
Committee Meeting

of

SENATE ECONOMIC GROWTH, AGRICULTURE AND TOURISM COMMITTEE

SENATE BILL No. 634

*(Authorizes municipalities to establish downtown business
improvement zones and sharing of retail sales tax proceeds therein)*

AND

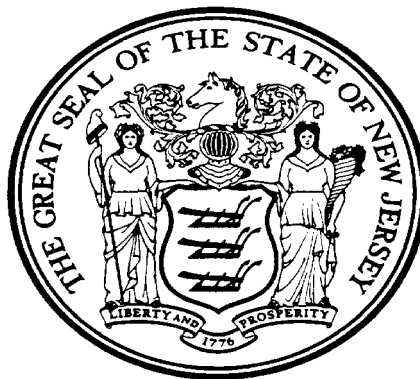
*“Testimony to consider the recently proposed plan to restructure
the Department of Commerce and Economic Development; a briefing on the programs
which protect, develop, and promote agricultural industry and its related interestes”*

LOCATION: Committee Room 2
State House Annex
Trenton, New Jersey

DATE: March 23, 1998
10:00 a.m.

MEMBERS OF COMMITTEE PRESENT:

Senator Martha W. Bark, Chairwoman
Senator William E. Schluter, Vice-Chairman
Senator Joseph M. Kyrillos Jr.
Senator Bernard F. Kenny Jr.
Senator Edward T. O'Connor Jr.



ALSO PRESENT:

Kevin J. Donahue
Leonard J. Colner
*Office of Legislative Services
Committee Aides*

Josie DiRienzo
*Senate Majority
Committee Aide*

Robert P. Heffernan
*Senate Democratic
Committee Aide*

***Meeting Recorded and Transcribed by
The Office of Legislative Services, Public Information Office,
Hearing Unit, State House Annex, PO 068, Trenton, New Jersey***

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SENATOR MARTHA W. BARK (Chairwoman): We will get started now. We have a lot of people that we want to hear from, as well as Senator Kyrillos is under some time constraints.

At this time, I would like to -- before we get started with our official meeting, I would like to give the opportunity to Senator Schluter to make a couple of announcements.

SENATOR SCHLUTER: Yes, Madam Chairwoman, I would like the recording scribe to read the first entry in your minutes today.

HEARING REPORTER: For the record, Senator Schluter was on time.

SENATOR SCHLUTER: Thank you.

HEARING REPORTER: Yes, sir.

SENATOR SCHLUTER: Now, my second item is, I see that the Department of Agriculture is here, and we have a very nice button which says "Jersey Fresh," which I'm all in favor of.

I wonder if Josie would read what this says right underneath that because this is the economic development committee.

MS. DiRIENZO (Majority Aide): Jersey Fresh; made in Taiwan.

SENATOR SCHLUTER: What?

MS. DiRIENZO: Made in Taiwan.

SENATOR SCHLUTER: Okay.

SENATOR BARK: That is a good point.

Thank you, Senator Schluter.

At this point, would you call the roll please?

MR. DONAHUE (Committee Aide): Senator O'Connor.

SENATOR KYRILLOS: There's no press here.

MR. DONAHUE: Senator Kenny.

SENATOR KYRILLOS: You're safe for, at least, this morning.

MR. DONAHUE: Senator Kyrillos.

SENATOR KYRILLOS: Yes.

MR. DONAHUE: Senator Schluter.

SENATOR SCHLUTER: Yes.

MR. DONAHUE: Senator Bark.

SENATOR BARK: Okay. The first order of business will be S-634.

Senator Kyrillos, would you like to make an opening remark?

SENATOR KYRILLOS: Thank you very much, Madam Chairwoman. I appreciate it, and I apologize in advance to you and the other members of the Committee and the witnesses that will testify on this bill. We have, as you know, a Joint Auto Insurance Committee upstairs and I'm going to run back to; although, it is a lot easier and a lot less heat to stay in this room this morning. I think that this is an important bill, and I wanted to stay for the Treasurer's remarks because I know he's going to represent -- will oppose this bill today.

But this piggybacks on the success of New Jersey's special improvement districts. I know there is a representative from Downtown New Jersey that will talk about the array of special improvement zones around New Jersey and their varying degrees of success. The SIZs, as we all know, assess businesses in a core downtown center, who voluntarily agree to accept this assessment, and pool their money and have it be poured into improvements in

downtowns, and my home county of Monmouth County, Red Bank has achieved a real renaissance as a result.

Well, there is only so much that those business, by themselves, can do for themselves, and I think that it makes a lot of sense for those localities to be able to keep a small fraction of the sales tax that's derived from those very finite, tightly drawn improvement zones.

Senator Kenny, are you on this bill? (negative response) No? I guess just Senator Matheussen is the prime cosponsor.

SENATOR KENNY: I'd like to be.

SENATOR KYRILLOS: I would like you to be on this. I know Hoboken is part of this as well.

And if there is a local match through this special improvement district assessment, that there be the small portion of the State's sales tax that kicks in and helps to grow these downtowns even further -- provides the job space, provides for an economic center for various regions of the state and a cultural center because most of these places have great arts and cultural organizations. I think there is a hit to the treasury, obviously, but I think that hit, in the scheme of things, is a relatively modest one over the course of time, and the tax break we would give would phase out over a period of time.

So I'm very enthusiastic about the bill. At a time when we want to promote downtowns and managed and smart growth as opposed to the kind of suburban sprawl that we've become all too used to, this is a very timely bill.

Thank you.

SENATOR BARK: At this time, then, I think that I have had my orders to call up Bernard Kornmehl.

Is that right?

B E R N A R D J . K O R N M E H L: Kornmehl. (indicates pronunciation)

SENATOR BARK: Kornmehl. Okay.

MR. KORNMEHL: Thank you, Madam Chairwoman and members of the Committee.

Treasury commends its sponsor, Senator Kyrillos, who recognizes the promotion of the economic and general welfare of downtown business improvement zones as a laudable and responsible undertaking. However, it is Treasury's position that this bill is the wrong method to achieve that goal and therefore must oppose it.

It is Treasury's position that it is bad tax policy to dedicate future sales tax revenue to a municipality or zone from which such revenue is derived. Such dedication is contrary to the concept of uniform state sales tax. Such sales tax dedication detracts from executive and legislative branch ability to set priorities for spending in each annual budget and reduces State revenue, which the State budget is dependent upon. Treasury cannot emphasize enough the danger of reducing General Fund revenues while State expenditures continue to grow annually.

If this bill is adopted, it would open the floodgates and generate additional bills to dedicate state sales tax revenue for other municipal purposes, thereby leading to erosion of the concept of a uniform state sales tax.

Precise figures are not available; however, it is estimated that the loss of revenue to the State General Fund would be approximately \$2.5 million

per year for the first five years; \$1.25 million per year, for the second five years; and \$625,000.00 per year for each of the third five years.

This bill is somewhat modeled after the UEZ assistance fund and the project funding which it supports. Treasury continues to oppose all bills modeled after the UEZ Program until the Department of Commerce completes the statutorily required study of the Program.

SENATOR BARK: Thank you.

Does any one have any questions?

SENATOR KYRILLOS: Madam Chairwoman, if I could just have a word and then depart, and then Josie can find me if there's a need to.

I just want to remind the Committee that those of us that were part of this Committee in the last session released this bill once before. And most of us, I know, voted for it on the floor of the Senate when it was before us in the last session. And let me say, I voted no or at least abstained on the last round of urban enterprise zones because I think we have far too many of them. In my mind, we ought to have maybe one in North Jersey, maybe one in South Jersey and really have them serve as magnets for people to want to come to, but there is so many now that none of them can thrive in the way that we want them to.

In these situations, these are very successful places that are already doing their part by having business assess themselves an extra tax on top of what they already pay, so there's a real partnership. And I know that Treasury has its marching orders. It has to do what it has to. But for an administration that has asked us to pass very sweeping economic incentive legislation, most of them that I sponsored, give away far, far more money-- You could tell me

how many millions of dollars we're giving away through this Business Employment Incentive Program and the Corporate Relocation Program because it makes good economic sense -- economic development sense -- and creates jobs. And why, for pits, they would oppose these things? I just don't think it's in keeping with the philosophy of the administration.

So I would ask you to rethink your opposition to these bills as they wind through the process because it's not consistent with the past work -- and it doesn't make good economic development sense. So I would like to have any member of the Committee be part of it as a cosponsor.

SENATOR BARK: Senator Kenny.

SENATOR KENNY: I don't know if this is on or not. (referring to PA microphone) I need it on.

I agree with the Treasurer's testimony to the extent that this is a significant bill. This is a very significant bill, even though it is, perhaps, minor in its impact because it is capped at the amount that can go in, to be retained and applied for. But, philosophically, it's a significant bill because it does address the whole concept of the uniform sales tax. So I agree that it's significant.

I also, however, agree with the sponsor that we, perhaps, need to take a whole look at our tax code, as to where we are deriving the benefits from taxation, and the UEZs have been very successful. I have to disagree with the sponsor that there are too many. I don't know if there are too many or not, but they have been very, very successful in Hudson County, Jersey City, and Bergenline Avenue, North Hudson, Elizabeth -- very, very successful because

it has spurred economic activity in our cities. We have a Commissioner of Commerce here today who is very supportive of those applications.

SENATOR KYRILLOS: Well, that's good to hear.

SENATOR KENNY: So I personally-- Five years ago I may have agreed with the Treasurer, philosophically, but I have come to believe that we need to retain more of the sales tax generated at the local level in the local areas. We need to retain more of it. And if it's put to good use-- This bill has guidelines. They have been very, very helpful in improving our downtown districts. So I'm going to support it, and I think we have to do more, not less, more of this type of thing in our downtowns. So I'm happy to support, and I'd like to cosponsor the bill.

SENATOR BARK: Thank you.

Senator O'Connor.

SENATOR O'CONNOR: Not to beat a dead horse, but I agree what Senator Kenny just said. And frankly, I'm a little disappointed that the numbers in the bill are not larger, and to accept your argument that we should wait because Commerce has not yet developed this report, it seems to me, I was a young man when they were supposed to have that report in. Isn't it over five years due already?

So I think we ought to move forward with this, and I join Senator Kenny. I would like to cosponsor as well.

SENATOR KYRILLOS: Thanks.

Madam Chairwoman, if I could just -- Ed triggered something when he said that he wanted the numbers to be larger. They may not even be as large as the numbers we're throwing around because the \$2.5 million that

Treasury maintains it would cost in the initial years is if we have the maximum allowable amount of zones doing the maximum amount of business. That would be the highest threshold number, and that's a very theoretical number. It's probably going to be lower than that.

MR. KORNMEHL: Through the Chair, I would just like to add that Treasury's estimate is based on the fact that there are 33 -- currently 33 special improvement districts. Twenty-five of which are not in urban enterprise zones. As a result, it is the Division of Taxation's information that -- would automatically reach its \$100,000 limit.

So, therefore, we feel these numbers are quite accurate.

SENATOR BARK: Thank you.

Is there anyone else who wants to ask Mr. Kornmehl a question?

If not--

Thank you very much.

MR. KORNMEHL: Thank you.

SENATOR BARK: I also see in the audience that Assemblyman Asselta is here, and--

I believe that you were the sponsor of the corollary bill in the Assembly.

ASSEMBLYMAN NICHOLAS ASSELT A: Yes.

SENATOR KYRILLOS: This is the real--

SENATOR BARK: Would you like to make any comments?

SENATOR KYRILLOS: This is the real author, Madam Chairwoman.

SENATOR BARK: Oh, okay.

ASSEMBLYMAN ASSELTA: First of all, good morning, and thank you for allowing me to come up here, Madam Chairwoman.

I didn't hear all the testimony. I just caught it on the back end, but it sounds like this particular Committee is very supportive.

Let me just say, the genesis of this has always been, probably, twofold. UE zones have been successful, as the Senator said. I have two in my district. A combination zone has been very successful. But there are many towns out there, downtown New Jerseys, that this particular state is noted for.

Since this state is such an old, old state, one of the 13 original, all those original downtown areas that were our commerce centers now are deteriorating. And that's not necessarily so. They're just urban areas. They're small downtowns that need help, that now compete with malls. I have seen it happen in my hometown, where a mall gets built five miles outside of my town, and it completely kills the downtown area.

All we're doing with this bill is trying to, at least, help them help themselves. These downtown areas that have special improvement zones and districts that are out there trying to promote, trying to make better infrastructure improvements -- this is just a small incentive.

And, Senator, you're right. It should be more money. And maybe in the future we want to bump that up as we see that this becomes successful.

I just want to thank you for your support. This is a very, very important bill statewide, not district. It doesn't target one district. This is a statewide initiative that could, probably, grow in the future to really help some of those that we all, probably, grew up in and know very well.

So thank you very much.

SENATOR BARK: Thank you.

Anyone want to ask the Assemblyman any questions? If not, William L. Lang.

WILLIAM L. LANG: Good morning, Madam Chairwoman. My name is Bill Lang, and I am with the New Jersey State AFL-CIO, and I thank you for allowing me to testify on this bill.

The New Jersey State AFL-CIO and its affiliated unions strongly support any legislation which has the potential to create jobs with fair working conditions. We salute the sponsor for his thoughtful response to a need for priming revitalization of New Jersey's downtown business areas.

This bill and others like it have been introduced in the past and always opposed by the Department of Treasury. The rote answer for their opposition is always that it will puncture the uniform sales tax code. In a perfect world, perhaps, all neighborhoods and regions of the state would be uniform in socioeconomic makeup and profile. Until these conditions exist, it is time for Treasury to cease its opposition to creative methods of jump-starting economic development using all the tools at the disposal of the Legislature. The tax codes are in effect not to enable Treasury to exist, but to enable the State to do the proper business of government.

One proper function is to responsibly find ways to use tax incentives to attract business to New Jersey. Another is to use some of today's revenue to create jobs tomorrow which will provide more tax revenue in the future. In the old days, farmers had to save some of their harvest for seed to plant the following year. At times, they had to go hungry to ensure seed for

the following year's crop. This legislation is no different in that it provides seed money to create jobs.

I have spoken with Senator Kyrillos regarding an amendment, which he has agreed to put in the bill, as has Assemblyman Asselta and the Assembly. And we would have no problem releasing the bill in its current form today.

SENATOR BARK: Would you just comment on the amendment today?

MR. LANG: Sure.

SENATOR BARK: Do you have the amendment here? Would you like to comment on it?

MR. LANG: The amendment simply states -- and again, this is me writing it, not OLS, so if there's technical revisions to it, that's fine.

SENATOR BARK: Just give us the gist of what's in the amendment.

MR. LANG: It involves prevailing wages. We've got a lot of different entities that have been created in this state, and they have been able to do an end run around prevailing wages in the public bid process. This simply address that. We have been told that the bill would -- it would apply in the bill anyway, but this is a -- it locks things down tight.

Do you need me to read it word for word? (directed to the Chairwoman)

MR. DONAHUE: It's just that-- What we have done is -- a municipality and administrative, such as a special improvement district

corporation-- It sets five conditions on which a plan would be adopted by the municipality. And this condition would be an additional sixth condition.

MR LANG: Correct.

You don't need it word for word because it's in here.

Thank you very much.

SENATOR BARK: Does anyone have any questions of Mr. Lang?

Yes.

SENATOR SCHLUTER: Mr. Lang, with respect to the amendment, which I have in your letter here, does that restrict the prevailing wage to governmental projects as prevailing wage applies in all other bid projects, or does it save prevailing wage for any construction project that these enterprises would be engaging?

MR. LANG: We're not looking for an expansion or changing the law on prevailing wage at all. What we're simply saying is that anything that it applies to today is what we want. That's why I said that if there is a technical change to this, it's no problem for us.

SENATOR SCHLUTER: Can I ask staff, is that the interpretation that's in the bill that would apply as the present law applies with respect to prevailing wage only to construction by a governmental entity, not school construction at this time? Excuse me I just said (indiscernible), but not hospital construction, not other kinds of construction.

MR. DONAHUE: As I understand how special improvement districts work, you have a municipality in conjunction with a quasi-governmental entity, that special improvement district management corporation. Those two entities together undertake these projects, and they're

generally located in downtown improvement zones. And with -- as under current law, they fund these projects through a special assessment on all the businesses within that specific district.

SENATOR SCHLUTER: Let me be more specific. If there is -- and this is for clarification I think this is important to clarify now. If there is a local plumbing, air-conditioning contractor, and there is a project which is in the special improvement district for a construction project, for a private entity, for a private developer, for a private property owner, does this say that prevailing wage must apply to the labor for that particular project?

MR. DONAHUE: What it says, in any plan that's proposed by the municipality in conjunction with the special improvement district, it has to be approved by the Department of Community Affairs Division of Housing and Community Resources. And this would add an additional provision to those five requirements.

SENATOR SCHLUTER: That respectively does not answer my question.

MR. DONAHUE: I'd have to research it. I couldn't answer that.

SENATOR BARK: Are there any other questions? (no response)

Thank you very much, Mr. Lang.

MR. LANG: Thank you.

SENATOR BARK: Mr. Bill Fontana.

WILLIAM S. FONTANA: Good morning, Senator Bark, members of the Committee. My name is Bill Fontana, and I serve as the Executive Director of the Rahway Center Partnership, a special improvement district management corporation located in Rahway.

The Rahway Center Partnership is a legal entity, responsible for the day-to-day management and oversight of the Rahway Special Improvement District. Like many smaller SIDs, the Rahway Center Partnership must try to accomplish several important tasks within our business district on a very limited budget.

Consider that, in this SID in particular, we generate about \$65,000 annually from the business located within the SID. With that money, we try to keep our more than two linear miles of sidewalks clean. We provide special events for businesses. We provide business recruitment activities. We provide marketing services for the downtown, technical assistance to businesses, and other activities as our budget allows, including sponsorship of a farmers market that deals with the Jersey Fresh Program.

Then take into consideration that a current sidewalk sweeper costs about \$22,000. We would have to spend one-third of our annual allocation just to help keep our sidewalks cleaner.

This does not even begin to take into account public improvements, marketing improvements, and a host of other downtown initiatives necessary to help Rahway truly revitalize its central business district. The additional funds that would be available through this legislation would be used to carry out those activities that are often difficult to implement financially but crucial to the success, given current budget limitations.

By the way, I would like to point out that a recent study, done by the National Main Street Center, has indicated that more than \$30.00 is generated in private investment in main street SID-type areas for every dollar of public improvement money put into those districts.

In addition, the City of Rahway is currently in the midst of a major downtown redevelopment effort, having recently approved the issuance of \$2.5 million in bonds for the acquisition of bidded property in the downtown area, which includes our SID. The approval of this legislation would provide a wonderful augmentation to this effort and would allow for the ongoing revitalization of the downtown in a comprehensive manner and not just as a bricks-and-mortar project.

The Rahway Center Partnership appreciates the opportunity to support this legislation which has the potential to help save and shape many smaller New Jersey business districts for many years to come. I urge this Committee's approval of this legislation.

SENATOR BARK: Thank you.

Does anyone have any questions? (no response)

Thank you very much.

Beth Peterson, and Janine Johnson.

BETH PETERSON: Hello. Thank you for having us here today. I'm Beth Peterson. I'm the Executive Director of Downtown New Jersey.

JANINE JOHNSON: I'm Janine Johnson. I'm a Vice President of Downtown New Jersey and the Director of Business Development for Union County Economic Development Corporation.

MS. PETERSON: I am going to very quickly run through what Downtown New Jersey is all about and then turn it over to Janine to tell you why we think this is so important for all of New Jersey and its downtowns.

Downtown New Jersey's constituency -- well, first of all, we are private, nonprofit, and what we do is we provide for managed downtowns and downtowns that are thinking about being managed the education on how do you manage one of these organic type of organizations. We get them the information that they need. We provide advocacy, such as we are here today to do. And we recognize the best practices in downtown -- managed downtowns -- through a recognition program that we do on a yearly basis. It's an awards program essentially.

Our constituency is certainly SIDs -- all of the SIDs, not just the ones -- the 26 that we're talking about today, and the potential SIDs that would benefit from this in the future. We also have among our membership urban enterprise zone management, economic development corporations, municipalities. Frequently, we have developers that are interested in operating in downtowns and just about anyone who is interested in -- you know, the downtown junkies in New Jersey belong to our organization.

That's pretty much what we do. We gather them together and we provide this network.

And with this, I will turn this over to my Board of Directors' representative here, who could tell you more about it.

SENATOR BARK: Thank you.

MS. JOHNSON: I'm also, by the way, speaking as a former special improvement district manager in Cranford. Cranford was the first special improvement district created, back in the mid 1980s.

First of all, special improvement districts are characterized by unique public-private partnership. The main gist of it is that there's localized

decision making and localized funding. People are choosing to bootstrap themselves to pay an additional assessment to make their communities stronger. And this legislation is basically asking the State to meet us part way. It's not asking for a give me. We're just asking for the match to make our community stronger.

And, currently, SIDs that are not affiliated with UEZs receive no direct State support. I would like to call attention to the memo that was sent from Beth Peterson that lists the 26 special improvement districts that would be affected by this legislation. There's also a list of 19 other towns that are considering special improvement districts. I would also like to make the point that this legislation fits perfectly within Governor Whitman's Urban Initiatives.

Another point I would like to make is that there is a ripple effect in terms of investing in downtown communities. If you strengthen a downtown, it makes it a more livable community. People feel better about doing business there, and the ripple effect is felt throughout the area.

As Bill Fontana from Rahway mentioned, special improvement districts try to do many things. They try to juggle many balls at once, with very limited funds. These funds will especially help special improvement districts to work on capital projects and infrastructure projects such as sidewalks. We are basically asking for this partnership of matching funds. It's been told to me that it's equal to roughly one-fifth the cost of the typical highway interchange that has been built throughout the state to support all of the suburban sprawl.

So we definitely appreciate your support of this legislation.

SENATOR BARK: Thank you.

Does anyone have any questions? (no response)

If not, we'll call the last witness, and I thank you very much.

Susan Uibel.

S U S A N U I B E L: Good morning, Madam Chairwoman and members of the Committee. I am Sue Uibel, with the New Jersey Pinelands Commission.

When this was introduced in the last session, it was endorsed by the Pinelands Commission. It was also endorsed by the League of Municipalities and the Pinelands Municipal Council, which is composed of the mayors of the 53 Pinelands municipalities.

I just wanted to reiterate our support for this. We believe it will benefit several Pinelands municipalities and will play a part in our desire to encourage compatible economic development in the Pinelands.

SENATOR BARK: Thank you.

MS. UIBEL: Okay, thank you.

SENATOR BARK: Are there any further comments? If not I'll accept a motion.

SENATOR O'CONNOR: Move the bill.

SENATOR BARK: We need to accept the amendments first.
All right, we'll do that first.

Motion to accept the--

MR. DONAHUE: Not a separate motion. Just -- we're going to consider with the amendments.

SENATOR BARK: We will consider the bill with the amendments, and we will move it that way.

MR. DONAHUE: On the motion to release Senate Bill No. 634 as amended. Roll call.

SENATOR BARK: Do we have a motion, did we get a motion?

MR. DONAHUE: Senator O'Connor?

SENATOR O'CONNOR: Here.

MR. DONAHUE: Senator Kenny?

SENATOR KENNY: Yes.

MR. DONAHUE: Senator Kyrillos?

Senator Schluter?

SENATOR SCHLUTER: Abstain.

MR. DONAHUE: Senator Bark?

SENATOR BARK: Yes.

MR. DONAHUE: Bill is released as amended.

SENATOR BARK: Thank you very much.

At this time, I would like to ask Commissioner Medina if he would step forward.

I am delighted to have you here Commissioner and look forward to being enlightened as to what you are -- how you are progressing this year.

COMMISSIONER GUALBERTO MEDINA: Absolutely, Madam Chairwoman. Madam Chairwoman, with me this morning is my Associate Commissioner, Connie Calsih, who has been, pretty much, the architect of the reorganizational effort.

Before I begin with my testimony, Madam Chairwoman, I wanted to play a portion of a video that appeared in New Jersey Inc., the big (indiscernible) show. The reason I want to play this video is to show that in New Jersey, economic development, job creation, job retention really is a nonpartisan issue. On the first half of the video, which I will not show, the former Treasurer, Sam Crane, endorsed our reorganization plan in large part. In the second part of the video, George Zoffinger, who was the Secretary of Commerce under Governor Florio, will state his opinions, as well as Assemblyman LeFevre, who was the Deputy Commissioner of Commerce under the Tom Kean administration.

So I would like to--

Kelly, where are you? (speaking to associate) You're here? Okay, good.

Five minutes, Madam Chairwoman.

SENATOR BARK: Okay. Thank you.

(witness plays videotape)

COMMISSIONER MEDINA: We figured we'd cut it, Madam Chairwoman, because it goes on and on, and the major point here that I was trying to make is the fact that George Zoffinger, who served under the Florio administration; Kenny LeFevre, who served under the Kean administration; if Barbara McConnell had been on this panel, she also would have endorsed the reorganization.

I do want to clarify, Madam Chairwoman, that Taiwan is not in Camden County. I have no reason to doubt that the Secretary of Agriculture

is absolutely correct, that it's somewhere in South Jersey. But, coming from Camden County, I can assure you that it's not there. It's not from there.

Madam Chairwoman, this is really an exciting time to be in business in the State of New Jersey. And it's really an exciting time to be in government. It is a time when change is literally taking place overnight, when the technological revolution has meant that with today's competence, one battles not with the shot of a gun, but with the click of a mouse.

The most appropriate parallel to our current times was the industrial revolution. Up to the end of the 1700s, the population of our country was largely agricultural. In fact, 95 percent of our population in the United States was rural and 5 percent urban. Today it is almost 80 percent metropolitan, 20 percent rural, but less than 3 percent of our population is employed in farming.

We're passing, I believe, through an equally revolutionary period in history. Manufacturing, which was the center of 20th century economic growth, was responsible for more than one-third of all nonagricultural employment in the 1920s, 16 percent in the 1990s, and it is projected to be less than 12 percent in the beginning of the next century.

In this new, competitive world economy, dominated by knowledge-based industries, the keys to economic success are human resources and more effective production systems. This dramatic change has major policy implications for all industrial societies such as New Jersey.

We in New Jersey already have so much to offer companies in the new economy: a well-trained workforce, an excellent infrastructure, and a quality of life that is second to none. But government, like business, has had

to examine how it operates. What we in the Department of Commerce have realized is that in order for us to compete, we have to act like a business. And so we ask ourselves questions that might seem routine to businesspeople but are revolutionary for government, questions like: Is this program cost-effective? Are we receiving a good return on our investment? Is there a way for us to perform this service a good return on our investment? Is there a way for us to perform this service more efficiently?

The conclusions that we reached from this line of inquiry is that in order for the State of New Jersey to compete in the world marketplace, we have to make strategic improvements in our state's business climate.

Our philosophy can be best summed up by something that a business consultant by the name of Lyle Spencer once said. "Entrepreneurs have an obsessive concern with doing things faster, cheaper, better." We in New Jersey must have that same obsessive concern when it comes to performing services for business. We must do it faster, cheaper, and better than any one else. We know we are in a fierce competition with other states and other countries for jobs and investments. And the only way that we will succeed is by performing better, by responding faster and with a bottom line that is better than that of our competition.

That is why we've cut taxes 17 times, returning \$6 billion to the taxpayers. It's why we've cut red tape and made it easier to do business in New Jersey. It's why, with your help, we created a business incentive package, which makes our state's advantages that much clearer -- so clear that more than 100 companies have taken advantage of our package, creating more than 28,000 new jobs. It's why we directed EDA to make the State's financing

programs more accessible to small businesses, including women- and minority-owned businesses.

And it's why our state has been recognized as the economic dynamo of the region. In 1997, New Jersey again was the selection of choice by an increasing number of the world's most prominent companies. World leaders like Pharmacia and Upjohn, AT&T, Hewlett-Packard, Bristol-Myers Squibb, Merrill Lynch, and Raytheon all announced plans to either relocate or expand in New Jersey, creating thousands of good, high-paying jobs for our citizens.

Last year was a milestone year for the New Jersey economy. We replaced every job that we lost during the recession, gaining more than 87,500 jobs. Our gross state product grew by nearly \$20 billion up to \$293 billion, and personal income of New Jerseyans rose by 5.5 percent.

So it is clear that the New Jersey economy -- and by extension, the New Jersey Department of Commerce and Economic Development -- has had a very good year.

But because we are dealing with the livelihood and prosperity of our citizens, we cannot become complacent. That is why Governor Whitman has proposed transforming the Department of Commerce and Economic Development into the New Jersey Commerce and Economic Growth Commission, an exciting new initiative that I think will revolutionize economic development and secure New Jersey's position as an economic leader well into the 21st century.

As you well know, entrepreneurs and business leaders aren't ever completely satisfied with economic success. And if we want New Jersey

citizens to continue to have increased opportunities for prosperity at good, high-paying jobs created by world-class companies, then we can't relax either.

We have to be innovative, to think like a business, and to be ready to act and react as quickly as businesses do.

In order to accomplish this, the State is reorganizing its economic development efforts under one umbrella organization, which will set policy, oversee implementation, and measure results for the new Commission and its related entities. Our related entities will include the Economic Development Authority, the Urban Enterprise Zone Authority, Prosperity New Jersey, the New Jersey Development Authority for Small Businesses, Minorities' and Women's Enterprise, and the Commission on Science and Technology.

The Commission will be client focused and market driven. The new structure will allow us to replace our outmoded department structure and will also allow us to rapidly respond to the changing business environment.

The New Jersey Commerce and Economic Growth Commission will retain the functions of business advocacy, customer service, international trade, accounts management, economic development, maritime resources, sustainable businesses, and the development of small business, women- and minority-owned enterprises.

I would like to say a word about our State's employees. Many of the economic development results that were achieved over the last four years were directly attributable to Department employees. We value them and their service. And I have pledged that I would work with those who do not join us to find jobs at other State agencies.

As you know, Travel and Tourism would move to the Department of State. Travel and Tourism will continue to focus on New Jersey's strongest tourism draws, like our beautiful shore. There should be no fear that our major attractions will be overshadowed or ignored by the Department of State.

The Commission structure will allow the State to more sharply focus its economic development vision. As CEO of the Commission and Secretary of Commerce, I will continue to be a member of Governor Whitman's cabinet, reporting directly to her. The Governor will be chair of the board. The Commission's board, which will include private sector representatives, will set the economic development policy for all the units to follow, giving one policy voice to New Jersey's economic development efforts and ensuring that all commerce agencies are working in unison and with a common purpose.

That is why we are creating this Commission. It will allow us to respond to the needs of the business community with flexibility and agility and give our State's economic policy a more focused, businesslike approach. Some people in Trenton think we are being radical, but I disagree. I don't think we are being radical. I think we're being smart.

We don't know what trends and innovations will take place in business, but we know we have to be ready for them. Commerce, like no other State agency, has to have the flexibility to respond because business will continue to rapidly change, to develop new industries, to leap on new trends.

A business can immediately change its structure and redeploy its staff to take advantage of new opportunities and new challenges. As a department in State government, we don't have that luxury. We can only

make changes, such as adding a new office and staff in critical areas through legislation or executive order.

If we need to deploy staff in a new emerging market, we simply don't have the ability to do so. Our structure is too rigidly set in place. When we decided to institute an accounts management system, allowing us to hire industry specialists in areas such as high technology, telecommunications, and petrochemicals, we could only do so on a two-year pilot basis. And it took us months in order to secure the necessary approvals in order to do it.

That won't be the case with the New Jersey Commerce and Economic Growth Commission. We will be able to change as businesses change, to stay ahead of the pack, to be ready with experts in the newest growth industries.

As a commission, we will be able to bring a corporate culture to government. If we believe that New Jersey needs an office to solely focus on telecommunications or high technology in order to bring more of those jobs to our state, we can do so tomorrow in a commission. As a department in State government, we would have to wait weeks, if not months. We do not have the flexibility to deploy our staff or organize our department as we deem appropriate.

What we are talking about is a critical loss of time -- delays that can translate into lost jobs and lost opportunities. The truth is, we are in a fierce battle with other states and other countries for investments. And this competition for jobs cannot wait for bureaucratic responses. One of the key factors in a company deciding to move or expand in New Jersey, rather than somewhere else, is the speed with which we can deliver the necessary services.

We need the flexibility to react immediately to trends and to hire specialized staff because the states that have that capability are the ones that are leading in the economic development race. And this is a race that New Jersey must plan on winning.

And let me be clear. More and more states -- including some of our most successful competitors, like Michigan, Florida, and Tennessee are moving in this direction. States and regions that create flexible economic development programs that are customer driven and involve the private sector are showing results and, more importantly, continue to attract companies. We want those jobs -- and those companies -- in New Jersey.

We thought briefly about privatizing the function. But we in New Jersey believe that it is important to keep economic development inside government as a key and crucial mission of the State. So the concept we have developed is uniquely New Jersey and allows us to combine the best of the private sector with the special attributes of government. In this way, the Commerce function will be stronger and more visible. New Jersey has made significant strides in its economic development mission in the past four years, due, in no small part, to the work of each of you.

I know this is a change from what we are used to. But as a business consultant by the name of Tom Peters used to tell his clients, "Companies have to learn to eat change for breakfast." If our state is going to be successful in the global fight for jobs, I think we do, too.

Thank you.

SENATOR BARK: Thank you, Commissioner.

I do have, I guess, one question or maybe two possibly. I don't totally understand how your Commission will be financed. Will it be financed through the budget?

COMMISSIONER MEDINA: Yes, Madam Chairwoman.

SENATOR BARK: As your department would have been?

COMMISSIONER MEDINA: Yes. The way we are proposing that it be financed is that be financed through State appropriations. We feel that Prosperity New Jersey should continue to exist. Prosperity New Jersey is the public-private partnership that the Governor, along with the business leadership of New Jersey, created in 1995. We feel that this partnership should continue to exist. We feel that the Commission should not accept private contributions because of the perception that the companies that contribute and then get support from the State -- that there may be a conflict of interest or at least a perceived conflict.

So we feel that the Commission should not accept contributions. That any contribution should be made through Prosperity New Jersey, which will continue to be the major public-private partnership to help promote better business climate changes.

SENATOR BARK: Will your establishment of a Commission be done legislatively, and if so, when do you anticipate that occurring?

COMMISSIONER MEDINA: Yes, Madam Chairwoman. We're in the process of drafting what we consider to be the legislation that will implement this change, and we're hoping to have that legislation before your Committee and the Legislature before this month is over.

SENATOR BARK: Oh. Okay. Thank you. I guess the only other question I have would be regarding Travel and Tourism. I sort have wondered that by moving it out from under your department or your commission to the Department of State, I wondered if that diminishes its thrust as an economic activity.

COMMISSIONER MEDINA: Well, you could -- I think we could rationalize where Travel and Tourism goes, whether it's the Department of Commerce or the Department of State. There was a sense that by combining it with State and some of the Historical Commission and arts and culture responsibilities that are within State, that it could basically be to efficiencies -- that's the rationale behind this proposal.

SENATOR BARK: Thank you.

Anyone else like to ask the Commissioner any questions?

SENATOR O'CONNOR: Yes. Commissioner, we heard, this morning, the difference of opinion on the UEZ Program, but I think, generally, it's considered to be a successful program. I'm from Hudson County, and we have -- we're pleased overall with the UEZ Program. I'm wondering whether you have given thought to putting the UEZ Program in another department, rather than maintaining it within this Commission.

I'm thinking specifically with respect to your accounts management system, which deals, particularly, with industry sectors and focuses on their needs. And that seems to be somewhat at variance with the UEZ approach, which focuses more on a region, rather than a particular industry.

COMMISSIONER MEDINA: Really not at all, Senator, because even with the accounts management system, we have regional account managers. So not only do we have people who are focusing attention on industry sectors, but are also focusing on regions.

The Urban Enterprise Zone Authority I believe, Senator, is a very good program. The study that was much discussed this morning is in the process of being completed. I saw the final -- rough drafts. This is not a final draft until I review it Monday. And I'm very pleased with the results. The report was commissioned in April of last year and has been completed within a 12-month period. Frankly, I wish the report had been completed earlier. Unfortunately, the data that was required for the consultants to complete their report had to come from various State departments and agencies, and it took longer to compile that information than we all thought it would. However, I am very pleased to say that the report is in the process of being finalized, and after I have a chance to read it and review it, it will be a final report.

I don't believe that the Urban Enterprise Zone Program is at variance with the new responsibilities of the Commission. The Commission will be the New Jersey Commerce and Economic Growth Commission. We feel that one of the methods of helping to bring about economic growth is through the Urban Enterprise Zone Authority, especially in urban centers.

Obviously, the Treasurer and I are always going to have differences on the value of the Urban Enterprise Zone Program. Understandably, as a fiduciary of the Treasury, he's concerned about losing tax revenue. I view the Urban Enterprise Zone Program as an investment, not an expenditure. And

I feel that the study is going to demonstrate that the returns to the State of New Jersey are pretty substantial.

SENATOR O'CONNOR: Thank you.

SENATOR BARK: Senator Kenny.

SENATOR KENNY: Yes, thank you.

COMMISSIONER MEDINA: Senator, this is in preparation for the Appropriations Committee hearings. It's a sparing session.

SENATOR KENNY: We always have worked well with the Commissioner, our side of the aisle, and I know that the mayors and political leadership in Hudson County are very grateful to you for your leadership over the last number of years regarding some of the issues that Senator O'Connor brought up, as well as many others. As I said to you before we met -- before we started today, I hadn't given this any real thought. This is the first time I have looked at this issue, since I heard the Governor address it in one of her--

COMMISSIONER MEDINA: The budget speech.

SENATOR KENNY: The budget speech a few months ago, so this is a new -- first exposure to me. Quite honestly, it raises concerns in my mind. I'm not quite clear as to why we are -- need to do this. Strangely or ironically, you have been an effective Commissioner through the traditional department setting -- cabinet setting. The Department seems to have been responsive. The economy is good for a variety of reasons, but I think the leadership has been there.

I am concerned about taking the economic policy -- economic policy of the State and Commerce is one of the major economic policy developers of this state. I'm concerned about taking that and removing it from

the cabinet department status. I'm concerned about that because, while there may be a downside in terms of efficiency and speed and flexibility when you take something out of government and put into a private -- public-private partnership. The downside, on the other hand, is perhaps loss of some degree of public accountability.

This Commission would be funded by the people of the state. And you as the director, or whatever your title would be, would be paid for by the people of the state. And yet, from looking at it, there would be significant input from the private sector in developing the economic policy, which is good, and I'm all for creating those types of entities that bring the private sector into economic development. But in the final analysis, the economic policy, from the State of New Jersey's point of view, has to be accountable to the Legislature. And one of the things that concerns me is that some of your comments have indicated that one of the objectives here is to be able to get around some of the cumbersome aspects of government oversight, including the Legislature.

So that -- this-- Governmentally this raises concerns to me and it has nothing to do with you or Governor Whitman. It doesn't matter who those people are, the types of concerns I'm discussing. And what also is a source of concern is, no matter how well intentioned the private sector people may be who are developing this policy, we have to be concerned about self-interest and New Jersey's economic policy is being developed to accommodate special interests that are in fact part of this Commission. We understand that is always a factor -- when you have to look at what, where, how decisions are being made. But when you take a department, which is primarily responsible

as the cabinet entity, that is understandably responsive to the Legislature through our processes that we have here, and removing it from that process, then I think, regardless of who the people are that are part of this Commission, who the Governor, who the Commissioner is, that we as legislators have to be concerned.

So I have if you will, a general-- First blush. First blush look at this, I have a general concern about it. I'm all for creating this type of entity under the jurisdiction of a department, and I know we have a few that do that. But to replace the Department with this structure, I think we have to give some serious consideration, at least I do, and I imagine others will as well.

So this is -- I have just read the materials today for the first time. I'm looking forward to more data. I'm sure the members of caucus are going to want to look at it closely. And I'm willing to be open minded, but I do have -- something as important as economic development policy I do have a concern that it should be directly accountable to the Legislature, as well as to the Governor.

COMMISSIONER MEDINA: Senator, I think you've raised a lot of serious questions that have been asked, not only here in New Jersey, but throughout the country, as different states have grappled with how best to have the best of both worlds, the accountability that you have discussed, as well as the flexibility that we're looking for.

First of all, I have to say that what we really want from the Legislature, in terms of the economic development mandate, that it be broad enough, without creating structures within the departments, that we can evolve quickly as events require. We understand that this Commission will always be

subject to judicial review, because it's basically being created by the legislature. I will continue to appear before this Committee and the Appropriations Committee to defend our budget, to defend our policies. This Legislature always has a right to make changes in the enabling legislation as time requires.

The Governor will-- The best parallel that we could probably point to for this authority is the New Jersey Economic Development Authority, which still has remained, I would say, very responsive to the concerns of the Legislature and of the administration. The Governor will have veto power over the minutes of the new authority, which means that the private sector cannot initiate and have this Commission implement policies that the Governor is not in accord with.

So I think there's going to be-- Oh, the other thing is, obviously, the CEO secretary will be appointed by the Governor with the advice and consent of the Senate. So we're maintaining a lot of the same controls -- legislative and executive controls -- that are now in place. So what we're trying to do -- you're absolutely right, Senator, we're trying to get the best of all worlds. And I think that it's a legitimate area for discussion, whether or not we're achieving, and what we're sacrificing to get the flexibility that we're looking for. And I think that's the type of discussion we need to have as we move forward to make sure that the safeguards that you have indicated are in place.

I also am very concerned about making certain that the values of the State of New Jersey are always secured and that no sector is able to, in essence, manipulate them for whatever reasons. As a consequence, I believe that we are going to propose to this Legislature that the enabling legislation for

this Commission will have enough controls by the Legislature and the Governor that situation will never occur. That's one of the reasons why we thought that it was best that the Commission did not accept contributions because, obviously, that creates a strong perception that the Commission is being influenced by these contributions. But these are very serious questions, Senator, that you're asking. They're not easy questions to answer. We've grappled with a lot of these same concerns ourselves. We're hoping that the bill that we come to you with will answer a lot of those questions.

SENATOR BARK: Thank you.

Senator Schluter?

SENATOR SCHLUTER: Thank you. I think that your idea, the objective of your idea, Commissioner, is very good and very desirable and would be a good thing for the State of New Jersey.

I would like to associate myself with the comments of Senator Kenny. And I think we all are concerned with the process because we are not dealing with the private sector. We are dealing with the governmental sector, and we have to be absolutely sure of the process. There are a number of questions that are concerning me, and I'm glad you mentioned EDA as a prototypical example because I believe that it is. The EDA has its own board, some of whom are cabinet officers and some appointed by the Governor, with advice and consent of the Senate.

I have great respect for you. I have great respect for Ms. Colisti. I know you would do the right thing. But we're talking about changing a policy that is going to affect the state down the road. Very, very important, is how you structure the overarching Commission, which is going to be your

advisory commission on policy and execution of your mission. This, in my judgment -- these individuals on this Commission, who really hold you accountable or hold the new director accountable, must be independent thinking people who are interested in the good of the state. I think there must be bipartisan representation. It cannot be dominated by the executive branch, and it must have advice and consent of the Senate. And I say that because we have seen in cases, not with this administration, not with your department, that sometimes politics gets in the way of good government. And some decisions -- economic decisions -- are made with respect to political implications and political pressures, and then the State is not well served.

So I would advise that when the legislation comes out, that a strong component be the overarching Commission which directs the policy, in addition to the Legislature's involvement in policy. It seems to me that travel and tourism is a part of our economic picture. It seems to me that agriculture is a part of our economic picture in the State of New Jersey. And they should all be -- have a position in this new arrangement.

You said that there would be no private contributions, and I commend you for that, but you say that you would be -- I think you said you would listen to or be guided by Prosperity New Jersey. Now, what did you mean by that?

COMMISSIONER MEDINA: No, Senator. What I'm trying to say is that today Prosperity New Jersey has played a leading role in providing input to us in regards to business climate changes that will help the economy of the state. Their role has been an advisory role, and what I vision -- well, what we envision is that Prosperity New Jersey will continue to have that role.

Prosperity New Jersey right now includes about 75 leaders from the private sector, from the academic sector, from government, from labor, basically, from all stakeholders. They work in committees, and they, on a regular basis, provide us with guidance on changes -- business climate changes -- which they feel are very critical. So they will continue to play that role.

This new commission will be focused, strictly, on the business delivery system of the State of New Jersey, to make sure that it is customer focused and market driven.

SENATOR SCHLUTER: But Prosperity New Jersey is funded, to a great extent, I think almost entirely, by the private sector.

COMMISSIONER MEDINA: The private sector has made substantial contributions. Yes, Senator.

SENATOR SCHLUTER: And this is where I am concerned because we have a public policy purpose here, and we don't want it to be improperly influenced. We want the influence to be there, but not improperly influenced, and that's why I'm saying that there be checks and balances. They are so important.

Are you familiar, for example, with the proposal that was before the Senate at the end of last year which would have changed the -- it would have given a sales tax break to a certain development not in urban enterprise zones? Are you familiar with that particular piece of legislation?

COMMISSIONER MEDINA: Senator, vaguely.

SENATOR SCHLUTER: Well, it represented, in my judgement, bad public policy. It was defeated in the Senate. Maybe my colleagues might disagree with me, but the point is, if an initiative such as that, which is -- said,

“Oh, this is good for economic development,” it doesn’t have the maturity, and the seasoned oversight by people who can say that this is not in the best interest of all of New Jersey, but by golly, we’re going to get a real good impetus for economic development, then the program is not going to serve the state too well. As was said by a recent, well-known, United States political figure, “The devil is in the details,” Mr. Commissioner. And we’re going to look to you very carefully as to what you come up with.

I was just passed a note. I assume that would not accept contributions from Prosperity New Jersey.

COMMISSIONER MEDINA: No, no.

SENATOR SCHLUTER: That you would just take their advice.

COMMISSIONER MEDINA: Absolutely.

And Senator, I just have to say that you and Senator Kenny are raising very, very, very profound questions about our entire political system. And the fact is that partisanship is a way of life in this country. It’s a necessary evil, perhaps, but an evil none the less. And you’re absolutely right that we constantly have to be vigilant for the temptation to make decisions on a political basis, versus what is in the best interest of the public good. Obviously, when you have the private sector organized in the way that it is, you also -- we also have to be careful, that again, when policy is proposed by the private sector, that we assess it very carefully, to make sure that it is, ultimately, in the public interest because we are the fiduciaries of the people. The people are relying on us to represent the interest of all the people, not just specific segments.

SENATOR SCHLUTER: Two final things. I think the EDA is a good model. And if you have this set up, would you buy these little lapel pins that were made in Taiwan?

COMMISSIONER MEDINA: Well, I must tell you, as I said before, I have to believe the Secretary, that Taiwan is a small community in southern New Jersey. But I do have to say that not in Camden County.

SENATOR BARK: Mr. Commissioner, thank you very much for coming this morning. I think that you have heard the concerns of this Committee. I hope that you will certainly be able to address them when the legislation comes back to this Committee.

In addition, I have two people -- two -- three people actually, who would like to make comments at this time on what the Commissioner's -- on the plan to restructure.

Kim Jones and Elaine Waller, who represent the Communications Workers of America, would like to speak.

K I M W. J O N E S: Thank you, Senator Bark, for giving CWA the opportunity to address you and members of your Committee today.

My name is Kim Jones, I'm a staff representative with Local 1034. We are the CWA union local, which represents the workers employed by the Commerce Department.

Elaine Waller has been called away to another hearing, so I'm flying solo here this morning.

We're not here to express our objection, necessarily, to this plan today. At this point, we do not have sufficient information concerning the total plan, and therefore, it is difficult for us to take a position in support or

in opposition. We have tried on numerous occasions during the last one and a half months to meet with Commissioner Medina, and he has not made yet an effort to meet with us, even though we are the majority union representative of these employees and should have the right to know what the State's intentions are.

We do not fully understand the impact that this plan will have on the public, on small business, or on the workers employed by the Department. Communication is crucial. Since there is no communication at this point, this is a real problem that needs to be resolved. Through cooperative efforts between labor and management, we may be able to resolve a potential problem -- resolve potential problems. This has already been proven true in the judicial unification. CWA and other unions work successfully with the State on this very difficult and complicated issue. And we can do this again with this Commerce issue.

Although CWA is unfamiliar with the actual structuring plan, there are a few basic tenets which we believe should be considered in any reorganization plan of this type.

We are concerned about how this will affect the public of this state. We want to ensure that citizens of this state continue to receive quality and professional services. Among their other tasks, public agencies are designed to help minorities and the unfortunate. The Commerce Department helps small businesses start up and helps to improve business opportunities for women and minorities in New Jersey.

We want to ensure that the structure, which advocates for these individuals, remains in place. We have personal knowledge of numerous

business that have become successful because of the services provided within the current structure.

We are also familiar with what happened in 1996, when the Department of Higher Education was eliminated. A cabinet-level position was abolished. Therefore, a higher education advocate was lost. Some believe that this has had a negative impact on the poor and the less fortunate citizens of our state in their access to higher education. We hope that something parallel does not occur with the Commerce restructuring. We'd like to suggest a labor representative on the board of the new Commission, should it come to pass, if this is to be a true partnership. And we point to the example of the State of Pennsylvania, which -- whether Pennsylvania Economic Development Partnership. As the new agency is cochaired by the Commissioners of Commerce and of Labor and has Board members -- several key labor members, including the President of the State AFL-CIO, accountability would be served by such oversight.

Our second concern is how this restructuring plan would affect the employees of the Department. Can we be assured that they will still have jobs? We are glad to hear the pledge of the Commissioner, to assist those who do not wish to remain with the Commission, to enter other Departments, and we are glad that he recognizes their contribution to the prosperity of this state. But can we be assured that they will still have jobs? And will those who choose not to remain with the Commission have guaranteed transfer rights to other Departments? Can we be assured that they indeed will be State employees? And will those who remain with the new Commission maintain their Civil

Service protection, as I believe happens in Pennsylvania and Michigan, Michigan, of course, being a model state for this new proposal.

We must all remember that historically the purpose of Civil Service has been to prevent political patronage and undue political influence in the functions of State government. We are interested that some of the comments of the Commissioner have indicated that the problems are really at the top of the present Department and not with the people who work in the lower and middle strata. We did not hear the Commissioner say, on the tape or in his comments, that we need new and different principal clerk typists, for example, or secretarial assistants or community development reps. His concern is with the top, and if there is to be a reorganization, that is where the focus should be and not on the people who work under the leadership.

Will they retain their seniority, their medical benefits, receive their sick and vacation days that they have earned? How will this change affect their current pension rights? And, indeed, will they still have union contract protections?

These workers average 15 years of service with the State of New Jersey. They have dedicated their lives to this state. This has provided quality, professional, and dedicated service to the State of New Jersey. Their work is their career choice. They, too, like the rest of us here today, look forward to a future and to, eventually, a comfortable retirement based on their hard work and effort.

The Commerce Department is designed to attract business to New Jersey and to create jobs. This philosophy should also apply to the workers

who currently provide services for the Department. An effort should be made to preserve their jobs and security, as well.

The union contract between the State of New Jersey and CWA should also be honored. Please do not allow the restructuring plan to circumvent or obstruct any collective bargaining agreements.

In closing, I would just like to say that you do have with you this morning, I believe, a CWA position paper, which outlines our major points and concerns regarding this proposed structure plan. We ask that you please read this and utilize these suggestions as the issue progresses. We also ask that you work to keep the lines of communication open. It is our understanding that legislation will be introduced in the near future. We would appreciate the opportunity to be involved in discussion as this legislation is drafted, and before the bill is released, let us give our input.

Also, we assume that there will be further opportunities for public comment once the legislation is introduced and given Committee consideration. We would like the opportunity to testify again, once we know more.

Thank you very much for your consideration.

SENATOR BARK: Thank you.

Is there anyone who wishes to ask any questions? (no response)

If not, then I thank you very much, and at this time, then, we will move on to Secretary Brown.

ARTHUR R. BROWN: Good morning, Madam Chairwoman. Good morning, Committee. It's certainly a good opportunity for us to talk to

you about agriculture, something that we think about every morning when we get up to eat, I hope.

SENATOR O'CONNOR: Darn right.

MR. BROWN: Well, again, I just want to welcome this opportunity to introduce to you the Department of Agriculture. I have with me today, Carol Shipp, who is my Chief of Staff, who works very closely with the legislative activities, as you well know.

I just wanted to give you an overview of the Department and some of the major areas that we'll be working on in the coming year. And I just want to tell you that we do serve an extensive and varied clientele here in the Garden State. Our programs range from the well-known and highly visible Jersey Fresh marketing program, to the quieter effort of finding beneficial insects to serve as an alternative to chemical control of weeds, pests, and weeds. As a matter of fact, talking about Jersey Fresh when I came in, I saw the VCR, I felt like slipping a little Jersey Fresh commercial in there in place of Gil Medina, just to give a little -- to surprise you a little bit.

We offer a laboratory test that tells farmers what's ailing with their livestock and whether the two tons of seed they just bought will germinate and thrive. We help counties and municipalities protect their land through our Soil and Water Resource Conservation Programs, as well as through our Farmland Preservation Program, both of which are considered to be national models in many ways.

Each of you have received our annual report, which details the work of the Department in 1997. Today, I would like to give you a sense of where New Jersey's production of agriculture industry fits into the national

and state scheme of things. Then I want to zero in on a few specific Department programs and let you know where we are and where we are going.

Production agriculture is part of one of the New Jersey's largest industries, the food and agriculture complex. This complex is a \$55 billion industry that employs tens of thousands of people, somewhere around 350,000 people in the production, sale, and distribution of fresh and processed food statewide. Total sale -- labor bill is about \$5 billion. And when we talk about the complex, I'm talking about the portion that is contributed by the supermarkets, the restaurants, the -- all of the food industries within the State of New Jersey. It doesn't all come from the state, but it's all part of the complex. It's huge. Nearly 1 million scenic, taxpaying acres in the Garden State are devoted to production agriculture with 8800 family farms and operated farms all around this state.

New Jersey ranks as the third-largest agricultural state in the Northeast in the sale of farm products. That puts us behind two large states, such as New York and Pennsylvania. Nationally, New Jersey is one of the top 10 producers of cranberries, blueberries, peaches, asparagus, bell peppers, spinach, lettuce, cucumbers, sweet corn, tomatoes, snap beans, escarole endive, and eggplant. As a matter of fact, as I was -- mentioned earlier to Senator Kenny, we were worried about our peach crop and our blueberry crop about a week ago when it got down to 20 degrees. If it had been much below that, we probably could have had a lot of damage, but we got through that, and now we just have to wait for the next cold spell to come along.

The nursery and greenhouse industry is the largest segment of agriculture, making up one-third of the state's \$801 million in cash receipts

last year. Fruits and vegetables together accounted for another one-third of the industry's sales. Our agricultural constituency also includes farmers who produce dairy products, livestock, grain, and (indiscernible) crops, poultry, eggs, and horses. In addition, the Department's programs support our commercial fishing industry and our fledgling agriculture industry. Our customers rely on us to create and encourage economic development opportunities and to protect them from unfair, illegal, and improper trade practices.

We also serve more than 200,000 needy citizens who visit our soup kitchens and food pantries around the state every month, and the State's 529,000 school -- school -- schoolchildren. By the way, July of this year will make one year that we've had the responsibility of the school lunch system under the Department of Agriculture. We now have that full responsibility. We had to get a waiver with the U.S.D.A. in Washington. We are the only Department of Agriculture in the country that has school lunch under its supervision. It worked out well because we have other food programs within the Department, and it's been going along very well, and we -- as a matter of fact, we're fitting in a lot of Jersey Fresh fruits and vegetables into their diets if we possibly can. And also we're looking to possibly get more involved with the breakfast program. These two very different groups depend on federally donated foods that we distribute to supplement their diets. I hope this very quick overview gives you a sense of the diversity of our programs.

Now I would like to talk about a few specifics. One of our primary efforts is to expand and develop markets for New Jersey's agricultural products. The cornerstone of this effort is our Jersey Fresh marketing and promotional

program. Over the past four years, the Department has spent \$4 million to promote New Jersey farm products throughout the Eastern seaboard and into Canada.

Thanks to advertising and probational -- promotional activities, consumer awareness of New Jersey Fresh products has more than doubled since 1993. In our most recent survey, nearly 40 percent of the Garden State consumers were aware of the Jersey Fresh Program. More than half said they'd prefer to purchase Jersey Fresh products, and almost two-thirds said that they thought that New Jersey Farm products are fresher than products shipped from other states. So it's working. And as compared to our first survey, I can go back to 1983, when we had our first survey, we went out to the constituents and we gave them this survey to fill in. You wouldn't believe it, but we had people in the state, maybe they were joking, I don't know, but the people were filling in this thing, and some thought we grew bananas in New Jersey, some thought we grew oranges and grapefruit. They have changed now. They know we don't grow those. But again that was way back when the Program first began.

Jersey Fresh has emerged as the nation's premier agricultural marketing program, serving as a model for other states interested in marketing their products. There's about 37 to 40 states that have now taken an initiative similar to New Jersey's. But none of them have reached the level that we have, none of them are near as good as ours.

So again I just want to thank the Legislature for their continued support of this Program.

We're also regarded as a national model in our efforts to preserve productive, scenic, taxpaying, and agricultural land. Last year, the Farm Land Preservation Program, run by the State Agricultural Development Committee, preserved a record amount of acreage. In the last four years, we have seen a 95 percent increase in the farms and 101 percent increase in the preserved acreage. To date, 283 farms, covering 44,107 acres, have been permanently de-restricted. This figure includes the first donated development easements on unrestricted farmland, which we received in 1997. When I say donated, we have some people who can afford to donate their farm. They voluntarily put it into the Program. It does assist them in a tax benefit, but it helps save the State money. Last -- this past year we had about 100 acres on two farms that came into the Program to save the State, if we had to go up and buy them, about \$750,000.

Since the passage of the Federal 1996 farm bill, with its international -- nationwide Farmland Protection Program, we have welcomed the Federal government as a partner in our farmland preservation efforts. We have received \$1.25 million in grant from USDA to help us save New Jersey's agricultural land.

Keep in value, agricultural land and production led us to develop a new program called Farm Link, which we launched last year. Through Farm Link, we are bringing farmland sellers together with potential farmland purchasers. This Program can also link up beginning farmers and -- with land that's available for rent. Farm Link will help individuals interested in starting a farm in New Jersey, as well as established farmers, while looking for additional farmland to expand their production capabilities.

Another recent milestone for New Jersey's farmland and open production efforts is the organization of the Board of Directors of the State's Transferred Development Rights Bank and its first grant authorization. The bank will provide financial and other assistance to landowners and to municipalities which enact TDR ordinances. Funds from the bank can be used to preserve farmland, open space, and historic sites, making it a useful tool for local governments. Last fall, the TDR bank awarded its first \$10,000 planning grant to the Township of Lumberton, in Burlington County, as a partial reimbursement for costs associated with the implementation of its TDR ordinance.

And the Chairwoman knows what that was all about.

SENATOR BARK: Yes, I do.

MR. BROWN: And we thank you for your support on that, Madam Chairwoman.

In addition to preserving farmland, another area of particular concern to the Department of Agriculture is protecting our soil and water resources from nonpoint soil -- source pollution. Nonpoint source pollution comes from a variety of different sources: fertilizing the lawns, walking the dogs, changing the oil in cars, and applying fertilizers to fields. Here in the Garden State, the Department's Soil Conservation Committee works with 16 loyal -- local Soil Conservation districts, U.S.D.A.'s National Resource Conservation Service, and others to promote soil and water conservation and to predict -- protect these irreplaceable resources from nonpoint source pollution in a number of ways.

Throughout the year, we cooperate with U.S.D.A.'s National Resource Conservation Service to help farmers develop conservation plans. In the past several years, we have developed such plans for approximately 57,000 acres of farmland. Other land treatment practices on nearly 30,000 acres have prevented the loss of 170,000 tons of productive topsoil, while conservation tillage techniques, which we call no till, where there is very minimum tillage, protected about 150,000 acres of farmland. We also make sure that any land development project effecting more than 5000 square feet of disturbance includes soil erosion control certified by the local conservation district. This is another program that has been model for the country. We were the first in the nation to have it. It's certainly, in a state like ours, where we have the density of population -- it's very important to control runoff from all of the construction sites that are going on around this state. And you see these black barriers around -- vinyl barriers -- and to stop the pollution -- soil from running off the site into the road and into the storm sewers and things. So that's another one of the programs that we administer.

Through these efforts, in just the last four years, we have prevented more than 3 million tons of soil from polluting our waterways. Our soil and water conservation efforts are not only confined to suburban development projects and rural fields. We are also a national model and a Federal program focused on a wide variety of watershed and natural resource management projects in urban areas, including park and stream bank restorations and repairing buffers.

To date, we have worked with local soil conservation districts on such projects and over 50 municipalities in densely populated urban counties:

Bergin, Essex, Hudson, Morris, Passaic, and Union. So we are working up in the northern part of the state with a lot of the municipalities on these programs. The many program efforts I've just outlined are really a small portion of the far-reaching projects that the Department of Agriculture is involved in on a daily basis. It is by no means an exhausted list, but it represents the broad spectrum of the Department's work.

Before I leave you today, I would like to offer you a preview of some of the areas that we will be working on in the coming months, a few of which will require legislative action. The most pressing issue is locating a stable source of funding for the Farmland Preservation Program. As you know, Governor Whitman has made the preservation of additional open space and farmland a priority for a second administration, and a stable source of funding is a critical component of that effort.

For our Farmland Preservation Program, it is particularly important because we will commit all of our available funding to preservation projects by the end of this coming June. This Program has never been as popular with the farm community, nor as important to the future quality of life in this state, as it is today. For every farm that joins the Program, nine are turned down because of lack of funding. Thirteen counties and 56 municipalities have already established open space preservation funding mechanism of some kind. I know that Governor Whitman and members of the Legislature are committed to establish a stable source of funding, hopefully by the end of this year.

Another effort, that is critical to the future of production agriculture in the Garden State is the strengthening of right-to-farm

protections. When the Right to Farm Act was passed in 1983, its intentions seemed clear. However, recent court cases have highlighted some areas of the law that need to be clarified and strengthened. The farm community will be working to amend the Act, which we think will strengthen its protection for the agriculture industry and maintain its safeguards for the nonfarming public. Of course, the best way to maintain a strong agriculture industry is to keep it profitable, and that's the means continuing to expand the market for production -- products grown here in New Jersey.

Last year, as part of that effort, we spearheaded an initiative to encourage State agencies to buy locally produced agricultural commodities. The State of New Jersey operates 29 major institutions, including correctional facilities, developmental centers, geriatric centers, and veteran's homes. The purchase of fresh fruits and vegetables by these facilities, which typically amounts to \$2.2 million annually, represents a potential marketing opportunity for our farmers. Legislation which would formalize this effort will continue to be a priority for us this year.

Another program that has the potential to become a strong, healthy part of the State's economy is our fledgling agriculture industry. With the passage of the Agriculture Development Act last year, my department will take the lead in the promotion and marketing aspects of the agriculture industry. This year, we want to make certain that the coordinating body for agriculture activities, N.J.D.A.'s agriculture advisory council, participates fully in the discussions and actions that will shape the future of their support in industry.

The future of another important aspect of the agriculture industry, horse racing, was the focus of an in-depth study this past year. The Race and Study Commission recently recommended a variety of specific actions, including \$25 million to \$50 million in State support to supplement purses. We support the implementation of the Race and Study Commission's recommendations. Of course, the Department operates many other programs I didn't mention today.

Please don't hesitate to call my office if you need any -- if you have any questions about any of our programs or any information about the industry. We at the Department and in the agriculture industry look forward to working with you to improve our agri -- business climate, and the delivery of service to all of our constituents, farmers, and nonfarmers alike. And as I mentioned earlier, you can contact myself or Carol Shipp.

And just one last story, and this is certainly about the economic impact of agriculture. When you go back 17 years ago, 15 years ago, and you look at the amount of your disposable income that was spent on food, you spent somewhere in the vicinity of 17 percent of our disposable take-home income on food. Today, we spend about 10.5 percent of our disposable income on food. That leaves 6.5 percent extra dollars in your take-home pay that you can spend on other things. It can be new cars. It can be VCRs. It can be vacations, houses, whatever. But it goes to show that agriculture has had a great much to do with helping to enhance your lifestyle, so to speak. But the only problem is that the farmer has been subsidizing a lot of these things over the years, and they're having a rough time, and that's why we have fewer and fewer farmers all the time. So as we have said, a lot of the programs that

we deal with, if we have a profitable agriculture -- profitable agriculture is probably the best Farmland Preservation Program we can put in place. So again we need to preserve agriculture, but we also need to preserve the farmer.

So again, I thank you for the time, and if there is any questions, I will be happy to try to answer some.

SENATOR BARK: Senator Schluter, do you have any questions?

(no response) Anybody else?

Okay. Thank you very, very much. And I do hope that some of the things that you indicated will come to pass this year.

MR. BROWN: Very, very good.

SENATOR BARK: I'm looking forward to it.

Thank you.

That's it.

(MEETING CONCLUDED)