have other commitments. Is there one particular member of your department that you would like to come up and try and answer some questions?

COMMISSIONER ENGLISH: Deputy Commissioner Wilson will be glad to answer any questions that the Committee may have. If there are further questions that any member of the Committee or the Assembly has, we, of course, will supply those answers in writing.

ASSEMBLYMAN STEWART: Thank you.

Earlier in the year, when we discussed this, there were seven hundred fifty million dollars worth of environmental problems, at least, facing the State. We have pared that down to a \$145 million bond issue. We have had, even in our own Committee, several other proposals for bond issues for navigable waters, bond issues for riverfront, sea-wall construction, and some other things. I wonder if you could give us a little input as to how you pared this list down. I guess you would have liked to have submitted a \$753 million bond issue.

MS. WILSON: Yes, we would and the fact of our having pared it down to \$145 million does not change our assessment of what the needs are. We were, however,

required to participate in the process of paring down. We did so and the product you have before you represents a small start for a continuation of most of the essential programs that we identified. It will be, for example, in the case of the resource recovery, a much scaled down version. We originally asked for \$300 million. We are asking now for fifty. It is a much scaled down version. We have agreed to this so that we will at least have a start on a larger program. We want everybody to understand that we will be back.

There are much greater needs in the area of water supply, for example, for construction of reservoirs, and we will have to be back. We will have to be back maybe as soon as next year.

In some cases, we have pared down requests from a 5-year program to a 3-year program. That is relatively easy. But in those two areas the paring back was so great that if we are to fulfill our responsibilities, we will have to return to the Legislature for continued funding within the next one or two years.

One area was left out entirely, and that was the loans to urban areas for renovating deteriorating water supply systems. We are at this time investigating the possibility that perhaps the Economic Development Authority can be helpful on that particular need.

ASSEMBLYWOMAN MC CONNELL: Commissioner Wilson, can you tell me how many resource recovery plants your department plans to build with this \$50 million that you have earmarked?

MS. WILSON: We don't intend to build any. These will be grants. What we have in mind, although the bill you have before you does not establish a percentage --- what we had in mind was grants up to 20 percent. Our regulations will probably express that in some way - 20 percent grants for planning and design.

ASSEMBLYWOMAN MC CONNELL: What is the percentage that the federal government will supply for these grants?

MS. WILSON: Let me refer you to Assistant Commissioner Arbesman.

MR. ARBESMAN: There is no established federal program at this time.

ASSEMBLYWOMAN MC CONNELL: Do you anticipate that? Has legislation been introduced at the federal level?

MR. ARBESMAN: There are bills in at the federal level for supports of quick tax write-offs, but no large grant-in-aid bills at this point in time. Our initial proposal to the Capital Planning Commission was a 50 percent matching grant to the counties to help offset the cost of the resource recovery projects and also to reduce the tipping fee for the garbage. That has been pared down now, as Commissioner Wilson indicated, to the 20 percent matching grant because of the smaller pot of money to at least reach several projects with seed money to start the process going forward.

ASSEMBLYWOMAN MC CONNELL: You have \$50 million that you have allocated or earmarked for resource recovery plants under this bond issue. Do you think that will be sufficient money to allow our municipalities to comply with the Solid Waste Management Act?

MS. WILSON: It depends on the local ability to get together the other 80 percent. These are not cheap. Design and construction could run \$50 million for one plant - probably more than that - \$100 million for one plant. So, there are going to be substantial load costs.

ASSEMBLYWOMAN MC CONNELL: Commissioner English indicated that the private sector would be brought in as a partnership in the creation of these resource

recovery plants. Could you explain how that will work?

MR. ARBESMAN: The concept is to have the counties, through the contracting procedures --- and we have checked with the Treasurer on this and he thinks appropriate arrangements can be made where counties would use the money and grants from the State to help offset the costs that they would have to pay out then to a private entrepreneur to come in and build a resource recovery facility. In essence, it would be an asset or assistance to, as I said, lower the tipping charge that will ultimately be charged to pay for the operation of the facility and to amortize the capital investment. That is the way it would work. The county would take that money from the State and turn around and develop a request for a proposal, have competitive bids, select a contractor and start the construction process.

ASSEMBLYWOMAN MC CONNELL: So you envision a federal, state, county, municipal and private-sector involvement?

MR. ARBESMAN: We would like the federal partnership to be there. We don't have a federal partner as yet in solid waste.

ASSEMBLYWOMAN MC CONNELL: Are you working on that?

MR. ARBESMAN: Yes.

ASSEMBLYWOMAN MC CONNELL: You are working with our Senators on that?

MR. ARBESMAN: Yes.

ASSEMBLYWOMAN MC CONNELL: Okay. I would like to move along now and ask you about the money that has been allocated for dam repair. How many dams has your department identified as being in need of repair, Commissioner Wilson?

MS. WILSON: We have a hundred just in the high-hazard category.

ASSEMBLYWOMAN MC CONNELL: And there could be others?

MS. WILSON: There are others, but they are not in the high-hazard area. For all intents and purposes, the reports are all in. It is in the neighborhood of one hundred in the high-hazard area.

ASSEMBLYWOMAN MC CONNELL: So they have all been identified and you will use this money to take care of the high-hazard ones.

MR. ARBESMAN: All the dams have been identified and the reports are in for the ones that have thus far been inspected. We still have about two-thirds of the dams to inspect in the State of New Jersey. So we have a long way to go. That is why Commissioner English indicated that this is just the first step in trying to attack those problems that we have already identified from the inspection program.

ASSEMBLYWOMAN MC CONNELL: To move on to another topic, the bounty system, which we have all heard so much about. Could you tell me what the status of the bounty program is under your department; and has legislation been introduced to get this off the ground? I would like to know first what the status is? Has legislation been introduced? And, exactly, what is the bounty program?

MS. WILSON: The Department of Environmental Protection and the Department of Energy signed a memorandum of agreement and we have a joint project underway. We have a rather large citizen task force that has worked over a period of about six months to put together a draft proposal, which is currently in circulation and will be out for public comment. They will be recommending a broad approach to recycling, which will include something which we call the bounty program. As you might expect, it is not quite as simple as it was originally conceived to be; but it would be a system of reusing recycled resources. The proposed legislation is part of that package. When they have gone through the public process, then the

two departments will be submitting them through the Counsel's Office for introduction. It will probably be in the fall.

ASSEMBLYWOMAN MC CONNELL: You have not done that yet.

MS. WILSON: No.

ASSEMBLYWOMAN MC CONNELL: Lake Hopatcong in Morris County - you are familiar with the problems of that particular lake. Will there be any grants or moneys available under this bond issue for dealing with any of the problems of Lake Hopatcong?

MS. WILSON: This bond issue does not have anything in it to deal with the clean lakes program or for dredging or for weed control. That funding will have to come from other sources.

ASSEMBLYWOMAN MC CONNELL: Do you have an existing program that could help?

MS. WILSON: There is a small federal program, the clean lakes program. We have a small dredging program that has never been enough.

ASSEMBLYWOMAN MC CONNELL: I am going to ask you one more question about recycling. We hear a lot about that and I know that your department is very committed to an efficient recycling program. But I am concerned about what we are doing within our own State agencies and institutions. Do we have a program that requires recycling among our State agencies and institutions? We seem to want to get such a program off the ground and to impose it upon municipalities and individuals, but I wonder what we are doing within our own State government to encourage that.

MS. WILSON: I wish I could tell you that we are setting the example. And I am embarrassed ---

ASSEMBLYWOMAN MC CONNELL: How are we doing that?

MS. WILSON: I wish I could tell you we are, but we, in fact, are not. I am embarrassed to tell you that several efforts over the last few years to institute such a commonsense approach have failed for reasons of bureaucratic entanglement - what we commonly refer to as red tape, I guess. We do have another proposal which we hope to be able to implement this year that will begin to recycle the enormous volume of paper that is generated in State agencies. At this time, we do not have one.

ASSEMBLYWOMAN MC CONNELL: --- and in our State institutions. I would like to just make the suggestion that I think we should set an example by doing that.

MS. WILSON: You are right.

ASSEMBLYWOMAN MC CONNELL: Thank you.

ASSEMBLYMAN LESNIAK: Getting back to resource recovery for a second, the \$50 million, is that exclusively for grants to counties for planning and design?

MS. WILSON: Yes.

MR. ARBESMAN: Construction too.

MS. WILSON: Excuse me. Construction also.

ASSEMBLYMAN LESNIAK: Design and construction. The way the extra amount of tipping fee would be offset would be through the lesser cost for amortization of the construction, planning and design. You actually are not going to subsidize the tipping fee. Do you have any specific proposals as far as the \$50 million?

MS. WILSON: Do you mean, which counties are going to get the money?

ASSEMBLYMAN LESNIAK: Yes.

MR. ARBESMAN: There should have been a package submitted to the Legislature -- a map identifying from the county plans that have thus far been submitted, the first 15 large-scale resource recovery projects throughout the State that would

be eligible for a form of capital grants from the State of New Jersey under this bond issue. It would depend on, one, construction readiness; two, how quickly the service agreements can be arranged; and, three, how quickly each county can get its act together to go forward with the program.

ASSEMBLYMAN LESNIAK: There are fifteen proposals?

MR. ARBESMAN: Those proposals total up to between \$1.2 and \$1.5 billion.

ASSEMBLYMAN LESNIAK: \$1.2 to \$1.5 million?

MR. ARBESMAN: Billion.

ASSEMBLYMAN LESNIAK: So you will be able to subsidize those programs, but those are the only ones you would be able to subsidize to the extent of 50 percent. We are not locking you into the 20 percent by this proposal?

MS. WILSON: The bill that was introduced does not have the 20 percent limit.

MR. ARBESMAN: The Capital Planning and Budget Commission, however, did recommend 20 percent matching grants because of the low level of money approved for this first go-around in the capital bond program.

ASSEMBLYMAN LESNIAK: But this bond proposal doesn't have that provision in it. Has there been legislation introduced regarding this?

MR. ARBESMAN: Yes, and it does not have the 20 percent.

ASSEMBLYMAN LESNIAK: One other question on that harbor cleanup: There has only been \$5 million of the \$10 million of the original bond issue appropriated by the Legislature. Is that because of the freeze of the funds?

MS. WILSON: Not exactly. The Corps of Engineers has not moved as quickly as we would like. But part of the problem stems from the legal snafu over the wording of the contract. We think we have that resolved now. I hope we will have it resolved within the next month or so, so that we can get those appropriations flowing again. We are also led to believe that the Corps of Engineers' appropriations will be freed up in Washington if they have not been already. So, the flow of funds from Washington will be resumed.

ASSEMBLYMAN LESNIAK: Have we drawn down the \$10 million? We have appropriated \$5 million of the \$10 million bond issue.

MS. WILSON: Have we drawn down all the federal money yet?

ASSEMBLYMAN LESNIAK: Have we drawn down the federal money?

MS. WILSON: No, not all of it. The contracts are not yet finished.

ASSEMBLYMAN LESNIAK: Have we contracted to spend the \$15 million?

MS. WILSON: We have either contracted or have earmarked projects, but the projects are not all complete. We don't have contracts on every project that has been identified.

ASSEMBLYMAN LESNIAK: We have earmarked projects for the entire amount?

MS. WILSON: That's correct. We have not completed the harbor cleanup, but we expect to have everything under contract by early next year. We would have had it under contract this year, except for some of these legal problems that we have run into.

ASSEMBLYMAN LESNIAK: So you will be needing another \$5 million appropriation from the other bond issue.

MS. WILSON: That is correct. One of the beauties of this project, if I may digress for a moment, is that we do not expect to come back to you and ask for any more money for harbor cleanup ever if everybody keeps his agreement under the contracts that have been signed. This is a one time only, one-shot deal. Any structure that is left remaining is subject to maintenance by its owner. The

State would have recourse to go back to that owner and recover costs for any deterioration that subsequently became source of drift in the harbor.

ASSEMBLYMAN LESNIAK: Thank you.

ASSEMBLYMAN BENNETT: I have a couple of questions. The 15 proposals for the resource recovery facilities, they have already been submitted to us you said?

MS. WILSON: There was a packet submitted to your staff. I do not know whether you have copies of it or not, but we certainly can provide it if you do not have it or if it was omitted in some way.

ASSEMBLYMAN BENNETT: Of those 15 proposals, the total amount of money that would be needed to meet them would be \$1.2 to \$1.5 billion?

MS. WILSON: That is correct.

ASSEMBLYMAN BENNETT: The moneys available from this bond issue would, in fact, be \$50 million?

MS. WILSON: That is right.

ASSEMBLYMAN BENNETT: Are the 15 categorized in any priorities?

MS. WILSON: The \$50 million?

ASSEMBLYMAN BENNETT: No. The 15 that are presently before the department - have they been categorized in any priority?

MR. ARBESMAN: There was no real priority. There was an attempt to look at projects based on where the landfills would run out first. They were grouped accordingly from one to fifteen, based on that criterion alone, where resource recovery would have to come in to take over when the landfills are depleted. But, as I said, it would depend on the construction readiness of the project and the ability to put a project together that would probably result in the project receiving funds under the grant proposal.

ASSEMBLYMAN BENNETT: The only thing I am trying to clear up, at least in my own mind, is that we may in fact in this bond issue have only approximately one-third of the moneys required to do what has already been presented to the department. Is that part of it correct? And I am trying to ascertain how you would determine which one-third of the total projects submitted, in fact, would be the ones that will be in line for the moneys?

MR. ARBESMAN: That was determined basically through extensive discussions with the Capital Budgeting Commission, looking at the needs in each particular area and deciding which programs on a priority basis should move forward. What that boiled down to was the sewer program where with \$60 million proposed for grants, we have guarantees of almost \$1 billion in federal money available to commit. That program is going to go forward in the next five years. You have already committed \$1.5 billion. So there is a need there with some urgency to fill the pot up again on the State's side to provide those matching funds.

ASSEMBLYMAN BENNETT: I haven't gotten into the sewerage treatment facilities. Perhaps since I am new that is why I am going a little slower here. I am trying to ascertain, if in fact the voters of the State pass the bond issue, do we have indications where the \$50 million is going to go, other than a list that needs \$1.5 billion to take care of?

MR. ARBESMAN: No, you do not. You have those 15 projects which would all be eligible along with other county projects to come in before the department and ask for money.

ASSEMBLYMAN BENNETT: But none of those individual projects could be assured that they, in fact, would be receiving this money? It would be an unknown factor

at this point?

MR. ARBESMAN: That is correct.

ASSEMBLYMAN BENNETT: When would it be known?

MR. ARBESMAN: Subsequent to the bond issue passage, as we did with the Emergency Flood Bond Act, we would go through a public process of developing the regulations to commit the money, set forth the criteria for counties to receive moneys to be eligible for the grants, award the grants on that basis, and go to the Legislature for an Appropriation Bill to appropriate funds from the Bond Act.

ASSEMBLYMAN BENNETT: And on the \$60 million ---

MS. WILSON: Assemblyman, if I could just add to that, that is the point, when you have the Appropriation Bill, that you will have your list of projects.

ASSEMBLYMAN BENNETT: When you come back, as you did in the transportation ----

MS. WILSON: You get a second shot, exactly.

ASSEMBLYMAN BENNETT: But I believe in the transportation one we had some assurances of certain things that were, in fact, going to be accomplished by the Department of Transportation at that time in the proposed bond issue. And here I am told, if I understand it correctly, that 15 projects can have hope whereas today they have no hope and, after the bond issue, some of them will and some of them will not; but at least this will give all 15 the hope that they may get something.

MS. WILSON: That is correct.

ASSEMBLYMAN BENNETT: The \$60 million in matching grants, do we know where that \$60 million will go, together with the moneys from the federal government?

MR. ARBESMAN: Yes, we have, as required under the federal program, established a sewer priority list, which based on pollution loadings identifies those projects that need to go forward first. And we go down that list on a priority basis.

ASSEMBLYMAN BENNETT: Fine, that clears up that one.

The 12 million for the harbor cleanup - I believe the Commissioner said that there had been \$10 million in the 1976 Beaches and Harbor Program. Assemblyman Lesniak stated there was \$5 million remaining there and you pointed out why. In order to complete the Liberty State Park project, the harbor aspect of it, is it \$15 million that would be required then, the \$5 million still left over and an additional \$10 million?

MS. WILSON: It is not just for Liberty Park. The Liberty Park project has a relatively small amount remaining to be done, with one contract left. But this \$10 million that we received from the Beaches and Harbor Act and this \$12 million will complete the New York-New Jersey Harbor, which includes the Hudson River reach, the Passaic River reach, the Hackensack reach and the Raritan reach and will allow us \$2 million to do certain cleanup in the Camden area of the Delaware River. That will complete the whole project in the State.

ASSEMBLYMAN BENNETT: The hundred dams in the high-hazard category, will the \$15 million do the emergency repairs to them and take them off that list?

MS. WILSON: Not to all hundred, no.

ASSEMBLYMAN BENNETT: Do we have a priority list of that?

MS. WILSON: No. I will let Paul talk to you about the dams.

MR. ARBESMAN: We would develop with the dams the same priority scheme we did with the Emergency Flood Bond Act that was passed last year, and that would be to categorize them - we already have inspection reports - put forth the criteria, put the dams on a priority list like we have done with sewer projects, and then go

forward with projects to take care of the emergency problems. Again, the hundred or so dam projects all have hope whereas today they have no hope, as you characterized it before.

MS. WILSON: I would like to just remind all of you that we acknowledge that the \$145 million is only a start on every one of these programs, with the exception of the construction grant program for sewerage treatment plants, and that there is a certain risk in only putting up a small amount of money where you know you have a big problem. But the choice we were faced with was to do that or to do nothing. We felt we had to take that risk.

ASSEMBLYMAN BENNETT: I have no other questions at this point.

ASSEMBLYMAN STEWART: Fine. Thank you very much.

Our next witness is Assemblyman Walter Kern from District 40.

A S S E M B L Y M A N W A L T E R M. D. K E R N, J R.: I appreciate the opportunity to testify in favor of state participation in the funding of local, county and regional resource recovery projects. Parenthetically, I am a co-sponsor of Assembly Bill 1818, which is being discussed today.

It is becoming more and more clear that developing technology has produced a situation where competent resource recovery/energy conversion at a potentially feasible economic cost may be currently available.

The reason, however, that many public agencies, especially on the local and county levels, are reluctant to move on with construction, is the high capital cost involved.

The energy potential inherent in plain ordinary garbage is staggering.

The average ton of municipal garbage contains about 40 percent more gross heat content than a barrel of crude oil.

Assuming that there are customers (public or private) available for the products generated (recoverable iron and steel, aluminum, paper, glass, steam, electricity, building insulation and other energy products), substantial amounts of federal and/or state aid for capital funding would convert New Jersey's enormous supply of municipal garbage into a cost effective, energy productive asset.

I pointed out back in February that the time had come for the Legislature to open up a public dialogue on the subject of resource recovery planning and funding.

At that time, I introduced three legislative bills which I would recommend to your attention now:

The first bill is a Joint Resolution which calls upon the New Jersey Department of Environmental Protection to prepare a reasonable preliminary master plan to convert the existing solid waste collection and disposal system in New Jersey to a system based to a reasonable degree on competent resource recovery and energy conversion. The master plan would make proposals regarding existing governmental units with respect to regional, county and local resource recovery systems.

The second bill is a concurrent resolution memorializing Congress to appropriate funds for capital costs for regional, county and local resource recovery/energy conversion systems. .

The third bill authorizes a bond issue to raise state matching funds for these projects. The amount of the bond issue anticipated by the legislation is \$100 million, which would be 20 percent of a \$500 million federal/state/local program for New Jersey.

This program would be much like the bond issue which was adopted and approved by New Jersey voters about 10 years ago for the state's share of the cost of construction

of primary and secondary sewerage treatment facilities in that it anticipates the federal contribution to be very substantial.

It was my hope earlier this year that the Congress would appropriate large sums of money for resource recovery from the legislation which levied the windfall profits tax on the big oil companies.

I specifically stated at that time, however, that I would be willing to amend the bond legislation to provide for a state contribution of 50 to 75 percent in the event no federal aid for capital costs was forthcoming.

I envisioned that 50 to 75 percent would mean a state contribution of between \$250 million and \$375 million of the total \$500 million program.

Now, the Department of Environmental Protection has prepared legislation for a bond issue which would provide funding of \$50 million for 20 percent matching grants.

For the record, I commend the DEP leadership and the sponsors of this legislation for their interest in resolving the enormous solid waste disposal problem which confronts the heavily populated areas of New Jersey.

But, I must tell you that the program put forward by the DEP is not very comprehensive in my opinion, and that \$50 million is not enough money to insure that the right job will be properly done.

In the absence of a clearly defined and very substantial financial commitment from the federal government, the \$50 million bond issue proposed by the DEP would not be an adequate response to the problem, except as a modest first step.

I suggest that this Committee consider the solid waste disposal problem very carefully before approving any bills for a floor vote:

Perhaps a conference should be held with the members of the New Jersey Congressional Delegation to formulate a coordinated legislative energy policy which would include substantial federal aid for resource recovery.

Perhaps the DEP could be asked to produce a preliminary master plan so that we will have a comprehensive understanding of how the conversion of solid waste disposal in New Jersey to a resource recovery system is to be accomplished and paid for.

Perhaps there should be more public hearings after the printed copies of the DEP bills have received general circulation.

Perhaps the amount of the bond issue should be substantially increased - or - perhaps the federal role should be more fully defined before any bond issue at all is put before the voters.

In any event, we should not put this program before the voters if it is only half baked.

The record shows that the voters are very reluctant to approve revenue bonds in years of economic difficulty.

Out of the eight bond issues on the ballot in 1974 and 1975, the years of the last serious recession, only one bond issue received the approval of New Jersey voters.

We should be certain that we are moving ahead with the best possible program and the most cost effective economics so that we do not end up endorsing an unmarketable exercise in ballot box futility.

It is my opinion and expectation that today's public hearing will touch off a serious, deliberative process which will clarify the issues; focus the public spotlight on the gravity of the solid waste disposal problem in New Jersey; encourage wide understanding of the technology which is at hand; underscore the need for

substantial federal and state participation in the capital funding apparatus; and ultimately produce a bond issue proposal commensurate with the great public need we are addressing.

That is the end of my statement.

As you are probably well aware, this is a problem of great magnitude and time is running out. We have to begin taking steps to address the problem. For instance, in the Hackensack Meadowlands, we have just four years before the landfill closes down and there is now no plan afoot to take that resource step that we are going to have to take. So, we have to do something. But the money that is needed in this area is just tremendous.

ASSEMBLYMAN STEWART: Walter, what is your understanding of our time allocation? I interpret you are telling us we should slow down and make a long, hard study of this. I don't have the information in front of me as to what our time allocations are?

ASSEMBLYMAN KERN: We have four years in which to do something in this area.

ASSEMBLYMAN STEWART: No. What I mean is, if we are to put a question on the ballot this year, offhand, do you know what the time frame is within which we must have legislation pass both Houses and ---

ASSEMBLYMAN KERN: I think we have to do something by September.

ASSEMBLYMAN STEWART: Ninety days or sixty days?

ASSEMBLYMAN KERN: Sixty days - I believe that is the time frame.

ASSEMBLYMAN STEWART: Is there anyone on the Committee who knows? We will research that point. The point is, if that is accurate, we have time.

ASSEMBLYMAN KERN: Right. I would hope that we could spotlight this thing and get some public debate because it has got to be sold if we are going to do anything. And I think we have an unfavorable climate. Maybe the approach is that this means jobs and the money utilized by the State will generate economic activity. That might be one aspect of it. Looking at the projects, the \$50 million is just not going to do the trick. I understand that the minimum amount that you need for any particular project is about \$10 million; that is for one particular project. So, you cannot do fifteen. Perhaps we should focus on one, get it in place, and then come back another year; or, the alternative is to expand the amount of funds that we put before the voters in the proposal.

ASSEMBLYMAN STEWART: What do you think we have to expand that particular section of the funds by?

ASSEMBLYMAN KERN: Realistically, I think you would have to double it if we are going to get started.

ASSEMBLYMAN STEWART: You mentioned here figures of \$250 to \$375 million.

ASSEMBLYMAN KERN: That is the cost statewide of these projects.

ASSEMBLYMAN STEWART: But you think roughly \$100 million state allocation would satisfy you?

ASSEMBLYMAN KERN: I think realistically we could do something with that kind of money.

ASSEMBLYMAN STEWART: That would increase this bond issue by another \$50 million, which would get it up to roughly \$200 million.

ASSEMBLYMAN KERN: Right.

ASSEMBLYMAN STEWART: Is that the only increase that you would recommend?

ASSEMBLYMAN KERN: That is the only thing that I envision - or reallocation within the proposal is another way to do it.

ASSEMBLYMAN STEWART: Are there any other questions? (No questions.)

Thank you very much.

ASSEMBLYMAN KERN: Thank you.

ASSEMBLYMAN LESNIAK: Excuse me. I just want to say that I agree with you that it should be increased and concur with everything you said.

ASSEMBLYMAN KERN: Thank you very much. I appreciate it.

ASSEMBLYMAN STEWART: Our next witness is Fred Butler, Assistant Director, Commission on Capital Budget and Planning.

F R E D E R I C K B U T L E R, J R.: Thank you, Mr. Chairman.

The remarks that I have prepared closely parallel those of Commissioner English and her staff. Therefore, I will dispense with those and just say that the Commission has recommended this \$145 million bond issue and the various components in it.

However, I would like to raise two other issues and explain to the Committee the deliberative process that the Commission and its staff went through with regard to the resource recovery component. The deliberative process included a review of the report that was produced by the Department of Energy and the Resource Recovery Financing Panel that was set up by that department. I would recommend that report to the members of the Committee who may not have seen it. One of the conclusions of that is that there be no public money allocated for the support of resource recovery; that, in fact, the private sector can support construction of these facilities; and that that is the wiser way to go and is the way that other states have gone to achieve resource recovery facilities. The Resource Recovery Finance Policy Committee included representatives of the Department of Energy, the Department of Environmental Protection, the private-sector purveyors of this type of technology, the companies that would be willing to be involved in recycling of paper; and that was one of the major bits of information that the Commission used, in conjunction, I might add, with the department in scaling down the request from the \$300 million originally to the \$50 million for planning, engineering, and for some small grants to the counties.

We also met with members of the Resource Recovery Financing Panel separately and asked them what their views were and this was also of use in the Commission's and its staff's research in this area.

I might also add that we talked to representatives of other states that have gone this route - specifically New York, which said that they had, in fact, bonded some money about four years ago for resource recovery plants and had made some grants, and now they felt that the proper road to take was to provide some small technical assistance grants to the counties, specifically Westchester County, which you may have read is in the process of signing a contract with the private sector to become involved in this kind of process.

The only other thing I would like to share with the Committee is the fact of timing on the bond referendum. You do have until September - I believe it is 60 days before the general election - to submit a bill approved by both Houses to the Governor. The experience of the Commission has been that it takes quite a while to undertake an effective public information campaign with the voters. The experience of last year indicates that a bond referendum that has been brought before the voters and explained to the voters over a fairly long period of time - three to four months minimally - has an easier chance of being understood and being appreciated than one that is placed on the ballot at the last possible moment.

That is the extent of my comments. Thank you.

ASSEMBLYMAN STEWART: Any questions? (No questions.) Thank you very much, sir.

Our next witness is Robert Haelig, Jr., from Dover Township Municipal Utilities Authority.

R O B E R T K. H A E L I G, J R.: Thank you, Mr. Chairman and members of the Committee.

My name is Robert K. Haelig, Jr. I am a Commissioner on the Dover Township Municipal Utilities Authority in Ocean County. Dover Township is the largest community in Ocean County. It has about 60 to 65 thousand population.

I appreciate the opportunity to testify here today, but I must tell you that my remarks will appear somewhat fragmented because I was unable to get a copy of this bill, which apparently hasn't been printed until recently, until this morning. I got most of my information about this bill from an article in the Newark Star Ledger published this past Sunday. Except for the information that was printed in the Star Ledger on Sunday and the information which I have gathered at the hearing so far and a quick appraisal of the bill which I read this morning, I don't have comprehensive information with respect to the entire bonding program. So I hope you will forgive me if I make any errors.

The projects mentioned in the Star Ledger article, which appears to confirm accurately the testimony of the DEP here today, add up to a total cost by my arithmetic of \$1,117,000,000. Yet the article implies and the testimony of Mrs. English and the other members of the DEP confirm that they are to be funded at a maximum level of 20 percent by the \$50 million bond issue. I spoke yesterday with Mr. Lionel Pereira, who is the new Director of the Solid Waste Management in the Department of Environmental Protection. He confirmed that the DEP originally recommended a \$300,000,000 appropriation for resource recovery, which would have established a maximum level of funding at 50 percent. The funding level was cut from 50 percent to 20 percent and the total appropriation was cut from \$300 million to \$50 million by the Commission on Capital needs apparently.

It is my opinion that a bond issue of \$50 million, coupled with a funding level of 20 percent, is probably worse than no bond issue at all at this time. The whole idea behind State grants for capital needs is to secure the construction of needed facilities which in the absence of outside aid would not be built at all. When local and county officials are faced with the alternative of building or not building - I am talking about the resource recovery facilities - will the 20 percent funding, which is a maximum, according to the testimony you have heard previously, with a total of \$50 million available for the whole State make the difference between go or no-go. If we look at the language in the bill, it says the State must be ready and able to lend all the needed assistance to issuance of grants or loans, technical assistance and the actual development of needed resource recovery facilities - all needed assistance. In my opinion, it will not.

Local units which would have proceeded in any event will still move ahead, taking what they can get from the State when this \$50 million is parceled out. Local units which would have elected not to proceed will not be influenced by the possibility - possibility, gentlemen - of a 20 percent funding grant which cannot make a truly substantial difference in the long run. You understand the economics of resource recovery.

So, under the terms of the bill and the 20 percent funding level stipulated by the Capital Needs Commission, this bond issue will not make any appreciable difference in the number of facilities which are actually constructed. I am very much afraid that the Capital Needs Commission, despite the distinguished membership, does

not truly comprehend the scope of the solid waste disposal problem in New Jersey.

It is my strong feeling that these projects should be financed by a combination of federal, state and local money, and that the local contribution should be no more than 25 percent. I might add that the Dover Township proposal which the DEP has pegged at \$10 million, but which is really a \$19 million proposal, is at the top of the list as far as the Newark Star Ledger article is concerned. The engineering is practically completed on this facility. It could be an enormously important facility and it is prepared to move ahead if ample funding is available. In terms of the facility which is proposed for Dover Township, which I might add is part of the Ocean County solid waste disposal plan that has been submitted to the Department of Environmental Protection, the debt service will probably be in the neighborhood of \$2 million a year. This is on a total bond issue of \$19 million. You can make whatever arithmetical corrections you want to make to that, depending on what the interest rate happens to be tomorrow morning.

The annual difference - and this is the point - between funding this debt service locally and funding the capital requirements of the project with outside aid - 100 percent outside aid - is about \$40 per ton of garbage collected by Dover Township. Seventy-five percent funding would mean a difference of \$30 per ton; 50 percent financing, \$20 per ton; and so on. So, the difference between having the aid and not having the aid translates into that kind of money. In my opinion, the economic feasibility of the Dover Township program - and I might add this applies to the other 14 programs on the list, which is in the Newark Star Ledger article and you can see it there if you don't have it in the material that the DEP submitted --- the economic feasibility of the Dover Township program, which is a \$19 million program, is dependent upon securing outside aid to defray a substantial portion of the capital costs. The operational costs will take care of themselves because of revenues derived from the sale of steam to the Toms River Chemical Company.

As it now stands, the bonding program recommended by the Capital Needs Commission doesn't make sense. If you want a \$50 million program to make sense, you should raise the level of funding upwards from 20 percent, so that you can provide ample encouragement for a small number of demonstration projects. If you want to provide encouragement for a large number of projects - I am talking about over a billion dollars here - then you need to increase the total appropriation in addition to increasing the level of funding.

In any event New Jersey faces an extraordinary solid waste disposal problem which isn't going to go away and which may be the most important issue to come before the State government during the early 1980's. Therefore, the issue should receive a full measure of attention from this Committee and from the Legislature as a whole. If the entire solid waste disposal system in New Jersey were converted tomorrow morning to one based on resource recovery, we would still be cleaning up the accumulated landfill mess ten years from now. It is a very, very significant problem. Thank you very much.

ASSEMBLYMAN STEWART: Thank you very much, Mr. Haelig.

Are there any questions? (No questions.)

Our next witness is Diane Graves of the Sierra Club, followed by Francine Elvin and our last witness, Chester Apy. If there is anyone else who wishes to speak, would you please come up and give us your name.

D I A N E G R A V E S: Thank you for the opportunity to comment on this bill.

My name is Diane Graves. I am Conservation Chairman for the Sierra Club's New Jersey Chapter. I haven't even had the benefit of the Newark Star Ledger article.

Under the present circumstances, we cannot support this bond issue as it is outlined. I want to talk specifically about the following portions of the bond issue: resource recovery, sewer planning, and fresh water issues - fresh water as opposed to the coastal.

As for the resource recovery issue, given the state of the economy and the wish of voters to make the best use of all available funds, we suggest it would be better to use federal funds for resource recovery. It is our understanding that the feds are preparing to grant 92 percent of the cost of combined sludge and municipal waste disposal under the 201 program. Under this anticipated funding, there would apparently be no need for additional State funding. There may be communities not eligible for the 201 grants. If you want to help those with State funding, then limit the grants, such as the 20 percent that Commissioner Wilson mentioned, because they should be encouraged to join with existing 201 agencies and also so that they pay attention to the way the money is spent.

In the sewer program, for instance, large planning grants equal overbuilding, which equals large user fees.

In addition to the attractiveness of federal money, we have other questions about this portion of the bond issue. One is the need to discourage single-purpose problem-solving. If we work through the 201 agencies, for example, we can solve the sludge problem and solid waste problem in concert. The state and federal government should put money where it encourages such integrated solutions and discourages one grant for Agency A to solve problem A and another grant to Agency B to solve problem B, and so forth.

Our inability to obtain answers to questions about how this money is going to be spent is reminiscent of the State sewerage planning in the late 1960's when the State of New Jersey was pushing regionalization without defining it and distributing planning grants for essentially unguided, disconnected feasibility studies.

Before repeating mistakes of the past, we should review - and I suggest you might review - the County and Municipal Government Study Commission's report, "Water Quality Management: New Jersey's Vanishing Options," which chronicled the startup problems of the sewer construction program. Given our present information, we believe the resource recovery part of the bond issue will not be needed. If it is, then many questions have to be answered about the percentage, the process and the criteria for selecting technologies, designers, manufacturers, and the like.

On the matter of the \$60 million for sewer construction, the Sierra Club will support this portion of the bond issue if it contains a specific 8 percent grant limitation, which would be a continuation of the present grant policy. We oppose a change in that policy to 12 percent that we understand the DEP may now be advocating. Our reasons are twofold and relate directly or indirectly to benefiting urban areas first. A 4 percent difference in State aid will represent a decrease in annual user charges in urban areas of only a few dollars per household. In Hudson County, for example, it might literally represent a \$2 saving per year.

Second, in suburban and rural areas, 12 percent will encourage strong competition with urban areas for available funds. For the sake of saving \$2 per household, some urban areas may inadvertently invite competition that will cost them far larger sums. In addition, the larger figure, 12 percent, has tended to promote

oversizing of systems, with resulting higher user fees when growth has not been realized.

The Governor's Capital Needs Commission recognized this problem as far back as 1975. For these reasons and others, former Commissioner Bardin seriously considered eliminating the State grant altogether.

We are pleased to see the bond issue addressing the issue of interconnections between water supply systems. In our judgment, this is probably the cheapest and fastest way to preclude some of the crises faced by New Jersey water users in past droughts.

A principal circumstance which is an obstacle to our support for the fresh water related portions of the bond issue is the apparent inability of the Division of Water Resources to effectively and efficiently manage programs and funds assigned to it. In this instance, the public is being asked to spend whatever millions plus interest on water issues. In our view, it has the right to expect effective and efficient management of its money.

In 1977 and '78, with the encouragement and support of the DEP, the Office of Fiscal Affairs hired a management consultant for the purpose of measuring and improving the performance of the Division of Water Resources. The study uncovered numerous problems, many of which could not be blamed on the low salaries, the civil service system or the physical plant, which are the perennial and, to a certain extent, legitimate excuses for poor performance. Conditions were so bad that the consultant accurately predicted a 40 percent turnover in the professional staff of the Division.

What does that have to do with X amount of millions of dollars? It means that unless conditions are changed, the public is being asked to give X millions to a bunch of people to spend who are either half trained or totally inexperienced. It seems to us to be no bargain.

I will leave with you a copy of a letter to the Chairman of the Department's Advisory Committee on Delegation of the Construction Grants Program, of which I am a member, which outlines the steps we believe should be taken posthaste by the DEP.

It is now the 19th of June, our members and friends will be voting on this issue on November 4th. In our judgment, that gives the DEP about 90 days in which to raise our confidence to a level at which we would be willing to recommend and to vote them the \$60 million.

The Sierra Club recognizes as well as anyone that New Jersey's environmental problems require capital spending. That is true in 1980 and it will be true in 1990. However, we do not believe it will help this bond issue in the fall nor will it help succeeding bond issues to be anything but prudent in the selection of projects and the management of the money. Thank you.

ASSEMBLYMAN STEWART: Thank you very much. Are there any questions?

ASSEMBLYMAN LESNIAK: I just have two questions. Don't you think it is unrealistic to rely on the federal government for the money for resource recovery? We have relied on them for so much and never seen it come forth. How much longer should we wait?

MS. GRAVES: That is a good question. From the discussion here, it seems that you do have some time to find out what the realistic prospects are.

ASSEMBLYMAN LESNIAK: You mean between now and September 1, we will know whether the federal money is forthcoming?

MS. GRAVES: It is my understanding that it is, that they are considering

92 percent funding.

ASSEMBLYMAN LESNIAK: They considered a super fund bill and a spill fund bill for 30 years.

MS. GRAVES: I understand your dilemma. However, if that is a serious consideration and it moves fast - and you can find out about that - through the 201 program - it would seem to me that would be well worth finding out. If it doesn't look as though that prospect is in sight, you might well still consider the 201 program as a mechanism for that money to combine with the two areas.

ASSEMBLYMAN LESNIAK: One final question: The money for sewers - now that is not just for new sewers. There are plenty of municipal sewerage systems that are totally deteriorated and in really bad shape. They are dual sewers and they really pollute the waterways. So it is not, as you stated, for new construction.

MS. GRAVES: No, I wasn't considering it as new construction.

ASSEMBLYMAN STEWART: Just being here over the years - and you have been here over the years too - we find when you want to hurry, it is okay to hurry; and when we want to hurry, we find reasons why we think it is okay to hurry. Speaking practically though, do you agree with those who tell us that if we are to indeed sell a bond issue of this magnitude and wait until September to get it through both Houses, we are seriously jeopardizing it? Do you agree with that?

MS. GRAVES: That is probably true. However, I would suspect there would be questions raised and I think that the answers ought to be forthcoming before you try to sell it.

ASSEMBLYMAN STEWART: The response we get when we bring it up to those who are pursuing this bond issue is that there will be plenty of time between now and August to answer those questions, but if we delay, the Legislature is going to be out of session and it is going to be September. Then, whether we have answered the questions or not, we risk the whole thing going down the tubes.

MS. GRAVES: Well, that is the continuing dilemma of a complex issue being rushed through, expecting the public to take it as a pig in a poke. It is really not a rational way to go about doing anything. Whether you can do that on this or not is questionable. I suspect you can't on some other matters.

ASSEMBLYMAN STEWART: Some of the arguments I have heard go this way: If you are not satisfied with the answers we give you now in July, August and September, you can be opposed to it. And if enough groups, like your group, obviously, and legislators are opposed to it, it won't pass anyway. So, it behooves the department and this administration to make sure they answer those questions between now and September.

MS. GRAVES: Absolutely.

ASSEMBLYMAN STEWART: My question is whether we should be rushing and trying to do something with this bond issue when we only have really a week if, indeed, we are to have it out this summer. Otherwise, we might as well wait and talk about it during the summer and release it in September.

ASSEMBLYMAN LESNIAK: The problem though is that I think we all agree we need a bond issue and we ought to have a bond issue that we can present to the voters and ask them to pass, not a bond issue that we are considering now, hoping that the answers will be forth coming.

ASSEMBLYMAN STEWART: That is a decision we are going to have to make in the next ten days, I guess.

Our next witness is Fran Elvin, from the League for Conservation Legislation.

F R A N C I N E E L V I N: Thank you, Mr. Chairman and members of the Committee.

My name is Francine Elvin and I am speaking here on behalf of the League for Conservation Legislation, a collaboration of environmental and conservation groups and concerned individuals.

Based on the limited information that we had available to us, LCL supports A 1818 at this time. The amount of money allocated for water supply interconnections facilities is reasonable and such interconnections should help parts of the State with water supply deficiencies, such as the Northeast. Similarly, the moneys allocated for dams and harbor cleanup are also reasonable.

There certainly is a great need for recycling and resource recovery facilities. It has been estimated that one facility would permit the closing of sixteen to eighteen landfills. However, LCL is concerned about funding regional operations which include legislation placing a bounty on all throw-away containers. We are against the bounty system and strongly support the alternative of mandatory deposit and returnable bottle laws. As a matter of fact, we are hoping to pass such a bill this session.

Again, at this time, and based on the information available, the League of Conservation Legislation is in favor of A 1818. Thank you for this opportunity to speak to the Committee.

ASSEMBLYMAN STEWART: Thank you very much.

Our final witness is Chester Apy, former Assemblyman in this House.

C H E S T E R A P Y: I come before the Committee with the same handicap that one or two prior witnesses have had, in that I haven't had an opportunity to read A 1818, inasmuch as it has not been printed as yet. However, I don't think that that will be crucial to my remarks because essentially I take no issue with the bill that has been proposed. I am not familiar with the details of it - the amounts - and perhaps some changes that should properly be made in it.

What concerns me the most is the incompleteness of the proposal that has been put forth by DEP.

I testify before you today as the Chairman of the Shrewsbury River Dredging Committee. It is a committee composed of representatives of nine municipalities in Monmouth County, a committee created in order to try to bring about dredging of our waterways. But my concern is more than a concern just about our rivers. My concern is one about the crisis which exists in New Jersey today, resulting from the neglect of many years of our waterways. And when I speak about waterways, I would like to note that I am not just talking about the channels, the tidal areas of the State; I am talking about our lakes and our upland rivers as well. The extent of the crisis that exists was testified to last year by Assistant Commissioner Wilson who was here before you earlier today. Last year in remarks before the Capital Budgeting and Planning Commission, she said, in part, these things: "As a result of our review, the department is prepared to" - and I will paraphrase here - to endorse the \$20 million bond dredging bill that was then before the Legislature on the basis of need. She went on to say, "Our State dredging program, both for coastal areas and for lakes has been underfunded for the past several years." In fact, for a number of years in the early '70's, there was no money available. She goes on, "Due to the severe backlog of work that has developed as a result of this underfunding, a substantial program is now required in order to dredge the most critical coastal channels and the most important lakes. The proposed bond issue should be looked upon as a first step toward meeting the overall dredging needs of the State."

This proposal was before the Assembly last year. It was in the form of Assembly Bill 1777. The Assembly last year unanimously passed the \$20 million dredging

bond proposal. The Capital Needs Commission last year endorsed and approved the \$20 million dredging bond bill. So what I am suggesting to you as an omission in the current DEP proposal is not something that is strange, foreign or new or comes as a surprise. It is something that has already received the endorsement of this House and of the Capital Needs Commission.

I would point out to you one area in particular where the bond issue for dredging is very, very significant, and that is simply this: We are not talking about matching federal funds. We are talking about using the resources of the State of New Jersey through bonding to meet the dredging needs. Presently, what little money is available - and it is only a drop in the bucket - requires matching money by municipalities on either a 75-25 or 50-50 basis. As just a small indication of the magnitude of the problem, I would point out that in our two rivers alone, it has been estimated that approximately three to three and a half million dollars worth of dredging is required. The figures are going up all the time.

Therefore, it would mean that these municipalities, many of whom are also ocean-front municipalities with all of the problems of shore erosion, would be required to come up with one and a half million dollars. The simple answer is that it is not there. They simply cannot afford it. The only way that dredging can ever be done and can ever be brought about is through a bond issue.

The need, incidentally, as I said before, is statewide. Last year the documentation which supported this bill, which was prepared by the Department of Environmental Protection and which supported the \$20 million need, also indicated that 20 out of the 21 counties in the State of New Jersey will benefit from a \$20 million dredging bond issue. There are lakes and rivers throughout that have a need just as great.

Assemblywoman McConnell asked before about Hopatcong, which gets nothing under the present package, as I understood the reply from the department. The dredging, however, would meet the need of Lake Hopatcong and provide the sort of help that she apparently recognizes is needed for that particular area.

The New York Times had an article on June, the 8th, concerning the status of the boating industry in the State of New Jersey. In a nut shell, it is simply this: In the last two years, 150 marinas have gone out of business. The number of registered boats in our State in the last two or three years has dropped from 129,000 to 105,000. That is a 20 percent drop. The article goes on and points out some of the reasons why there is no appeal for boaters in New Jersey, why there is a decreasing appeal. The bottom line is that you can have all the rivers and all the boats that you want, but if they are not deep enough, if they don't have channels that are adequately maintained and dredged, nobody is going to use New Jersey waters.

The conclusion of this for me is quite simple. Number one, you have a remarkable opportunity as legislators and as members of this House to mold the department's recommendations to meet a need which has been clearly identified and endorsed. And there is no reason it seems to me whatsoever, based on what has been shown, why an amendment could not be proposed by this Committee to this bill to increase by \$20 million the amount of the bonding proposed for this fall. If you compare dredging with the other categories that are in the department's bill, you will see why it fits in so well and why I suggest that this is the logical time to do it, because if it is not done now, who knows when it is going to be done? Annual appropriations are not enough. This is a capital need because, as Commissioner Wilson noted, of the State neglect of many, many years. Our annual budget cannot possibly do what has to be done. And DEP has spelled this out very clearly in testimony last year.

There are other reasons, I think, that should be considered in reference to this bill, as far as amending it to include dredging, if by including dredging you will be broadening the appeal of this bond issue as far as the voters of New Jersey are concerned. If you again look at the list of proposed items, it seems to me that two or three of them don't have much saleability. Yes, we know that there is a need for sewer construction and for water supply, but yet those are not the kinds of things that are going to excite, I don't believe, the public. By the same token, if a bill is put on the ballot that omits a need as critical as dredging, I think it goes to the very viability of the entire bonding project which is proposed. There are thousands and thousands of people throughout the the State of New Jersey who will quite properly question the wisdom and the planning of the Department and the Legislature if dredging is omitted.

As a result, the disenchantment for the planning that goes into this bond proposal might very well result in its defeat as opposed to its passage. Again, Commissioner English, in the Star Ledger article that was referred to, in talking about her proposed package here noted this, "That the tourism and recreation activities are New Jersey's second largest industry representing \$3 billion a year. Tourism is part of New Jersey. Tourism means water. People come to New Jersey, our lakes, our rivers, our beaches, for the water facilities which are afforded them. And, because we have neglected these for so long, they are now jeopardized, and as now indicated by the falling off of the boating industry in recent years, very soon, this tourism industry will itself adversely reflect this neglect."

I would just digress for a minute and comment upon the question that the Chairman raised a minute ago as to whether or not the Assembly and this Committee should rush through this proposed legislation. I sympathize with you. You have, so to speak, had this handed to you in the last couple of weeks. It is a major consideration. It seems to me, however, that as a Legislature, it is the responsibility of the Assembly to submit to the voters only that which it in good conscience feels that the public should have. You should not rubber stamp what DEP suggests; you should mold it; you should add to it or subtract from it so that you can put your stamp of approval on it, and it can be an enthusiastic stamp of approval. By so doing, you will enhance the chances of passage of any bond issue in the Fall. I think the end result will be better. If I were sitting on the other side of the table, I would certainly be in no hurry to come up with a package I could not personally subscribe to. There is no reason why later on you as Assemblymen should take the heat for something that when dissected and when looked at closely is abomination. I am not saying this will be the result, but there is no reason why you should take the heat just because the Executive Branch of government through its Department has passed something on to you at the last minute.

I think that as much as I would love to see it go through the Assembly and the Senate, so that there is three or four more months of time before November to generate public support for a bond issue, I would rather take my chances and submit to the voters something in which I had confidence, so I could personally endorse it with enthusiasm. I suggest to you that the way this bond issue can be personally endorsed, and a way in which it will be much more saleable is by adding to it a provision now incorporated in

Assembly Bill 541 by amendment to this bill, A-1818, and as amended, you will have a bond issue dealing with natural resources that you can enthusiastically support and which will meet a crisis in the boating industry in the State of New Jersey. If there are any questions I can answer, I will be happy to do so.

ASSEMBLYMAN STEWART: Just one question. If we do as you suggest--- I am sure you know we had Assembly Bill 541 in our Committee.

MR. APY: I understand that.

ASSEMBLYMAN STEWART: You would rather see us amend A-1818 to include the stipulations of A-541, than you would see us release A-541.

MR. APY: Yes. I think it is a total package with more parts to it. It is a more attractive bond proposal for the public. And, I think it would stand a greater chance of passage than were you to break it down, and the Commissioner has already indicated that she has an opinion that you can put these various things together. I have absolutely no reason to believe that dredging is any different and could not fall into this same kind of category.

ASSEMBLYMAN STEWART: Thank you very much. Will you give us your full name, sir?

F R A N K B R I L L: My name is Frank Brill. I am with the Joseph W. Katz Company. We represent National Solid Waste Management Association. I have to apologize that I am not really prepared for this today. I didn't know that the hearing was going to take place, so as a result I have just thrown together a few points I would like to make.

ASSEMBLYMAN STEWART: I was just going to add, we will leave the record open for written testimony until at least one week. However, it will be written testimony. So, anyone who is here who has some written testimony they may want to submit including yourself feel free to make some comments now and then submit the written testimony by Monday.

MR. BRILL: Mr. Chairman, I have given a copy of a letter to you that was sent to Mr. Butler of the New Jersey Commission on Capital Budgeting and Planning from our industry and I would just like to make a few quick remarks and the letter really speaks for itself much better than I can do today.

I also add to what others have said today, and caution you to proceed slowly with anything you might do. This is a very complicated subject and there might be other points of view that you might want to hear. I, for one, don't think the public is going to be anxious to buy a bond issue when they are not told exactly where the money is going to go. Assemblyman Bennett mentioned the fact that there are 15 applications, but we don't know exactly where the money is going to go. It is going to be up to DEP, and I think you people might want to have a little bit better idea whether their county is going to be able to count on some of this money before they vote for it.

Also, the way the bill is presently written, there is no guarantee on whether the money would be spent wisely, whether the projects funded can reasonably be expected to work. Our Association - although we represent primarily haulers and landfills - also represents a sector of the resource recovery industry, and in fact we represent the firm that is building the resource recovery facility that Mrs. English referred to in Saugus.

Therefore, we do have a stake in it. We are interested in seeing it go forward. But, we also want to point out that resource recovery in the United States has a very bad track record so far, especially facilities which are publicly owned.

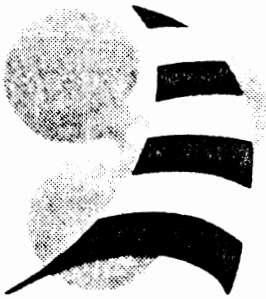
I would like to call attention to the letter that I did hand out and say that the second graph of Bill Bertera from the National Solid Waste Management Association perhaps put it best when he said, "At first glance, it may seem logical that private firms interested in developing resource recovery facilities would support construction grants" - and that is part of what DEP is suggesting here, construction grants - "designed to speed such development especially in light of the sluggish implementation technologies once towns became capable of solving both our waste disposal and energy problems simultaneously. Our member firms have, however, carefully considered the complex social and economic issues involved and have concluded that neither Federal or State construction grants serve the public interest. My reason is as follows: Construction grants provide an artificial stimulant to resource recovery efforts, artificial because they often provide funds for projects which cannot attract further investment on their own merit, but because they shore up contractors who do not have the resources and often experience to establish a project without governmental help projects that cannot attract adequate private investment usually cannot do so for sound economic or technological reasons. Consequently, construction grants can misleadingly legitimize projects of questionable merit, and there are a number of instances where this has occurred."

On the second page, Mr. Bertera points to some of them. He notes, "Of 38 large scale resource recovery projects operating or under construction in the country, 6 of these were constructed with some form of direct Federal construction assistance, and 3 of those 6 are not presently functioning because of operational problems. The other 3 are performing much less satisfactorily than their designers had anticipated." He goes on to mention where they are. I won't belabor this, since you have the letter in front of you, but I just want to wrap up by saying that I think you ought to take some time with this, and that any bill that comes out to insure the role of private industry in the construction, operation and ownership of these facilities, that role should be guaranteed to every extent practicable.

Also, I think we should be guaranteed some sort of feasibility study that will insure that the project to be funded can demonstrate a reasonable chance of success, and there is going to be a market for materials which are going to be reclaimed, and that the energy balance, I guess we could say, the amount of energy and cost used to reclaim these materials is going to be worthwhile. It is going to be cost effective. We are not going to spend more money and more energy in running the facility than what we are going to reclaim in the longrun. Thank you.

ASSEMBLYMAN STEWART: That concludes our public hearing. As I said earlier, the record, as far as the Committee is concerned, will remain open for written testimony until this coming Monday. Anyone who has any written testimony they would like to submit, you can submit it to the Committee directly, or through Norman Miller our Committee Aide. The public hearing is officially concluded.

(HEARING CONCLUDED)



**marine trades
association
of new jersey**

P. O. Box 218
Rumson, N.J. 07760
(201) 530-0636

June 20, 1980

Assemblyman H. Donald Stewart
188 W. Main Street
Pennsgrove, NJ 08069

Dear Assemblyman Stewart:

It was not easy to determine that the Agriculture and Environment Committee was to hear Bill #1818, The \$145 million 1980 Natural Resources Bond Act yesterday afternoon. However, we understand the difficulty you have in moving it to the Assembly when it hasn't even been printed yet.

The Marine Trades Association of New Jersey is vitally interested in clean water projects, since it is the environment in which our members earn their living. As you may recall, we favored additional sewerage facilities in Salem earlier in the year.

We have repeatedly maintained, in support of DEP proposals, that dredging the rivers and lakes allows a natural flow of water which provides nutrients to the lowland estuaries, thereby preventing a build-up of toxic substances. This is one of the reasons we supported A-1777 \$20 million Dredging Bond Issue last year.

Mrs. English, Commissioner of DEP, in her request for approval of the 1980 Natural Resources Bond Act, was quoted by the Sunday Star Ledger as saying, "Equally as important is the supply and quality of water on which the entire state depends for its jobs and survival." She was speaking at the time about the tourism and recreation industry which accounts for \$3 billion a year in state revenues.

There is presently a bill before your committee (A-541) which is substantially the same as A-1777. Since the Capital Budget and Planning Committee approved A-1777 last year, there appears good reason (and certainly no conflict) to include A-541 as part of Bill #1818.

Should the Agriculture and Environment Committee be favorably disposed toward the DEP 1980 Natural Resources Bond Act, we recommend you pass it with A-541, the Dredging Bond Issue, as a part thereof. If there is something which suggests you should not favorably pass this Act out of committee, then the Marine Trades Association requests you do ~~note~~ out the \$20 million Dredging Bond Issue A-541.

New Jersey lost 20,000 registered boats between 1978 and 1979 (129,000 to 109,000); and boating is a major factor in the tourism and recreation industry. It seems we are jeopardizing a major portion of the \$3 billion state revenue Mrs. English is concerned about for want of a proportionately small amount of dredging.

Very truly yours,



Thomas L. Tweer
President

kdd

cc: Barbare W. McConnell
Donald J. Albanese
C. Louis Bassano
John O. Bennett
Raymond Lesniak
Michael J. Matthews



National Solid Wastes Management Association

1200 COMMERCE STREET, NEW YORK • 10010 • WASHINGTON, D.C. 20036
TELEPHONE (212) 691-1000

May 8, 1980

Mr. Frederick Butler, Jr.
Deputy Director
NEW JERSEY COMMISSION ON CAPITAL
BUDGETING AND PLANNING
8th Floor, Taxation Building
West State and Willows Streets
Trenton, New Jersey 08625

Dear Mr. Butler:

It has come to our attention that the Commission is currently considering a request from the Department of Environmental Protection for a sizeable bonding issue to support resource recovery construction projects. The National Solid Wastes Management Association (NSWMA) and its Institute of Resource Recovery represent private firms significantly engaged in resource recovery activities. I believe the Commission may be interested in our perspectives not only on the particular issue in question, but upon construction grants in general.

At first glance, it may seem logical that private firms interested in developing resource recovery facilities would support construction grants designed to speed such development, especially in light of the sluggish implementation of technologies once touted to be capable of solving both our waste disposal and energy problems simultaneously. Our member firms have, however, carefully considered the complex social and economic issues involved and have concluded that neither federal nor state construction grants serve the public interests.

Our reasoning is as follows: Construction grants provide an artificial stimulant to resource recovery efforts -- artificial because they often provide funds for projects which cannot attract private investment on their own merit, or because they shore up contractors who do not have the resources, and often experience, to establish a project without governmental help. Projects that cannot attract adequate private investment usually cannot do so for sound economic or technological reasons. Consequently, construction grants can misleadingly legitimize projects of questionable merit. There are a number of instances where this has occurred.

3X

- INSTITUTE OF CHEMICAL WASTE MANAGEMENT
- INSTITUTE OF RESOURCE RECOVERY
- INSTITUTE OF WASTE EQUIPMENT DISTRIBUTORS
- INSTITUTE OF WASTE TECHNOLOGY
- WASTE EQUIPMENT MANUFACTURERS INSTITUTE

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Trenton, New Jersey

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A current study by the National Center for Resource Recovery indicates there are thirty-eight large scale resource recovery projects either operating, under construction, or in the final contract-signing stages. Six of these were constructed with some form of direct federal construction assistance. Three of these facilities are not presently functioning because of operational problems, and the other three are performing much less satisfactorily than their designers had anticipated.

In Baltimore, for example, the ill-fated pyrolysis project was the result of a federal construction grant which ended up supporting a technology which was not sufficiently developed despite the involvement of no less an eminence than Monsanto Chemical Corp. Duluth, Minnesota's, co-disposal plant for sewage and solid waste, also built with a construction grant, is not operating as planned and the contractors are now in litigation. In Eugene, Oregon, a resource recovery plant, built with the help of an EPA construction grant, has never been operational, its original contractor has now withdrawn from the business.

The most important weakness of construction grant programs, it is clear, is that they insulate the recipient from the consequences of imprudent planning or investment. Projects so funded may offer a financial incentive for success but they eliminate the financial penalty for failure. Thus, they tend to attract the unproven, untested, and, too often, the unworkable.

Construction grants are not necessary in New Jersey. Resource recovery is a new and emerging industry undergoing the growing pains that all new industries endure. As an industry which is largely dependent upon evolving technologies, it is not threatened with extinction. It does not need to be "saved" by precipitous government assistance. In fact, the resource recovery industry is just where it should be in its development given our recent economic and social history. If resource recovery has not achieved all that was initially hoped as quickly as was hoped, it is because expectations were too high, not because private sector investment has not been sufficient or available.

Over the years we have learned that the key ingredient of an environment that fosters successful resource recovery projects is strict solid waste disposal regulations, properly enforced, which eliminate inexpensive, but environmentally unsound, disposal options. Once these "easy" alternatives no longer exist, resource recovery facilities become more attractive and economically more viable.

It is important to recognize that the economics of resource recovery have dramatically improved in recent years because of increased costs of both competitive forms of energy and waste disposal alternatives. Projects which were once considered esoteric are now becoming economically feasible. As resource recovery operations become more attractive economically, private industry will, we are sure, become involved more deeply simply because there is money to

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Page Three

be made -- that is our inducement to invest and to participate. The Commission should be highly skeptical of proposals to stimulate projects in areas where the private waste industry has deemed it inappropriate to invest on its own.

Our message, then, is that construction grants do not have a history of either speeding technological development, making sound operations out of those which are conceptually or financially weak, or successfully inducing resource recovery facilities in areas where private enterprise has not itself voluntarily participated.

This is, of course, not to say that a New Jersey effort would automatically fail, but we believe the history of like efforts all over the country indicates that the odds against success are abnormally high. The Commission should consider this in its deliberations on the DEP bond issue request.

In closing, I wish to emphasize that NSWMA strongly supports the development of resource recovery facilities as a vital element in a comprehensive waste management policy. We firmly believe, however, that resource recovery must evolve into its rightful place in a state's waste management system and that artificial inducements such as construction grants are a chancy and unproven means to stimulate that evolution.

Please feel free to contact me if I may be of further help. I would be more than pleased to provide additional specific information if that is of value to you.

Best wishes,



William J. Bertera, Director
State Affairs

BB11
ccL Joseph Katz

NSWMA REPORT

MARCH, 1980

Chicago RDF Plant Shut Down; Costs, Design Flaws Blamed

The Chicago Southwest Supplemental Fuel Facility (SSFF), built in the full bloom of the early 1970s love affair with the promise of "cash from trash," has been shut down.

An article in the December 1979 issue of *Chicago* magazine, titled "The Great Garbage Fiasco," delivered a scathing indictment of the project and its planners, focusing mainly on their technological and cost miscalculations, admittedly numerous.

But NSWMA Technical Director Dr. Charles A. Johnson identified the main cause of the plant's failure as the fact that the consulting engineers contracted by the city to design the facility were not also held accountable for its operation.

Dedicated in October 1976, the SSFF was modeled upon a U.S. Environmental Protection Agency

(EPA) demonstration plant to produce refuse-derived fuel (RDF) for Union Electric, the St. Louis utility company. This project met the same fate as the Chicago plant, whose RDF customer was Commonwealth Edison.

Design flaws

Besides making RDF, the SSFF was intended to salvage metals from municipal solid wastes for resale, to further offset high operating costs. But the plant never reached its 1,000 tons per day garbage-handling capacity, primarily because of design flaws in its shredders, in the pneumatic tube which conveyed processed refuse to the utility's generating station and in the magnets which were supposed to recover metals and keep them out of the utility's boilers.

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