PUBLIC HEARING

before

SENATE TRANSPORTATION AND COMMUNICATIONS COMMITTEE

on

SENATE BILL 1446

(Designated the "New Jersey Transportation Trust Fund Authority Act of 1984")

Held:
April 9, 1984
Room 308
State House Annex
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Senator Walter Rand, Chairman
Senator Thomas F. Cowan, Vice Chairman
Senator Francis J. McManimon
Senator S. Thomas Gagliano
Senator James R. Hurley

ALSO PRESENT:

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

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SENATE, No. 1446

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 27, 1984

By Senators RAND, GAGLIANO, FORAN, COWAN and HURLEY

Referred to Committee on Transportation and Communications

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

Be it enacted *by the Senate and General Assembly of the State of New Jersey:*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

d. "Commissioner" means the Commissioner of Transportation.

e. "Department" means the Department of Transportation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

a. To sue and be sued;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(d) To sue and be sued;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9. Revenues.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

STATEMENT

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

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

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

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

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

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

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

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

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

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

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SENATOR WALTER RAND (Chairman): Good morning, ladies and gentlemen. My name is Senator Walter Rand, and I am the Chairman of the Senate Transportation and Communications Committee. I would like to welcome all of you here this morning. At this time, I would like to introduce the other members of our Committee. On my left is Senator Thomas Cowan, Vice Chairman of the Committee. On my right are Senator Thomas Gagliano and Senator Jim Hurley. I thought we would have Senator Francis McManimon here, and I was going to tell you, Commissioner, that this was indeed a tremendous day to have every member of the Committee present at a public hearing.

SENATOR HURLEY: We could go pick him up.

SENATOR GAGLIANO: He's right around the corner.

SENATOR RAND: But, four out of five is not a bad batting average. I'm sure Senator McManimon will be joining us shortly.

If anyone has any written testimony, or wishes to be added to our witness list, please contact Peter Manoogian, our Staff Aide, and after the opening remarks have been concluded he will take care of you.

I hereby call this public hearing to order, for the purpose of discussing Senate Bill 1446, the "New Jersey Transportation Fund Authority Act of 1984." This hearing is the first in a series of hearings on this bill, and will focus on the scope, structure, composition, membership, staffing, and general powers of the proposed Trust Fund Authority. Consideration will be given to Sections 1 through 7, and Sections 17 through 19 of the bill. Future hearings will deal with the fiscal elements of the bill, focusing on such matters as increased registration fees for motor trucks, the toll road authorities, and the bonding and expenditure provisions. Needless to say, this bill constitutes an important proposal to create a method for the stable funding of transportation capital expenditures in this State and, as such, merits our careful and detailed consideration.

I would like to announce right now, that the next public hearing will be held on April 27. The subject of that hearing will be truck taxes. Those of you who wish to testify, please notify Peter Manoogian. We will devote an entire day to that hearing.

Senators, do any of you wish to make any remarks before we start to hear testimony on the bill?

SENATOR GAGLIANO: I do, Senator Rand.

SENATOR RAND: Senator Gagliano.

SENATOR GAGLIANO: Thank you very much, Senator Rand. I'm happy we are having this public hearing, because I think everyone agrees that stable funding for transportation and mass transportation systems in this State is really one of the most important things we can do. The proposal, as embodied in Senate Bill 1446, is one which would finally create a stable funding of transportation in New Jersey. Although it may be imperfect, it is probably the best thing we can do at this time -- or at least consider at this time. I am anxious to hear Commissioner Sheridan's statement.

I know an old friend of mine is here from the law firm of Mudge Rose, Nick Capozzoli. He is a former collegemate and law schoolmate of mine. He is here to speak on the bill, and the bonding portion of it. Obviously we have lots of interest, because we have a good crowd of people who are anxious to tell us how they feel about the bill.

I think transportation -- and I read recently that Governor O'Neill of Connecticut is trying to come up with a stable funding source also -- has finally come full circle. It is on its own now. People recognize the need for it. We recognize how important it is to the economy of the entire area, and it is exciting to be a part of this hearing.

SENATOR RAND: Thank you very much, Senator Gagliano. Anyone else? Senator Cowan?

SENATOR COWAN: No, thank you. Let's go.

SENATOR RAND: Senator Hurley?

SENATOR HURLEY: No, Mr. Chairman.

SENATOR RAND: Okay. If not, we will begin hearing testimony. At this time, I would like to welcome Commissioner John Sheridan from the New Jersey Department of Transportation. Good morning, Commissioner.

JOHN P. SHERIDAN, JR.: Good morning, Mr. Chairman and members of the Committee. To my left is Roger Nutt, who is the Assistant Commissioner for Finance and Administration in the Department. I would like to thank you, all the members of the Senate Transportation and Communications Committee, for providing this opportunity to talk about S-1446, the New Jersey Transportation Fund Authority Act of 1984, and to discuss with you in detail the very specific, and I might add the very limited purpose, for which the Transportation Fund Authority would be created under this legislation.

As you know, Governor Kean has made this transportation program a key element of his proposed 1984-85 State budget. It is a program designed to build on New Jersey strengths by addressing the problems we face on our highways and bridges, and in public transportation. Your willingness to sponsor this legislation, Mr. Chairman, as well as the willingness of your colleagues on this Committee to cosponsor this bill, is a clear indication to all that a sound transportation network, adequately funded in a stable and predictable way, is critically important to the future of our State. No one knows the transportation problems we face better than the members of this Committee. For the last two years we have worked together to meet the challenge, indeed the crisis that faces New Jersey's transportation network. Your support, your advice, your counsel, and your courage have enabled us to make substantial progress in dealing with our transportation problems during the time I have served as Commissioner. For that, I thank you, not only for myself, but for this Administration, the Department, New Jersey Transit, and the people of New Jersey.

No day goes by when the lives of each and every New Jerseyite is not somehow affected by transportation. Assuring that our transportation system is in good order and safe condition is fundamental to the continued economic growth of this State, and the quality of life of its residents. It was with that in mind that this legislation for a transportation trust fund was created. We believe it is a program that lays the groundwork for a transportation network that will carry this State into the twenty-first century.

This Committee knows all too well about the $42 billion investment our New Jersey taxpayers have made in our transportation infrastructure, and the $3 billion backlog in needed transportation improvements we face. The reasons for that backlog are historical. What we must focus on is the future. That is what this program does. It is a program designed to make a needed investment in New Jersey's future. On the program side, the trust fund would enable the State, in each of the next four years, to spend $50 million to match all available Federal public transit capital, $58 million to match all available Federal highway and bridge dollars, and $62 million in 100% State funds on the State's primary highways, which would enable us to complete the many missing links in our system.

If I may digress from the text of my statement for just a minute, Route 24, Route 55, Route 18, Route 169/185 in Hudson County, and Route 90 in Camden County are just some of the missing links which will be built under this program over the next four years.

Twenty-five million dollars on resurfacing will enable us to prolong the useful life of our highways. I might add, I think the savings on that $25 million will be four to fivefold what we are talking about. What we can do, is catch these roads at a point in time which will allow us to prolong their useful life and make sure that we can avoid, for the longest possible time, complete reconstruction. Thirty-five million dollars, on a dollar-for-dollar substitution program with the counties, will be for the Federal Aid Urban System Program, in which they are now involved. This will enable the counties and municipalities of the State to get out from under the Federal requirements and red tape with which they must now contend.

On that point, I would note that our estimates are that at least 50% more projects can be built for the same dollars, by moving the projects faster, and without the red tape.

I would also like to point out that this legislation contains disadvantaged business enterprise language, which would, for the first time, impose mandatory goals on the amount of money from this program that must be spent on businesses controlled and owned by minorities and women. In the past, these goals applied only to Federal funds, but with the passage of this legislation, the distinction between Federal and State funds would disappear, and the disadvantaged business enterprises would be the beneficiaries.

We have a good provision in the legislation that you introduced, Senator. We have additional language to present to you which will even strengthen that provision.

On the revenue side, the proposed Transportation Fund Authority would generate $3.3 billion in State and Federal capital funds for highway and public transit over the next four years. The State's share of these funds would come from three sources: $88 million would be appropriated annually from the General Fund by the Legislature; $25 million would be contributed annually by the independent toll road authorities under agreements already reached with each of the authorities; and, $30 million would be generated annually by an increase in heavy truck registration fees contained in this legislation. These three revenue sources would provide a total of $143 million annually, which would be deposited in the transportation trust fund. In turn, the Transportation Fund Authority would sell ten-year bonds in each year of the program, so that an average of $230 million in State funds would be available for highway and public transit projects in each of the next four years. This would enable the Department of Transportation and New Jersey Transit to complete long-overdue highway, bridge, and public transit projects throughout New Jersey, without an increase in taxes, and without jeopardizing New Jersey's Triple A credit rating. The contribution from the toll road authorities would benefit the users of those highways, as well as the three authorities themselves, by helping to improve the State highways which residents of New Jersey who use the Parkway, Turnpike, and Expressway must use to get to and from the toll roads. Just as State dollars were used to establish the toll roads to improve New Jersey's transportation network during the 1950's and 1960's, excess toll road revenues would now be used to help finish and refurbish our State's ailing transportation system.

The increase in heavy truck fees would ensure that the trucking industry would pay a more fair share of the costs of building and maintaining our transportation network at the State level, while maintaining New Jersey's competitive advantage as a place for trucking companies to locate and to do business. At present, New Jersey ranks forty-sixth among the states in the level of user charges imposed on heavy trucks. Even with the proposed registration-fee increase in place, it would rank thirty-seventh. By comparison, New York ranks third, and Pennsylvania ranks fifteenth, when all user fees and taxes are taken into consideration.

Of the $230 million in State funds generated annually by this program, New Jersey Transit would receive $50 million, and the Department of Transportation would receive $180 million. Matching those funds with every available Federal dollar would produce about $800 million a year for capital spending on the State's highways, bridges, and public transit, in each of the next four years.

I believe the most important part of this program, which is the first step in solving our transportation woes in this State, lies in the fact that we can implement it without an increase in taxes. We can achieve this because of the two principles on which the trust fund legislation is based. First, over the life of the four-year program, more than half of the money would be spent on a pay-as-you-go basis. This is a departure from the past transportation funding practice in New Jersey, when we relied almost entirely on long-term, general obligation bond financing.

Secondly, the creation of the Authority as the financing mechanism would enable the State to sell appropriation bonds to supplement the pay-as-you-go capital, at a relatively low net interest cost to the taxpayers of New Jersey.

The 1968 transportation bond issue totaled $620 million. The interest costs on that bond issue were over $500 million. The 1979 bond issue was an appropriation for $475 million. It is estimated that the interest costs, before those bonds are paid off, will exceed $475 million, or more than 100% of the cost of those bonds. By contrast, the net interest costs on this program, as envisioned, would be $170 million on approximately $470 million worth of bonds, or about 36% total interest cost of the face amount of the bonds, about one-third of the 1979 bond issue. That comes about for two reasons: first, principally we are selling shorter-term bonds, and second, there will be earnings on some of the money while it remains in the fund.

That brings us to the focal point of this hearing today, the actual Authority that would be created as a result of this legislation. The New Jersey Transportation Fund Authority would be a single-purpose Authority. Simply stated, that purpose would be to receive the revenues appropriated to it annually by the Legislature. The Authority would then sell bonds in an amount sufficient to provide the capital program of the Department of Transportation and New Jersey Transit with the difference between the pay-as-you-go funds, and the amount needed to pay for the capital programs of the two agencies, an average of about $115 million per year in each of the four years of the program. The Authority would thus incur the bond indebtedness which would be paid off over the expected ten-year term of the bonds. The Authority would consist of five non-paid members and a minimal staff. The best analogy in terms of staffing is seen in the State Building Authority established by the Legislature several years ago. That Authority, as I understand it, actually functions without a paid in-house staff. There are consultants on board who do the necessary work.

The Authority would have no say in selecting the programs that would be funded, and there would be no change whatsoever in the appropriations process as it now exists. The Transportation Fund Authorty's one and only function would be to serve as the financing mechanism for the transportation projects which are so badly needed in this State. I repeat, the responsibility and role of the Legislature in approving the expenditure of transportation funds would in no way be diminished or changed by the creation of this Authority. It is neither the intent nor the purpose of this legislation to create an authority that would add a new layer of bureaucracy to the already complex system of transportation funding. Because this Authority will have no operating responsibilities, it will be able to achieve its purpose without an extensive staff and without great expense. I assure you that its sole purpose is to provide a simple mechanism to provide a stable, predictable source of funding for transportation capital projects in New Jersey.

Unfortunately, the process of bonding does not lend itself to simple language. It is a process, however, that, if enacted, would provide the kind of stable, predictable transportation capital funding program that you and I have so desperately fought for in this State for the past two years. The Transportation Trust Fund Authority will achieve that at a price that the people of this State can afford. It is, in my opinion, a giant step in the right direction and, frankly, it is a step we must take if the economic growth we have experienced in New Jersey in recent years is to continue.

Thank you for your attention during this prepared statement. I will be pleased and happy to answer any questions you may have on this legislation.

SENATOR RAND: Thank you, Commissioner. We have now been joined by Senator McManimon, who is sitting to my far left.

SENATOR McMANIMON: Mr. Chairman, I am a little late because I had to sign some bills.

SENATOR RAND: Okay. This is a good day, Commissioner. When we have 100% attendance, we know the bill must have some significance. We're happy that we have the 100% attendance of this Committee. Now, gentlemen, the floor is open for questions. Don't all rush at one time. Senator Cowan, do you want to start?

SENATOR COWAN: No, Mr. Chairman; I'll wait.

SENATOR RAND: Okay. Commissioner, let me just ask you a couple of questions. I'm sure that the Committee will have a lot of questions to ask you a little later. The Governor's office must have considered other alternatives before settling on this Transportation Trust Authority. What were the other alternatives, if there were any, and why were they discarded in favor of this?

COMMISSIONER SHERIDAN: We spent six or nine months thinking about the form this should take. Basically, we started with the premise of, what do we need to do, and how much will it cost to do it? That is where we started. We wanted, as a goal of what we were trying to do, to put in place a system that would have a substantial portion of pay-as-you-go, rather than going the traditional long-term bonding route of 30-year financing, because we knew that the interest costs over that long term would be so astronomical.

We looked at alternatives in terms of financing. One thing we looked at was the possibility of a gas tax as a means of financing this. It was our judgment, given the fact that we had a situation where there had been an income tax increase last year of 1%, a sales tax increase last year of 1%, and a surplus budget situation, and after talking and trying to get a feel for the legislative process, that there was little or no chance for a substantial gas tax increase. So, we discarded that as an alternative.

We looked at what we were presently doing in transportation, and some of the things that became evident to us in the process were that the truckers, for instance, had not had a motor fuel increase since 1974, had not had a registration fee increase since 1975 and, in fact, had the sales tax taken off trucks, truck parts, and truck tires in 1978. Also, they had several productivity increases over that same period of time, both in weight and in bulk. When we took these things into consideration with cost allocation studies that had been done at a national level, which showed that the heaviest trucks were doing most of the damage to our highways, it seemed to us that one potential source of funds that could be enacted, particularly enacted without affecting us adversely from a competitive point of view, would be the proposal that we eventually came to in the truck area.

The other thing I have long thought was an appropriate source for helping to finance State transportation -- and certainly others in the Administration have felt the same way, particularly the Governor and the Governor's staff -- was that the toll roads should, in equity, contribute something to our State transportation system. They are a major beneficiary of all the traffic that is brought to their highways, and their highways could function better with a good State system. In fact, the State played a major role in putting these highway authorities in place in the first place, with funding and with design work. For instance, on the Garden State Parkway, there are still, to this day, portions which were built with State and Federal funds, which are being maintained by the State Department of Transportation.

So, those two things seem to be -- with a lot of hard work -- available as sources of funding. That was one of the reasons we singled them out for funding. We needed a bonding mechanism because we did not see a way to have a total pay-as-you-go capital program. In fact, we think that a total pay-as-you-go capital program would probably not make sense. It is logical and sensible to borrow for long-term capital improvements, although we were not pleased with the traditional mechanism and wanted to make it more pay as you go. I would say it was a process of evolution, but we eventually came around to the single-purpose authority mechanism, in conjunction with those two sources of pay-as-you-go capital. We knew in order to supplement them we needed some money from the appropriations process. We thought it was fair to get additional money from the appropriations process, since presently not all transportation user charges are coming back to transportation. So, we thought there was an ability to do that. We are looking at the budget situation this year. We think it is very easy to do it within this year, and we think that when we are talking about 1% of the budget -- and that is what we are talking about -- as you go into future years, it will probably average less than 1% over the life of this program, and the State can, and should, afford to set aside that much from the appropriations process for capital for transportation purposes.

SENATOR RAND: Just to clear up one point very quickly, I know we're raising $143 million. This is for my own information; I guess maybe the other members of this Committee understand it, but I have to admit to you that I don't quite understand it. We are going to raise $143 million from the components, the $88 million, the $25 million, and the $30 million. We need $230 million to match all the funds for four years, which leaves -- according to my figures, and I guess I'm not the greatest financier in the world -- $348 million we have to borrow. What is the term for $70 million as against the $348 million?

COMMISSIONER SHERIDAN: Well, we don't necessarily just have to borrow the difference. We have to borrow enough to have a reserve in the fund, to have a reserve for debt service. The amount we're borrowing is what is necessary to make the whole thing work. The right amount is $470 million. Perhaps Liz Felker, who is here from the

Treasurer's office, can explain the financing aspect a little better than I can. But, in order to make the program work -- and I can assure you we have it all charted out year by year -- we will need to borrow approximately $470 million over the four-year period.

SENATOR RAND: Yes, because the $348 million figure is the figure I come up with, and I have been told that that will cost $173 million, bringing us to a total of about $521 million. I will probably ask Liz Felker if the $470 million is the correct figure. All I want is the correct figure.

COMMISSIONER SHERIDAN: It is the correct figure.

SENATOR RAND: Then I would like to know exactly how much that is going to cost.

COMMISSIONER SHERIDAN: In addition to the $230 million, there are interest charges that must be paid. You understand that. These bonds that are going to be sold are going to have interest which has to be paid.

SENATOR RAND: I understand that.

COMMISSIONER SHERIDAN: So, that has to be added to the $230 million.

SENATOR RAND: On the $87 million you are going to borrow--

COMMISSIONER SHERIDAN: (interrupting) Well, on the $470 million that we would borrow, there will be interest. When you are looking at the total cost of the program, that has to be added to the $230 million.

SENATOR RAND: All right, Commissioner. I will pursue that, because I am still not clear on it. I have to admit that to you. Senator Gagliano?

SENATOR GAGLIANO: Commissioner, I think many of the members of the Legislature will raise the issue of the Authority itself. There will be many questions on the issue of whether or not this will merely be a conduit for the receipt and expenditure of funds. To make sure that this will not be another layer of bureaucracy -- as you indicated -- I think we have to make everyone clear on that issue, and we have to convince the other members of the Legislature. Are you satisfied that this will be a case where we will not create another layer of red tape, or bureaucracy, and that the money will actually just go into one account and out the other, so to speak, without a large staff and all that?

COMMISSIONER SHERIDAN: I am absolutely satisfied that that is correct. It was an issue that caught my attention. I certainly did not want to wind up with five coequal Commissioners of Transportation. I spent a lot of time making sure that the bill does not do that. Clearly, they will have no role at all in project selection, or in the ongoing work of the Department of Transportation and New Jersey Transit.

SENATOR GAGLIANO: My next question is, Commissioner, do you have an estimate of the number of jobs that would be created over the four-year period as a result of our passing-- Let's say we are able to pass this and the Governor signs it by the beginning of our next fiscal year. What would you estimate would be the number of jobs that would be created in construction and allied positions, as a result of this program?

COMMISSIONER SHERIDAN: We have been using the United States Department of Transportation's rule of thumb, which is 6,000 jobs and job opportunities created for each $100 million worth of construction. Not every penny of the $3.3 billion will go to hard construction. Much of it -- not much of it, but a certain amount of it, will go for engineering work. Let's just assume for the moment that approximately $2.7 billion would go for hard construction. If you multiply 27 times 6,000, you will have the approximate number of jobs.

SENATOR GAGLIANO: Over the four-year period?

COMMISSIONER SHERIDAN: Well, over the construction contracts associated with the four-year period.

SENATOR GAGLIANO: Oh, that's right. Construction could well go into five or six years on projects that would take longer.

COMMISSIONER SHERIDAN: Yes.

SENATOR GAGLIANO: Let's assume that this becomes law and the Department of Transportation and New Jersey Transit are able to get started on many of the projects they want to complete, and that things are going reasonably well. What would you indicate to be the total expended on transportation and mass transit, in terms of capital projects, over the next four to six years? Do you understand what I'm saying? You already have some money in your budgets for transportation capital construction items.

COMMISSIONER SHERIDAN: We're talking about the $3.3 billion. When we use that figure, that is all available Federal capital money in the highway/bridge/transit area. Okay? It includes $135 million from the 1983 bridge bond bill. Okay? And, it would include all of the money coming out of this program. So, it is all of the capital money that is available to New Jersey Transit and the Department of Transportation during the next four years.

SENATOR GAGLIANO: Including those moneys that would have been in your own budget in the first place?

COMMISSIONER SHERIDAN: The point you're making is a very good point. In last year's budget, there was $47 million for capital. It was the first time in many years that we had a significant amount of capital in the budget. Basically, we have been financing capital with bond issues -- 1979 bond issues. But, when we talk about $88 million from the Legislature, what we are really talking about in terms of additional money is only the difference between $47 million and $88 million, because we are not talking about also continuing to get the $47 million.

SENATOR GAGLIANO: Okay, but what I want here is a comparison. Over the next four years without this program, as opposed to the $3.3 billion estimated with this program, if we didn't have this program, what would you be spending on transportation and mass transportation over the same four-year period?

COMMISSIONER SHERIDAN: That would depend on--

SENATOR GAGLIANO: (interrupting) I mean, assuming that the Governor's budget would have the usual constraints on it, and the Joint Appropriations Committee would have the usual constraints that it has? What I am trying to show here is the difference in what we are going to be able to offer people in terms of increased investment in infrastructure, over what it might be if we didn't have this program. I think that is a key factor, because we have to show people that we are really giving them a lot more for their dollars than we would otherwise be able to do.

COMMISSIONER SHERIDAN: Well, assuming that the Legislature matched all the Federal dollars, which I think is one heck of a big assumption-- I am having a hard time with your question, because I don't know what I am going to get in the future. Last year I knew that I had 1979 bond funds to match Federal dollars. What I know this year is--

SENATOR GAGLIANO: (interrupting) Without bond funds?

COMMISSIONER SHERIDAN: If the Legislature just matched the Federal program -- is that the question?

SENATOR GAGLIANO: Yes. I'm not even sure we can do that, but I think it is an important factor.

COMMISSIONER SHERIDAN: I think we're talking about-- If the money was made available for a match, I think you're talking about a little over $2 billion.

SENATOR GAGLIANO: If the money was available?

COMMISSIONER SHERIDAN: If it was made available. I mean, one of the big pressure points for this program is the fact that right now we are only two or three months away from July 1, and we have no assured matching money for the Federal Highway Program.

SENATOR GAGLIANO: So, therefore, if we didn't have the money for a match, we might only be spending, say, a billion dollars in four years -- only a billion. We might be down to about a billion dollars in four years, as opposed to $3.3 billion if we have this program.

COMMISSIONER SHERIDAN: If we didn't match the Federal dollars, we would be down to, probably, a half billion dollar program over the next four years.

SENATOR GAGLIANO: Over the next four years?

COMMISSIONER SHERIDAN: Yes.

SENATOR GAGLIANO: As Commissioner, you find that unacceptable, I presume. You just couldn't get anything done.

COMMISSIONER SHERIDAN: If you saw how little that was going to be, everyone in the State would find it unacceptable. Basically, you're talking about not having a capital improvement program.

SENATOR GAGLIANO: Thank you, Commissioner; thank you, Mr. Chairman.

SENATOR RAND: Senator Gagliano asked you a very interesting question. He asked you, "How much money would you need?" I suppose he meant money given by the Joint Appropriations Committee to match all Federal funds. On Page 2 of your statement, Commissioner, you say, "On the program side, the trust fund would enable the State in each of the next four years to spend $50 million to match all available Federal public transit capital funds, and $58 million to match all available Federal highway and bridge capital funds." Are you talking about that per year?

COMMISSIONER SHERIDAN: Per year.

SENATOR RAND: That would mean $108 million.

COMMISSIONER SHERIDAN: Yes.

SENATOR RAND: To answer your question, if I read it correctly--

SENATOR GAGLIANO: (interrupting) We don't have it, at least not at the moment.

SENATOR RAND: Well, what it is-- Let me answer you very quickly, Senator. You are being asked now to give $88 million; that would mean an additional appropriation of $20 million to make it $108 million. Senator McManimon?

SENATOR McMANIMON: He also stated that the $62 million would provide 100% State funding for selected projects.

COMMISSIONER SHERIDAN: Yes, the $62 million we're talking about is basically to supplement the Federal program where the Federal program is weak. We get $300 million plus a year from the Federal government for highways and bridges. But, I get it in categories. I get $110 million a year in interstate funding; I get $30 million to repair interstate roads; I get $70 million for bridges; and, I get $35 million for the Federal Aid Urban System. But, in the category that we all think of as our basic highway system, Route 1, Tunnelly Avenue, Route 18, Route 55, Route 30, Route 40, Route 130, Route 206, Route 202, Route 17, Route 4, Route 35, Route 36 -- just go around the whole State-- Think of our highway system aside from the interstate system.

In that category of funding, every year we get $48 million, which is double what we were getting two years ago. But, $48 million -- think about the projects that are on the drawing boards which everyone thinks are going to get done. Route 18 in Monmouth County alone, is a $60 million project. Route 24 in Morris and Essex Counties is a $60 million project. We have done a major job in funding the first 7.7 miles of Route 55 at a cost of about $66 million. There are 13 miles of that road left, and the cost is $90 million.

Compare that. If you look at the project list we have given you, Route 17, Route 4, the Route 33 by-pass, and Routes 169 and 185 in Jersey City are for $80 million; Route 92 is for $100 million. That is really not a fair comparison. I shouldn't use that, because they are designation funds. But, if you compare the list of projects on the project list, in that category, many of the roads fall into the consolidated primary category, which is the category we're talking about. Forty-eight million dollars a year represents much less than 40% of what we need to spend to do these projects. So, what we are suggesting is that there is a category of Federal program which is very weak compared to our needs in New Jersey. We're saying we need $62 million a year to supplement that list.

Some additional funds to supplement major projects come out of the "swap" money too -- $35 million in that area. Some projects which come to mind when we're talking about spending it, are Routes 169 and 185 in Bayonne, Eisenhower Parkway in Essex County--

SENATOR RAND: (interrupting) I knew he would get to Hudson County.

SENATOR COWAN: He's in Essex now.

COMMISSIONER SHERIDAN: (continuing) and Carteret Industrial Road. Does that answer your question?

SENATOR RAND: Yes, it does.

COMMISSIONER SHERIDAN: Senator, you made a very good point though, about the $88 million and the $108 million. We do not need $108 million the first year, because we do have some TRANSPAC moneys available the first year. These TRANSPAC funds will be completely used up during Fiscal Year 1985. What this bill is really saying to the

Legislature is, if you go with this program, it will only cost the appropriations process $88 million. If you go on a straight pay-as-you-go basis, just to match Federal dollars averaged over the next four years, you are going to need $108 million.

SENATOR RAND: Okay. Senator McManimon?

SENATOR McMANIMON: John, you're proposing that the Authority receive local government's Federal money and redistribute it to the locals. How will this change come about, and does it require a change in the law? Also, do we need Federal approval?

COMMISSIONER SHERIDAN: Okay. Let me give you a little history which might help to set the stage a little bit. Back in the early 1970's, we had a local aid program. The Federal government then passed a program to fund Federal Aid Urban System projects. What happened was, the Legislature stopped funding the local aid program and said, "Now you have these Federal funds; apply these locally." A decision was made at the Department of Transportation by my predecessor -- I think it was Alan Sagner at that time -- who said, "We are going to distribute these Federal Aid Urban System funds," on what was described as a fair-share basis. So, for instance -- these are not the correct amounts -- but, let's say, Bergen County received $2 million a year, Hudson County received $1.5 million a year, Essex County received $2 million a year, and Camden County received $1.5 million a year. But, it was on a fair-share basis, based primarily on population.

What happened, though, was that while the dollars were fairly significant, this came with the whole Federal process. It came with an environmental assessment on every single project, whether it was a traffic light-- If it was something as small as a traffic light, you had to do an environmental assessment. It required a four-step design review, like any major project did. It took six, eight, nine, sometimes twelve months to put a consultant on board to do the engineering work on it. It took a tremendous amount of work at three levels of government -- local, State, and Federal. There was a lot of paperwork going back and forth. Actually, there are some absolutely disasterous stories that could be told about it.

This point was brought home to me by the transportation planner in Cumberland County, when I was in office for two months. He brought in a flow chart on a typical FAUS project. I still have it in my office to remind me. It was 32-feet long, a typical project from beginning to end on the FAUS system. So, what we have proposed is, let's give the counties the same dollars they are getting, but let's give the money to them without all the Federal requirements, and without all the State bureaucracy. It may be worth putting up with these requirements in order to do a big project, a Route 18, or a Route 55. It is absolutely nonsensical to put up with these requirements on a small local project.

What we propose, is to give the same dollars, dollar for dollar. We think the counties will be way ahead of the game, with 50% more projects. Now, does it require Federal legislation? Does it require State legislation? The answer is "no."

SENATOR McMANIMON: Am I to assume that this is strictly an administrative change?

COMMISSIONER SHERIDAN: It is an administrative change. I had a meeting with some of my middle-management people last week. I was explaining the overall program to my middle management, and John Kessler happened to be there. He is the Federal Highway Administrator. John is completely and totally supportive of the program. He thinks that Federal dollars are better spent on bigger projects. He thinks the proposal we're making makes sense from the Federal point of view, from the State point of view, and from the local point of view.

The North Jersey Transportation Coordinating Committee is a metropolitan planning organization which must approve this plan under the Federal process. While they are still reviewing the specific regulations we propose, and they may have ideas for suggestions, in principle they are positively in favor of the program. They have endorsed the overall transportation program by a vote of 14 to one. I should tell you there were 12 North Jersey counties represented by Freeholders on that Board.

SENATOR McMANIMON: Assuming that you adopt this policy which encompasses the overall trust fund philosophy being projected, are we indirectly relinquishing legislative oversight?

COMMISSIONER SHERIDAN: No. I don't think this bill, in any way, changes the relationship of the Legislature to the Department, to New Jersey Transit, or to the way we do business. If there is anything in the bill that you see as a problem, I would certainly be willing to address it, because it was not the intent to change it in any way. We cannot, under this bill as I understand it, spend one dollar without that dollar having been put into a budget which is approved by the Joint Appropriations Committee, and voted upon by the entire Legislature.

SENATOR McMANIMON: My concern then would be-- When the dollar is put into the budget, I would assume specific projects would be encompassed in the presentation of that dollar, so basically we would have legislative oversight as to where, when, how, and what is being done throughout the State.

COMMISSIONER SHERIDAN: At the present time, the Legislature does not authorize our budget on a specific project-by-project basis. They do not do that. What they do is, they say, "This year you may spend 'X' Federal and State dollars on interstate roads," or "You may spend 'X' dollars on primary roads," etc., etc. It has not been the normal legislative appropriations process to do it on a project-by-project basis.

SENATOR McMANIMON: This will be my last question. Basically, I get concerned if we become parochial in certain segments throughout the State.

COMMISSIONER SHERIDAN: Sure.

SENATOR McMANIMON: Without legislative oversight, we have no specific controls. It would be like giving you the baseball bat; you would control the game in its entirety. I do not wish to utilize the term, but there are times when we are all political. I think we have to face that reality, and we have to have safeguards. That is one concern I have.

COMMISSIONER SHERIDAN: We have offered a program -- a project list -- of what we think, first of all, is able to be done, and which we think addresses the problems of the State on a statewide basis. I would tell every legislator that if he or she would look at that list, and would then discuss the projects in the process with us, they would find that every project that has been on the drawing board that we know needs to be done, which can possibly come to construction -- and I don't want to put a whole bunch of "wish-list" projects on the list, I want doable, real projects-- If we have a doable project and it has been on the drawing board, it has been in the process, it has been under consideration, you will find the project on that project list.

SENATOR RAND: Would you have any objection to the appropriation measure that is subjected to the Legislature having a line item of the projects involved, for the perusal and approval of the Legislature? This has been done in all the bond issues of the past.

COMMISSIONER SHERIDAN: Well, it has been done--

SENATOR RAND: (interrupting) It was done in the 1979 bond issue.

COMMISSIONER SHERIDAN: (continuing) on bond issues, but only for bond dollars. Okay? Here we're talking about the entire transportation program.

SENATOR RAND: Well, would you expect the Legislature to just give you a blank appropriation, in the sense that you would come before the Legislature, Commissioner, and say, "We need $140 million blank," because it's not only bond money, it's regular money that gives no one any input as to what can be. As an example, New Jersey Transit gets one billion dollars out of this package, without the Authority even looking over anything. The Authority literally just hands New Jersey Transit a billion dollars. I suppose what it would be in Joint Appropriations dollars would be a billion dollars as a lump-sum appropriation, which, of course, every legislator who has his prerogative on the legislative side has a little objection to. I was just wondering if there is an avenue we could approach where we could have some input on the expenditure of that money.

COMMISSIONER SHERIDAN: I think there is probably a ground where we could come to some agreement on how the process ought to give you sufficient input on projects. What you have to understand, is that we need some flexibility in the process, because while we have estimates in there, those estimates could change on a monthly basis, or on a six-month basis. Time estimates can change, and we need some flexibility to deal with all the dollars.

SENATOR RAND: Well, you did that in the bond issue of 1979. Even though you had a line item, you still had the ability to maneuver around, in the sense that you took the funds here and used them for State funds over there, or to match Federal funds.

COMMISSIONER SHERIDAN: Yes. The other thing we absolutely need to have, and I just have to get this point across to the Legislature-- We have put projects in there which are doable and real. The worst thing that could happen from people's point of view in this State, would be to go to a specific project list and load it up with projects which are not real world, and which cannot be done within the time frame we are talking about.

SENATOR RAND: No, but what a legislator would like to see would be something in his own particular county, and so forth. I'm sure you are going to be able to present that type of thing.

COMMISSIONER SHERIDAN: I think if they look at that project list, they will see there are projects in every county.

SENATOR GAGLIANO: Mr. Chairman?

SENATOR RAND: Senator Gagliano.

SENATOR GAGLIANO: I just want to make one cautionary remark. I think we should learn something from the problems in Congress; that is, we do not want to create a pork barrel situation, where because a particular legislative delegation has a few more votes, they can put the pressure on the Commissioner, or the Administration, and say, "We want to have this, even though it is not the best project we might build." I am reminded of the Big Tom project down south which has cost billions of dollars, and no one knows what it is going to do. That was because of a particular strength in certain legislators in the Congress. I have always felt this way, regardless of which

Administration we had. They must have a certain amount of latitude. If we start putting in line items for work to be done, I think we'll just cause more problems than we will solve.

SENATOR RAND: Senator Gagliano, I can only respond to you from the experience I've had on the Joint Appropriations Committee. This is my ninth year, and I have quite an aversion to handing out lump sums of appropriations, when I know we are responsible for raising the money. I'm not talking about the pork barrel interest, and I don't think in 1979 there was any influence on the bond issue. However, I do not surrender any legislative prerogative that the Legislature has to review any of the money it appropriates. And, that is all I'm asking. Nothing more; nothing less.

SENATOR GAGLIANO: Fine. I thought we were leading toward a situation where we might be talking about a specific lining of each project, and I don't think we should.

SENATOR RAND: No, no, absolutely not. I would not impose those types of restrictions on the Commissioner. Absolutely not. That is not our purpose, and that is not our intent. I would not be here sponsoring this bill if I had that intent in mind. Senator McManimon?

SENATOR McMANIMON: Mr. Chairman, getting back to the initial question. Commissioner, my point was to bring forth the issue where I just feel we must have some basic type of mechanism that will give us a certain amount of legislative oversight and, at the same time, give you the flexibility you need. I realize the program which you have put forth here could be a tremendous asset to this State, but we, as legislators, are directly responsible too. For us to relinquish legislative oversight, would mean that we would be doing an injustice not only to our constituencies, but to this State. I feel that that mechanism has to be there. From what I understand so far, it is not. The trust fund, once it is created, is almost an autonomous body. I think this has to be brought out, so we will know where it is going in its entirety. If they are going to have a free rein, you know, it's difficult.

COMMISSIONER SHERIDAN: Senator, I think perhaps there are some misconceptions, because, first of all, the Authority itself will not have any say over projects. The appropriations process, which I think has worked well, and which gives all the legislative oversight that you could want over my budget-- If you think it needs to be more restrictive, if you think somehow that we are not dealing as fully and fairly as we should, which I would be surprised to find out, because I have never heard any comments like that from any members of the Legislature--

SENATOR McMANIMON: (interrupting) You have been straightforward; your integrity is beyond reproach.

COMMISSIONER SHERIDAN: Okay. I think the legislative appropriations process is not changed one iota by this bill. We would not want to change it, because we think it has worked well. All the funds I would have the right to spend, or New Jersey Transit would have the right to spend, would be appropriated through that appropriations process. We would have no ability, or right, to spend a dollar that was not appropriated.

SENATOR RAND: I must tell you, Commissioner, I like your up-front remarks about the limitations of the Authority. You made me feel pretty good on that one. You made those remarks on Page 6 of your written statement. However, Page 7 of Senate Bill 1446, I believe, brings some questions to our minds. I will read it now: "For its sole purpose as established in section 5 of this act, to appoint and employ an executive director and such additional officers who need not be members of the authority and accountants, financial advisers or experts and all such other or different officers, agents and employees as it may require and determine their qualifications, terms of office, duties and compensation, all without regard to the provisions of Title 11, Civil Service, of the Revised Statutes." That frightens me to death, Commissioner. I must tell you that in all sincerity. As I say, I welcome the remarks on Page 6 of your presentation. I hope, Senator McManimon, to address some of your concerns, so that we will be able to restructure the wording, or the intent of the Authority, this in sympathy with the remarks you made.

COMMISSIONER SHERIDAN: The language is broad, but I think if you look, for instance, at the Building Authority, you will see the same language. In point of practice, both the previous Administration and this Administration have limited that agency to what is essentially no staff. It does, indeed, employ bond counsel when it sells bonds. It needs accountants in order to provide the audits required by the bill. It has an outside agency which acts as an executive director, but, essentially, it is a minimally-staffed organization, organized for the purpose of selling bonds.

SENATOR RAND: That will not duplicate another DOT?

COMMISSIONER SHERIDAN: Absolutely; that, I want to tell you. (laughter)

SENATOR RAND: I guess I have--

COMMISSIONER SHERIDAN: May I just refer back to one thing? I would ask you to look at Section 21, Page 16, Lines 12 through 18: "The authority shall within 15 days of receipt of the certificate, transfer from available funds of the authority to the treasurer for deposit in the Special Transportation Fund the amount certified by the commissioner, provided that all funds transferred shall only be expended by the department pursuant to appropriations or authorizations made from time to time by the Legislature for the purposes of the act." That is on Page 16.

SENATOR RAND: Commissioner, does the Capital Budgeting and Planning Commission get involved in this at all in this particular area, or do we just by-pass them for the moment?

COMMISSIONER SHERIDAN: We would still, as part of the process, appear on an annual basis before the Capital Budgeting and Planning Commission, as I understand it. They would review our capital program as they presently do.

SENATOR RAND: Senator Hurley? You've been very quiet.

SENATOR HURLEY: Commissioner, you testified that the Authority would issue ten-year bonds in each of the first four years. How long would the Authority exist, in your view?

COMMISSIONER SHERIDAN: The Authority has the ability, under this legislation, to be a continuous body.

SENATOR GAGLIANO: Perpetual.

SENATOR RAND: Don't say that; those words frighten me.

COMMISSIONER SHERIDAN: What we are asking for is a commitment from the Legislature to make appropriations for a period that will be sufficient to fund the four-year program and pay off the bonds we are issuing. What we envision is that close to the end of the four years, the Legislature would come back, review this program, and decide whether it had worked well or not worked well. If it had worked well, the program would have to be refunded.

SENATOR RAND: We will be out of money by that time.

COMMISSIONER SHERIDAN: Well, we won't be completely out of money, but clearly we will not be able to have a capital program of the size that we expect to have during that four-year period. So, near the end of the four years, the Legislature will have to review this and decide. If it has worked well, we would be hopeful that it would continue. One of the things that could happen with this fund which is interesting, comes about from using ten-year bonds. If the program is refunded, the bonds that were issued in the first year will start to be paid off, so that after the first refinancing of it, you would start to get into a revolving situation where the money that was issued in the first ten years would be freed up for additional funding in later years.

SENATOR RAND: It could be an ongoing revenue bond situation.

COMMISSIONER SHERIDAN: It could be an ongoing mechanism, if the Legislature so chooses.

SENATOR HURLEY: My question was, without refunding, what would it do?

SENATOR RAND: We are going to write that into the legislation.

COMMISSIONER SHERIDAN: If it is not refunded with additional money after the four years, then there would be several options that would have to be considered. There would still be $55 million a year in pay-as-you-go capital coming into the fund. So, we could have a reduced capital program based on that $55 million.

SENATOR HURLEY: Is there an example, other than the State Building Authority, for the issuance of bonds such as you envision here?

COMMISSIONER SHERIDAN: Yes. I believe county college bonds are sold based solely on budgetary appropriations on an annual basis. The Building Authority is similar, in the sense that the lease payments are appropriated on an annual basis. This is the only revenue that stands behind the Building Authority. I believe that local school aid bonds for building local school buildings are also backed solely by annual appropriations of the Legislature.

SENATOR HURLEY: Mr. Chairman, I have another question. In your testimony, Commissioner, you said there would be no new taxes to pay for this. Does that mean that all the costs of the payback will be encompassed in the $3.3 billion program?

COMMISSIONER SHERIDAN: I'm not sure I understand your question.

SENATOR HURLEY: Well, obviously we are going to incur new costs. There are new costs in what you are asking for.

COMMISSIONER SHERIDAN: Sure.

SENATOR HURLEY: Then, if you are not going to raise new taxes, how are you going to pay it back, if it is not included within the bonds, within the borrowing, within whatever?

COMMISSIONER SHERIDAN: The $88 million, the $30 million from the truck fees, and the $25 million are sufficient in and of themselves over the next 14 years, as the money comes in, to more than pay off all the money that will be borrowed in the first four years.

SENATOR HURLEY: I have one last question, Mr. Chairman. Where are the independent authorities going to get their contribution?

COMMISSIONER SHERIDAN: Their contribution, we believe, is at the moment readily available from surplus -- what I would describe as surplus. I guess that is how I would answer your question.

SENATOR RAND: If we have the sales tax, the income tax, and the corporate tax continuing to increase, we'll be in good shape, Senator.

SENATOR COWAN: Commissioner, from your opening remarks, and what has been discussed here, I gather it would be safe to say that so far as the Capital Budgeting and Planning Commission is concerned, there would be no relationship with the Authority at all. The Authority, in other words, would have no relationship with the

Capital Budgeting and Planning Commission.

COMMISSIONER SHERIDAN: Liz Felker from the Treasurer's office may have some additional comments on that point, but basically, since the Authority would not select projects, it would be my view that the appropriate agencies to appear before the Capital Needs Commission to tell them what our planned capital improvement program is, would be the Department of Transportation and New Jersey Transit, just as we do now.

SENATOR COWAN: From everything that has been said, that is my understanding. I just wanted to clarify the issue, because with this Authority and what we are talking about, everyone is a little apprehensive that we have another huge monstrosity coming at us, and that there will be no control of it when it comes down. Also, in the same vein, in relationship to the Port Authority, which I have a very particular interest in -- in their own parameters up there, I guess it is a 25-mile range, etc. -- do we have that development bank coming out of that?

COMMISSIONER SHERIDAN: Yes.

SENATOR COWAN: Would that have any relationship to this as far as funding is concerned, or would that be kept separate and distinct?

COMMISSIONER SHERIDAN: We envision that it would be kept separate and distinct. I would tell you that if you look at the project list, you will see that two areas have been addressed only modestly, in my opinion, compared to what future needs will be. They are the waterfront and the Meadowlands. The reason is that the projects are still in the study stage and, as I said before, what I wanted to put on that project list were doable projects within the four-year period. There are great infrastructure needs in both the waterfront and the Meadowlands in these areas: water, sewer, transit, and highways. I would think that when the Port Authority program gets put into place legislatively, and that funding mechanism is set up, two of the areas which will present projects for consideration will be the waterfront and the Meadowlands areas.

SENATOR COWAN: Will this meet all of New Jersey's transportation capital needs then, with this Authority as established?

COMMISSIONER SHERIDAN: Will it meet all our needs? I think the answer, in fairness, is, "No, it does not meet all of our needs." What it does do, is take a giant step forward in the right direction to attack a capital program in a major, major way. There will be some needs which will not be fully addressed within the four-year period, which will have to be the subject of further discussion in the Legislature toward the end of the four-year period as to what we do after the four years. But, it represents enough money to do all of the identified work that we know needs to be done within the four-year period, and which we know can be done.

One thing we did not want to do, was to have a project list so big that it just could not be done within the four-year period. So, we have constrained it by what is doable.

SENATOR COWAN: With this Authority also, with the moneys coming into it from the independent agencies, Garden State and the Turnpike, there have been -- I'm sure you are well aware -- over the past few months, on different occasions, talks of toll increases that this Authority will cause. I am still not clear on that, but my question is a two-part question as far as the toll increases are concerned. Talking about expansion, will this Authority have any inpact as far as the Turnpike itself is concerned, with their revenue and the construction they propose to do, particularly up around the Meadowlands area? Will it have any affect on the Garden State Parkway with the proposed expansion they intend in the southern area of the Parkway?

COMMISSIONER SHERIDAN: This program will not cause a toll increase. What we're talking about is, out of every quarter on the Parkway, two to two and a half cents will be going into this fund -- out of every present quarter. As traffic increases, the pennies out of the quarter will go down. On the Turnpike, we're talking about less than two cents on every 25 cents collected.

I cannot tell you there will never be a toll increase. I mean, who knows? There are too many factors involved -- how much traffic there will be, how large their capital program is, and how quickly it will be implemented. What I am telling you is, there will be no toll increase caused by this program. What we are talking about is relatively peanuts compared to the revenue sources that the Parkway, the Turnpike, and the Expressway Authorities have available to them.

SENATOR RAND: Commissioner, we do have a page of amendments which clarify that in the bill, whereby they remove any misunderstanding, or any understanding, that the Authority can dictate an increase in the tolls. You have not been made privy to this, because we just got it. However, that will be given out to each member of the Committee for his consideration. Do you have a copy of those amendments, Peter? (affirmative response) Senator Cowan?

SENATOR COWAN: That's all I have. Thank you, Commissioner.

SENATOR RAND: I want to get back to the Authority for just a couple of questions. Again, I continue to like more and more what you're saying, Commissioner. The bill states: "It shall be the sole purpose of the authority created under this act, to provide the payment for and financing of all, or a portion of, the costs incurred by the department." That's fine, because as far as I am concerned, I would like the Authority to be a conduit, so to speak, for the money to flow there constitutionally, to do what the Department wants it to do.

I have two questions. Why do they have to be in a position to buy ground, transfer ground -- let me read it exactly -- "To acquire, own, lease as lessee or lessor, hold, use, sell, transfer, and dispose of real or personal property for its purposes." It sort of puts them in a different ball game again.

COMMISSIONER SHERIDAN: We see a possible opportunity here to increase the funds available to the Authority. At the present time, for instance, if the Department of Transportation had acquired land under the 1968 bond issue-- Let's say we had acquired land for a right of way. Okay? If that right of way is used in a transportation project, a Federal aid project, we do not get credit. We do not get credit for the land we have already provided to the project. We cannot use it to reduce our Federal share. It just gets added in. Let's assume, for instance, that on a $100 million project you had $10 million worth of land that the Department of Transportation already owns. Okay? The project costs would be $10 million contributed in land, and then we would still have to match the Federal dollars 75/25 if it was a primary highway. So, in essence, we have contributed more than 25% to that project because our contribution of the land has been put in free.

SENATOR RAND: And, the Federal government will accept that?

COMMISSIONER SHERIDAN: They accept the land, of course, because it is free.

SENATOR RAND: Oh, okay. But, what credit can you get?

COMMISSIONER SHERIDAN: What I think we may be able to do, is--

SENATOR GAGLIANO: (interrupting) Sell the land and buy it back.

COMMISSIONER SHERIDAN: That's right. Sell the land to the Authority, and have the Federal government pick it up as part of the cost of the project, thereby increasing the value of the State assets.

SENATOR RAND: We are on legal grounds on that?

COMMISSIONER SHERIDAN: All we have done is provide the flexibility here to do that. For instance, let me give you an example. If the Department of Transportation had to buy riparian rights from the Department of Environmental Protection, which then, in turn, went to the School Aid Fund under the Constitution, and we paid $2 million, that would be an appropriate cost to the Federal government under that project. But, if we owned those rights, if the Department owned those rights, it would not.

SENATOR RAND: Are you saying that by disavowing the ownership of that ground, you then put yourself in a position to receive additional funds?

COMMISSIONER SHERIDAN: We may. All we did was include that as a possibility. That is the only reason I know of for that language.

SENATOR RAND: Commissioner, I have one final question. Maybe you can go through it; if not, maybe Mr. Nutt can. If we appropriate the $88 million, and the $25 million, and the $30 million, which is the $143 million, which then goes to the Authority -- we have appropriated that already -- what control, or what review, or what oversight do we have on that $143 million?

COMMISSIONER SHERIDAN: What you have is the knowledge that the Authority can only move the money to the Department of Transportation on requisition of the Commissioner, and that the Commissioner can only requisition, under the language I gave you, money for expenditures which the Appropriations Committee has said I may lawfully take.

SENATOR RAND: In other words, we get first shot at that $143 million?

COMMISSIONER SHERIDAN: You get a total shot on the expenditure side. I cannot spend one penny until the Appropriations Committee says I can spend it.

SENATOR McMANIMON: A point of clarification: We approve the total figure you present. We then no longer have any control as to how you expend that money. Correct? It is an entirely different concept now. You present the figure -- you present the whole figure for appropriation. We approve the appropriation, say of $143 million.

COMMISSIONER SHERIDAN: Right.

SENATOR McMANIMON: Once that is approved and you have it, and it goes to the trust fund, then we no longer have any control as to how you will spend it.

COMMISSIONER SHERIDAN: No.

SENATOR RAND: That is what I just asked.

COMMISSIONER SHERIDAN: I think Senator Rand just asked the same question.

SENATOR McMANIMON: I was just wondering. I got an indication there that seemed as if a particular project--

SENATOR GAGLIANO: (interrupting) Are you referring to the bill again on the same page, John, Page 16, or whatever you read to us? That seemed to cover it.

COMMISSIONER SHERIDAN: Yes. I think this language covers it, and it was intended to cover it. So, if it does not cover it as fully as you would like-- On Page 16, it says, "...provided that all funds transferred shall only be expended by the department pursuant to appropriations or authorizations made from time to time by the Legislature for the purposes of the act." It says "only" -- "only." Without an appropriation authorizing an expenditure, I would not have the power to spend the money.

SENATOR RAND: If there are any other interpretations, Senator McManimon, we will make sure we tighten that up so we do have that review. I don't think the Commissioner is objecting to having that review. I know he never has in the past, and I'm sure he won't now. Senator Hurley?

SENATOR HURLEY: There is nothing in this language that differs from the current practice?

COMMISSIONER SHERIDAN: No.

SENATOR HURLEY: That is the important point.

SENATOR RAND: It appears from what the Commissioner said that we get a second crack at that money.

COMMISSIONER SHERIDAN: We went at this, and I guess I would just say to you, if it doesn't satisfy you in that regard, please draft something and I will be pleased to work with you on the language. But, the intent was not to change the appropriations process.

SENATOR RAND: We are just getting it clarified, nothing else, Commissioner. You know, there are four bills in one in this ombudsman bill.

COMMISSIONER SHERIDAN: I know.

SENATOR COWAN: Who is the ombudsman?

SENATOR RAND: It's just a big, big package. Is there anything else? Senator McManimon?

SENATOR McMANIMON: No. I compliment the Commissioner for his forthrightness and directness.

SENATOR RAND: Senator Gagliano?

SENATOR GAGLIANO: No questions, thank you.

SENATOR RAND: Senator Hurley?

SENATOR HURLEY: No, thank you.

SENATOR RAND: Commissioner, we thank you very much for a very enlightening morning. I'm sure that during the course of the next hour or so, when Liz Felker testifies, we might want to ask you some questions. Do you have time to stay?

COMMISSIONER SHERIDAN: I would be pleased to stay around for as long as I possibly can.

SENATOR RAND: We appreciate that very, very much. Thank you.

COMMISSIONER SHERIDAN: Thank you for your time; I appreciate it.

SENATOR RAND: May we have Mr. Nicholas Capozzoli? Good morning, sir. It is still morning we want you to know.

NICHOLAS J. CAPOZZOLI, JR.: Good morning, Mr. Chairman. My name is Nicholas Capozzoli, Jr. I am a member of the law firm of Mudge Rose Guthrie Alexander & Ferdon. My firm has acted as an adviser with respect to the preparation of the particular bill before you this morning. I am pleased to have this opportunity to appear here today. I might say my remarks are fairly brief, but I will be available to you for as long as needed to answer any specific questions you might have. I would like to go now to my prepared text.

This bill, if adopted, will establish the New Jersey Transportation Fund Authority Act of 1984, whose purpose will be to aid in the payment and financing of transportation projects within the State of New Jersey. In furtherance of this purpose, the Authority is granted the power to borrow money and to issue its bonds. It is contemplated that bonds of the Authority would be principally secured by amounts paid to the Authority from the General Fund of the State. In addition, the proposed legislation would authorize the utilization of any amounts received from the State toll road authorities for the payment of debt service on the Authority's bonds. The legislation would also permit the Authority to transfer amounts received from either of the aforementioned sources directly to the State to pay transportation project costs.

The proposed legislation expressly provides that the State's payments to the Authority are subject to and dependent upon appropriations being made from time to time by the Legislature. Thus, each year money for the State's annual payment must be approved by the Legislature through the usual appropriation process.

The proceeds of bonds issued by the Authority will be paid to the State Treasurer for deposit in a Special Transportation Trust Fund to be used for transportation purposes. The expenditure of amounts from this fund by the Department of Transportation can be made only pursuant to appropriations or authorizations made from time to time by the Legislature.

When creating the Authority, we expected to accomplish two principal goals: first, to structure a program to raise funds to finance the State's transportation program in a manner acceptable in the financial marketplace; and second, to make certain that the program was a legally feasible one.

The issuance of bonds by a public entity secured by State payments that are subject to appropriation by a state legislature has become an acceptable and recognized form of financing both within the State of New Jersey and outside of New Jersey.

In New Jersey, the State Building Authority has issued bonds secured by State lease payments which are subject to and dependent upon appropriations being made by the State Legislature. I might deviate a little bit, and say that your Justice Complex is financed in the same manner, pursuant to lease payments from the State which are subject to appropriation by the State. In addition, bonds have been issued by counties in New Jersey pursuant to the County College Bond Act, to finance the State's portion of the capital costs of county colleges. These bonds are secured by payments from the State which are also subject to legislative appropriation.

Both of the aforesaid financing structures have passed constitutional muster in cases decided by the New Jersey Supreme Court. Those cases are Enourato versus the New Jersey Building Authority, which was decided in 1982, and Holster versus the Board of Trustees of Passaic College, a case which was decided in 1971. In both cases the Court recognized that even though it was contemplated that appropriations would be made by the State Legislature, there was no legal obligation on the part of the State to do so and, therefore, no debt was created.

In the State of New York, the Metropolitan Transportation Authority has issued over a $500 million aggregate principal amount of bonds secured by service contracts with the State of New York. These contracts provide that in consideration of the operation of the state's commuter railroads and transit facilities by the MTA, the state will make payments for costs incurred in such operation, including the debt service on the MTA bonds. The payments under these service contracts are subject to legislative appropriation. There is no legal obligation to pay.

There is also precedent for the use by a public authority of funds generated by another public authority. Pursuant to statute, the New York MTA receives funds from the Triborough Bridge and Tunnel Authority. I received some figures this morning. I believe that in 1983, the Triborough Bridge and Tunnel Authority transferred to the New York City Transit Authority, which is an affiliate of MTA, over $104 million, and to MTA directly, over $83 million.

SENATOR GAGLIANO: Has that ever been challenged in court by anyone?

MR. CAPOZZOLI: No. I don't know if I mentioned that the MTA has issued over $400 million in bonds secured in part by these dollars. It is also a fare-box bond.

SENATOR RAND: Short-term bonds, or generally long-term bonds?

MR. CAPOZZOLI: They are fairly long-term bonds.

SENATOR RAND: May I ask how long, sir?

MR. CAPOZZOLI: I can't say for sure, but I would say in the area of 25 years. They are secured by the fare box, but in today's world people are not willing to purchase bonds based on what is going to be generated from fare boxes in a transit authority. These surplus dollars, of course, serve as backup for the payment of those bonds.

SENATOR RAND: Are they GO bonds?

MR. CAPOZZOLI: No, they're not GO bonds.

SENATOR RAND: They're not general obligation bonds?

MR. CAPOZZOLI: No, they are considered revenue bonds.

SENATOR RAND: Revenue bonds, okay.

MR. CAPOZZOLI: In conclusion, the plan contained in the New Jersey Transportation Fund Authority Act of 1984 is one intended to provide a reliable method to aid in the payment and financing of the State's transportation needs, in a manner acceptable to the financial marketplaces, and permitted under the Constitution and laws of the State of New Jersey. Thank you.

SENATOR RAND: Thank you very much, Mr. Capozzoli. May I ask you a question? You don't have the bill in front of you, so let me hand you this.

MR. CAPOZZOLI: I do have a copy of the bill.

SENATOR RAND: You do have a copy, okay. On Page 9 -- and this is why I asked you about general obligation bonds which led into my next question -- it says, "Except as may be otherwise expressly provided in the act or by the authority, every issue of bonds or notes shall be general obligations payable out of any revenues or funds." As I say, I am not a bond counsel, but can you give me the difference between this and general obligation bonds, since we are putting a direct appropriation in there?

MR. CAPOZZOLI: I can see the reason for your confusion.

SENATOR RAND: It does confuse me.

MR. CAPOZZOLI: This terminology is generally used with respect to revenue bonds. They refer to it as a general obligation of the particular authority issuing the bonds, which are actually payable from all of their revenues, as distinguished from a general obligation bond, which is thought of as a full faith and credit bond, and is backed by the taxes of a state or a municipality. This is not a reference to that type of general obligation bond.

SENATOR RAND: Right. You say that these general obligation bonds, which are payable out of any revenues, can also be 20-year bonds, or 25-year bonds? What is the longevity of them?

MR. CAPOZZOLI: I would say that under the terms of the existing legislation as it stands now, unless you have some amendments I haven't seen, there is a maximum of 30 years maturity provided in this bill. I mean, that doesn't mandate that they issue 30-year bonds, but I think as it is now established, you would have the ability to issue 30-year bonds, yes sir.

SENATOR RAND: Senator McManimon?

SENATOR McMANIMON: Do you know what concerns me, knowing the past record we've had on bond issues in the State over the last 40 years? The bond issues were very successful. I also get the impression that through this type of legislation, we are reluctant to present it to the voters, yet we are giving the Authority the right to issue bonds. We have had such a successful record over the last three or four years. I refer specifically to the Green Acres bond issue, and other bond issues.

SENATOR GAGLIANO: I don't think it is a matter of reluctance, as much as it is the fact that this is a different type of program. That is the way I see it.

SENATOR McMANIMON: Well, it's just the idea that when we deal with a bond issue in this State, in the past we have always given the opportunity to the people. Here we are taking the opportunity away from them. It's just another avenue of pursuit, and I just thought I would question it. That's all.

SENATOR RAND: What I want to make clear, Senator Gagliano, is the fact that the revenue or funds do not come from any specifics, except from the general appropriation of the Legislature. Whether it is toll road funds, or whether it is increased tax funds, it does come directly from the Legislature. They appropriate that $143 million.

SENATOR GAGLIANO: Right.

SENATOR RAND: Is that correct, sir?

MR. CAPOZZOLI: That is correct, Senator, but you understand that there is a precedent for this. In New Jersey, it is not the first time that this type of financing has been used.

SENATOR RAND: In New Jersey this is the first time it has been used?

MR. CAPOZZOLI: No.

SENATOR GAGLIANO: For transportation, yes.

SENATOR RAND: Tell me some others.

MR. CAPOZZOLI: Well, the concept of securing bonds by dollars from the State, which are specifically subject to appropriation being made by the State, has been used in the New York State Building Authority financings, where they financed offices for state agencies.

SENATOR HURLEY: The State of New Jersey.

MR. CAPOZZOLI: What did I say?

SENATOR COWAN: You said New York.

MR. CAPOZZOLI: I'm from New York; you'll have to excuse me.

SENATOR HURLEY: We knew what you meant.

MR. CAPOZZOLI: The New Jersey Building Authority, and also your Justice Complex here in Trenton, were financed in the same manner. The county college bonds are financed in the same manner.

SENATOR RAND: Which they put out themselves.

MR. CAPOZZOLI: That is to pay the State's share of the capital cost of those colleges. The bonds are issued and, even though they are the GO debt -- theoretically the GO debt, or actually legally the GO debt of the counties -- there is never any expectation at all that those bonds are going to be paid off by the counties. The expectation is that the Legislature will be making appropriations each year to pay off those bonds and, indeed, they have continued to do so.

All I'm saying is, this is not something that was just conjured up in order to get around constitutional debt limitations. This is a recognized type of financing. It is recognized by the rating agencies as valid; it is recognized by the financial community as a valid way of financing; and, it is also recognized by the courts of New Jersey as a valid manner of financing.

SENATOR RAND: Let me just ask you one more question, Mr. Capozzoli. Does this type of bond have the same credit rating as a general obligation bond?

MR. CAPOZZOLI: Would it have the same rating as a general obligation bond in the State of New Jersey?

SENATOR RAND: Yes, credit-wise.

MR. CAPOZZOLI: First of all, I would like to make clear that I am not a financial adviser. However, I think I can speak to that question.

SENATOR RAND: Okay. Maybe I should have asked that of someone else.

MR. CAPOZZOLI: I think I can speak to that. The rating would not be the same rating as a general obligation bond in the State of New Jersey. I think normally, this type of bond would have a rating one notch below.

SENATOR RAND: Triple "A" to a double "A," or a double "A" to a net?

MR. CAPOZZOLI: Probably. As I say, I am not a financial adviser, but I think that is what happens normally in this type of financing.

SENATOR RAND: I took advantage of your knowledge and your expertise.

MR. CAPOZZOLI: Thank you.

SENATOR RAND: Gentlemen, is there anything else? Senator McManimon?

SENATOR McMANIMON: No, thank you.

SENATOR RAND: Senator Gagliano?

SENATOR GAGLIANO: Yes. Nick, are there any similar transportation funds like this which are being considered in any other state? It would seem to me that most states, at least in the northeast, are in a similar situation with a tremendous backlog of work for infrastructure. Really, there is no way to get it done quickly, except by the usual bond issue -- debt-issue type of thing -- that we talked about. Do you know of any other states?

MR. CAPOZZOLI: I do not personally know of any, Senator, but I'm sure if the State goes forward on this, and it becomes a successful program, as I think it will, you may see other states tagging along.

SENATOR GAGLIANO: Okay. Your law firm wouldn't have any problem in issuing an opinion, based upon the legislation as it is written here? If it is passed by us and signed by the Governor, you wouldn't have any problem rendering an opinion--

MR. CAPOZZOLI: (interrupting) My firm would be--

SENATOR GAGLIANO: (continuing) and, signed by your firm that this is a legal issue, a binding issue, and certainly worthy of sale.

MR. CAPOZZOLI: Yes, that is correct. Based on the existing legislation, my firm would be willing to render an unqualified opinion in the marketplace with respect to the bonds issued by this Authority.

SENATOR GAGLIANO: That is the bottom line.

SENATOR RAND: Senator Cowan?

SENATOR COWAN: You mentioned the New Jersey Building Authority, which is very similar. Are there any differences that exist between those?

MR. CAPOZZOLI: Yes, because the payments that are being made by the State are used to secure bonds issued by the entity. Those payments are subject appropriation.

The difference, of course, is that in the case of the Building Authority, the funds are being used to construct office space for the State, and there is a lease agreement between the State and the Authority, which generates the dollars needed to pay those bonds. Of course, any dollars paid pursuant to the lease agreement are specifically made, subject to and dependent upon appropriations being made by the State.

Here, of course, we have a different purpose. There are no lease agreements involved, but certainly the dollars generated from the State are being used to secure bonds. Those dollars which are generated, are subject to appropriation by the State.

In either case, there is no legal obligation to pay. You cannot bind future Legislatures to pay those dollars.

SENATOR RAND: Anyone else? (no response) Mr. Capozzoli, thank you very much.

MR. CAPOZZOLI: I appreciate being here.

SENATOR GAGLIANO: Mr. Chairman, I don't want to clutter the record, but I'm happy that Nick is here. As I started to say before, we went to college together, and we went to law school together. He took my place at a job on Capital Hill after I graduated from law school.

SENATOR McMANIMON: He just got two strikes against him on that one. (laughter)

MR. CAPOZZOLI: Thank you very much.

SENATOR RAND: Thank you very much. Elizabeth Felker, Assistant Treasurer? Good afternoon.

ELIZABETH FELKER: Good afternoon. I want to introduce myself to people whom I don't know. I am Assistant State Treasurer and Director of the Office of Financial Management.

SENATOR RAND: Oh, I'm sorry. I thought everybody knew Liz Felker.

MS. FELKER: I'm afraid not. Among my responsibilities is the issuance of State general obligation bonds, so I'm prepared to discuss those.

I think it would be better if I didn't make a statement, although I could discuss authorities in general, why they are created by states, and how some of them work. I think it would be easier if I just address some of the loose ends.

I think I will respond to some specific questions that were raised by everyone and try to clarify some points. It might be the most useful thing I could do at this point.

A question was raised about the Capital Budgeting and Planning Commission and its role with the Authority. I think it would be worth noting that the statute which created that gives the Commission the authority to call any State agency before it, which includes public authorities. This would also include the toll roads. They would have every right to call them forward, ask for their budgets, ask for their plans, and review their expenses. I'm not aware that they have made it a practice to do this with the other authorities, but they have the power.

SENATOR RAND: What would happen if Capital Planning turned down some of the--

MS. FELKER: (interrupting) They are only an advisory commission.

SENATOR RAND: That is all? They don't bind--

MS. FELKER: (interrupting) No, but they would give advice to the Legislature and to the Governor.

SENATOR RAND: Do you mean that we would then have that time to exercise our opinion on their recommendations when that resolution comes before us?

MS. FELKER: It is the same thing. How about if they decided to recommend against an appropriation from State bond funds or from State general funds for another capital purpose? They could say no, and then you would have to consider the implications of that. But, they do have that power, and they would have it over this Authority.

As far as the New Jersey Building Authority is concerned, we have an outside consultant who serves as Executive Director and total staff of this Authority. The Division of Building and Construction does the construction work of the State office buildings, but the total compensation for this Executive Director work, which includes managing the various funds, is $50,000. This gives you some idea of the order of magnitude of what would have to be done here.

I think the major work that would have to be done by staff for this new Authority would be accounting. The issuance of bonds would be done once a year, if that often, and it would not strike me as a major task. I have one person who handles State general obligation bonds, and we do those twice a year.

SENATOR RAND: We would ask you then to spell out what you think -- not now -- the Authority might need, rather than letting it go--

MS. FELKER: (interrupting) We could do that. The Treasurer would have authority in this legislation to review any financing plans before they took place.

You asked about the sources of the funds and why the number that is going to go to the projects doesn't equal the number of bonds that are being sold.

SENATOR RAND: Yes, let me see if I can go over it myself. I'm taking it from all the memos I have.

We are appropriating $143 million by legislative action. The Department or the Authority -- whatever you want -- needs $230 million for four years. The $143 million is a ten-year payout; I'll put that aside. But, if the Department needs $230 million for four years in order to draw down the remaining Federal funds, etc., it appears to me that if they say $230 million will do that, then they need $87 million for four years. Is that correct?

MS. FELKER: I'm not following what you're saying.

SENATOR RAND: We're appropriating $143 million -- $88 million, $25 million, and $30 million. The Department says they need

$230 million to draw down those Federal funds for four years. If we take the $143 million and subtract it from the $230 million, it leaves us $87 million which must be raised for four years. Four times 87, in my mathematics, and it is not the greatest, is $348 million. I would like to know why we have to raise more than the--

MS. FELKER: (interrupting) Actually--

SENATOR RAND: (continuing) I'm telling you that I dislike surpluses and hidden--

MS. FELKER: (interrupting) Fine. Here is the way it works: You are going to pay $391 million for projects out of the four-year program. You'll have some money coming in from earnings, actually $73 million. What are the earnings on? They are on the reserve fund that you have to fund in order to be sure you have debt service, payment insured -- that's a credit consideration -- and, earnings on the balances that might exist for a short period of time as projects are funded.

The total number of bonds sold -- you are quite correct -- is $472 million, and $391 million would go to projects, $72 million to the debt-service reserve, and $9 million is estimated for expenses incurred for issuing the bonds.

SENATOR RAND: Nine million dollars for issuing the bonds?

MS. FELKER: That is what they estimate. I think if I was negotiating them, I would--

SENATOR COWAN: No wonder Nick didn't become a Senator. (laughter)

MS. FELKER: The $72 million in the debt-service reserve actually goes to pay interest and principal towards the end of the period. They actually use it just for the last couple of payments, so it is not going to sit somewhere and be available for expenditure. It becomes the last source for interest and principal; it is debt of the general revenues of the Authority.

So, you are getting $391 million worth of projects--

SENATOR RAND: (interrupting) Let me see if I can rephrase that.

I am told by Legislative Services that the $348 million we need will cost us $173 million, which totals $521 million.

MS. FELKER: The net interest expense for the whole program is $170.4 million.

SENATOR RAND: That makes it better yet -- $170.4. That comes to $518.4 million. Now, tell me what the total is that we're going to raise, according to your figures.

MS. FELKER: The total principal amount of bonds you would sell would be $472.2 million.

SENATOR RAND: Four hundred seventy-two point two million--

MS. FELKER: (interrupting) I think we are working from the same schedule.

SENATOR RAND: What is the total interest on that?

MS. FELKER: The total interest on that -- you can take it before or after debt service -- is $255.9 million. But, you have to subtract your investment earnings from that.

SENATOR RAND: Right, okay.

MS. FELKER: So, the net interest, which I think is the right figure to use, is $170.4 million.

SENATOR RAND: One hundred seventy point four--

MS. FELKER: (interrupting) Right, and you can compare that either to the total bonds or the total projects.

SENATOR RAND: This is where you lose me. We are buying $642 million of-- Three hundred forty-eight million dollars is what we need. That is where I can't get the differential. In my poor financing mind, I can't-- Let me see if I can put it a little differently.

I can't reconcile the basic borrowing of $348 million, plus $170 million in interest, which totals $518 million. I can't see why we have to pay $642 million.

MS. FELKER: When you sell a general obligation bond for $391 million, which is the project figure, you would pay $391 million in principal, plus whatever the interest expenses turned out to be. Usually, for the 20-year bonds we've been selling, it would be just about the same amount. So, you would be paying another $391 million in interest.

SENATOR RAND: So, we really don't need $348 million; we need more than that.

MS. FELKER: I'm telling you what the total expense is. If you ask me that about the general obligation bond, I will tell you the same thing. If you are going to offer authorizing borrowing--

SENATOR RAND: (interrupting) Ms. Felker, are you saying that you have to buy $472 million worth of bonds, exclusive of the interest, in order to realize $348 million?

MS. FELKER: Three hundred ninety-one million worth of projects--

SENATOR RAND: (interrupting) Again, I have to go back to the figures that were given me by the Department. They need $230 million each year for four years. We've given them $143 million. It appears to me that there is $87 million-- I'm just trying to reconcile these figures in my own mind.

MS. FELKER: During the first year, in a very small amount, and during the second, third, and fourth years, in somewhat larger amounts, there would be an interest expense incurred. Some of that $230 million will pay for interest on these bonds.

SENATOR RAND: I'm not denying that. I have no problem with the interest, your Sinking Fund, and your reserves. I'm merely saying, do we have to buy $472 million worth of bonds to realize -- exclusive of interest -- $348 million which the Department needs?

MS. FELKER: Yes.

SENATOR RAND: That is quite a substantial sum -- greater than I anticipated. I have to be truthful with you.

SENATOR GAGLIANO: We're going to pay these back in 10 years.

MS. FELKER: That is correct.

SENATOR GAGLIANO: That is the difference.

SENATOR RAND: Thirteen years -- 14 years.

SENATOR GAGLIANO: Each series is 10 years.

SENATOR RAND: Fourteen years.

SENATOR GAGLIANO: But, each series is 10 years, as opposed to a typical 25 years.

SENATOR RAND: I understand that, but what I'm trying to find out is the amount of money that we technically need -- the amount that we have to borrow to realize that amount of money.

MS. FELKER: Let's look at what happens to the $230 million over the four-year period, and I think you'll be able to see what goes on.

During the first four years, you will have paid for capital expenses of $356 million. You will have realized earnings and spent earnings in the amount of $73 million; that is a source, in addition to the proceeds of borrowings. The $356 million is the money that you will have spent -- the cash -- coming in and going out of the program. You will have $391 million in bond proceeds. That is what happens to the $230 million. Some of it goes to pay-as-you-go capital; in fact, the majority of it does.

A portion of it goes to pay debt service on the bonds, as you start to sell them. That is a smaller amount. So, your $230 million is not all going for bonds. Part of it is going to pay-as-you-go capital.

Roger, why don't you take a crack at this?

ROGER E. NUTT: Mr. Chairman, what is going wrong here-- The $143 million cannot all go toward projects, because there is, in fact, debt service incurred during that four-year period. The mathematical calculation where you've got $143 million for four years is just not real, because we're selling bonds during that time.

SENATOR RAND: We're not talking $143 million; we're talking $230 million.

MR. NUTT: No, wait a minute. In order to produce $230 million, the total we need to deal with the projects out of bond proceeds is $391 million. I have schedules, and I have made them available to staff, which outline--

SENATOR RAND: (interrupting) I have--

MR. NUTT: (continuing) What we need to do the projects is $391 million. Okay? To get from the $472 million back down to the $391-- Let's deal with that.

These bonds require a debt-service reserve fund, which requires you to set aside one-year's maximum debt service for the bond issue. That totals $72 million. You must set $72 million aside. You can't--

SENATOR RAND: (interrupting) And, don't touch it.

MR. NUTT: (continuing) You can't use it now, but it doesn't disappear.

SENATOR RAND: Fine, you're beginning to explain it.

MR. NUTT: Okay, so you've got the $391 million you need for projects, plus the $72 million. That is not lost money; you must sell the bonds, you have to fund the debt-service reserve, and it stays there. In fact, it earns interest, and it is very good for us. But, you can't use it until the bond issue is sold, and it is available.

In fact, it will pay the tenth year of debt service generally, so you are only paying debt service for nine years, if you choose to do it that way. There are issuing expenses that make up the difference in order to come up to the $472 million.

So, we're selling $472 million worth of bonds. The net interest on the $472 million is $170 million. That $170 million is on $472 million worth of bonds, not $348 million, and not $391 million.

SENATOR RAND: Yes, but you have to pay back $642 million, including the interest.

MR. NUTT: Yes.

SENATOR RAND: And, you're getting that out of the appropriation we're giving during the last six years, exclusive of the four years.

MR. NUTT: To get the $642 million, you're not getting $391 million worth of projects. The other $72 million in the debt service is available for you. So, the $642 million is not a real number as far as that is concerned. The $642 million, less $72 million is what you are paying.

SENATOR RAND: Then, let me ask you this: Why do we need $43 million more, added to the $391 million, if the Department only needs the $230 million? You're building up a greater amount of money which is going to the Department.

MR. NUTT: Mr. Chairman, no. During the four-year period, there are interest payments. There is a difference between interest we must pay on bonds sold during that four-year period, which amounts to about $115 million; however, there are interest earnings of $73 million, which bring it down to the $43 million total. You can't just say that $143 million is available for four years to go toward the program, because in each year, you must pay interest. The numbers that we have -- $4 million the first year, $19.5 million the second year, $36 million the third year, and $56 million the fourth year-- You must make those interest payments, so it is not the whole $143 million which is available. That is what is being used to get the $348 million; that is an erroneous number.

MS. FELKER: That is the aggregate figure.

SENATOR McMANIMON: Actually, what it boils down to is, the ratio is for $472 million, but we're actually paying $728 million over that time span.

MR. NUTT: No, Senator. It is offset by $85 million in interest earnings.

MS. FELKER: Six million forty-two.

MR. NUTT: This fund earns money.

SENATOR McMANIMON: I'm only going by your chart which was presented to us.

MR. NUTT: Right. The total payment will be $728 million; however, the fund itself earns $85 million of that.

SENATOR RAND: On general obligation bonds, how much reserve do you usually have to have, if any?

MS. FELKER: We don't have a reserve for general obligation bonds.

SENATOR RAND: You have no reserve at all on general obligation bonds?

MS. FELKER: That is right. The whole General Fund is your reserve.

SENATOR GAGLIANO: That is right, the whole bucket.

SENATOR RAND: I wanted that for a reason, Senator Gagliano.

MS. FELKER: We do have one on the Building Authority.

SENATOR RAND: Well, that is a different type of fund.

MS. FELKER: The reason they require that is usually because they want to be sure if there is some quirk that results in the budget not being passed in time, there will be enough money available to pay each debt-service payment.

Do you want to pursue the numbers anymore?

SENATOR RAND: No, I think I can get them, but it gives me a better perspective of the amount it is costing us under this type of bonding. I think I understand. If I need to pursue the matter further, I certainly will.

MS. FELKER: I would point out one other difference. The way we sell general obligations bonds is, we provide for a level payment of principal every single year. So, in the first year, you're paying off the same amount of principal as you are in the last year. That is a fairly conservative way to do it.

It does mean that your first year's payment is quite high compared to your last year's payment.

SENATOR RAND: And, it then goes down.

MS. FELKER: This program kind of plays a different system--

SENATOR RAND: (interrupting) You pay at the end.

MS. FELKER: This is a level payment over the period of the ten years that each bond is outstanding. Your debt service in the first year and in the last year are the same. That is a somewhat less conservative way to issue bonds. With the shortness of this issue, ten years is also conservative, so they offset each other. If we were to issue the same amount of general obligation bonds, it would cost us more in the first year.

SENATOR RAND: Senator Gagliano?

SENATOR GAGLIANO: No questions.

SENATOR RAND: Senator McManimon?

SENATOR McMANIMON: No.

SENATOR RAND: Senator Hurley?

SENATOR HURLEY: No.

SENATOR RAND: Are you projecting these figures on the basis of interest rates which you believe you will get? If so, what is the interest rate? You must have projected this on some type of an interest--

MS. FELKER: (interrupting) They used an average coupon of 8.827%.

SENATOR RAND: Eight point eight percent?

MS. FELKER: Yes, that is an average coupon, but there could be some higher and some lower than that. I still think that is reasonable. It is probably a little more today, because this analysis was done about a month ago, and the market has moved.

SENATOR RAND: Senator McManimon?

SENATOR McMANIMON: One thing concerns me. I'm glad you got into the infrastructure. The Administration recently announced their concern about the general obligation debt service. In 1983, we approved the Green Acres bond issue, which I supported 100%, and yet we're proposing two more bond issues this coming year. I'm just beginning to wonder if we should face reality -- that something like this has to be a top priority. There are too many bond issues on the ballot from the standpoint of practicality. They are liable to all go down.

MS. FELKER: You're suggesting that this has a better chance of working out, than if we put a lot of things on the ballot? Do I understand that correctly?

SENATOR McMANIMON: Well, I just feel that the State is going into more debt service. I'm wondering if maybe we shouldn't hold these other bond issues in abeyance.

MS. FELKER: I could point out to you that we will pay more in debt service next year than we will make in the proceeds of bonds we sell. It is going to cost us more to support all of our debt than we'll get by selling the bonds.

SENATOR McMANIMON: So, there is no question as far as we're concerned that this is becoming a top priority. We're going to have to come up with something.

MS. FELKER: That is right. That point is well recognized by credit analysts. In fact, we were told that this kind of program is a plus for general obligation bonds, because it removes that scare resource.

SENATOR McMANIMON: But, it still projects another additive to the overall appropriations.

MS. FELKER: Well, this appropriation has to be paid for, but if you take every capital expenditure that you can think of, and you say, "Let's have a general obligation bond for that purpose," then transportation becomes only one of a dozen different kinds of things you could sell bonds for.

What this program does is, it sets it aside and it sets up a funding program that will work just for transportation. I like to look at the general obligation bond issuing capacity of the State as a resource that we should, in the words of Treasurer Goldman, "husband" that resource and use it for things where we really have no alternatives. I think we will be looked at as being intelligent about managing the scarcity of our general obligation bond resources by looking for a better way to do the transportation funding. Your point is well-taken.

SENATOR RAND: What are the interest rates on general obligation bonds, if the State were to put them out today?

MS. FELKER: When we sold bonds in January, we had coupons of 8.8% and 8-3/8% on our twenty-year bonds. If we did it today, we would be almost up around the 9% area on the long-term bonds.

SENATOR RAND: If interest rates go up higher, does that mean that we can expect to pay more?

MS. FELKER: On everything, although I should say that the long-term rates and the intermediate-term rates don't necessarily all go up equally. You might have the long-term rates go up more, and the ten-year rates might stay more stable. That has been the trend. There is a sizeable difference between the interest rates on the ten-year bonds and the twenty-year bonds.

Yet, if the State were to sell ten-year bonds on everything, you would see a very big change in the debt-service requirement in the total budget. We wouldn't necessarily want to recommend that either.

SENATOR RAND: Senator Hurley? (negative response)

Senator Gagliano?

SENATOR GAGLIANO: Quickly, what would be the differential if this were a twenty-year program in terms of interest cost -- if we were going to pay for it over a twenty-year period rather than a ten-year period?

MS. FELKER: On the level debt service basis?

SENATOR GAGLIANO: Yes.

MS. FELKER: I would have to--

SENATOR GAGLIANO: (interrupting) Just interest costs.

MS. FELKER: It would be a lot more, but I will have to calculate it.

SENATOR McMANIMON: It would almost double, wouldn't it?

MS. FELKER: It wouldn't quite double it, but it would be close to it.

SENATOR RAND: Liz, what would happen if an appropriations committee in 1986 did not appropriate the $88 million dollars -- if we had a recession?

MS. FELKER: Would you appropriate some of it or none of it?

SENATOR RAND: Let's say some of it.

MS. FELKER: If you appropriated enough to pay the bonds, then the bonds would not go into default. I don't think you would be selling any new bonds. If you appropriated none of it, you would probably not be selling bonds for anything in the State, whatever your program might be. It would affect our general obligation rating too, and it would affect local governments which depend on our payment of appropriations to support additional school aid.

SENATOR RAND: So, in effect, if you create a situation where you make the Legislature appropriate this money, then they had better appropriate the $88 million.

MS. FELKER: I would say that they had better look at the debt-service requirement and realize what it is, and fund it, especially if they have any other credit market access for the State in mind. I hope I never see that day.

SENATOR RAND: Gentlemen, anything else? (no response)

Liz, thank you very much.

MS. FELKER: Okay, thank you.

SENATOR RAND: I appreciate all the information.

MS. FELKER: Those MTA bonds that you asked about, by the way, go out to 2,017. They are the New York State Service Contract Bonds, which somebody asked how long they--

SENATOR RAND: Twenty-some years -- no, thirty years, thirty-five year bonds.

SENATOR McMANIMON: May I ask one question? I am very curious. Isn't it a fact that New York had to take on this type of program because of their financial condition?

MS. FELKER: New York has a much lower credit rating than we do.

SENATOR McMANIMON: Very, very much lower. I figured they had to come up with a whole new avenue.

MS. FELKER: However, they also have a billion and one-quarter of transportation bonds, which were passed by their voters last year, so they have to fund that.

SENATOR McMANIMON: In conjunction with--

MS. FELKER: (interrupting) Right, so they have a tremendous amount of borrowing in New York State. They have used a lot of methods to get money for projects.

SENATOR McMANIMON: I thought they came in with one type of process. They never asked the Federal government for financial help; they had to come up with a whole new avenue.

MS. FELKER: They have had to be much more innovative.

SENATOR RAND: I have one more question. What would happen if we came up with an appropriation for 50% and cut the bond issue in half?

MS. FELKER: What would you do with the appropriation for the capital projects? You have two chances to appropriate. You have to appropriate the money that the Transportation Fund Authority is going to have to spend on debt service and on projects. Then you have to appropriate for the projects themselves. Are you suggesting you would not appropriate for the projects, and then cut back the other side? You would have to look at them together.

SENATOR RAND: I'm thinking aloud. If you cut down the bonding situation to half, let's say, a portion of it, would you be saving some money?

MS. FELKER: Only if you also decided that you didn't want to do the transportation program. The two go together.

SENATOR RAND: No, if you match some of the money. If the Joint Appropriations Committee comes up with an additional amount of money to offset--

MS. FELKER: (interrupting) Oh, yes. Let's look at this program as having-- There is a priority where you get your money, and the first place you can look for the money is to find out how much cash you have. If you can pay for everything by cash-- You know, my Daddy always told me, "If you can buy things for cash, don't borrow the money." Okay? It is only as long as you don't have the money on hand that you're going to borrow. If you decided to provide even more money than this, presumably you wouldn't have to borrow it.

SENATOR RAND: Then you could have a combination of both.

MS. FELKER: You could, to the extent that you increase the amount of cash available.

SENATOR RAND: We're committed to stable funding, but I'm just looking at the variables to cut down the debt service or the amount of money we owe.

MS. FELKER: You can cut the amount of projects you want to do; you can change the cash versus debt ratio; and, you can slow down what you are doing. There are lots of ways to change the way things work.

In order to meet the Commissioner's needs, this appears to be the most straightforward way.

SENATOR RAND: Right, I see. Thank you very much.

SENATOR COWAN: Mr. Chairman?

SENATOR RAND: Yes, Senator Cowan.

SENATOR COWAN: You mentioned New York, and New York was mentioned here before as far as their funding is concerned. What is New York's bond rating? Is it double "A?" Do you have any idea?

MS. FELKER: I can look it up for you. Just a minute. I think it is double "A." New York has an "A" from Moody's, and an "A+" from Standard and Poors.

SENATOR COWAN: Oh, and our's is triple "A?"

MS. FELKER: Triple "A" from Moody's and triple "A" from Standard and Poors. That is a considerable difference.

SENATOR GAGLIANO: But, we don't have any thirty-five year dormitory bonds out?

MS. FELKER: No, we don't have any of those unfortunate problems. Another point is, once they go down to that level, they don't come back very quickly. It takes a long time to regain that ground once you lose it. That is one reason to protect this asset.

SENATOR COWAN: So, what we might be selling for 9% would cost them 11%.

MS. FELKER: Probably not quite that much, because New York State's greater taxes mean that the market gives them a little extra advantage. You can deduct many of the interest expenses in New York.

The people in New York love tax-exempt bonds because their income tax is so high, and they would like to have as much tax-exempt interest as possible. There is such a great demand for New York bonds, so they have a slight advantage despite their credit rating. That is all I'm saying.

SENATOR RAND: Again, thank you very much.

Frank Haines, New Jersey Taxpayers Association? Good afternoon, sir. How are you, Frank?

FRANK W. HAINES: Mr. Chairman and members of the Committee, I am Frank Haines, Executive Director of the New Jersey Taxpayers Association. I very much appreciate the opportunity you have given me to appear before your Committee today to discuss certain aspects of Senate Bill 1446, which would create a New Jersey Transportation Fund Authority as the financing mechanism for a stable funding program for highways and mass transit in New Jersey.

At the outset, so as to set the record clear, I want to report that, as yet, the New Jersey Taxpayers Association does not have a policiy position on this legislation and the financing concept which it would provide. NJTA is convinced that there is a need for a significant increase in the level of capital funding for highways, which includes bridges and mass transit, but the most urgent is the matching of available Federal funds. It is the ways and means of financing the program which needs concensus. It appears that the long-accepted ways of budgeting for capital programs is no longer acceptable. Thus, the Legislature and public are confronted with complex financing proposals, which are most difficult for the average man or woman on the street to understand. I feel it is even inadequate after hearing some of the earlier testimony.

The Commissioner, I think, said it well earlier. He said, "The proposal is a simple mechanism, but the process of bonding does not lend itself to simple language." To that, I say, "Amen." I have no wisdom to give you in order to solve this problem. My purpose today is to pose a series of questions to which NJTA considers answers are needed before one can reach a conclusion on whether the proposed transportation funding method is sound, is what it is represented to be, and is preferred over whatever alternatives there are.

The decision to limit today's hearing to only 10 sections of the bill made it somewhat difficult for me to prepare testimony, and thus, it is almost impossible to address the major elements of the overall proposal, which are so closely interrelated. On the other hand, if you keep to your rule, you will certainly keep testimony short. (laughter)

SENATOR RAND: Frank, I can assure you that we will hold hearings where you can express your opinions. There will be no one shut out of the process. You have my guarantee.

MR. HAINES: All right, I contemplated both possibilities. Initially then, let me restrict my remarks to the 10 sections.

So, we have the fundamental question, "Must New Jersey have still another authority to finance its transportation system and to complicate further the structure of State Government?" Although the bill assumes the affirmative, we have a series of questions most related to financing. I will raise them although they may be beyond the scope of this hearing.

In commenting on the makeup of the Authority and its basic powers, you can raise questions about the size of the Authority. It provides for five, and that was the original size of your toll road authorities, except that one has been increased. You can look at the representation and who controls the appointments. That raises questions as to whether the Cabinet should dominate our public, or whether the Legislature should participate and suggest some of the appointments to the Governor. Those are within your discretion.

Those are not covered, but they are questions that can be raised.

The major questions, which you have been delving into, involve legislative oversight. That, in relation to Sections one through seven, and 17 through 19, would involve things such as the distribution or availability of minutes to the Legislature. I don't think that has ever been provided for in an Authority bill. The Governor gets the minutes; he has the veto power. How do you get them on your legislative staff? Are the channels open, or do you need to put in some provision, without encroaching upon executive authority, in this area?

Certainly, the bill would provide that a copy of the annual audit go to the Comptroller, but why shouldn't the Legislature be included in that distribution?

These are areas involving oversight, which you might want to consider.

There is another point, and this may not be important, but we have some problems in clarifying the language in Section 5, which says, "The sole purpose of the Authority is to provide for payment for and financing of all or a portion of costs" of the operation. But, the language in Section 7 gives the Authority power to accept -- and I emphasize "use" -- any funds appropriated "for the purposes for which the appropriations and payments are made."

I don't know if the word "use" is clear. You have already delved into that in terms of the power of the Authority, but a literal interpretation of that, which may be countered by subsequent language, would appear to be somewhat broad in discretion.

Explanation by the Transportation Department -- and the Commissioner emphasized it today -- has been that the Authority is basically a financing mechanism for funneling funds to the Transportation Department. I think it would be very interesting if some of your staff, or even the Transportation Department, could develop a flow chart which would trace the pass-through of the funds from the time money is raised, through the appropriations process, through the Transit Authority, and to the Department, as well as to a relative authority which would be spending those funds. I think this is possible in an analytical process, and it might be interesting.

I would note that the language proposed in the budget, which relates to this program, and which would appear to continue the existing procedure for final project approval-- That language, if I might just cite it -- I know you haven't gone through that in the Appropriations Committee yet -- recommends that "sums allocated to the Transportation Construction Fund be appropriated from such fund for mass transportation and highway construction projects and for debt-service payments related to transportation construction projects. These projects are to be described in a construction program by the Commissioner of Transportation, are not to be expended, and are contracted for without approval of the Director of the Division of Budget and Accounting and the Governor."

Your past practice has been to approve transportation moneys generally by lump sums. There is a shopping list of projects in the budget, and under this language, that would be continued. So, the question is -- and you've raised it -- will the discretion continue to be on an overall spending basis by broad categories? Those categories have been summarized also in the Schedule of Program Allocation in 352 of the budget. Or, is it desirable and can it be worked out again with an alternative approval where you are at least looking at the broad scope of projects? In that way, you would have more than the absolute bottom-line lump-sum approval. Again, we can only raise this question and relate it to existing practice.

That completes by remarks, sir, on the sections that were scheduled for today. I have appended about a page and one-half of additional questions which relate to financing. I will leave those with you, but I would like to review them with you so they will be on the record.

SENATOR RAND: Go right ahead.

MR. HAINES: Thank you. Again, these are questions which we think are extremely important. Some of them have already been touched upon, but these are questions about the problems we're having in trying to develop our policy.

First, is there incontrovertible data to demonstrate that the proposed type of bond financing is less costly overall than general obligation bond financing? You have already started to delve into that very complex procedure.

What assurance is there that the appropriation bonds will qualify for a high rating and will be marketable at an interest rate which makes them a sound investment? You've heard some testimony about that.

Is the decision in the bill not to utilize general obligation bond financing based mainly on the concern that such bonds will jeopardize the State's triple "A" credit rating? If so, what is the rationale of the credit-rating process that would lead the State to avoid general obligation bonds and increase its overlapping debt without adverse general obligation bond-rating impact, when that overlapping debt is already approximately four times the State's general obligation debt? This is the thing which is very difficult to understand at this point.

What is the logic of policy that has the State selling general obligation bonds for beach restoration, and paying debt service over a period that extends beyond the life of a beach erosion project, while rejecting general obligation bonds for construction, which has a more assured permanency?

Are there alternative viable funding sources to those recommended -- that is, in the truck registration fees and moneys from the toll road authories? We just want to cite the gasoline tax and the further use of the pay as you go, which you have already raised. Is there need at all for tax or fee increases in view of the currently projected unrestricted fund balances over the next two years?

In analyzing comparative costs of various financing alternatives, we urge you to try to determine the additional cost to toll road users of the expense of refinancing existing obligations of the toll roads, in order to comply with the contracts, if that is the correct term, made or to be made with the State and/or the Authority, to provide "surplus funds to assist in financing the new transportation program." We understand there will have to be complete financing of the toll road bonds in order to meet this contractual obligation.

SENATOR GAGLIANO: Oh, that is not my understanding.

MR. HAINES: Well, that is what we have heard. We already know that the Expressway Authority did that last November. If that is not the case, then my question is out of order. There are some ramifications in some of the things that have been set forth which say this will be necessary. I urge you to verify that.

SENATOR RAND: He is certainly entitled to an answer.

SENATOR GAGLIANO: Absolutely. I'm sure he is entitled to an answer. I have been an advocate since I arrived here in 1978 for more involvement by the toll road authorities. I think this is merely a small amount of money we're requesting in this legislation, so that the authorities will become a part of our financial community, and will support that portion of the transportation system that really supports them.

It is my understanding, and I spoke to the Governor's office and John Sheridan about this, that the moneys that are being requested of the authorities would not have any substantial impact to the extent that they might have to raise tolls, rearrange their priorities, or anything else. I think in the case of the Parkway, they are talking about a $300 million expansion program, which may or may not go forward, and which may or may not cause an increase in tolls. But, I definitely feel this is strictly a surplus situation, Frank, and not a situation where we're creating a need for toll increases. I am convinced of that.

Just having watched the authorities and the amount of moneys they have increased in terms of revenue over the years, I just don't see it.

MR. HAINES: We understand that there are certain covenants which would have to be changed because of the new contractual arrangements. As I said, we may be wrong.

SENATOR GAGLIANO: They always give you the most dismal story because they don't want anyone to be pecking around their--

MR. HAINES: (interrupting) We have not been in contact with them, but I just--

SENATOR RAND: (interrupting) It is a question worthy of an answer, and there is no question that if the particular toll road authorities need refinancing to accomplish capital situations, that is one thing. If the toll road authorities are refinancing for the purposes of offering some incentives to other considerations, that is another thing. We certainly are entitled to an answer, and we're going to ask those questions. That is one of the reasons why we're going to have the toll road authorities here, Mr. Haines, on one single day.

MR. HAINES: Good. Another question which I think should be raised, and I think there is probably a good answer: Does the Transportation Department currently have the administrative and technical staffing capability to operate a program of the magnitude proposed? If not, what personnel and budget needs would they require to gear up for the required level of funding?

Also, what will the cash flow demands on their program be during each of the four years? This is important, and it will be related to the necessity for bond financing, if that is, indeed, the decision.

I've added a couple of questions which came to my mind this morning as I heard some of the testimony. Is there an updated master plan for transportation? If not, what is the status of the existing plan? What is the age of the plan that is being used?

Another question is, what happens to the transportation program -- you've already heard this -- beyond the fourth year, and how will it relate to bond financing in the fifteenth year when we're paying off the debt, if they go to the appropriation-type bonds?

On the special subject of legislative oversight, which I know the Legislature is interested in, it is especially important in dealing with authorities. The Association recently sent all members of the Legislature, and the Executive Branch, a letter suggesting a need for greater oversight into our State authorities. There are a variety of alternatives which you can consider in addition to those included in my earlier testimony on the first page. Some may require negotiation with the Executive Branch.

Just to mention a couple: Would you consider limiting the indebtedness of the Authority? That was done for the Building Authority.

Would you consider limiting the life of the Authority to make it more specific than the provisions that exist in Section 48? It just says, "The Authority can continue in existence until dissolved by an act of the Legislature if there are no debts." There may be some desirability for a sunset review at some point previous to that.

That, gentlemen, completes the questions we have regarding this very complex matter. I am very appeciative of you sitting here and listening to me, especially when I have nothing I can contribute as far as answers are concerned. But, they are questions we think are very important for people to try to understand.

SENATOR RAND: Senator McManimon? (negative response) Senator Gagliano?

SENATOR GAGLIANO: I think Mr. Haines raised a very good question, but we haven't really addressed it -- that is, the Transportation Department being able to gear up in order to handle a multi-billion dollar program in a rather short period of time.

I'm sure John Sheridan has thought about that. In fact, he has probably had some nightmares about it. I think we should have more on the record with respect to that.

Your idea of a limitation in terms of time, with respect to the life of the Authority, should probably be considered. The way it looks now, for example, if the Authority was adopted as law this year, it would be perpetual maybe in the year 2000. We could consider a "cap" on it, but I don't know if that has any adverse affect from the standpoint of it being able to govern itself, sell bonds, and so forth. I really don't know about that, but I think it might make sense.

SENATOR RAND: If you're asking the Legislature to do something for a period of time, it seems logical. If you give the Legislature, or whatever future Legislature there is, the right to review that at the end of the process, then it should be done. That doesn't go into the year 2000; it only goes into the year 1998. (laughter)

MR. HAINES: That is not very far away for some of us.

SENATOR GAGLIANO: I think the Chairman already thought about that; he already figured it out. I just took a round number when figuring that they might have some last-minute things to do.

SENATOR RAND: Senator Gagliano, I think the limitation on the indebtedness of the Authority is a very important factor, which I had not even considered, but which brings up a very important question that ties in with some of the questions I asked the Assistant Treasurer earlier. That is, what combination can you use to at least limit that amount of bond indebtedness?

Senator McManimon?

SENATOR McMANIMON: Are there any remarks on the other sections?

MR. HAINES: No, that covers it. You've given me the opportunity, and I appreciate it.

SENATOR RAND: Frank, if you don't mind -- and I know you don't want to get into any debate -- would the Commissioner want to respond to any of this? It is up to you, Commissioner. We don't want to force you to come up here, but if you would like to respond, you're certainly welcome.

SENATOR McMANIMON: Maybe he would prefer to respond in writing.

SENATOR RAND: Yes, would you rather do that?

COMMISSIONER SHERIDAN: I would like to address Senator Gagliano's question which had to do with the ability of the Department to handle this program.

SENATOR RAND: Before you leave, Mr. Haines, I want to thank you for your testimony.

MR. HAINES: My appreciation to you. We're deeply indebted to anyone who looks after the Legislature. (laughter)

COMMISSIONER SHERIDAN: Incidentally, just as a general comment, we would be pleased to answer your questions in writing. I think Mr. Haines raised some very legitimate questions, and I think we have very legitimate and good answers to every question. I think some of the answers have been given here today, but we would be glad to give you more detail.

Regarding the question of whether or not the Department and New Jersey Transit can handle such a major capital program, I would answer with a flat-out "yes." I don't think that is a statement of overconfidence. I'm going to blow my own horn and the Department's horn a little bit, but I think it is important that you understand what we have been able to do during the last couple of years.

Two years ago, when I took office, the Department's capital program was about $200 million a year. In two years, and at a time when our staff has gone down approximately 300 people -- 350 people -- below what it was when I took office -- we have raised the level of construction programs in the Department from approximately $200 million to $450 million. That is with the reduction in staff.

If the program passes as envisioned, we would free up, just from the FAUS "SWAP" by getting our people out from under the red tape that is involved with that program -- 200 people who are now involved in local aid projects and who would be available to work on the larger projects.

SENATOR RAND: Are you planning the engineering?

SENATOR GAGLIANO: That is amazing.

COMMISSIONER SHERIDAN: There are 200 people just from that one aspect of the program. In addition, we'll be able to move projects faster, because the Federal agency that is working with us won't have those projects to deal with, and we'll be able to move these bigger projects much faster.

We were "over-clericalized" in the Department, and one of the things we've done is, we've reduced our clerical force. We are in the process of continuing to reduce it, and we have saved 70 people. We're not talking about firing people; we're talking about using our same resources and putting them to work on project-related matters. Essentially, what it means is, for the most part, additional engineering staff.

As far as our sick leave reduction program is concerned, we have one of the worst records in State government -- at least of those agencies that were doing a decent job of keeping records. Last year we saved 50 people -- 50 additional workers -- on an annual basis by reducing our annual sick leave by about a day and one-half per employee. We have another goal this year of a day and one-half per employee, and we're going to get it.

What I am saying to you is, we are doing more. We're not going to go over the level of people we had, when I took office in 1982, as far as this program is concerned. We may have to go back towards that level and take back some additional help to do this program, but we will still be below that number, and we will be able to deliver this program.

SENATOR RAND: From what I understand, Commissioner -- and I am not saying this in any manner to hurt the Department -- it is a four-year program, but that doesn't say they are going to complete it in four years. It is an impossible job to complete a four-year program in four years.

COMMISSIONER SHERIDAN: No, when we say a four-year program, we're not talking about all the construction being completed within four years; we're talking about, for instance, if you see an expenditure in there for 1985-86, it is a construction expenditure for that year. That means the project will start construction in that year. If there is an expenditure in 1988, the last year of the program, it means that the construction will start during that year. Normally, most of our bigger projects will take between two and two and one-half years from the date they start construction.

You're right. We're not talking about doing every single thing, but by the same token, I have to tell you that while some of the projects are overlapping to the far side, I have some projects that are already underway. They are going to be done during this four-year period.

SENATOR RAND: Like Route 55?

COMMISSIONER SHERIDAN: Like Route 55 which is out there right now.

In addition, there are a couple of other things we've done. We're going through a certification and acceptance process with the Federal government, so that we certify and they accept, as a way to cut down on our red tape between ourselves and the Federal government.

We're doing that in both the construction engineering area and the design area.

What I am trying to say is, we have had some additional Federal money. We've been forced to gear up our program, and we've geared it up. We think this additional increment to the program can be handled with basically the same level of staffing. We're not talking about a big increase, or for that matter, any increase in the overall size of the Department of Transportation, or in the engineering section at New Jersey Transit.

SENATOR RAND: Senator Gagliano, are you satisfied with the answer?

SENATOR GAGLIANO: I'm satisfied.

SENATOR RAND: Okay. You have no objection then if we put some of the things that we've discussed with you into the bill? We were a little concerned about the allocation of a billion dollars, just as an outright lump sum, to New Jersey Transit.

SENATOR GAGLIANO: Over a period of years; it is not one year.

SENATOR RAND: Right. They will follow the same procedures as before. Is that correct?

COMMISSIONER SHERIDAN: As far as legislation is concerned, I would have no problem with the capital program being set up the same way as ours. As a matter of fact, I think the last legislative appropriations process we went through was reviewed the same way.

I would be pleased to present our answers to Mr. Haines' questions in writing.

SENATOR RAND: We would be most appreciative of that. Do you have a copy of that?

COMMISSIONER SHERIDAN: I will get it, I'm sure.

SENATOR RAND: Okay, thank you very much, Commissioner.

COMMISSIONER SHERIDAN: Thank you.

SENATOR RAND: Wayne Bradley, County Transportation Association? Good afternoon, Wayne.

WAYNE BRADLEY: Good afternoon, Senators.

SENATOR RAND: How are you, sir?

MR. BRADLEY: Fine, thank you very much. Senator, I really want to say at the outset that we, in the County Transportation Association, appreciate the commitment you have had for transportation over a number of years. Judging by the composition of the Committee, you are surrounding yourself with some very great people: Senator Gagliano, who has been a tremendous friend to transportation in New Jersey; and of course, Senator Cowan, welcome to the Senate. I really appreciate your working with us in the development of transportation for the State of New Jersey.

We were asked to restrict our comments to the Authority portion of the bill, but at the outset, I would like to expound a little bit about the CTA's position on the trust fund concept. I would like to talk in general about some of the impacts on the counties.

For those of you who aren't familiar with the County Transportation Association, we are a forum for the discussion of transportation issues and problems of transportation in New Jersey. We're represented by transportation planners, Boards of Transportation Directors, and transit operators. We have labor interests in our Association, and we're also represented quite regularly by the Commissioner's staff and New Jersey Transit's staff. We have other special interests such as the elderly and the handicapped. It is safe to say, I think, that we represent a broad spectrum of transportation interests in the State of New Jersey, and we represent them from a county-level perspective.

The County Transportation Association has been a long, long fighter for stable transportation funding in New Jersey. It was to our disappointment that we did not pass dedicated funding in New Jersey for transportation, but the whole deliberation process itself, I think, brought us to the point where the Committees have not forgotten the very need to stabilize and make a permanent basis for transportation in New Jersey.

From our point of view, this bill has strong historical implications. We think that while New Jersey Transit's Public Transportation Act of the late 1970's was important to that decade, this bill will be an important milestone for the Legislature, for the

State of New Jersey, and for the counties, in this decade and beyond. This puts in place the funding mechanism to carry out some of the objectives we cited so bravely in the Public Transportation Act, which created New Jersey Transit.

Our feelings about the trust fund concept are that we agree in principle that it is a fundable mechanism. After looking at it and hearing from the Commissioner and others, we feel it is intelligent. It appears from our limited knowledge base to be a financially-sound program, and we think the basic concept of the bill -- the basic philosophy behind the bill -- is one that merits strong, considerable, and hopefully, rapid passage.

There are elements of the bill, however, that we, as the County Transportation Association, and we, as individual counties, are looking at in detail. In particular, we're looking at the administrative aspects of implementing the FAUS Substitution Program -- that is, the Federal Aid Urban System Program. I'll have a little bit more to say about that later on.

We feel we are sitting at a point in time where New Jersey is changing its history with respect to transportation. I was just completely honored by the fact that Senator Rand himself chose to sponsor this bill, because we think it is going to get some intelligent treatment by this Committee.

The county-level impacts of the bill are such that we believe there is a partnership being created. We've talked about the partnershihp between the toll authorities and DOT being long overdue, and long needed. We've talked about the partnership involving the trucking industry, as trucking becomes a heavier and heavier influence on the road repair needs in the State, and we find that there ought to be a partnership in improving those roads. There is also a partnership between the Legislature, DOT, the toll authorities, and the trucking interests in this State -- a strong partnership, and a commitment to stay with transportation funding, because it is that vital. It is not a bandage-type of program for looking to the future.

We, in the counties, feel we are a critical partner, as well. In the State of New Jersey, we have historically been an integral, intimate part of the improvement of the transportation system with DOT. The existing program, which is the Federal Aid Urban System Program, and which impacts on Essex County in particular -- that is where my home base is -- has been a flow-through program that has provided millions of dollars to our road systems. Those road systems, of course, lead to State highway systems, so it is very hard to separate them.

What we're doing in this bill is, we're going to be taking a radical departure from the existing program. Before I get into that, let me just focus very quickly on the Authority aspects of the bill. We don't have a whole lot to say. I think enough has been said today, and we really can't intelligently add to any of that, nor would I attempt to.

I want to overemphasize the part about partnership. We believe that in the Trust Fund Authority, although it is simply going to pass through dollars, membership should consist of some ex officio level of county involvement. We have already heard overtures of the fact that the Authority will perhaps be buying property. We would hope that some of those properties could be county properties, or properties that would impact and benefit county projects.

We have also heard that the Authority is in a position to accept NU's funds, and we have the same questions, I would imagine, as to the broad interpretation of the word "use," in particular, and how it might impact on county properties. We are looking for a benefit out of this, and quite frankly, we're looking for a benefit, in a way, that gets us our cake and lets us eat it too, in the same sense DOT is getting it. They are getting a wealth of funding, and they are getting a sense of freedom from being mired in small projects. They can now focus on the large Statewide needs. We applaud that, and we think that is supportable. But, at the same time, there are county projects that are impacted by State projects, and we feel we ought to have our share of that.

SENATOR RAND: Do you mean more than the $35 million allocated?

MR. BRADLEY: Yes, I will come to that. If I may, in Section 4b., which talks about the structure of the Authority, we think there are a number of ways that that can be handled to benefit the counties. We feel that at least one public member should represent some of the county interests. What comes to mind is the New Jersey Association of Counties. Some representative from that organization should sit on this body, and have some purview over the disbursal of these funds.

Another mechanism would be to add two members -- two public members -- who are particular county representatives, and who can also have that purview. We're not particularly sure how that can work, but we want to provide you and your staff the benefit of the CTA's full idea on that, as well as to allow each of the individual counties to give you some input. The sense of it is that the Authority should have some representation at the county level for the disbursement of those funds.

As far as the FAUS Substitution Program is concerned -- and I intend to be very brief here -- let me request, and hopefully, Senator Rand, you will involve yourself in this -- I would suggest that the Committee hold a special hearing on this particular aspect of the program, because, again, it is very vital to the counties that we have a program which is workable for us at our level, so we can begin to build some of the county road projects that we so vitally need.

Just a general statement: Philosophically, it is a good program. I don't think the Commissioner overstated the fact that the Cumberland County planner drew out a long scroll of a process that was too onerous and tedious for us to even get into. Philosophically, the FAUS Substitution Program will allow us to build our project a lot faster, and it gives us a mechanism to do that without referring back to a Federal review process.

In my own case in Essex County, we have a high-priority project -- Eisenhower Parkway, which was referenced to before. This is not an overdramatization, but we were given a thirty-five month schedule to develop an Environmental Impact Statement. That wasn't even to build the project; it was just to simply get through the environmental analysis. That, gentlemen, was an expedited schedule.

Eisenhower Parkway happens to be a big project, but those kinds of standards, those kinds of Federal and State reviews, apply to every single project that is associated with Federal funds. We think there is an ability to expedite the improvement of these projects.

However, there are some administrative concerns that come with the listing of these Federal restrictions and the use of Federal dollars. In general, we're concerned about the cost impacts on the counties themselves. The Commissioner is right; the State will save in terms of DOT's time applied to the administration of these local projects. To what extent will the counties have to budget now -- i.e., to what extent will the counties have to pay more to get the same amount of dollars? That brings us to the question of whether or not $35 million is sufficient.

The general feeling is that it is probably not enough money. If the FAUS "SWAP" Program is implemented in accordance with the way we think DOT wants to do it, they will open up the eligibility of these dollars to all roads within the counties. Under the present program, we are limited to Federally classified roads. In Essex County, roughly 25% of the road mileage in the County is classified. These are major roads which provide major travel into and out of the County, and we think the focus on those roads is purposeful and legitimate.

To open up the same pot of money to 100% of the County--

SENATOR RAND: (interrupting) Which means going through municipalities also.

MR. BRADLEY: Exactly. It means going through the municipalities also. We think it might be problematic. We will be discussing this with the Commissioner, and giving you further testimony on it right down the line. We think it would be appropriate, if we are going to form a partnership -- a meaningful partnership with the State and the toll authorities -- that the counties should be allowed to do so in a way that allows them to build our roads, yet not be constrained fiscally by our own budgets.

Those generally are our comments from the County Transportation Association. I would be happy to answer any questions.

SENATOR RAND: Before you answer any questions, and I'm sure the Senators have questions, I'll assure you that the County Transportation Association will be given an opportunity to appear before this Committee again. You will certainly be able to appear again and talk about this. You made some interesting comments, and you brought up some of the concerns I have within the municipalities. If we are going to have this much money, certainly we ought to be able to take care of some of those internal problems in the counties.

Senator McManimon, I saw that you had your hand up.

SENATOR McMANIMON: Has the County Transportation Association endorsed this unanimously?

MR. BRADLEY: Yes, we have. We have endorsed the principle behind the trust fund. We believe it is time for the State of New Jersey to take that very brave step in committing State dollars to draw down sufficient Federal funds and build our road systems properly. Yes, we endorse that in principle.

SENATOR RAND: Senator Cowan?

SENATOR COWAN: I think the questions raised -- particularly the FAUS "SWAP" and the cost impacts to the counties -- are very important. I'm sure we will be addressing those as we get into the process a little further.

SENATOR RAND: I want to have a commitment that it does not reduce in nature, but regarding the $35 million during the first year, we would certainly want to give that to the counties. I don't think the Commissioner would have any objection in making sure that during the entire funding process, that the money doesn't go down. If anything, we would want to see it go up a bit.

Senator Gagliano?

SENATOR GAGLIANO: Wayne and members of the Committee, it is my gut feeling that the counties, because of the switch in the FAUS situation, would really benefit tremendously from even less money. For example, we're now in the process of building a bridge. Thirteen to fifteen years ago, it was proposed that a particular bridge would be replaced. The County Board of Freeholders -- the H-2, or whatever they call it -- Holmdel, Marlboro and Colts Neck -- right on the border --

at the time, were going to build a bridge with county funds. They said, "Well, let's get Federal funds, because of the percentage and all." That bridge is now being built, probably at a cost of at least five times more than it would have cost in the first place, and the Environmental Impact Statements went on for years, because of the particular fish or whatever in that area.

It would seem to me that a streamlining of that, so that you will deal only with the State, will mean a tremendous amount in terms of projects which can be done with the same dollars.

Also, it would seem to me that your engineering staff could be less -- your planners and all the other people too.

MR. BRADLEY: That is what we mean by having our cake and eating it too. To what extent will we be able to focus on those major projects, if, for example, the moneys are opened up to be eligible for anything?

SENATOR GAGLIANO: Isn't that discretionary, though, within the county? Wouldn't your County Executive on the Board of Freeholders make that determination on what jobs they want done?

MR. BRADLEY: Presumably, yes. Realisticially, they are faced with constituents and local project needs, as well.

We think, in order for the counties to continue to focus on major projects like the bridge project you just talked about, we need to have a continued partnership with DOT, which tells us, "Yes, these are priorities. We're giving limited State dollars to help build these major road segments."

It is true that we will have the ability to build these projects at reduced costs and during a shorter period of time, but if you add more projects to the till, you will put pressure on the counties to start sorting priorities, and that becomes a problem.

There is one other thing--

SENATOR GAGLIANO: (interrupting) Suppose the Chairman amended the bill to say, "What heretofore had been a FAUS project"-- (laughter) Or, "What heretofore qualified as FAUS projects no longer need to qualify; however, these are the projects that would go forward."

MR. BRADLEY: With all due respect, we think perhaps it can be worked out administratively, but I did want to make one comment. The way the FAUS "SWAP" project would potentially be implemented, it would encourage us to present a number of construction projects to DOT. That simply means that if the county does not have the wherewithall to design it and acquire the right of way, then we will, in effect, be producing smaller projects, because it costs less to design them. Our own engineering staff can design and buy the right of way for projects under $500 thousand, but if you give me a project over $1 million, I'm going to have to find funding to design and buy the right of way for that. At the same time I'm trying to make a case for those major projects, DOT would be telling me that all they want to see is the construction portion of the projects. There are municipalities out there that are giving me small projects, which they probably designed and bought the right of way for, and they are ready for construction.

SENATOR GAGLIANO: Do you mean a small project which would make sense, but with eight or ten of those, you wouldn't have any money left?

MR. BRADLEY: Correct.

SENATOR RAND: Even if they increased by 50%, if you don't have any money left, you would have a bad situation.

MR. BRADLEY: Right. We think the Commissioner is sensitive to that. He discussed his proposal with us months before we even saw the bill. We appreciate the fact that he has been listening to us, and I think we will be able to work something out.

SENATOR RAND: Wayne, I would like to work that out within the Department. That is something I would like to begin to address in the bill. I think we can certainly come to some type of agreement with the Commissioner, so that the amount of dollars that would flow in and the amount of projects that would be done--

Your other concern in the bill, which is to make sure you have a level of funding -- which is stable as far as you're concerned -- should continue, rather than be threatened like you were two years ago when you didn't have any match money, and then you had to put up your own money. The Commissioner finally got the Appropriations Committee to give you the $8 million. I think you are certainly justified with those concerns.

Wayne, thank you very much.

MR. BRADLEY: Thank you very much. Margaret Manhardt, League of Women Voters?

FRANK FORST: (from audience) Mr. Chairman, may I just say something before she speaks?

SENATOR RAND: Yes, indeed.

MR. FORST: I'm Frank Forst, as you know, and I'm with the New Jersey Turnpike Employees Union. I just got word that you were meeting today, and I asked to testify, but since you announced there were going to be other hearings, I'll wait. I have another appointment today.

SENATOR RAND: Okay, let me explain what we're going to have. We're going to have a hearing regarding truck taxes on April 27, we're going to have a hearing regarding toll roads in May, and we're going to have a hearing regarding the financing of this particular transportation authority in May. We may have another hearing to clean up some miscellaneous items.

MR. FORST: May I ask, Senator, that your staff notify me?

SENATOR RAND: Absolutely, we would be happy to.

MR. FORST: Thank you very kindly. I'm sorry I interrupted.

SENATOR RAND: That is all right. Good afternoon, Ms. Manhardt.

MARGARET MANHARDT: Good afternoon. I am Margaret Manhardt, Mass Transportation Director of the League of Women Voters of New Jersey. I want to thank the Senate Transportation Committee for the opportunity to testify on the proposed Transportation Trust Fund.

Mass transportation has been a study item of the League of Women Voters since 1975. League members were concerned with issues pertaining to mobility in relationship to energy, natural resources, and our urban crisis. We recognized the interdependence of transportation and sound land planning. We were aware of the role transportation could play in revitalizing our cities. We learned how providing transportation to those segments of society who do not drive -- the elderly, the young, and the economically disadvantaged -- could improve the quality of life for all. As a result of this study, we adopted a transportation position in 1977 that included placing a high priority on energy conservation and developing a public transportation system which provides all segments of the population with a minimum acceptable level of mobility, and which contributes to sound community and regional development goals.

In 1979, the League of Women Voters of New Jersey adopted the position that improved public transportation is essential to the social, environmental, and economic welfare of all State residents. Our concern for improved transportation in New Jersey has led us to our past support for the concept of an infrastructure bank. In 1982, we supported the proposed five-cent per gallon gas tax, but not its dedication.

The proposed New Jersey Trust Fund Authortity Act of 1984, S-1446, can begin to meet transportation's capital needs in our State. The League of Women Voters of New Jersey supports the concept of a transportation trust fund. The League believes it is critical at this time to adequately fund New Jersey's transportation needs. In order to provide matching funds for Federal moneys, these funds must be made available before this summer. We support this proposal because, at the present time, it is the only viable alternative. Quick action in this vital area is necessary. Delay will cost New Jersey millions of dollars.

As has already been stated, we strongly support the maintenance of our transportation infrastructure. Continued support of mass transportation is also necessary. Although we do support the concept of a transportation trust fund, we have questions about the present proposal, and we think further definition of the powers of the Authority is necessary. The powers of the Authority, as proposed, are unclear, as is the actual life of the Authority. It has been stated that the Authority is being created solely for the purpose of issuing bonds. The proposed legislation seems to imply that the Authority has the power to raise the tolls of the highway authorities. This needs clarification, and maybe it is taken care of in the amendments. The League would also like assurances that operating costs and other transportation subsidies will not be cut in order to fund the Transportation Fund Authority. On balance, however, we feel that now is the time to act. Waiting for voter approval of traditional bonds may jeopardize receipt of needed Federal funds. The proposal is not perfect, but we believe it is better than recently proposed alternatives.

A prosperous economy depends upon its transportation system to carry goods to and from its markets, to carry commuters to and from work, and to make the region a viable place for industry to locate. In order to continue to revitalize New Jersey's economy, we must maintain and modernize what we have -- reconstruct old bridges and roadways, widen and realign arteries, repave roads, and purchase new buses and rail cars. This proposed novel method of funding will help us achieve these goals.

SENATOR RAND: I would just like to address one of your concerns, because it is very, very important -- the point about operating costs and transportation subsidies. This will deal just with capital, and there is a proposal this year by the Governor to appropriate $160 million for New Jersey Transit subsidies and bus subsidies. We certainly are not going to consider taking that money. That will stand as a separate line-item appropriation. I think your fears should be eased as far as that is concerned.

Senator McManimon, do you have any questions?

SENATOR GAGLIANO: I have no questions.

SENATOR RAND: Senator Cowan?

SENATOR COWAN: I have a question -- not on the issue itself, but in here, you mentioned that you supported the five-cent gasoline tax, but not its intended purpose. Yet, now we have--

MS. MANHARDT: (interrupting) We supported the purpose, but we didn't support the dedication of it.

SENATOR COWAN: Yet, the term used here is "stabilized," but this is dedicated.

MS. MANHARDT: The trust fund is dedicated--

SENATOR COWAN: (interrupting) In this trust fund, as it is set up, they use the term "stabilization," or "stabilized funding." Yet, it is dedicated funding. I was just wondering if you had some reason in the past--

MS. MANHARDT: (interrupting) We have a couple of other League people here, including our Fiscal Policy Director and Legislative Vice President. We have discussed that quite a bit, and we don't think this is the same kind of dedication. I think the legislation specifically says it is an amount equivalent to the amounts that are to be raised from the Authority. It says it is an amount equivalent -- from the General Fund -- which will go to the Trust Fund Authority. We don't think it is the same kind of dedication.

Speaking to the dedication issue though, we had hoped for a time limit on the Authority -- that if in 1998 it were reviewed, some of the League's concerns about dedication would be alleviated.

SENATOR RAND: We understand. We knew you wanted the five cents which you endorsed to go into the Treasury to be used for the disbursement of all other things-- (laughter) That was made very clear to me then.

Senator Gagliano?

SENATOR GAGLIANO: I think that is an excellent statement. I only wanted to comment. The implication that the Authority has the power to raise tolls of the highway authorities-- I haven't read that into the legislation. I sometimes think it is a public relation's program generated by Executive Directors of the Authorities -- that they are saying these things almost as a fear tactic -- that the State is doing something to hurt these people. Obviously, they are part of the same State.

I certainly don't want anyone to think that the Legislature would be using this, if it passes, to generate toll increases. I think that has to be clear on the record. If we were, certainly the Commissioner would have looked for a lot more than the $25 million he is looking for. It is a small amount of money in terms of their overall operating expenses. We will look into that some more.

MS. MANHARDT: We had no position on whether it should or not--

SENATOR GAGLIANO: (interrupting) I understand. I don't think we want people to fear that this program, which is really minute compared to the overall budget, would have the effect of increasing tolls, because that would generate a lot of ill feeling toward all of us, when it is not necessary.

SENATOR RAND: Margaret, we have to admit that the language in the present bill does create some controversy as to whether the Transportation Authority could impose, or request, or whatever it is. So, in order to clarify that once and for all so we can put that subject to rest -- and you made reference to this -- there have been amendments, which will be handed out to the Committee, in which we are going to omit: "And for the fixing of tolls and other charges and rates as shall be required to provide for the payments." That is going to be adequately taken care of. You will certainly have an opportunity to look at these amendments.

You have a right to express your concerns, as many other people have done. I, too, took exception to that when I read it, but I think that was language that might have just been put in, and it is going to be corrected. You have emphasized by your statements here today that you have some concerns with the Authority, and that we ought to spell out very clearly what their limitations are, what their purpose is, and so forth. I think that has been brought up here today very emphatically. We concur with those concerns, and we thank you for taking your time to appear here today. Thank you very much.

Mr. David B. Crabiel, Freeholder, Middlesex County.

GEORGE VERVERIDES: Sir, I was waiting for Freeholder Crabiel to come, but I guess he was not able to make it because of other obligations. If I may, I would like to read his statement.

SENATOR RAND: You certainly may, sir.

MR. VERVERIDES: Fine, thank you. My name is George Ververides. I am Assistant Planning Director with the County Planning Board staff in Middlesex County. I would like to preface my remarks by saying that we are on record as being the dissenting vote in the North Jersey Transportation Coordinating Council and the County Transportation Association. This is in good conscience, and is in no way prejudicial against the need for new sources of funding for transportation.

As all of you gentlemen know, Middlesex County lies in that section of the State where there is a tremendous need for construction, widening, and other transportation projects, in order to implement movement. So, in no way are we being prejudice. We just feel, at this point in time, that in good conscience we had to take the vote we did within these organizations, in order to have some questions answered. I think that is the purpose of your hearings here. We hope that through these hearings, and through the series of hearings to come up in May, that some of the problems in Middlesex County will be answered.

At this time, I would like to read Freeholder Crabiel's statement into the record as he presents the case, and as he presented it to the North Jersey Transportation Coordinating Council:

When Governor Kean's proposed Transportation Trust Fund was publicly introduced, I raised certain concerns which I felt still needed to be resolved. I expressed these concerns publicly at a meeting of the North Jersey Transportation Coordinating Council on March 12, 1984. I felt that there were several outstanding critical issues that still needed further clarification and, because of the lack of all necessary material needed to adequately assess the program, I voted in good conscience against a proposed NJTCC resolution supporting, in concept, the Transportation Trust Fund Program.

I would like now to offer this Committee some comments which constructively address the key concerns I have expressed, and which I feel should continue to be given serious consideration when reviewing the Governor's transportation program:

Contributions by Toll Authorities: During the past month, I noted that the New Jersey Highway Authority voted to contribute $10 million a year to the Governor's Trust Fund Program, while the New Jersey Turnpike Authority voted to contribute $12 million a year. This augments the previously-approved annual contribution of $2.5 million by the Atlantic City Expressway Authority.

While the toll road contributions have now been secured, I remain concerned about whether or not they will induce a toll increase to the traveling public, and whether or not the toll road authorities will still remain committed to contributions toward improvements on certain adjacent road facilities. There is no guarantee that the future commissioners of these respective authorities will remain committed to making these toll road contributions to the State.

Philosophically, there is a serious question about whether or not it is appropriate for authorities such as the Turnpike Authority to contribute moneys to the State Treasury. An alternate proposal is for these authorities to directly proceed with construction projects off site, but in proximity to their roads, including:

A. By the Turnpike Authority, in Middlesex County, the State Highway Route 18 bridge between New Brunswick and East Brunswick, and a Park and Ride facility in Edison Township.

B. By the Highway Authority, in Middlesex County, the northbound ramps and other facilities in the vicinity of Metro Park.

C. By the Highway Authority, in Monmouth County, the missing link of State Highway 18.

D. By the Turnpike Authority, in Bergen and Essex Counties, Route 17 between Routes 3 and 280, which is estimated at $140 million.

The Turnpike Authorities and the Highway Authority have previously set precedent in off-site projects, namely:

A. Turnpike Authority, Exit 15, Route 1, Pulaski Skyway.

B. Turnpike Authority, at Newark Airport, Exit 13A, a $70 million project funded 25% by the Turnpike, 25% by the New Jersey Department of Transportation, and 50% by the Port Authority.

C. Highway Authority, Route 18 near Route 34 in Monmouth County, a $10 million project.

And, let us not forget, in effect, the funds of the authorities are now dedicated. This proposal deletes that dedication of funding.

I believe that the need for continued commitments to projects such as these is essential for their expeditious implementation.

Furthermore, Bear, Stearns & Co., of New York City, the financial adviser for the Governor, stated that the Parkway will need a 40% increase in tolls on January 1, 1987 to meet existing obligations. This increase does not take into account what the Governor is now proposing.

Impact on State's Bond Rating: Caution has been expressed that the existence of the proposed revenue bonds would have a negative impact on the State's triple "A" rating. According to recent reports and analyses of this proposal, it appears to me that this concern is also shared by Moody's and Standard and Poor's, the nation's two major rating agencies. I also point out that percent-of-interest charges involved in this proposal increase substantially over what is now paid.

Impact on Other State Programs: It is my understanding that $88 million out of the General Fund is to be generated by earmarking two and a half cents of the existing gasoline tax to transportation. Since this is $41 million higher than the current fiscal year, I question what other State programs would be reduced to accommodate this higher appropriation to transportation, and the feasibility of accomplishing this without requiring new taxes in times when there may not be an adequate budget surplus.

Guarantee on Allocation of Funds and Voter Approval: In order to ensure that moneys from the General Fund will continually be earmarked for transportation purposes, consideration should be given to requiring that the $88 million, to be used for transportation, be placed upon the ballot for voter approval each year. This would also address the question of the constitutionality of obligating the State Legislature to pay the debt service on bonds issued without voter approval.

FAUS "SWAP" Proposal: With regard to the Federal Aid Urban System Substitution Program, there are still some questions on the administrative aspects of this program that need to be clearly resolved. However, inasmuch as this proposal would expedite the current project-implementation process, particularly with new projects fully funded with State dollars from initiation to completion, I support this portion of the program which provides more flexibility in the selection of projects which could receive State Aid funds. We should continue to support efforts to relax restrictive, time-consuming, and costly red tape procedures for projects in the works, as well as new projects.

Truck Registration Fees: In view of recent concerns raised by the trucking industry on the proposal to increase truck registration fees, I feel that their concerns should be seriously considered and an equitable solution reached. This observation is made in light of the obvious major role that the trucking industry plays in the existing and future economy of New Jersey.

The New Jersey Association of Counties has unanimously endorsed a bipartisan bill to create a limited Constitutional Tax Convention, said bill introduced in the Senate by Senator John Lynch, and in the Assembly by Assemblyman Garabed "Chuck" Haytaian. The Senate bill has one sponsor and four cosponsors, and the Assembly bill has one sponsor and 29 cosponsors on both sides of the political aisle. It would appear to me that the concerns raised with regard to the Transportation Fund Authority Act would be a valid discussion at the limited Constitutional Tax Convention.

Furthermore, I bring to your attention the following transportation-related referendums which were approved by the people of New Jersey:

1) The 1979 transportation bond issue which I strongly supported, and for which I campaigned, includes such key Middlesex County projects as the Garden State Parkway northbound ramps, and the Route 9/Ernston Road intersection improvements; and,

2) The $500 million bridge rehabilitation bill introduced by Senator Laurence Weiss, which I also fully supported. This bill finally was reduced to $135 million at the request of the Governor. This referendum gained a better than two-to-one voter approval in the last election.

In view of the above voter track record, I have tremendous confidence in the people of New Jersey. If the Governor's trust fund program is valid, why should it not also be considered by the voters on a referendum?

SENATOR RAND: Thank you very much, Mr. Ververides. Gentlemen, are there any questions? Senator McManimon?

SENATOR McMANIMON: No questions.

SENATOR RAND: Senator Cowan?

SENATOR COWAN: No questions.

SENATOR RAND: Senator Gagliano?

SENATOR GAGLIANO: Except to say that I do not agree with most of it, I don't have too much to say.

SENATOR RAND: Commissioner Sheridan?

COMMISSIONER SHERIDAN: If I may, I would like to clarify a few things.

SENATOR RAND: Absolutely, Commissioner. Mr. Ververides, will you please give your name to the hearing reporters?

MR. VERVERIDES: Sure, it needs clarification.

SENATOR RAND: Thank you very much, sir.

MR. VERVERIDES: You're welcome, Senator.

SENATOR RAND: You're earning your money today, aren't you, Commissioner?

SENATOR McMANIMON: This is only the beginning.

COMMISSIONER SHERIDAN: Once every two or three weeks isn't so bad. (laughter) First of all, I would like to point out that with respect to the action of the North Jersey TCC, you should know that the New Jersey Transportation Coordinating Council rejected Mr. Crabiel's position at that meeting by a vote of 14 to one. That was the committee I referred to earlier. There were 12 Freeholder Boards represented at that meeting. All except Middlesex County were reported in the affirmative.

SENATOR GAGLIANO: I think it would have been more fair if this statement had said on the front page, "Personal Statement by Freeholder David B. Crabiel," because it would almost indicate on the cover page that he was speaking as Chairman, although I realized later on he said these were his own feelings on the matter.

SENATOR RAND: I think it was made clear that it was just his own personal statement.

SENATOR McMANIMON: Basically, that is why I asked Wayne Bradley if it was a unanimous decision. Now, it was 14 to one, so there was one dissenter, and we happened to have that presented to us today.

COMMISSIONER SHERIDAN: Right, okay. I'm sorry; I was out of the room when Mr. Bradley raised that statement, or I would not have made it again. The second point I would like to make, is that Mr. Crabiel indicates there is no guarantee that future commissioners of these respective authorities will remain committed to making these toll road contributions to the State. I guess I would beg to differ with that, because what we will have are signed, written agreements that will, in fact, bind the toll road authorities to make these payments for the next 20 years.

SENATOR RAND: I hope they're legal; are they, Commissioner? You can't ever be sure.

COMMISSIONER SHERIDAN: My counsel is back there--

SENATOR McMANIMON: Are they signed in blood?

COMMISSIONER SHERIDAN: With respect to the other projects mentioned, we had no commitment from the authorities to do those projects, and certainly that was one alternative that we could have looked at. We thought it was better to get the money, have a guaranteed amount every year, and deal with it appropriately on an ongoing basis. I would just tell you that that $25 million a year over 20 years adds up to a half a billion dollars in projects for the State of New Jersey.

SENATOR RAND: We're not doing anything that we are not legally entitled to do. We have an agreement with the Turnpike for them to give us their surplus. The fact that they haven't given it to us for a long while is questionable, but the point is, we certainly have plenty of legal background to go on that assumption.

SENATOR GAGLIANO: The other thing, if I may, Mr. Chairman -- and I don't know if John is going to mention this -- regarding the Highway Authority constructing the missing link of State Highway 18, I mean, that is in my district, at least partially. That is a $60 million job. Maybe they could do it a little cheaper; maybe they could do it for $50 million. But, that would be one project they would be sponsoring here. How much are we asking from them per year, John, over the life of this program?

COMMISSIONER SHERIDAN: Ten million dollars a year.

SENATOR GAGLIANO: Ten million dollars a year. So, if you picked out one project and that would be it, it would cost $60 million, and we would not really gain anything in terms of a match for Federal funds and all the rest of it. I question throwing that out, because I don't think it makes all that much sense.

SENATOR RAND: Senator, unanimity we are not going to get.

SENATOR GAGLIANO: I'm not looking for it; I'm looking for an argument.

SENATOR McMANIMON: I've been hoping for the last two years that the Turnpike would build S-92.

SENATOR GAGLIANO: Haven't we all? Suddenly it's pie in the sky.

COMMISSIONER SHERIDAN: On Page 3, there was a reference to a letter from Bear-Stearns that said we would need a 40% increase in tolls. This point has been raised before, but I would just tell you that this letter from Bear-Stearns was prepared at our request. We told Bear-Stearns to assume the Parkway consultant's figures. What he projected -- the Parkway's own consultant -- was a toll increase, and we take strong exception to the underlying assumptions in that letter. It was a toll increase projected for 1989. What this letter said was, if you assume everything their consultants are saying to be accurate -- which as I indicate, we do not -- it would move the increase up a year or a year and a half. But, their projections on traffic in that letter were inconsistent with past recent history. Their traffic has been growing much faster than they assumed it would continue to grow in that letter. In addition, their expenses were projected at double the Turnpike's rate of expenditure, and about triple what the rate of expenditure at the Department of Transportation is going to go up to on an annual basis. So, to say that we took strong exception to the underlying assumptions in that consultant's report would be to put it mildly.

With respect to the Triple A credit rating, all I can tell you is that I don't know what Mr. Crabiel is referring to when he says "recent reports." I was at the meeting with the Treasurer and with representatives of the Governor's office when we met with the credit rating agencies. Now, those agencies cannot and will not rate bonds before you are ready to sell them. But, as Ms. Felker indicated this morning, the meetings were very positive. In fact, one of the agencies indicated at that meeting that this program would have a positive impact on the State's credit. Those were informal statements, I admit, but they were statements made at the meeting. The reason they believe that, is because they believe this process will add some discipline to transportation funding, which we never had in New Jersey before, and that it will be an ongoing process with a commitment to finally tackle these projects and get them done on a businesslike, stable, steady basis, over the next few years.

With respect to the impact on State programs, we have already addressed that, I guess, in detail. One other point, FAUS "SWAP" has been raised a couple of times today. I would just tell you that, generally, the reaction to the FAUS "SWAP" has been very, very positive from every corner. We have sent out details on how we think the program will work. We did that at this stage because there were so many questions being raised, such as, "We like the idea, but how will this work in detail?" So, we sent out detailed proposed regulations to every county, to every Freeholder Board and, I believe, to every legislator. We have asked for comments, so that we can take into account what their questions and problems are. If there are serious questions raised, we will adjust the program accordingly.

There is just so much benefit to that program at all levels of State government, that I can't help but feel it is going to be a major plus for everyone.

With respect to the truck registration fees, I guess that is really not on your agenda for today. The one final point I would make is about the question of whether or not there ought to be a referendum. I think the answer to that question is pretty simple. The answer is that with this kind of program, you do not need a referendum. The second part of it is, we need a program in effect July 1, or else we are going to have an inability to meet the Federal funding for the coming fiscal year.

SENATOR RAND: Let me emphasize, again, that we are going to amend this bill with the amendments which have been given to us, to clarify the wording about the increase in tolls. If there is an increase in tolls, it will be on Gary Stein's head, not on the head of this bill. So, we are going to make that perfectly clear. Maybe we can put that to rest once and for all by clarifying the language.

Where's Liz Felker? Liz, did you want to say something?

MS. FELKER: I just wanted to add one technical point. The statutes for both the Highway Authority and the Turnpike Authority require that, in advance of either adopting a bond resolution or a toll increase, they have written approval from the Governor and the Treasurer, which will tie all of these things together.

SENATOR RAND: Senator McManimon, if you have a question, you go right ahead.

SENATOR McMANIMON: I just thought the Commissioner's presentation was excellent. I have one major area of concern, but we will be getting to that at our next session.

SENATOR RAND: Commissioner, we thank you very, very much. We have now come to the conclusion of our formal session. If there is anyone we have omitted, or if there is anyone who wishes to testify before us, we would be delighted if you would step forward. (no response) Hearing no response, nor seeing none, I will conclude the hearing at this time. The Senate Transportation and Communications Committee's next public hearing will be held on Friday, April 27.

Thank you all very much for coming.

(HEARING CONCLUDED)