

## **AUTHORITIES TRANSITION REPORT – EXECUTIVE SUMMARY**

Thank you for the opportunity to be a part of your transition team. Each member of this transition subcommittee personally met with or spoke to leaders of numerous authorities. Each deserves a great deal of credit for volunteering numerous hours, gathering valuable information and making serious recommendations.

It should be noted that the recommendations and opinions expressed herein do not reflect the opinions of each member of the subcommittee. Rather, this is a compilation of the most important observations and suggestions made by individual members.

Our subcommittee reviewed the budgets, missions and initiatives of various authorities. In some cases, very specific recommendations are made for changes or further examination where a need was seen. In other cases, due to significant overlap with other subcommittees, we limited our scope of examination and may make no recommendations, leaving those to the committees which only focused on one major policy area.

It is important to note that every single authority had overlap with one subcommittee or another. Therefore, in some cases, we allowed the entire examination and subsequent recommendations to be done by the subcommittee with the more specific focus. Efforts were made to avoid duplication.

Admittedly, there are times our recommendations and observations may go beyond our scope, or perhaps be inconsistent by those made by another committee, but where it was felt a recommendation was necessary, it was made. At times, we even looked beyond authorities when our research took us in certain directions and made recommendations that are felt to be in the best interest in the state's citizens.

This executive summary is separated into sections.

The first section makes recommendations as to how the Governor-Elect and his administration should approach all authorities as a whole. The goal is to recommend a framework as to how all authorities should be approached, regardless of the obvious differences between them. With so many authorities, it is imperative that there be a guiding philosophy in approach so there is consistency when dealing with the staff and leadership at each.

In the second section, specific recommendations pertaining to some individual authorities are made. In some instances, important and timely issues are raised without a recommendation. This is done

when the issue deserves attention, but it is felt more research needs to be completed by the incoming Administration.

## **Section One:**

### **Recommendations as to how the Governor Should Approach All Authorities Units**

The independent nature of authorities units has caused some to be, at best, underutilized assets in helping governors pursue their goals, and others, at worst, to be ineffective government organizations that waste public dollars. All too often, the authorities have been an afterthought. Given the vast resources and potential of the many state and bi-state authorities, it is imperative that they receive equal direction and are held as accountable as any state department or agency.

As one would imagine, when dealing with dozens of authorities, some operate far more effectively and efficiently than others. Some serve obvious and useful purposes for our citizens; some seemingly serve parochial interests and/or waste money.

In order to maximize the effectiveness of all authorities and cut down on the waste that is prevalent throughout these units, the governor can do five things across all the Authorities units to improve their performances.

- Bring a Clear Vision
- Create Accountability
- Control the Agenda
- Consolidate
- Require Fiscal Restraint

Also, special consideration should be given to how vision, accountability, appropriate control, fiscal restraint and even consolidation can be brought to bi-state authorities. While the governor has less ability to unilaterally do this at bi-state authorities, some things can be done, which will be discussed at the end of this section.

#### *Vision*

For each individual authority, the new Administration should review their mission, plans and budgets for the next two years. Too often, these entities are simply going about their business, well-intentioned in nearly all cases, but without focus or direction from the front office.

Literally billions of dollars are spent by various authorities throughout our state. This money will help our state and her citizens, but the money will be spent more effectively if the governor provides the vision, in an appropriate fashion, as to how those dollars are spent (or saved).

So much good can be done with the vast power and relative financial strength of many authorities, but their underutilization would be a missed opportunity if no focus is given to each.

Contrary to what one may think, many of the leaders on a staff level at the authorities clearly crave this type of direction, and often complained about ineffective liaisons with the Governor's office. Strong policy planning is needed, and then the system of communication must become an effective two-way street.

The system of communication between the individual authorities and the governor's office must be improved and strengthened if common goals are to be met. With so many authorities, it is clear some, even very large ones, have suffered from a lack of communication and direction with key players in the Governor's office.

### Accountability

The same lack of attention also leads to a lack of accountability. As stated previously, billions of public dollars are spent by state and multi-state authorities. While there is not enough time during a transition to audit scores of authorities and commissions, it is clear that there is waste. It is also apparent, that few people have truly ever scrutinized the waste and poor financial prioritization seen in a number of authorities. The leaders of the authorities must know the Governor's office will scrutinize their books, and utilize all the power at its disposal, to bring accountability to each.

Audits of all authorities should be conducted early in the new Administration's tenure. If this is not feasible, there are a few that deserve a special look, which will be apparent in the specific recommendations made later in this report.

Sounding much like private parties often can, authority directors often complained about dealing with other authorities or government agencies. This is merely further evidence of the frustration that can be found everywhere with the ineffective nature of some inside the government.

### Control

In order to bring vision and accountability to these authorities, it is important to exercise control over the authorities to the levels that are appropriate and afforded to the Governor under the law. Obviously, different authorities are set up with varying levels of control that the Governor may appropriately exercise.

- Use Veto Authority –
  - This is a powerful tool at the Governor's disposal. All authorities must act in a fiscally responsible manner and promote the vision of the Governor or face a veto. Early use of veto power, if necessary, would show that the Governor's office means what it says in terms of its vision and accountability.

- Legislative Remedies to Veto Authority –
  - The governor has no veto authority over some large-budgeted authorities, such as the Passaic Valley Sewerage Commission, the Casino Control Commission, the Meadowlands Commission, the Casino Control Commission and the North Jersey Water Supply Commission. If and where appropriate, the legislature should consider taking action to give veto authority to each and every authority.
  - Where there is veto authority, consideration should also be given to extending the timelines for veto authority where the turnaround time does not allow for thorough review by the Governor's office.
  
- Executive Directors –
  - The vast majority of executive directors are dedicated public servants who were very cooperative and looking to serve the interests of our state. That said, evaluations should be made on each as to how well he/she has performed and will perform during the next administration.
  
- General Counsel –
  - It is apparent that the general counsels within each authority can have considerable power of what can and cannot be accomplished. Just as with executive directors, the general counsel at each authority should be evaluated for past performance and future intentions.
  
- Cross-Pollinate Board Members –
  - Since some of the authorities have considerable impact on state departments, it is instructive that some past administrations have smartly had the same person serving on various related authority boards at the same time in an effort to enhance communication and understand the impact of the authorities on state operations.
  - For example, the Governor's Commissioner of Transportation should also serve on the boards of the Port Authority of New York and New Jersey, the Delaware River Port Authority, New Jersey Transit, the New Jersey Turnpike Authority, the South Jersey Transportation Authority and the South Jersey Port Corporation, among others.
  
  - While this is just one example, this cross-pollination should be considered for transportation, gaming and sports, the environment and economic development at the very least. It means fewer people getting appointments, but it means more reliable input, control and information flow for the governor.

Simply put, there are too many authorities. This wastes money in obvious and obscure ways. The governor's office should look to quickly make some changes that would both save money and send a powerful signal as to how serious the governor is when it comes to saving public dollars. Specific recommendations are made in the next section. While this is easier said than done, numerous authorities have outlived their usefulness and deserve to be downsized, merged or eliminated.

Too much government is unlikely to be limited only to the authorities. There is overlap between the missions of authorities and state agencies as well. Intensive studies should be embarked upon quickly to find potential cost-savings wherever possible.

Also, it seems incongruous that authorities are paying other authorities and agencies for work. While money moving between authorities and state government agencies may actually benefit the state's bottom line, it seems in many ways to simply be a shell game with public dollars. For example, the NJSDA complained that it paid \$20 million dollars in permitting fees (mostly to DEP and DOE) over the last twelve months. It would be important to undertake an effort to see how widespread this practice is within the state government and between governments and authorities.

Certain outside consulting functions should be considered for centralization/standardization. Examples include:

- Consideration of using the Attorney General's office more, and for more functions.
  - For instance, NJDOT has the AG's office handle all property acquisitions. NJ Transit and NJSDA use outside counsel for acquisitions (at considerable expense) but use the AG for environmental matters arising out of property acquisitions. NJTA uses outside counsel for acquisitions and environmental. Could these services be performed in a uniform way that would cut down on expenses?
  - Adding additional experienced staff to the AG's office could yield significant savings and potentially equal or better service – one typical case could generate \$500,000 in fees to a private firm. The same monies could be used to hire 5 experienced deputy AGs who, together, can handle dozens of cases each year.
- Most or all authorities hire outside accounting firms to perform audits at considerable expense. Audit procedures may be ripe for centralization, either within an expanded function of the State Controller, or through standardized audit procedures which will likely yield savings and more efficient operations
- While it may seem at first blush that adding personnel to certain government departments is contrary to the policy of making government "smaller," it may in certain cases make government much more efficient and less expensive to run

#### Require Fiscal Restraint

The financial pictures at different authorities vary greatly due to distinct sources of funding. It is imperative that each authority act like the state government must during this difficult economic time.

Many authorities have embarked upon, or are considering embarking upon, massive and expensive capital projects. Careful consideration should be given to the necessity of each given our financial situation.

The necessity of doing long-term capital projects that are not directly necessitated by safety or increased use by our citizens must be immediately reevaluated. Now is likely not the time to be thinking about expansion of systems that are already losing money.

One other important note that may help fiscal restraint (as well as accountability), would be to level the pay and benefits structures at the authorities to match those within state government. At least 27 people at various authorities have more lucrative salaries than the Governor. Without the oversight that is brought to departments in state government, salaries and benefits have often times escalated to unacceptable levels. And in some cases, particularly noted by the Casino Control Commission, it would actually help the management of their budget and employees if the employees were subject to the state personnel systems with steps.

While many of the authorities we looked at have done a good job controlling the employee numbers, increased employment nearly anywhere puts a strain on the state's pension system because many employees and some people providing professional services may be eligible for participation in PERS.

#### *Dealing with Bi-State Authorities*

While the ability to exercise such control and provide unilateral vision to bi-state authorities is understandably limited, the governor's office should attempt to bring about positive change wherever possible.

- Reach out early to other governors to create a dialogue regarding changes that should be made.
- Push for the same type of procurement and ethics reforms in these authorities as would be expected by state government agencies. The bi-state authorities are currently behind what has been done recently at the state authorities.

### **Section Two:**

#### **Specific Recommendations Pertaining to Individual Authorities**

Below are some specific recommendations we make regarding individual authorities that we felt deserved special consideration.

#### *Rethink the Highlands Council*

The Highlands Council may be well-intentioned, but it is a disaster on multiple levels. Rather than simply providing the intended environmental protection to a treasured part of our state, it has added

extra layers of government bureaucracy that have punished individual landowners and inhibited the decision-making abilities of local governing bodies, causing economic distress to individuals and local governments alike.

If the Highlands Council had its powers changed or reduced, or even if it was eliminated outright, environmental protections would still be in place, enforced just as they are in every other part of the state. All projects would still be subject to DEP and local rules and regulations, just as they would be in any other region.

The Highlands Act's enabling legislation, as flawed as it is, has been hijacked by over reaching regulations by the DEP and by a Highlands Council which has strayed from both the law and the intention of the law in the Master Plan document. The law is very clear as to the content within the Master Plan and the separation of the Planning versus Preservation Areas, requiring true economic analyses of the impact of Highlands' zoning, transportation needs, etc., none of which seems to have been done.

The lack of ability for any ratable growth in most of the Highlands burdens the municipalities and chains their citizens to increasingly higher taxes to support school and local government contractual obligations, as well as inflationary increases of their operating costs. The Highlands Council has used punitive and menacing tools to force "opting in" by municipalities and co-opted home rule, which was not the legislative intention of the Act.

Further, by having a Council formed with 100% appointment power by the Governor (unlike the Meadowlands or Pinelands where Freeholders have some appointment authority) where 7 out of 15 members do not even have to live in the Highlands, the local governments and landowners feel unrepresented, powerless and voiceless.

At a bare minimum, changes should be brought to the representation on the Council. Right now, there is too little voice given to the counties and constituents most affected by their actions.

Importantly, there can also be cost savings as a part of any change. Annual budgets have ranged from \$2 million to \$3.8 million since its inception. Since this is funded entirely by the state, there is an opportunity for considerable savings.

#### *Merge the South Jersey Transportation Authority with the Turnpike Authority*

In concert with the recommendation of the Transportation subcommittee, the South Jersey Transportation Authority should be merged with the New Jersey Turnpike Authority. The elimination of a substantial amount of redundant administrative bureaucracy, redundant outside professional fees and needs, and the need for a separate administrative staff and Board could all be achieved by a merger. Throughout our collection of information, we have seen no reason why

there should be a separate authority. The legitimate needs of the region can still be met at a lower cost with a much-needed consolidation.

This recommendation should not be construed to suggest the SJTA does not do important work and do it well. To the contrary, the authority undertakes vital projects throughout the region. The same good work, though, likely can be done under the auspices of another authority.

Since the SJTA is not simply a toll road authority, the merger would require that thought be given to how these services are managed.

- The Atlantic City garages operated by SJTA could be turned over to one of the Atlantic City authorities or even the city or county should they adopt the operating costs.
- The Atlantic City Airport could be operated by a bi-state authority with experience managing airports, such as the Port Authority of New York and New Jersey or the Delaware River and Bay Authority.
  - While this is far outside the Port Authority's 25-mile radius of jurisdiction, an exception was made when they took over management of Stewart Airport in Newburgh, NY. The same exemption could theoretically be granted here.
  - The DRBA operates five airports, so this could be a sensible addition.
  - The Port Authority clearly understands how to operate airports very well.
  - The Atlantic City region could benefit from the expertise that would be brought in by the Port Authority or DRBA rather than being served by a toll road authority.
  - 52% of flights operated out of the airport are conducted by the Air National Guard, so communication with them should be considered beforehand.
  - ACY is a massive tract of land, so massive that it has a contract with NASA to serve as an alternate landing site for the space shuttle and is put on standby. The impact here would have to be reviewed.

#### *Rethink the Sports and Exposition Authority.*

Since the Sports and Gaming subcommittee studied this in far greater depth and is making serious policy recommendations, I will go into very little detail here as to the serious problems that face the NJSEA and their charges beyond this. With a \$38 million dollar budget shortfall that will have to be made up by the state's taxpayers in 2010, it is important that the entire mission, structure and even very existence of the NJSEA be questioned. No recommendation should be off the table.

The Authority will require immediate drastic cuts or capital infusion from supplemental sources simply to preserve its existence within the 1<sup>st</sup> Quarter of 2010.

While the NJSEA had immediate positive impact in the 1970's, showed great vision into the 1990's and provided great benefit to the state, it is fair to question what it should look like in the future.



With a horse racing industry losing tens of millions of dollars, the Devils gone, the Nets leaving and a poor deal with the Jets and Giants with their new stadium, the entire mission and future of the NJSEA must be entirely rethought, not simply tweaked.

*The Port Authority of New York and New Jersey is an underutilized asset.*

While this is true of many authorities, it bears special mention when it comes to the Port Authority. The key to New Jersey residents getting the most from the Port Authority will be having a strong governor with a clear vision for its potential and an understanding of potential budget ramifications and opportunities.

The economic impact the Port Authority's operations have on the state of New Jersey would be hard to overstate.

The Port Authority of New York and New Jersey, with its \$6.36 billion dollar budget and 6,977 employees operating and overseeing the nation's busiest airport system, marine terminals and ports, the PATH rail transit system, six tunnels and bridges between New York and New Jersey, the Port Authority Bus Terminal in Manhattan, and the World Trade Center, may be the most important but underutilized asset among all the authorities.

With its virtual monopoly on revenue for airports and river crossings, the Port Authority holds incredible potential to help the citizens of New Jersey by investing in infrastructure deemed important by the Governor to our region.

These considerations also could alleviate state budget pressures where transportation projects could, if appropriate, be shifted to the auspices of the Port Authority. The ARC tunnel is a massive and complex project, but within its finances, there are likely short-term opportunities from a budget perspective that would not change long-term obligations or jeopardize federal funding.

In addition to the budget ramifications that should be studied, here are a few other quick items on the Port Authority which should be immediately discussed by the new Administration:

- We have benefitted from excellent leadership at the Board of the Port Authority, but there is no substitute for clear vision and strong leadership from the Governor.
- Given the numerous assets of the Port Authority in New York, and the ongoing costs of the redevelopment of lower Manhattan around the World Trade Center, it will be important to ensure the new administration fight for New Jersey's fair share of projects that benefit New Jersey and/or both states. New Jersey is and always will be an equal partner in the Port, and this must be enforced.
- While the airports and river crossings make the PANYNJ solvent, the Port Authority could see similar success with an analysis of marine terminals and shipping in our ports.

- The Bayonne Bridge problem needs to be addressed. While it is not an imminent issue, a solution should be decided on relatively quickly to ensure the continued economic vitality of our port as it competes for business with ports up and down the east coast.
- Due to a revolving door of governors in both states, staff has had more control due to a lack of consistent visions from chief executives.
- A very cursory look at their revenue-generators paints a good picture long-term. The Port Authority basically has a monopoly on river crossings and airports, so as long as people need to drive and fly into and out of our region, they should be okay.
- Finally, the new Administration should not feel compelled to move quickly on anything immediately after taking office. New projects and revenue-generating ideas should be closely reviewed.

*The Delaware River and Bay Authority Faces Challenges that Deserve Immediate Attention.*

While the DRBA has clearly done a good job reducing its expenses by cutting its workforce from more than 500 employees to 398, reducing its vehicle fleet, reducing employee use of free E-Z Pass (could it be eliminated?), eliminating non-essential employee travel and planning to cease its community grant program after 2010, it will still face several major challenges in the upcoming months.

- DRBA must negotiate and execute new collective bargaining agreements with two unions that represent a combined total of 49% of its employees.
- DRBA may seek to increase the \$3 toll on the Delaware Memorial Bridge this coming summer to counteract falling bond ratios.
- DRBA intends to begin a \$300 million rehabilitation of the first span of the Delaware Memorial Bridge in late 2010.
- DRBA must adopt a plan to sustain its ferry service, which has operated at a significant loss over the past few years.

Importantly, it also seems that most senior level positions held at the DRBA are held by Delaware residents. This may have led to disproportionate attention given to Delaware's priorities over New Jersey's. It is important that this be thoroughly reviewed and addressed if true.

*Consider Multiple Mergers Under the Economic Development Authority*

As was mentioned in the first section of this report, there are simply too many authorities. EDA provides a very good opportunity to cut down the number of authorities by consolidating authorities with similar missions under its umbrella.

While all policy recommendations regarding economic development are left to the Economic Development Subcommittee, this is a specific recommendation regarding consolidation of multiple authorities in an effort to save public dollars.

While the New Jersey Redevelopment Authority has an important mission, and seems to have had some laudable achievements, it seems a lack of coordination and some duplication of efforts could be resolved with a merger. Merging NJRDA with the EDA should save money, eliminate duplication and make it more likely that the mission will be accomplished. It would be important that the core mission of the Redevelopment Authority be protected with a merger.

The Capital City Redevelopment Corporation and the New Jersey Commission on Science and Technology also ought to be considered for consolidation under EDA. Since the Economic Development Authority consistently received high marks in our research, we believe the goals of NJRDA, CCRC and NJ Commission on Science and Technology can be accomplished under EDA's umbrella, thereby saving public dollars.

The Fort Monmouth Economic Revitalization Planning Authority may also be ripe for consolidation here, but it is not as clear cut given some differing needs and variety of factors. That said, it is worthy of consideration if public dollars can be saved.

*The Housing and Mortgage Finance Agency Needs a Spending Review.*

While The Transition DCA Subcommittee has taken the lead on reviewing NJHMFA policy and program issues, we have looked at it from a budgetary perspective.

Certain spending within HMFA, along with reports of duplicative staffing, all while additional staff is being requested, demand a further review by the incoming Administration.

As of 2009, NJHMFA has 296 employees. In the interest of not duplicating the Transition DCA Subcommittee's report, we will not here detail HMFA's growth in budget and employees over the years, but will simply note that NJHMFA has expanded significantly in recent years, including its staff expanding into a second Trenton building. Notwithstanding that recent growth, HMFA desires to hire additional staff, particularly in the legal and regulatory affairs area.

One program worthy of question within HMFA is a direct subsidy to single-family home purchasers, which reportedly amounts to a simple direct buy-down of the purchase price, at approximately \$60,000.00 to \$70,000.00 per home, for approximately 250 single-family homebuyers per year.

A number of questions immediately come to mind here:

- Can a more creative program be advised, that leverages financial resources, other than just a direct buy-down of the purchase price?
- How are the 250 lucky winners selected?
- Since the program can apply statewide, with 566 municipalities, 250 single-family purchase price buy-downs per year means that less than 1 house very two years will be financed in the average municipality – at a cost of over \$15 Million per year.

- One should question whether this is an appropriate use of \$60 Million over the next four years on a program that, on the average, will simply buy down the purchase price of less than 2 homes per municipality over that entire four-year period.

Also, there are reports of massive duplicative efforts in the NJHMFA bureaucracy, including, for example, mandatory inspections of the same multi-family housing units each year, by the NJHMFA Property Management Unit, the NJHMFA Tax Credit Unit, and the NJHMA Technical Services Unit. If true, this would indicate that HMFA is vastly over-staffed, and that the staff could be cut back if that kind of duplicate effort was curtailed. At the very least, it indicates that requests for more staff may need further examination.

As we think of bringing change here, it is important to note that NJHMFA is one of the rare authorities where the Governor can exert tremendous influence essentially from "day one." The Authority has nine total members, and five out of nine are Cabinet Members.

*Make New Jersey Network Self-Reliant. Eliminate all state subsidies.*

More than \$10 million of the \$16.8 million dollar budget of the New Jersey Public Broadcasting Authority is provided either directly by the state in terms of a subsidy or through in-kind services performed by the state. In order to save taxpayer dollars, a goal should be to make NJN self-reliant during the first term. It is possible, given the resources of this station, that it can subsist without taxpayer support. Outside experts with experience privatizing television stations should be asked to undertake a study and make recommendations as to how this can be accomplished.

Since 2002, outside accountants have also said the authority does not follow generally accepted accounting methods. While it seems the reason for this is far from nefarious, it also seems like a company faced with this issue in the private sector would solve it quickly.

*Audit the Schools Development Authority.*

While the impact of SDA on education policy should be left to education experts on our subcommittee, the financial impact needs immediate review. Previously, this report recommended that audits be performed on numerous authorities. With \$12.5 Billion in bonds already authorized and another \$425 million requested, impending changes in staff leadership and a fiscal outlook that only keeps the authority solvent through March of 2010, this should be the first place the new governor's office audits. How this money has been spent is very important to know because this money was supposed to be invested in schools for the children of the state.

Given the current state of finances here, decisions will need to be made very soon to

- Continue all projects, meaning the issuance of \$4.35 billion in bonds
- Finish just the 1,620 projects currently under construction, at a cost of \$1.3 billion

- 695 projects would be suspended or forfeited meaning substantial lost sunk costs
- Cancel the program impacting over 1,800 projects and leaving 20 major facilities unfinished, in addition to legal exposure.

It should also be noted that non-project related costs seem excessive, such as rent exceeding \$2 million per year and employee parking costs in Trenton rising to \$390,000 annually.

*New Jersey Transit Requires Early Attention from the Administration.*

While the specific transportation policy recommendations will be left to the Transportation Subcommittee, the financial challenges facing New Jersey Transit require immediate attention.

With 270 million riders per year, New Jersey Transit is the 3<sup>rd</sup> largest public transportation agency in the United States. There are a host of issues that are very expensive and time-sensitive and deserve immediate attention.

The first is the ARC Tunnel, which is also a Port Authority issue. This \$8.7 billion project has budget ramifications for years to come at New Jersey Transit, the PANYNJ and state of New Jersey.

An impending time sensitive issue relates to the fiscal solvency of private ferry operators who require funding by March of 2010 to remain solvent. Approximately 30,000 New Jersey commuters now utilize the ferry system to cross into New York every day, and there should be attention given as to what would happen if the ferry system was no longer viable.

Also of great fiscal importance, NJT's FY2011 budget faces a shortfall due to the use of stimulus funds in FY2010.

*PATCO's New Jersey projects must be addressed quickly by the Delaware River Port Authority.*

As with other transportation authorities, policy implications will be left to the Transportation Subcommittee. From a financial perspective however, multiple projects important to South Jersey commuters are jeopardized by the state of the Transportation Trust Fund. PATCO's expansion in South Jersey will be a 5-7 year project and is broken down into three phases.

1. Light Rail from Camden to Glassboro.
2. Rapid bus transit along Routes 42 and 55.
3. Improved rail connection to Atlantic City and its airport.

The projected costs for these projects will be north of \$1.5 billion, likely considerably higher as the cost analysis is not fully complete. Other PATCO projects that require considerable funding are the rehabilitation of train cars and the rehabilitation of tracks on the viaducts and the Ben Franklin Bridge.

As with other authorities, they must evaluate the necessity of doing capital projects that are not directly related to safety or increased use. Now may not be the time to be thinking about expansion of systems that are already losing money in part because there are other transportation options.

*Breaking News: The New Jersey Transportation Trust Fund is Broke.*

Nothing else needs to be said here as the ramifications and solutions will best be left to another subcommittee. One point from our research though - the current board makeup seems overly focused on transportation interests and lacks financial expertise. The disastrous financial position of the TTF should be kept in mind when making future appointments.

*The Passaic Valley Sewerage Commission Needs an Overhead Budget Review.*

The Governor currently lacks veto authority over the Passaic Valley Sewerage Commission and does not have enough representation on the commission to affect change. It seems the internal overhead expenditures here deserve a thorough review based on our transition findings. It also seems the use of outside consultants, including attorneys and engineers should be reviewed as a cost-saving measure given the existence of in-house professionals.

*Bring Budget Prioritization to the Atlantic City Convention and Visitors Authority.*

People all over New Jersey are inundated with ads to go to Las Vegas, Foxwoods in Connecticut and even Pennsylvania for gaming. In a cursory review of their budget, the ACCVA actually spent 40% more on salaries and benefits (\$5.2 million) for its 69 employees in 2008 than it did on marketing Atlantic City (\$3.7 million). Perhaps a review of the workforce is in order given the lack of dollars spent on marketing.

That said, there are ways the Administration may be able to assist ACCVA in controlling overhead costs as well. Labor costs were described as inconsistently and excessively higher at the Boardwalk Hall and Convention Center, as compared with private national competition facilities, as well as those located in Atlantic City. It was reported that this labor cost disparity significantly increased during the current administration to appease labor. Leveling the playing field would increase the Authority's ability to compete for shows which otherwise cannot afford its facilities.

*Eliminate Council on Alcoholism and Drug Abuse - Fold into Addiction Services in the Dept. of Human Services*

Governor Corzine attempted this consolidation but met with serious opposition. The Council on Alcoholism and Drug Abuse gives out \$9 million in grants every year, and with that they have a constituency. Despite that constituency, the same functions can and should be performed by the Division of Addiction Services within the Department of Human Services.

Real cost-savings can occur here as there is a staff of nine with a payroll and benefits budget of approximately \$800,000. It seems the overhead could be eliminated through consolidation while the good that is done by the \$9 million in grants could be continued.

It is important to note that some at the Council on Alcoholism and Drug Abuse were very critical of the Division of Addiction Services during our review, perhaps due to Governor Corzine's attempt at consolidation.

*Consider Eliminating Salaries for Commissioners.*

Most commissioners on state authorities are unpaid. However, there are some exceptions, notably the Casino Redevelopment Authority which pays commissioners \$20,000 per year and the New Jersey Maritime Pilot and Docking Commission, which pays its six commissioners \$28,000 annually. (It should be noted, however, that the Maritime and Docking Commission is self-reliant and actually has returned its surplus to the state for general operations over the last five years.) Calling for this elimination across the board will save tax dollars and send a powerful signal about cost savings.

*Higher Education Student Assistance Authority*

This important authority was examined by the Education Subcommittee, so the important leadership and policy recommendations are left to their report. However, given the Governor-Elect's dedication to higher education in the state, as well as the sometimes controversial nature regarding loans and banks in this fiscal climate, it is imperative that HESAA be looked at immediately by the new administration, and constantly evaluated during the course of the Governor's tenure.

*Analyze the South Jersey Port Corporation's Budget and Projects*

It is clear that the South Jersey Port Corporation has money and the ability to spend it, as evidenced by the Paulsboro groundbreaking in 2009. While there is such a need for economic development at this time, it is important that the state's vision for economic development be enhanced by the South Jersey Port Corporation.

*Fort Monmouth Needs Immediate Attention and Assistance.*

Fort Monmouth is a potentially tremendous asset which will be given to us by the US government in about 18 months, but progress has been hampered by government inaction and inefficiency. If we don't have an organized effort and vision as to how to use that asset to create jobs and economic growth quickly, it will be nearly impossible for that region to recover from the losses it will realize by the closure of the fort.

*Institute Best Practices.*

A number of authorities do some things very well, but due to the quasi-independent nature of the authorities, sometimes best practices aren't shared with others where they can be helpful. For example, the Building Authority's effective use of shared services and strong financial model with accountability should be reviewed to determine where else this model could be employed. The Authority has been able to significantly minimize administrative and staffing costs by utilizing a shared service model for administrative functions. This model has enabled the Authority to consistently deliver projects on time and on budget despite the increase in the complexities of their projects.

*The Catastrophic Illness in Children Relief Fund Deserves Support from the Front Office.*

The fund has distributed \$124 million to families in need over the last 20 years while administrative costs have seemingly been kept in check. There are two places where the Administration can help the fund. First, there is a claim that \$5 million was diverted from this fund to the general fund in 2009. This should be audited as dedicated funds should not be taken without the proper course being followed. Secondly, their infrastructure is aging. A new database system will allow them to process requests more quickly and efficiently.

*The Federal Government Must Be Asked to Fund Its Fair Share for the Delaware River Basin Commission.*

DRBC is funded through annual contributions from its members, state and federal grants, project review fees, water-use charges, and fines. New Jersey contributed \$800,000 this fiscal year. These funds were appropriated from the state budget.

DRBC advised that the federal government has not contributed its share since 1997, which cumulatively totals \$7.8 million. While perhaps impacting the effectiveness of the DRBC's operations, the federal government's failure to contribute has not affected the other members' contribution amounts.

Clearly if the federal government were to make good on its obligations to the DRBC, not just for the current year but retroactively, it could save \$800,000 from the state's general budget. This benefit could be realized years into the future as well if our federal representatives can get these past obligations met.

*The Garden State Preservation Trust Needs Direction Regarding the Recently Approved Open Space Monies.*

They are responsible for managing and disbursing the constitutional dedication of \$98 Million per year for open space and historic preservation (from the Sales Tax) PLUS the \$400 Million just approved by voters in the 2009 Ballot Referendum. The strategy for the \$400 Million is of



immediate concern. They will likely make no effort or suggestion as to how this should be spent until the new Administration is seated.

Additionally, nearly a quarter-million dollars could be saved per the Garden State Preservation Trust. Their annual allocation of \$476,000 is nearly twice what they need to fund their overhead, per their own estimates.

*The EnCap Issue Facing the New Jersey Meadowlands Commission Needs Immediate Attention.*

The Meadowlands Commission's major issue at the present time concerns the EnCap development, an 800-acre site that includes four former landfills. The planned redevelopment of the site had languished for years when the EnCap Company ran into substantial financial and other issues. The site is now being remediated by American Home Assurance in accordance with a performance bond that had been executed in the event that the redevelopment project stalled, which is exactly what happened.

NJMC is working on restructuring the financial arrangements with the banks involved with the project. NJMC must attract a new redeveloper for the project. NJMC will await guidance from the new administration with regard to these and other significant EnCap-related issues that arise.