

Committee Meeting

of

SENATE TRANSPORTATION COMMITTEE

“The Committee will take testimony on the status of the Transportation Trust Fund and the State's transportation system”

*The following bills will be considered:
Senate Bill 2508; Senate Bill 2627; Assembly Bill 801(2R)*

LOCATION: Committee Room 7
State House Annex
Trenton, New Jersey

DATE: December 8, 2014
10:30 a.m.

MEMBERS OF COMMITTEE PRESENT:

Senator Nicholas J. Sacco, Chair
Senator Robert M. Gordon, Vice Chair
Senator James W. Holzapfel
Senator Joseph Pennacchio



ALSO PRESENT:

Philip M. Mersinger
*Office of Legislative Services
Committee Aide*

Julius Bailey
*Senate Majority
Committee Aide*

John Gorman
*Senate Republican
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***



NICHOLAS J. SACCO
Chair

ROBERT M. GORDON
Vice-Chair

JAMES W. HOLZAPFEL
JOSEPH PENNACCHIO

PHILIP M. MERSINGER
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New Jersey State Legislature
SENATE TRANSPORTATION COMMITTEE
STATE HOUSE ANNEX
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COMMITTEE NOTICE

TO: MEMBERS OF THE SENATE TRANSPORTATION COMMITTEE
FROM: SENATOR NICHOLAS J. SACCO, CHAIRMAN
SUBJECT: COMMITTEE MEETING - DECEMBER 8, 2014

The public may address comments and questions to Philip M. Mersinger, Committee Aide, or make bill status and scheduling inquiries to Melinda Chance, Secretary, at (609)847-3840, fax (609)292-0561, or e-mail: OLSAideSTR@njleg.org. Written and electronic comments, questions and testimony submitted to the committee by the public, as well as recordings and transcripts, if any, of oral testimony, are government records and will be available to the public upon request.

The Senate Transportation Committee will meet on Monday, December 8, 2014 at 10:30 AM in Committee Room 7, 2nd Floor, State House Annex, Trenton, New Jersey.

The committee will take testimony on the status of the Transportation Trust Fund and the State's transportation system.

The following bills will be considered:

S-2508 Oroho/Whelan	Authorizes certain county veteran identification cards to serve as proof of status for veteran designation on driver's license or identification card.
S-2627 Cardinale/Sacco	Designates State Highway Route 17 in Borough of Ramsey as "Staff Sergeant Timothy R. McGill Memorial Highway."
A-801 (2R) Coughlin/Wisniewski/ Mazzeo	Directs New Jersey Turnpike Authority and South Jersey Transportation Authority to study and report on potential revenue generating services of rest areas and service plazas.

Issued 12/2/14

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For changes in schedule due to snow or other emergencies, call 800-792-8630 (toll-free in NJ) or 609-292-4840.

SENATE, No. 2508

STATE OF NEW JERSEY

216th LEGISLATURE

INTRODUCED OCTOBER 16, 2014

Sponsored by:

Senator STEVEN V. OROHO

District 24 (Morris, Sussex and Warren)

Senator JIM WHELAN

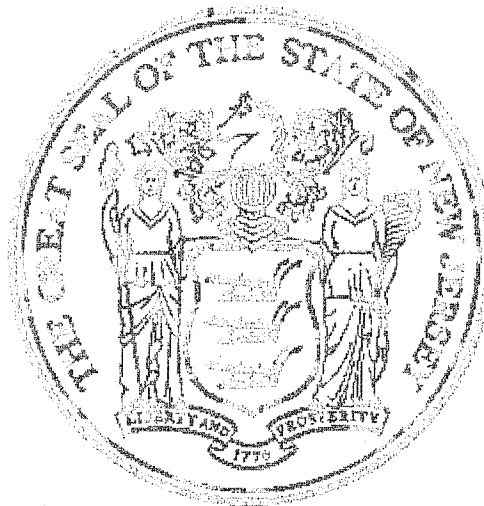
District 2 (Atlantic)

SYNOPSIS

Authorizes certain county veteran identification cards to serve as proof of status for veteran designation on driver's license or identification card.

CURRENT VERSION OF TEXT

As introduced.



S2508 OROHO, WHELAN

2

1 AN ACT concerning proof for the display of veteran status on
2 driver's licenses and identification cards, and amending
3 P.L.2013, c.165 and P.L.1980, c.47.
4

5 BE IT ENACTED by the Senate and General Assembly of the State
6 of New Jersey:
7

8 1. Section 1 of P.L.2013, c.165 (C.39:3-10f6) is amended to
9 read as follows:

10 1. a. In addition to the requirements for the form and content
11 of a motor vehicle driver's license under R.S.39:3-10 and a
12 probationary license issued under section 4 of P.L.1950,
13 c.127 (C.39:3-13.4), the Chief Administrator of the New Jersey
14 Motor Vehicle Commission shall, upon submission of satisfactory
15 proof, designate on an initial license, renewal license, or
16 probationary license, as appropriate, that the license holder is a
17 veteran of the Armed Forces of the United States of America. The
18 designation of veteran status on an initial license, renewal license,
19 or probationary license shall not be deemed sufficient valid proof of
20 veteran status for official governmental purposes when any other
21 statute, or any regulation or other directive of a governmental
22 entity, requires documentation of veteran status.

23 b. For the purpose of this section:

24 "Veteran" means a person who has been honorably discharged
25 from the active military service of the United States; and

26 "Satisfactory proof" means a copy of form DD-214 or federal
27 activation orders showing service under Title 10, section 672 or
28 section 12301, of the United States Code , or a county veteran
29 identification card only if issuance of the card requires a copy of
30 form DD-214 discharge papers or approved separation forms as
31 outlined by all branches of the military and duly recorded by the
32 county clerk's office.

33 (cf: P.L.2013, c.165, s.1)
34

35 2. Section 2 of P.L.1980, c.47 (C.39:3-29.3) is amended to read
36 as follows:

37 2. a. The New Jersey Motor Vehicle Commission shall issue
38 an identification card to any resident of the State who is 14 years of
39 age or older and who is not the holder of a valid permit or basic
40 driver's license. The identification card shall attest to the true name,
41 correct age, and veteran status, upon submission of satisfactory
42 proof, by any veteran, and shall contain other identifying data as
43 certified by the applicant for such identification card. Every
44 application for an identification card shall be signed and verified by
45 the applicant and shall be accompanied by the written consent of at
46 least one parent or the person's legal guardian if the person is under

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is
not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

S2508 OROHO, WHELAN

3

1 17 years of age and shall be supported by such documentary
2 evidence of the age, identity, and veteran status, or blindness,
3 disability, or handicap, of such person as the chief administrator
4 may require. In addition to requiring an applicant for an
5 identification card to submit satisfactory proof of identity, age, and,
6 if appropriate, veteran status, the chief administrator also shall
7 require the applicant to provide, as a condition for obtaining the
8 card, satisfactory proof that the applicant's presence in the United
9 States is authorized under federal law. If the chief administrator
10 has reasonable cause to suspect that any document presented by an
11 applicant as proof of identity, age, veteran status, or legal residency
12 is altered, false or otherwise invalid, the chief administrator shall
13 refuse to grant the identification card until such time as the
14 document may be verified by the issuing agency to the chief
15 administrator's satisfaction.

16 b. The designation of veteran status on an identification card
17 shall not be deemed sufficient valid proof of veteran status for
18 official governmental purposes when any other statute, or any
19 regulation or other directive of a governmental entity, requires
20 documentation of veteran status.

21 c. For the purpose of this section:

22 "Veteran" means a person who has been honorably discharged
23 from the active military service of the United States; and

24 "Satisfactory proof" means a copy of form DD-214 or federal
25 activation orders showing service under Title 10, section 672 or
26 section 12301, of the United States Code, or a county veteran
27 identification card only if issuance of the card requires a copy of
28 form DD-214 discharge papers or approved separation forms as
29 outlined by all branches of the military and duly recorded by the
30 county clerk's office.

31 (cf: P.L.2013, c.165, s.2)

32

33 3. This act shall take effect immediately.

34

35

36

STATEMENT

37

38 This bill authorizes a county veteran identification card to serve
39 as satisfactory proof of veteran status for issuance of a veteran
40 designation on a driver's license or identification card issued by the
41 New Jersey Motor Vehicle Commission, but only if issuance of the
42 county veteran identification card requires a copy of DD-214
43 discharge papers or approved separation forms as outlined by all
44 branches of the military and recorded by the county clerk's office.

SENATE TRANSPORTATION COMMITTEE

STATEMENT TO

SENATE, No. 2508

STATE OF NEW JERSEY

DATED: DECEMBER 8, 2014

The Senate Transportation Committee reports favorably Senate Bill No. 2508.

As reported, this bill authorizes a county veteran identification card to serve as satisfactory proof of veteran status for issuance of a veteran designation on a driver's license or identification card issued by the New Jersey Motor Vehicle Commission, provided that the issuance of the county veteran identification card requires a copy of DD-214 discharge papers or military approved separation forms.

SENATE, No. 2627

STATE OF NEW JERSEY

216th LEGISLATURE

INTRODUCED DECEMBER 1, 2014

Sponsored by:

Senator GERALD CARDINALE

District 39 (Bergen and Passaic)

Senator NICHOLAS J. SACCO

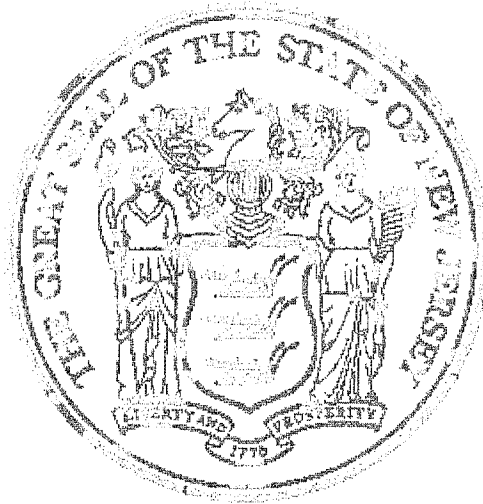
District 32 (Bergen and Hudson)

SYNOPSIS

Designates State Highway Route 17 in Borough of Ramsey as "Staff Sergeant Timothy R. McGill Memorial Highway."

CURRENT VERSION OF TEXT

As introduced.



S2627 CARDINALE, SACCO

2

1 AN ACT designating a portion of State Highway Route No. 17 as
2 the "Staff Sergeant Timothy R. McGill Memorial Highway."

3
4 WHEREAS, United States Army Staff Sergeant Timothy Raymond
5 McGill was a long-time resident of Ramsey, New Jersey; and

6 WHEREAS, After graduating from Ramsey High School, Staff
7 Sergeant McGill entered the United States Marine Corps in 2001
8 and was deployed with the 3rd Marine Division to Iraq in 2005; and

9 WHEREAS, After leaving the Marine Corps, Staff Sergeant McGill
10 returned to New Jersey to serve as a volunteer firefighter for the
11 Ramsey Volunteer Fire Department; and

12 WHEREAS, An honorable and courageous man who loved the military
13 and his country, Staff Sergeant McGill joined the Rhode Island
14 National Guard in 2008; and

15 WHEREAS, Staff Sergeant McGill was assigned to A company, 2nd
16 Battalion, 19th Special Forces Group of the Army National Guard
17 of Middleton, Rhode Island; and

18 WHEREAS, While in the Army National Guard, Staff Sergeant McGill
19 became a member of the Army Elite Special Forces, also known as
20 the Green Berets, and was deployed to Afghanistan; and

21 WHEREAS, Serving as a weapons sergeant, Staff Sergeant McGill was
22 required to complete many difficult missions, including interpreting
23 and preparing combat orders and infiltrating enemy lines to recruit,
24 train, and equip friendly forces for combat; and

25 WHEREAS, An expert in his field, Staff Sergeant McGill received
26 numerous awards and decorations, including the Army
27 Commendation Medal and the National Defense Service Medal;
28 and

29 WHEREAS, On September 21, 2013, Staff Sergeant McGill tragically
30 lost his life in Afghanistan while serving in and supporting
31 Operation Enduring Freedom; and

32 WHEREAS, Staff Sergeant McGill was a dedicated soldier as well as a
33 loving son and brother whose memory will live on in the hearts of
34 his family, friends, and fellow soldiers; and

35 WHEREAS, As a true example of heroism, patriotism, and service to
36 his country and his fellow soldiers, it is fitting and proper for the
37 Legislature of the State of New Jersey to honor the memory of Staff
38 Sergeant Timothy R. McGill by designating the portion of State
39 Highway Route No. 17 in the Borough of Ramsey, New Jersey as
40 the "Staff Sergeant Timothy R. McGill Memorial Highway"; now,
41 therefore,

42

43 BE IT ENACTED by the Senate and General Assembly of the State
44 of New Jersey:

45

46 1. The Commissioner of Transportation shall designate the
47 portion of State Highway Route No. 17 extending from Milepost
48 22.56 to Milepost 24.35 in the Borough of Ramsey, New Jersey as

S2627 CARDINALE, SACCO

3

1 the "Staff Sergeant Timothy R. McGill Memorial Highway" and
2 erect appropriate signs bearing this designation and dedication.

3
4 2. No State or other public funds shall be used for producing,
5 purchasing, or erecting signs bearing the designation established
6 pursuant to section 1 of this act. The Commissioner of
7 Transportation is authorized to receive gifts, grants, or other
8 financial assistance from private sources for the purpose of funding
9 or reimbursing the Department of Transportation for the costs
10 associated with producing, purchasing, and erecting signs bearing
11 the designation established pursuant to section 1 of this act and
12 entering into agreements related thereto, with such private sources,
13 including but not limited to non-governmental non-profit,
14 education, or charitable entities or institutions. No work shall
15 proceed, and no funding shall be accepted by the Department of
16 Transportation until an agreement has been reached with a
17 responsible party for paying the costs associated with producing,
18 purchasing, erecting, and maintaining the signs.

19
20 3. This act shall take effect immediately.

21
22
23 STATEMENT

24
25 This bill designates the portion of State Highway Route No. 17
26 in the Borough of Ramsey as the "Staff Sergeant Timothy R.
27 McGill Memorial Highway."

28 U.S. Army Staff Sergeant Timothy Raymond McGill was a
29 long-time resident of Ramsey, New Jersey. After graduating from
30 Ramsey High School, Staff Sergeant McGill entered the U.S.
31 Marine Corps in 2001 and was deployed to Iraq in 2005. After
32 leaving the Marine Corps, Staff Sergeant McGill returned home to
33 serve as a volunteer firefighter for the Ramsey Volunteer Fire
34 Department. An honorable and courageous man who loved the
35 military and his country, Staff Sergeant McGill joined the Rhode
36 Island National Guard in 2008, where he was assigned to A
37 company, 2nd Battalion, 19th Special Forces Group.

38 While in the Army National Guard, Staff Sergeant McGill
39 became a member of the Army Elite Special Forces and was
40 deployed to Afghanistan. Serving as a weapons sergeant, Staff
41 Sergeant McGill was required to complete many difficult missions
42 and received numerous awards and decorations, including the Army
43 Commendation Medal and the National Defense Service Medal.

44 On September 21, 2013, Staff Sergeant McGill tragically lost his
45 life in Afghanistan while serving in Operation Enduring Freedom.
46 Staff Sergeant McGill was a dedicated soldier as well as a loving
47 son and brother whose memory will live on in the hearts of his
48 family, friends, and fellow soldiers. Staff Sergeant McGill's

S2627 CARDINALE, SACCO

4

1 heroism, patriotism, and service to his country make it fitting and
2 proper for the State of New Jersey to honor his memory by
3 designating the portion of State Highway Route No. 17 in the
4 Borough of Ramsey, New Jersey as the "Staff Sergeant Timothy R.
5 McGill Memorial Highway."

6 The bill provides that no State or other public funds may be used
7 for producing, purchasing, or erecting the "Staff Sergeant Timothy
8 R. McGill Memorial Highway" signs. The Commissioner of
9 Transportation is authorized to receive financial assistance from
10 private sources.

SENATE TRANSPORTATION COMMITTEE

STATEMENT TO

SENATE, No. 2627

STATE OF NEW JERSEY

DATED: DECEMBER 8, 2014

The Senate Transportation Committee reports favorably Senate Bill No. 2627.

As reported, this bill designates the portion of State Highway Route No. 17 in the Borough of Ramsey as the "Staff Sergeant Timothy R. McGill Memorial Highway."

U.S. Army Staff Sergeant Timothy Raymond McGill was a long-time resident of Ramsey, New Jersey. After graduating from Ramsey High School, Staff Sergeant McGill entered the U.S. Marine Corps in 2001 and was deployed to Iraq in 2005. Upon returning home, Staff Sergeant McGill served as a volunteer firefighter for the Ramsey Volunteer Fire Department and later joined the Rhode Island National Guard in 2008, where he was assigned to A company, 2nd Battalion, 19th Special Forces Group.

While in the Army National Guard, Staff Sergeant McGill became a member of the Army Elite Special Forces and was deployed to Afghanistan. Serving as a weapons sergeant, Staff Sergeant McGill received numerous awards and decorations, including the Army Commendation Medal and the National Defense Service Medal. On September 21, 2013, Staff Sergeant McGill tragically lost his life in Afghanistan while serving in Operation Enduring Freedom.

The bill provides that no State or other public funds may be used for producing, purchasing, or erecting the "Staff Sergeant Timothy R. McGill Memorial Highway" signs. The Commissioner of Transportation is authorized to receive financial assistance from private sources.

[Second Reprint]

ASSEMBLY, No. 801

STATE OF NEW JERSEY

216th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2014 SESSION

Sponsored by:

Assemblyman CRAIG J. COUGHLIN

District 19 (Middlesex)

Assemblyman JOHN S. WISNIEWSKI

District 19 (Middlesex)

Assemblyman VINCENT MAZZEO

District 2 (Atlantic)

Co-Sponsored by:

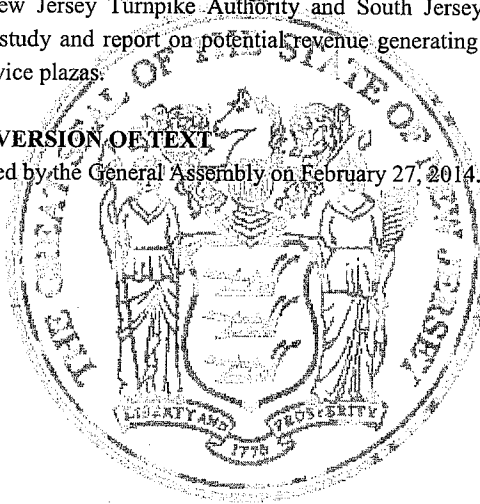
Assemblyman Wimberly, Assemblywoman Caride, Assemblyman DeAngelo, Assemblywomen Mosquera, Pinkin, Assemblyman Eustace and Assemblywoman Lampitt

SYNOPSIS

Directs New Jersey Turnpike Authority and South Jersey Transportation Authority to study and report on potential revenue generating services of rest areas and service plazas.

CURRENT VERSION OF TEXT

As amended by the General Assembly on February 27, 2014.



(Sponsorship Updated As Of: 2/28/2014)

A801 [2R] COUGHLIN, WISNIEWSKI

2

1 AN ACT directing the New Jersey Turnpike Authority ²and South
2 Jersey Transportation Authority² to study and report on potential
3 revenue generating services at authority rest areas and service
4 plazas.

5
6 **BE IT ENACTED** by the Senate and General Assembly of the State
7 of New Jersey:

8
9 1. The New Jersey Turnpike Authority shall conduct a study
10 and prepare a report concerning potential opportunities for
11 increasing current and generating new authority revenue ¹[and
12 lowering costs]¹ by providing additional and higher quality
13 services, including, but not limited to, business, commercial, or
14 retail services, at rest areas and service plazas along the New Jersey
15 Turnpike and the Garden State Parkway. ²The study shall include
16 analyses of: best practices at rest areas and service plazas in
17 neighboring states; and whether the authority is maximizing
18 revenues from billboards, mobile communications towers, and other
19 advertising.² The report shall identify the types of services that may
20 be offered, the types of businesses that may be involved, how the
21 services may be managed, and the role of the authority in offering
22 these new services.

23
24 2. The ¹[authority] New Jersey Turnpike Authority¹ shall
25 report its findings ¹, as required pursuant to section 1 of P.L. ,
26 c. (C.) (pending before the Legislature as this bill),¹ not later
27 than 12 months following the effective date of this act to the
28 Governor ¹and the Legislature pursuant to section 2 of P.L.1991,
29 c.164 (C.52:14-19.1)¹.

30
31 ¹3. The South Jersey Transportation Authority shall conduct a
32 study and prepare a report concerning potential opportunities for
33 increasing current and generating new authority revenue by
34 providing additional and higher quality services, including, but not
35 limited to, business, commercial, or retail services, at rest areas and
36 service plazas along the Atlantic City Expressway. ²The study shall
37 include analyses of: best practices at rest areas and service plazas
38 in neighboring states; and whether the authority is maximizing
39 revenues from billboards, mobile communications towers, and other
40 advertising.² The report shall identify the types of services that may
41 be offered, the types of businesses that may be involved, how the

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹Assembly ATR committee amendments adopted February 10, 2014.

²Assembly floor amendments adopted February 27, 2014.

A801 [2R] COUGHLIN, WISNIEWSKI

3

1 services may be managed, and the role of the authority in offering
2 these new services.¹

3
4 ¹4. The South Jersey Transportation Authority shall report its
5 findings, as required pursuant to section 3 of P.L. , c. (C.)
6 (pending before the Legislature as this bill), not later than 12
7 months following the effective date of this act to the Governor and
8 the Legislature pursuant to section 2 of P.L.1991, c.164 (C.52:14-
9 19.1).¹

10

11 ¹[3.] 5.¹ ²[This] Sections 1 and 2 of this² act shall take effect
12 ²[immediately] on the first day of the New Jersey Turnpike
13 Authority's fiscal year next following the date of enactment.
14 Sections 3 and 4 of this act shall take effect on the first day of the
15 South Jersey Transportation Authority's fiscal year next following
16 the date of enactment².

STATEMENT TO

[First Reprint]

ASSEMBLY, No. 801

with Assembly Floor Amendments

(Proposed by Assemblymen COUGHLIN, WISNIEWSKI, and MAZZEO)

ADOPTED: FEBRUARY 27, 2014

These Assembly floor amendments require the study to be conducted by the New Jersey Turnpike Authority and South Jersey Transportation Authority to include analyses of: best practices at rest areas and service plazas in neighboring states; and whether the authority is maximizing revenues from billboards, mobile communications towers, and other advertising. The amendments also update the bill's title and synopsis and change the bill's effective date to the first day of the authorities' next fiscal year following the bill's enactment.

SENATE TRANSPORTATION COMMITTEE

STATEMENT TO

[Second Reprint]

ASSEMBLY, No. 801

STATE OF NEW JERSEY

DATED: DECEMBER 8, 2014

The Senate Transportation Committee reports favorably Assembly Bill No. 801(2R).

As reported, this bill directs the New Jersey Turnpike Authority (NJTA) and the South Jersey Transportation Authority (SJTA) to study and prepare reports, for submission to the Governor and the Legislature, concerning potential revenue raising opportunities at rest areas and service plazas along the New Jersey Turnpike, Garden State Parkway, and Atlantic City Expressway. The reports are to identify the types of services that may be offered, the types of businesses that may be involved, how the services may be managed, and the role of the NJTA and SJTA in offering these new services. The studies are required to include analyses of: best practices at rest areas and service plazas in neighboring states; and whether the authority is maximizing revenues from billboards, mobile communications towers, and other advertising. The NJTA and SJTA are to submit their reports to the Governor and Legislature within 12 months following the bill's effective date.

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SENATOR NICHOLAS J. SACCO (Chair): I'd like to call the roll.

MR. MERSINGER (Committee Aide): Senator Pennacchio.

SENATOR PENNACCHIO: Here.

MR. MERSINGER: Senator Holzapfel.

SENATOR HOLZAPFEL: Here.

MR. MERSINGER: Vice Chairman Gordon.

SENATOR ROBERT M. GORDON (Vice Chair): Here.

MR. MERSINGER: Chairman Sacco.

SENATOR SACCO: Here.

As you know, Senator Norcross is now our Congressman, so we have one empty seat right at this moment.

All right, the first section of the meeting we have three bills. And after that we'll go to the hearing.

Bill number one is S-2508, Oroho/Whelan. It authorizes certain county veteran identification cards to serve as proof of status for veteran designation on driver's license or identification card.

Any amendments? (no response)

Anyone here to comment on that bill? (no response)

SENATOR PENNACCHIO: I'll move it.

SENATOR SACCO: Okay.

SENATOR GORDON: Second

SENATOR SACCO: Okay.

MR. MERSINGER: On the motion to release Senate Bill 2508, Senator Pennacchio.

SENATOR PENNACCHIO: Yes.

MR. MERSINGER: Senator Holzapfel.

SENATOR HOLZAPFEL: Yes.

MR. MERSINGER: Vice Chairman Gordon.

SENATOR GORDON: Yes.

MR. MERSINGER: Chairman Sacco.

SENATOR SACCO: Yes.

A-801 directs New Jersey Turnpike Authority and South Jersey Transportation Authority to study and report on potential revenue generating services of rest areas and service plazas.

We've seen this a number of times before.

Any amendments? (no response)

Anyone to comment on the bill? (no response)

Anyone like to move the bill?

SENATOR PENNACCHIO: Move it.

SENATOR GORDON: Second.

MR. MERSINGER: On the motion to release Senate Bill 2508, Senator Pennacchio.

SENATOR PENNACCHIO: Yes.

MR. MERSINGER: Senator Holzapfel.

SENATOR HOLZAPFEL: Yes.

MR. MERSINGER: Vice Chairman Gordon.

SENATOR GORDON: Yes.

MR. MERSINGER: Chairman Sacco.

SENATOR SACCO: Yes.

And the third bill, S-2627, Cardinale/Sacco -- but it's actually a Cardinale bill. I thought he might be here to testify. Is he here? (no response)

Okay, it designates State Highway Route 17 in the Borough of Ramsay as "Staff Sergeant Timothy R. McGill Memorial Highway."

Anyone here to comment on the bill?

SENATOR PENNACCHIO: I'll move it.

SENATOR SACCO: Okay.

SENATOR GORDON: Second.

MR. MERSINGER: On the motion to release Senate Bill 2627, Senator Pennacchio.

SENATOR PENNACCHIO: Yes.

MR. MERSINGER: Senator Holzapfel.

SENATOR HOLZAPFEL: Yes.

MR. MERSINGER: Vice Chairman Gordon.

SENATOR GORDON: Yes.

MR. MERSINGER: Chairman Sacco.

SENATOR SACCO: Yes.

All right. The main part of this is the conversation we're going to have now on the Transportation Trust Fund. As we know, the system has been in existence since the mid-1980s, under Governor Kean. And there is a funding source, but the funding source is far less than the needs of the State of New Jersey.

At this point, due to various bondings, the funding source is now simply covering the bonds and we no longer have a sustainable method to do the infrastructure in New Jersey. We know there are many needs; we

know we will have to make a decision on this -- a hard decision. And we certainly need everyone's help and input to do so.

We have a number of people who would like to speak, from various organizations. We would like it to be timed to 3 minutes, and try not to be redundant so we can finish this by about noon.

Okay, our first speaker, Mayor Brian Wahler, Piscataway, New Jersey League of Municipalities President; and Tim McDonough, New Jersey League of Municipalities, past President.

MAYOR BRIAN C. WAHLER: Thank you, Mr. Chairman, for allowing us the opportunity to testify on behalf of the League of Municipalities.

I'm obviously here with Mayor McDonough from Hope Township.

And good morning, Committee members.

Local officials know that investments in roads and bridges must be made, and failure to do so will compromise, obviously, public safety.

As a for instance, in my community of Piscataway Township, we're spending approximately \$5 million a year between engineering projects and public works, milling and paving. So the monies that we do receive from the TTF -- the Local Aid -- are a very small fraction of what the overall cost is. And if you add the 500-plus other communities throughout the state, the bulk of the infrastructure improvements that are taking place in our great state are happening at the municipal level. Obviously we are encouraged by the talk from Senator Sweeney and Speaker Prieto -- that they talked about bumping that, possibly, up to 30 percent number out of

the Local Aid fund, where right now we're at 13 percent -- which is a drastic difference, between 13 and 30 percent.

For a lot of small communities around the state, and even large suburban towns such as Piscataway, that really turns out to be seed money for communities to start these infrastructure improvements. And ultimately, at the end of the day, the actual construction projects are voted through bonding from local taxpayers. So municipalities and counties throughout the state -- we're not looking for a handout on this. We do have skin in the game at the local level. And we're encouraging both the Senate and the Assembly side to come up with a new revenue scheme to increase the Local Aid aspect of that. Because, ultimately, at the end of the day, our infrastructure in a lot of our communities tend to be 40, 60, and 70 years old and are at the end of their lifespan. And I'm not talking about just the standard 2-inch mill and overlay here; I'm talking about drainage systems that go in-- And in a lot of cases, as the Senators know, with the new DEP requirements, when we go to reconstruct a street now there's significant more costs involved, like stormwater management -- which is a good thing in a lot of respects, because you're protecting the environment. But however, the costs do substantially go up; and then you couple that with the right-of-way acquisition costs, depending upon what you are doing at any one given (indiscernible). So it could be substantially significant.

So I'd like, at this point, Mr. Chairman, if I could turn it over to Mayor McDonough to finish out the rest of the testimony on behalf of the League.

MAYOR TIMOTHY MCDONOUGH: Thank you, Chairman Sacco and the rest of the Committee.

I join Mayor Wahler, and we represent the New Jersey League of Municipalities. We have testified in front of the Assembly Committee as well, and at one of those Committees they asked us to do some polling of our members -- and we did that.

Just to give you a quick feeling of what mayors are thinking out there. We found overwhelming support for consolidating the New Jersey Department of Transportation, New Jersey Transit, the Turnpike Authority, South Jersey Transportation Authority. Over 86 percent of our members who we polled thought that this was a good idea in terms of coming up with alternatives and helping with the Transportation Trust Fund.

We had a tremendous amount of support for the increase in the gas tax, believe it or not -- 53 to 34 percent of our members said that they would agree with an increase in the gas tax; but there's a caveat to that too: 80 percent of them would want the Constitution amended so that monies raised through that gas tax would be dedicated -- solely dedicated to roads and bridges.

We found strong support for the Petroleum Products Gross Receipts tax -- a raise in that. Over 69 percent of our members said that they would support that. Eighty-six percent, however, said that they would be against -- opposed -- the 7 percent tax -- New Jersey State sales tax on gas and gas products.

As Mayor Wahler said, the municipalities in the state have an overwhelming responsibility for roads. A recent survey by the Department of Transportation showed that over 64 percent of the roads and 39 percent of the bridges are in municipalities. And so that's a large part -- chunk of the roads. And as Mayor Wahler asked, we're looking for -- obviously to

come up with some kind of scheme, as it were, to fund the Transportation Trust Fund; but also in terms of dollars filtering their way down to where the rubber really meets the road -- not to coin a phrase -- but that's in the municipalities. And if you look at those figures -- 64 percent and 39 percent -- we need to look at a bigger chunk of that Transportation Trust Fund money going to the municipalities.

We thank you for hearing us, and hope that you will work to come up with a plan and make it fair to the municipalities.

SENATOR SACCO: There are a lot of other things happening with construction: rerouting cars and buses onto other streets, side streets; ripping up the roads. And there was a time that it was easier to keep them in repair; it's not now.

Sandy did a great deal of damage; it's very hard to keep some roads in repair without the aid. And with the Federal money getting less every year, the problems of the local mayors is becoming extremely, let's say, much larger than it's been in the past. And I understand what you're saying here, so I thank you for your testimony.

Anyone have any questions?

SENATOR PENNACCHIO: You touched on it briefly, and maybe you can expand.

The cost of construction is exponentially higher than the national average. I sort of get that; I don't agree with the numbers, but there are right-of-ways, (indiscernible) that purchase those right-of-ways, etc. But the cost of maintaining is also exponentially higher than the national average. To me, a street sweeper is a street sweeper -- whether you sweep it here, or you sweep it in a different state.

From the League's perspective, is there anything that we can do in order to drive those costs down, and is the State doing something that's an impediment to that? Are they giving you a rule, a reg, or giving you a road block -- no pun intended -- where it's actually driving the costs up? It's just as easy to cut a dollar as it is to raise a dollar.

MAYOR WAHLER: That's a very interesting question, Senator.

I'll give you a quick example: Right now, the way the Local Aid system is set up for municipalities, there's a disincentive for communities to do joint ventures. Like, for instance, many of the communities have joint roadways -- one town or city will have one side and another jurisdiction will have another side. What happens is, if both towns submit a joint application to reconstruct, say hypothetically, a street, the Department of Transportation, instead of treating that as two communities applying for a Local Aid project, it's just treated as one community. So basically there's no incentive for municipalities to do larger projects out there because they're going to get shortchanged on the funding through that mechanism. I'm not faulting anybody in the Department of Transportation, but for whatever reason, that's just the way it's set up.

Another issue is, is that if we can have substantially larger co-ops in purchasing supplies-- In many municipalities there's really no asphalt contracts, pretty much, under State co-op. You know, everybody's at the mercy of going out to bid and things like that. And depending upon what's happening there, somebody -- not knocking the asphalt folks, but there's always escalator costs because of the rise and fall of oil. That's another thing -- what tends to be, maybe, a \$2 million project when you

finish the engineering design, when you go out to bid -- depending upon what the price of oil is will dictate what the bids are going to come in. So you're sort of at the mercy of market forces, to a certain extent -- a lot of these road projects; thus, that's why some of the costs tend to be a little bit higher in our state.

MAYOR McDONOUGH: And just to follow up on that, if I may, on what Mayor Wahler said about co-ops. They have that down to-- It's very important, and especially for smaller towns like Hope Township -- we would not be able to exist if we didn't get monies from the Transportation Trust Fund and go through a co-op. Because that-- Small towns, obviously, when you pool your resources, it's better off. And I would think if -- whatever the State can do to increase the ability for towns to go through co-ops, I think it would be a big help, Senator.

SENATOR PENNACCHIO: Just as a follow-up, Chair -- could the League give us a white paper on all those cost drivers that you would like to see addressed by the DOT, the DEP? That way, as we're talking about potentially raising the gas tax, we also talk about maybe some cost savings to offset a larger increase than maybe we need.

MAYOR WAHLER: We (indiscernible) that, Senator.

MAYOR McDONOUGH: Sure.

SENATOR PENNACCHIO: And I look forward to seeing that.
Thank you.

MAYOR McDONOUGH: We'll definitely do it.

SENATOR SACCO: Senator.

SENATOR GORDON: Thank you.

I had a meeting with the Bergen County Engineer, I guess about a year ago, who told me that there -- the DOT has changed the allocation formula for municipal aid, which had the effect of sending more money to rural communities than suburban or urban ones -- which presumably are getting more traffic and more wear. Is that, in fact, a problem?

MAYOR WAHLER: Yes, you're talking about the centerline versus lane miles. And yes, the answer-- And, you know, to a certain extent the more urbanized and larger suburban communities throughout the state, where you typically -- obviously, Senator, as you know, coming from Bergen County -- tend to be a lot more congested; so thus there is going to need to be more roadways. A lot of that has to do with a lot of the rural -- some of the county projects on county roadways.

It's been a bone of contention. I mean, obviously Mayor McDonough doesn't mind it because he comes from Hope Township up in Warren County, (laughter) but coming from a larger suburban community such as Piscataway there's a whole different-- Because we're the home of Rutgers University, and obviously our daytime population goes up to well over 100,000 because of the Medical Center and everything else. So I don't know what the answer to that question is. There needs to be a fair mechanism. I was always under the impression, being a Mayor, that you go where the problems are. You try to fix where-- You do triage. You fix the roads that have the most heavy congestion on them first, and then you back out with the more less-traveled roads. And I'm not saying that no one road is different, but there's a big difference between having a roadway that has

100,000 vehicles traveling on it every day versus one that may have only 5,000. It's just obvious math.

SENATOR SACCO: Well, thank you.

MAYOR WAHLER: Thank you, Mr. Chairman.

MAYOR McDONOUGH: Thank you.

SENATOR SACCO: Thank you for your testimony.

All right. Next is John Donnadio, New Jersey Association of Counties.

JOHN G. DONNADIO, Esq.: Thank you, Mr. Chairman, and thank you for pronouncing my name correctly. It rarely happens when I get a chance to testify here in Trenton.

So my name, again, is John Donnadio. I'm the Executive Director of the New Jersey Association of Counties. We represent all 21 counties in the State of New Jersey.

We're a nonpartisan organization, and we support establishing a stable, dependable, and sufficient source to reauthorize the Transportation Trust Fund. We also support -- as called for by both Senate President Sweeney and Speaker Prieto -- doubling Local Aid allocations, as the Mayors before me talked about.

County governments play a significant role in maintaining the State's Transportation infrastructure. We maintain virtually every bridge in the State of New Jersey -- that's over 7,000 bridges -- and an equal amount of centerline miles of roads that cost local taxpayers close to \$600 million a year; and, along with the municipal roadways, carry an estimated 53 percent of the state's traffic.

To compound matters, we have a \$2 billion, long-term capital investment that county governments have to make, with close to 35 percent of the major bridges that are classified as either *structurally deficient* or *functionally obsolete*; and an additional 64 percent of our minor bridges that are in need of some long-term repair or replacement.

So for these reasons, again, we stand ready to work with the Committee, to work with the Legislature, the Administration on developing viable solutions to reauthorizing the Transportation Trust Fund.

So thank you for your time and consideration. I have a position statement there for you, and I'd be happy to answer any questions, if I can.

SENATOR SACCO: All right.

Yes.

SENATOR PENNACCHIO: Just the same concern that I had with the League -- if you, as a Council representative, could just give us a position paper on what some of the cost drivers are, why it's so expensive to construct and to maintain those roads. And if there's anything that we can do at a State level to help the counties, or even the municipalities. That way we can try to drive those costs down.

MR. DONNADIO: I'd be happy to do that, Senator. Thank you.

SENATOR PENNACCHIO: Thank you.

SENATOR SACCO: All right, thank you.

MR. DONNADIO: Okay, thank you.

SENATOR SACCO: Eric Richard, New Jersey AFL-CIO.

ERIC RICHARD: Good morning, Chairman Sacco, good morning, members of the Committee.

On behalf of the State AFL-CIO -- Eric Richard coming before you. I just want to thank you for holding this hearing -- obviously, a critical issue to the economy of the State, quality of life to the State, and obviously to a lot of the folks we represent.

I'd just like to chime in a little bit with what the League said. We're happy to see that for the first time in quite some time, I think, the level of urgency of replenishment of the Transportation Trust Fund is growing. And we thank the legislative leadership for making this an issue; and you've been a part of that, Chairman Sacco, so we thank you for that.

It appears at this point that all the stakeholders and leaders from both parties are finally looking in the same direction. And I was happy to hear even the Governor say that all the options are on the table.

And so, as we're all aware, there's a lot of doom and gloom surrounding this issue. There have been failures from both parties to adequately address this in the past. But we're happy to finally see folks coming together and there's a sense that there's a solution pending. So we're happy to hear that.

As the Commissioner, and the Administration, and legislative leaders work to develop a funding plan, of course we must speak to the elephant in the room -- and that's the gas tax. The State AFL-CIO has been a long-time advocate of increasing this tax, and we continue to do so because realistically it's the only solution to our problem. Many additional options are being discussed to raise revenues; and of those options, some have merit and others do not. However, we recognize that we have dug

ourselves into too deep of a hole to escape without raising the gas tax. In short, it's essential to solving the problem before you this morning.

Other options that are being discussed -- the State AFL-CIO would like to comment on one in particular, and that was the consolidation of toll roads, mass transit agencies, and the Department of Transportation. On its surface, of course, consolidation is very popular, as we heard from the League of Municipalities and a poll of their members. And it is, of course, very popular with policy makers as well.

But we must understand that there is a flip side to that coin, and that's the implementation of consolidation; and often the implementation of consolidation brings with it inherent risks. The State AFL-CIO has been grappling with this issue for well over a decade in regard to the context of the legislation that applies to local governments. And we were, of course, intimately involved in the legislative process of restructuring higher education two years ago. No doubt there is potential for savings when it comes to consolidation. But we must first ensure that, as we deliberate this option, that it is done without a predetermined outcome in mind, and that it is not rushed through without being properly researched and vetted, and it is not done in order to solve one problem while creating several others.

Anytime there are large scale consolidation efforts, the potential for massive layoffs, the shredding of collective bargaining agreements, mismanagement of funds, and a reduction in force to the level of inefficiency are real inherent dangers. For this reason, before consolidation is factored into TTF funding, we would respectfully ask that the Committee

move forward with researching this option to see if there would be a net positive in merging the agencies.

To this end, we would recommend commissioning a study to perhaps be formed by one of our State academic higher institutions. Furthermore, we must not be tempted by saving estimates that focus only on the bottom line, and are not and do not focus on the efficient delivery of services or on the negative effects it could have on its employees.

The State AFL-CIO is not opposed to the concept of consolidation, but we must first perform due diligence to ensure that we're not doing more harm than good.

As this issue moves forward, the State AFL-CIO continues to work on this issue and we continue to look forward to working with our elected officials. And we thank you for the opportunity to testify.

SENATOR SACCO: Any questions or comments? (no response)

All right. I agree with you on the consolidation issue; it's dangerous in many ways. We consolidated a regional fire department, and the money upfront -- that we had to put up front, and the State aid that we needed was astronomical if it were being done today. It became a very efficient fire department, but as far as cost savings -- I'm not too sure. Without the State money that got it going in the beginning, it probably would never have taken off. So I understand what you're saying. We have to be very careful. Plus, we're mixing toll roads with non-toll roads and a lot of other things. We're going to be using tolls to pay for other roads and take away from where we're going. So you're right -- we have to take a good look at this before we proceed.

But thank you very much.

MR. RICHARD: Thank you, Chairman.

SENATOR SACCO: Is Tom Bracken, New Jersey Chamber of Commerce and Forward New Jersey, here?

UNIDENTIFIED MEMBER OF AUDIENCE: (off mike) Chairman, Tom's not here yet. I'll notify the Committee when he gets here.

SENATOR SACCO: Okay, fine. Thank you.

We have Senator Cardinale here. Senator, we did pass your bill, but we'd like you to at least comment as to the importance to you, personally.

S E N A T O R G E R A L D C A R D I N A L E: Thank you, Mr. Chairman and all of the members of the Committee.

This young man was the epitome of the all-American boy. He grew up in this town; he was part of the Eagle Scouts, he was part of the fire department -- he volunteered for the fire department. He went to work briefly for the DPW. He was educated in the local high school where he played sports. He was an integral part of the town, as his family had always been.

He went through several phases of military training. He became a Marine; he became a Green Beret. And he was, unfortunately, one of three folks who were killed by someone who had donned a uniform of an Afghan soldier -- and who, obviously, was not an Afghan soldier -- and who turned on and fired on these three individuals.

The outpouring when his body was brought back to the U.S. -- the outpouring from the people of not just Ramsay, but all of the

surrounding towns was enormous -- a huge parade. And his memory-- I thank the Committee for helping to enshrine his memory. His example is an example that I would hope that all of the youth are aware of, and follow. These are great footsteps that they should follow.

So I thank the Committee. I'm sorry I couldn't get here sooner. I was tied up in some testimony in another Committee that I had to also deal with. But I thank you very much, members of the Committee; and you particularly, Mr. Chairman, for putting this up so quickly and rounding up the support that was necessary for it.

Thank you.

SENATOR SACCO: You're very welcome. Tim McGill sounds like an outstanding person. I'm willing and happy to do this. Thank you.

SENATOR CARDINALE: Thank you.

SENATOR SACCO: David Rousseau, Association of Independent Colleges and Universities.

R. DAVID ROUSSEAU: Good morning, Chairman Sacco and members of the Senate Transportation Committee. Thank you for the opportunity to address the Committee on the important issue of the future of the Transportation Trust Fund.

I am David Rousseau, the Vice President of the Association of Independent Colleges and Universities in New Jersey. And as many of you know, in a prior career I spent 25 years in State government. And actually I was thinking about it the other day -- the only parts of the Transportation Trust Fund I didn't work on were the initial creation of it in 1984, and then the most recent renewal of it under the Christie Administration.

And I also had the pleasure of coauthoring -- with somebody you will talk to later -- with New Jersey Perspective, a report on the Transportation Trust Fund this past April.

AICUNJ is comprised of New Jersey's 14 public-mission, nonprofit, independent colleges and universities. These colleges have 18 campuses located throughout the state, with the majority located in northern New Jersey. Nearly 65,000 students attend the state's independent colleges and universities, and 1 out of every 6 of all college students in New Jersey, and 1 in 4 of all students in 4-year colleges. These colleges and universities employ 17,000 residents and generate a total economic impact of nearly \$10 billion.

A modern, efficient, and safe transportation infrastructure is important to the economic vitality of the state through the movement of goods and the ability of employees to get to their respective places of employment.

The state's colleges and universities also require a modern and safe transportation infrastructure to effectively provide access to the quality education that our students need and deserve. The staff and the students at the colleges and universities rely on the roads and public transportation systems every day to get to and from the various campuses throughout the state.

Stress, from the concern about delays and actual delays due to traffic congestion, likely have an impact on a student's ability to learn. Unexpected delays can result in faculty and students missing valuable class time. Automobile repairs needed due to deteriorating roads have a financial impact on students -- many of whom are paying for their own education.

This year, more than 41,000 full- and part-time students will commute to the 18 campuses of the independent colleges and universities. This represents nearly two-thirds of the total students attending these schools. Commuters represent over 80 percent of the population at some of the independent colleges. In addition, the more than 17,000 faculty and other employees commute to work nearly every day at our campuses. Combined, nearly 60,000 students, faculty, and other employees commute to these campuses. These students and employees need the state's roads and public transportation system each and every day.

The 14 independent colleges and universities are only a part of the overall higher education system in New Jersey. When you include the State's public colleges and universities, the number of students, faculty, and employees commuting to campuses each day increases significantly. At the State's 11 four-year public colleges and universities, over 57,000 part-time students and a significant portion of the 128,000 full-time students commute to the campuses throughout the state. In addition, 45,000 faculty and employees commute.

All of the 166,000 students, as well as the 18,000 faculty and employees of the 19 county colleges commute to the more than 70 campuses throughout the state.

And finally, nearly 11,000 attend the many campuses of the six proprietary schools. Combined, I believe that the number is close to 500,000 students, faculty, and staff every day using our roads, and transportation infrastructure, and public transportation system to get to and from our campuses.

The \$2 billion question, of course, is how to fund the continuation of the Trust Fund. Legislators, Forward New Jersey, and other groups have suggested a wide variety of funding options. AICUNJ is not taking a position on the specific funding source. We do, however, urge that new revenue be provided to fund the continuation of the Trust Fund, rather than the use of the current General Fund revenue that is already spoken for in the budget.

Since 1988, no new revenue source has been used to continue the Trust Fund. Each renewal has relied on existing General Fund revenues that have been shifted to the Trust Fund at the expense of other budgetary needs. As you are well aware, the State faces significant issues in addition to the need to fund transportation infrastructure. And diverting existing General Fund revenue to solve this problem will only exacerbate other budget problems.

From a parochial point of view, the use of existing revenue, rather than new revenue, will continue to result in minimal increases -- or possibly even more reductions -- to the State's support of higher education. Of course, there are many other fiscal issues facing the State, such as the underfunding of the pension system and retiree health benefits, the continued need for increasing K-12 funding, as well as the continuing efforts to provide property tax relief for the middle class.

Thank you for the opportunity to address the Committee on this important issue, and from a different perspective. And I'm hopeful that the leadership of both houses and the Governor will agree on a plan that continues the funding for the State's Transportation Trust Fund into the future.

As I said, I hope this perspective from a different portion of the State will provide helpful insight to you.

SENATOR SACCO: Thank you.

Senator.

SENATOR GORDON: Thank you, Mr. Chairman.

I'd like to take advantage of your expertise in the fiscal area since, as I recall, you served as Treasurer.

There have been suggestions that new revenue sources, such as an expanded franchise tax that would be imposed on the organizations that are in our rest stops, for example, might generate additional revenue that would reduce the need to rely on a gas tax. Could you comment on that and any other revenue sources that would provide some new money?

MR. ROUSSEAU: As I said when I testified before the Assembly Committee a month ago, and now I will take my hat off as -- I'm not representing the Association of Independent Colleges, I'm speaking to you as my former positions and my expertise.

That could be a portion of the solution, but that's going to be going nowhere. I mean, you need somewhere between a minimum of-- Anywhere-- Depending on how long you want the Trust Fund to be, how much a combination you want between debt and pay-as-you-go, you need a minimum, probably, of \$500 million to keep the Trust Fund going for maybe 5 years -- and basically the way we've been doing it: a high combination of debt and pay-as-you-go; and up to maybe as much to \$1 billion to \$1.5 billion if you want to rely more on pay-as-you-go.

The rest stop thing can be a component of it, but it's not going to give you everything that you need. Maybe it's a difference between

doing 10 cents versus 12 cents -- or maybe not even that. I don't know the exact numbers on what you can generate. But there's not nearly enough activity there to--

SENATOR GORDON: But it's never been viewed as a major revenue generator.

MR. ROUSSEAU: No, it's not viewed as that. In the past, it has never been viewed as that; it's been viewed as a possible component of something.

SENATOR GORDON: Okay, thank you.

SENATOR SACCO: Yes, Senator.

SENATOR PENNACCHIO: Good morning, Mr. Treasurer.

You had mentioned the relationship of debt to pay-as-you-go. We're out of money now, so we start off with a pretty high ratio, as far as debt to go. Is there a magic number -- is there something that you think you could feel comfortable with, as far as what percentage should be debt, as opposed -- If we assume that we're going to raise as much through whatever means as we have existing debt, that's already at a 50 percent markup. So is there a number that other states -- we could rely on other states that are doing it better than we're doing it, that we could feel comfortable with?

MR. ROUSSEAU: I think that's the discussion that really has to be had from the policy makers -- you guys, the Governor's Office, and others -- that it comes to that mix of what you want to do. If you do a substantial increase where you get \$1 billion to \$1.5 billion and you want to be able to go for 10 years or 12 years, the mix is going to be different. If you go for a smaller increase and you want to be able to go 5 years or so, I

think you're going to see the same thing we've had over the past, where you'll start off at the beginning with mostly -- with more pay-as-you-go and less debt, and eventually you'll get to where you are. And 5 years from now, you'll be at the same spot. So it really goes by -- the magnitude of the increase you do will drive what the-- And the length of time that you want that money to pay for will drive that discussion. I mean, right now we are 100 percent -- all the revenue we have right now is going to pay debt service. Each year, the next \$1.5 billion of funding is just paid for by taking roughly \$100 million out of the General Fund to pay for that next year's debt service.

And as an aside to what-- I think one of the things we've seen over the last 15 years or so, and it's something to keep in mind as you move forward, is we have had 15 years of very, very low interest rates which has allowed that money to go further and further. And I can tell you that every Trust Fund renewal that I ever worked on, we would say, "Okay, in the first year we're assuming that interest rates are going to be what they are;" and then 3 or 4 years out we would always make the assumption, because it was the right assumption to make, that interest rates are going to go up. Now, interest rates didn't go up during that time period, and we were able to actually either -- maybe buy another year out of the Trust Fund with the money we had, or 2 years, or things like that. But one of the things you have to keep in mind as you move forward with this is that at some point in time -- we don't know when; I'm not -- none of us up here-- If we all knew when, we'd figure out a different line of work and make billions, probably. At some point in time, interest rates are going to have to start going up

again, so that whatever money you put aside may not actually be enough to do what you want to do.

I hope I skirted around the direct answer to you as best as I could, but-- (laughter) I realize I did, but I think it's-- There are too many variables here on what that ratio-- Look, you could, as policymakers, decide to do what we've done for the last two years, as I said: Raise-- Just go out and issue \$1.6 billion worth of debt and know that next year you have \$100 million cost to the General Fund. And you can keep the Trust Fund going forever like that if you want to. It's not the right way to do it; it's hard planning and it takes money from other areas of the budget. But that's something for you guys to decide.

SENATOR PENNACCHIO: Normally I'd be a lot more generous and comfortable with raising debt. You build a bridge -- this generation, future generations--

MR. ROUSSEAU: Oh, I have no doubt about that. I support--

SENATOR PENNACCHIO: The problem is that we're debted out. The problem is we abused that.

MR. ROUSSEAU: Right, and that's the problem we have. This is a legitimate use of debt. And there is the generational equity issues about today's-- Should today's taxpayer be burdened -- have the whole cost of paying for something that's going to be used 30 years down the road? And that's why debt is a legitimate issue for the building of schools, the building of roads, etc. But you're right, we have had -- from both parties we have had the issue of our debt increasing to the level of "what can we support or not support?"

SENATOR PENNACCHIO: And finally, you had mentioned those 500,000 combined commuters, and teachers, and people who you deal with -- they are the ones who are going to be footing the bill -- this tax bill for the taxes, for the gas tax increase -- if we have one.

Can you share with us things that drove you absolutely crazy when you were Treasurer (laughter) -- that drove the price of transportation infrastructure and maintenance up -- things that you'd like to change, or would have liked to have changed?

MR. ROUSSEAU: I heard you ask the two previous -- and I started thinking about it.

My dealings with the Trust Fund and the Department of Transportation Trust Fund were more at a higher level. I would defer that to a conversation you may be able to have with Jamie, since he has had that prior experience there. Offhand, I can't think of things right now that are--

SENATOR PENNACCHIO: Could you surmise there are?

MR. ROUSSEAU: What?

SENATOR PENNACCHIO: Could--

MR. ROUSSEAU: Oh, there clearly are places in government where we can do things more efficiently at a less expensive cost. But then sometimes there are consequences of those. Eric brought up the idea about-- Yes, there are the consolidation of the toll roads and everything, but there are consequences to that. And it's up to you guys and the Governor, as policymakers, to decide if the consequences are worth the benefit.

SENATOR SACCO: Actually, you know, we have a number of speakers left.

First of all, thank you very much for your very knowledgeable testimony.

MR. ROUSSEAU: Thank you.

MR. ROUSSEAU: Thank you.

Anthony Attanasio and Dennis Hart, Utility and Transportation Contractors Association.

ANTHONY ATTANASIO: Chairman, thank you very much; members of the Committee, thank you for having us today.

Dennis and I represent the UTCA; it's a private trade association that represents the private contractors. We have over 900 members. Our contractors build the infrastructure of this state.

Many of you, of course, know me from my previous role where I worked with each of you as Assistant Commissioner at the DOT. So as I said at the Assembly Committee hearings, I have a very unique perspective on this issue -- having sat on the side with the Department, and now on the side of the folks who build the infrastructure in this state.

And it's a scary view, to say the least, the problem that we are facing. I would encourage everyone-- I wrote an op-ed, which is on the Forward New Jersey blog on the website, that deals with the cost-per-mile fallacy -- the report that was put out that-- Let's just say, the methodology is flawed, to say the least. So my op-ed gets into why it's flawed and all the factors that go into road construction costs in New Jersey.

But I think one of the other issues I wanted to talk about today is the reality that, I think while we are encouraged that the debate this time seems to be focused on finding a solution, we do feel that the debate is getting a little too far ahead on talking about solutions, and there hasn't

been enough focus on what the actual needs are, and why we're having this debate, and why we're in a point of true crisis. Because we have a two-pronged crisis: We have an infrastructure issue where we have roads and bridges that are not up to the standard -- whether it's to support the economy, but more importantly for safety. Everyone remembers the I-35 bridge in Minnesota that fell down, taking 13 lives and injuring dozens of others. The sufficiency rating on that bridge was a 50; there are hundreds -- hundreds of bridges in this state with a lower sufficiency rating than that bridge that fell down in Minnesota.

We have folks-- In my previous role I spoke to almost every member of this Committee -- plus many -- about there would be fatalities in your districts due to intersections where the road geometry -- whatever -- was not to the optimal state it could be. And the Department just didn't have the money to address the situation. And you get asked, by whether it was a mayor or a legislator, "Well, how much does a life cost that you're telling us that the Department just simply can't advance a project like this?" Well, the reality is, is that there just wasn't enough funding to advance any and all of those projects.

We have a serious, serious issue with our infrastructure and its quality. We're losing businesses, we're losing lives, and that needs to be addressed.

The other side of this is the financial aspect. I mean, to clarify some of the numbers that you had heard -- and just let's be clear: going forward, starting next year, we have a \$1.2 billion annual debt service payment, which is only going to rise as multi-year funded projects -- when those bills come due -- projects that are currently being constructed,

without beginning a single new project. But the Fund only takes on \$900-and-change million. So the drag on the General Fund is actually closer to \$300 million, .

So when you have \$1.2 billion, which will probably get up to \$1.4 billion, \$1.5 billion annual debt service for a Fund that only takes in \$900 million, I mean, that gets to the responsibility of solving this issue and what that takes. I mean, I was asked by one legislative leader, "Well, how would you sum up the debt problem in a 30-second sound bite?" It would be simple. I'd have a TV commercial with the family out to dinner; Mom and Dad are cheering with the wine glasses; the kids are eating their dinner having fun. And then when the bill comes, the parents look at it and hand it to their children and walk away. Because that's what's been going on with transportation funding for 30 years now. My 1-year-old son will be paying for projects that were paved when I was Assistant Commissioner up to when he's 28 years old; and he's 1. Let's think about this.

So what's it really going to take? We believe, as an industry, it's going to take \$2 billion in new revenue; because if we want to maintain a \$1.6 billion program -- which is the current level we have -- and that's without expanding, that's without building new-- That's just keeping the same level of funding. If you were to raise \$2 billion and you wanted to plug the hole that the General Fund has because of this debt service transfer, whatever you raise, something's going to come off the top to fill that debt.

We need to constitutionally dedicate every penny that's raised for its intended purpose. And we need some very smart constitutional lawyers to word that dedication so that that money can't be raided for other

uses, going forward. I mean, we need to make our state safer, we need-- I think the best thing you can do as far as seeing where the investment in transportation has its return is with the opening of the Turnpike widening. Anybody in this room who has driven north or south in the last several weeks -- after that Turnpike widening has been open -- from 6 to 9, can feel the difference and realize it. Several commuters have noted that their commute times have been reduced by over a half-an-hour. I mean, think about that; that's daily. I mean, think about that time with your children and your family, and doing the things that you want to do in life -- not sitting on the New Jersey Turnpike.

When you invest in infrastructure, you create jobs, you increase quality of life, and you increase safety. And that's why we're here today, as we've been with Forward New Jersey and all the folks, to advocate for a proper renewal.

My time's probably up, Chairman, so thank you.

SENATOR SACCO: Yes, it is; thank you.

One quick question.

SENATOR PENNACCHIO: Anthony, that \$2 billion -- is that our share, or is that the total including Fed?

MR. ATTANASIO: Excuse me? I'm sorry.

SENATOR PENNACCHIO: That \$2 billion investment that you said we have to make -- is that just our share, or is that with the Federal match?

MR. ATTANASIO: No, we're advocating for \$2 billion in new State revenue.

SENATOR PENNACCHIO: New State?

MR. ATTANASIO: Yes.

SENATOR PENNACCHIO: So you're looking at \$4 billion then, if it's a 50-50 match?

MR. ATTANASIO: Roughly. I mean, the way the Feds-- The Federal match is actually based on toll credits.

SENATOR PENNACCHIO: Because I've never seen that number before. I've never seen--

MR. ATTANASIO: Well, the Federal match is actually based on toll credits, so it's a little -- it's a very complicated formula, but I'd be happy to talk about that more offline. But we are looking for \$2 billion in new State revenue.

SENATOR SACCO: All right, thank you.

MR. ATTANASIO: Thank you, Chairman

SENATOR SACCO: Gordon MacInnes, NJPP.

SENATOR GORDON A. MACINNES: Good morning.

SENATOR SACCO: Former Senator MacInnes.

SENATOR MACINNES: Thank you, Mr. Chairman and members of the Committee.

I'll be very brief. I have a prepared statement that I will summarize quickly for you.

And you're going to hear much more in the balance of the morning, and you've already heard that what we're facing now is not the normal policy issue and debate; we're talking about a real emergency. This is on a scale, in terms of New Jersey's future, which matches up closely with Superstorm Sandy. That's the kind of thing we're talking about.

Because if there's one asset that New Jersey has that no other state can replicate, it's our location -- in the middle of the largest market in the world, with convenient access to New York in the north and Philadelphia in the south. Those economic assets are being ignored, and have been ignored for a couple of decades as we've played games with the Transportation Trust Fund.

So my first recommendation is to treat this as something other than the typical Trenton political and policy issue to deal with. This is an emergency on a scale of a Superstorm Sandy.

Secondly, you have to talk about this in terms-- Because of the scale of the immediate problem and because of the future needs, if we want to have a fighting chance to maintain, and prosperity to achieve, economic growth in this state, we're going to have to be talking about a major increase in new revenues. You can't do this by grabbing whatever hasn't been dedicated yet among gasoline taxes and get a constitutional dedication. We can't do the normal, "Let's find a politically painless solution that nobody will notice. And then we can get out of town and there won't be all that agitation, and mail, and phone calls to our offices as people recognize that they're having to pay for getting to work, for going to the city," for whatever use is made by just about every resident of New Jersey, every day, on the transportation network of the state.

And the third thing that I would recommend is: In treating this as an emergency, not too different from Superstorm Sandy, don't let this debate get confused about other issues. Don't let this be a tradeoff with something else that somebody thinks needs to be done. And I'll mention specifically -- I've seen references now to having the Estate Tax eliminated

as a part of the deal to have Transportation Trust Fund funding restored. That would be a terrible mistake. First of all, yes, maybe the Estate Tax should be modified in New Jersey. We should review that, but it should be a part of a comprehensive effort to look at the tax structure in the State, and not a game that is played as the card to get this real emergency dealt with.

So I hope that that will be the outlook of both the Administration and the Legislature on dealing with the issue that we are confronted with.

SENATOR SACCO: Senator, thank you.

SENATOR MacINNES: Thank you.

SENATOR GORDON: Thank you for your comments, Senator.

The gas tax is, I think most would agree, a pretty regressive tax. Let's say that there really is no alternative but a significant increase in the gas tax to produce the kind of revenue that we need. I'm wondering whether there is some way through tax policy -- and maybe I should have asked David Rousseau this question -- whether by offering a tax credit or deduction, that's related to taxable income, that you can mitigate some of the regressive effects and the pain of the tax. I have no idea how difficult that would be to implement, but I wonder whether anyone has been thinking about that.

SENATOR MacINNES: We have thought about it. And I think there's an answer that is very imperfect; that does not deal with the needs of every low- and moderate-income family as their cost of commuting goes up. But I think there is an answer that gets close, and that would be to

restore the reduction in the Earned Income Tax Credit that took place in 2010, done by both the Legislature and the Governor in response to the effect of the great recession. And even consider, in that movement, actually increasing the State-level credit.

Here's what you would get for that. You would get \$60 million to \$80 million a year that would be restored -- that was a credit that was taken away -- to 500,000 households in New Jersey. Not enough to pay off the mortgage or pay off two months of rent, but enough to give you a little breathing room in high-cost New Jersey. And if you did that, you would also be dealing with those families most likely to be affected by the increased taxation -- which are people who are working. And the EITC is only available to people who are being compensated for their work.

So I think it's as close as you can get. I don't think there's any perfect way to do that, but that's something that we've recommended.

SENATOR SACCO: Senator, thank you.

SENATOR MacINNES: Thank you, Mr. Chairman.

SENATOR SACCO: Eric DeGesero, Fuel Merchants Association.

E R I C D e G E S E R O: Chairman Sacco and members of the Committee -- Eric DeGesero, representing the wholesale gasoline distributors in the state.

It might come as a surprise that the Fuel Merchants Association of New Jersey does not support an increase in existing tax or assessment of a tax not currently assessed on petroleum. However, if there is going to be one, we would like the Legislature to take into account the impact it would

have on our members as small business owners, and then other policy questions that we think should be considered.

First off, an increase in the tax will impact the cash flow of our members, just because of the fact that we are not more of a worthy credit risk -- just because the cash in the payment that we make to our suppliers is being taken up by the tax. So we need a little breathing room. We have three specific suggestions, and then I'll segue into issues relative to the tax.

First of all, is to reduce the amount of the bond that a distributor needs to post with the Director of the Division of Taxation. Currently it's three times the greatest monthly amount in the prior 12 months. We recommend dropping that to the single-largest month, and/or giving the Director the discretion to reduce it from there. Our members have generations of being good taxpayers.

Secondly, is to enact legislation that allows distributors to seek a refund in any bad debt that they have had to write off, for the portion that is the excise tax. There is currently legislation sponsored by Senators Bucco and Van Drew that would do that.

And third and finally, to look at enacting legislation that would prohibit the interchange -- credit card interchange fee from being applied to the State excise portion of a transaction.

So those are three concrete examples that would help mitigate any tax increase on the cash flow operations of small businesses.

Relative to some of the things that have been discussed publicly, there has been discussion that maybe we should assess a sales tax on gasoline. There is currently no sales tax on gasoline, and some have said that that's a loophole or an exemption that should not be there. We would

respectfully suggest that there are lots of things that sales tax is assessed on that do not also have an excise tax assessed on them. And that when you look at the price -- you look at gasoline as a commodity, no other commodity's price changes are as volatile or on a daily basis as petroleum's. And we think that from a planning perspective, if the whole objective is to have a dedicated, stable capital program, all you have to do is look at the experience of the past number of months -- the price of gasoline down, the price of crude oil down dramatically. So if this had been a July 1 issue in terms of what your planning was, your revenue would be off for this current year.

Granted, it's a two-way street. It could go up in a year when the price goes up; I readily concede that. But I think as policymakers, you have long struggled with the impact of the capital gains tax aspect of gross income tax on an annual basis and what that does to budgeting. Certainly this would be a smaller amount, but it's still -- it wreaks havoc with the budget overall and it shouldn't be compounded here in the Transportation Trust Fund.

Additionally, the sales tax is a bad mechanism to collect motor fuels tax because it allows for both human error, and unsavory operators to game it to the detriment of legitimate competitors and the State Treasury.

And I'd like to read the first recommendation of the Christie Transportation Transition report of January 5, 2010, which said that we should, "Collect the gas tax at distribution to reduce the losses and expenses from multiple collection points currently used." That was done when the Legislature enacted Public Law 2010, Chapter 22. So for many reasons the sales tax is a bad idea.

Secondly, look at competitive border issues. There's a lot of talk about out-of-state, with 30 percent, 40 percent -- some number of percentage of our volume is from out-of-state. And I'll concede the number is something along those lines; I have nothing to refute that. However, I would ask that you look-- There are two different types of out-of-state demand. There is, what I would argue is, the relatively inelastic demand of out-of-state drivers that use the tolls roads, and the completely elastic demand of out-of-state commuters coming from Pennsylvania and New York. We all know -- you see people coming across the border filling up in New Jersey, or everybody at the gas stations at the Holland Tunnel filling up before they go back to the city. So that if there was going to be an increase, to recognize where New Jersey is relative to our neighboring states and to not impact that advantage that we currently have.

Finally, there's also been talk about an increase in the Gross Receipts Tax. There are off-road uses of fuel, there are commercial uses of fuel that -- we think that this should be the time that the Gross Receipts Tax is either co-collected or simply done away with, and we move forward, in terms of a larger-- It's only a small portion of the overall volume of refined petroleum that is collected on.

Relative to the constitutional dedication -- I can't stress that enough. There are other examples of constitutionally dedicated funds -- for example, the Corporate Business Tax -- where, while the revenue from the tax itself is constitutionally dedicated, the interest on that revenue is not; and in some instances, that has been moved from what is theoretically constitutionally dedicated, but the interest is skimmed. So that's something that we would look at.

So in conclusion, we ask that if there is going to be a tax on motor fuels -- an increase enacted -- that it take into account the impact -- the unique impact on small business; it be addressed as an excise tax, and that it be done on a one-time basis instead of a phase-in; and it recognizes the border impacts so we don't lose that advantage that we have currently.

Thank you, Mr. Chairman.

SENATOR SACCO: Thank you very much.

Yes. I want the Committee to recognize that we have seven more speakers, and we will be done here at 12.

SENATOR PENNACCHIO: One quick question: Without quantifying it -- not being able to quantify it -- can you, as a generalization, raising the gas tax, do you think we'll lose State Receipt taxes because of a lesser competitive edge?

MR. DeGESERO: I think that there's a sweet-- If there is going to be an increase, that there might be a sweet spot somewhere between where it is now and where our neighboring states are. I leave it to you, as policymakers, to figure out where that sweet spot is.

SENATOR PENNACCHIO: Thank you.

SENATOR SACCO: All right, Joe McNamara, New Jersey LECET.

Okay, there's now a 3-minute time limit so we can get this wrapped up.

J O S E P H M c N A M A R A: We'll be brief, Chairman.

SENATOR SACCO: Thank you.

C I R O S C A L E R A: Yes, I'll be brief.

MR. McNAMARA: Thanks, Mr. Chairman, for holding this hearing on this critical issue.

I don't have to document the needs; they've been well-documented here, in the press, and at other hearings. It's important for the safety of our people; and that is very, very critical to them. We know the dire need -- financial -- of the Transportation Trust Fund. And it should be noted, not only -- if we don't find a solution to this, not only do we not have New Jersey funds for transportation, but we would lose Federal matching funds, both for roads, highways, and perhaps transit. So there's a loss if we don't do this, besides just not having the investment.

Again, everything's been documented. I just want to take a different look at how we consider expensing capital projects. We often look at it, and it is a short-term expense. But it is a long-term investment. And what I mean by that is, we are -- our transportation system is the foundation of our economy. We are in the heart of the world's largest consumer market; we are the gateway to world markets. If we don't have -- not just roads and bridges -- ports, airports, and transit together, then we will lose our competitiveness. So it's important not only for jobs in the industry I represent -- and I represent-- Today I'm here for the Laborers Employers Trust Fund, Labor Management Fund, representing our Chairman, Ray Porcino, so it's not just our industry. But if our ability to attract and retain businesses here so that there are jobs in finance, in hotels, in other businesses -- it's critical.

We have to find a solution; Forward New Jersey -- we have submitted testimony -- has some options which you've all seen, which we need to consider. It's critical to do that, and we just ask the decision

makers and the leaders in this state to sit down and find a solution to what is probably the most critical problem this month that we're facing.

MR. SCALERA: Mr. Chairman, I just have one point to add, and that it's often not recognized that approximately \$500 million of that Transportation Trust Fund is -- the New Jersey Transit capital program is about \$1.1 billion, half of which comes from the Transportation Trust Fund. So its not just roads and bridges, but the New Jersey Transit operation capital program will be direly affected if we don't come up with a solution for the TTF. I mean, the people -- for whatever reasons -- straphangers, environmentalists -- whatever -- want to see-- And we need -- critically need a strong Transit system too. And that will be impacted as well.

Thank you, Mr. Chairman.

SENATOR SACCO: Thank you very much for your testimony.

Mike McGuinness, NAIOP.

M I C H A E L G . M c G U I N N E S S: Thank you, Mr. Chairman, members of the Committee.

NAIOP represents about 700 commercial real estate developers, investors, owners in New Jersey, and maybe 17,000 in North America.

I'm here today without any prepared remarks, but I just wanted to bring you -- make you aware of the fact that a lot of our members are facility providers for the warehouse and distribution centers, which serve the logistics industry in New Jersey. New Jersey is number three in the country -- New York, New Jersey, the Port -- in terms of the amount of cargo we bring into the country. The amount of cargo is projected to increase substantially in the next few years; it's going to double in the next

10 or 15 years, for sure. It relies on the roads; 75 percent of the cargo leaving the Port goes out on trucks. The trucks are already taking a toll on the roads, and unless we put some substantial investments in those roads immediately then the shippers will go to different ports.

As someone said earlier, we certainly have the location here due to the consumer base within a one-day drive of the Port of New York and New Jersey, but it's very much in jeopardy. And we need-- I mean, I think the \$2 billion of new funding is needed immediately just to keep us competitive with the other areas.

That's pretty much it. I just wanted to make you aware of that fact, which I don't think has been brought up before.

The Department of Labor has put out a great little booklet on the industry -- the logistics industry and how it works into our economy. And I think it's something you should be aware of.

Thank you.

SENATOR SACCO: Yes, Senator.

SENATOR GORDON: That increase that is projected for freight moving through the Port of New York--

MR. McGUINNESS: Right.

SENATOR GORDON: --is that driven by the widening of the Panama Canal and the vessels that are expected to be coming into the Port of New York?

MR. McGUINNESS: All of that makes our Port much more competitive and more attractive. However, I think it's the sheer volume of consumers who reside close to this Port -- meaning New York, New Jersey, Connecticut, eastern Pennsylvania. So our Port is always going to be

number two or three in the country, easily. So I think it's just a consumer base. But yes, the Panama Canal, Bayonne Bridge are all very key in making this Port more attractive; but it's really the consumer base and the fact that we're only a one-day drive from many, many millions of consumers in the country.

SENATOR SACCO: Thank you very much for your testimony.

MR. McGUINNESS: Thank you.

SENATOR SACCO: Daryl Iwicki, Americans for Prosperity.

DARYN IWICKI: Chairman, thank you; Senators, thank you.

We'll be brief with this.

But Senator Gordon, you mentioned this in speaking briefly, that this is a regressive tax. It is going to-- The pain is going to be borne by our middle class and our lower class citizens here in the State of New Jersey. You're looking at \$300, per car, coming out of their budget. So again, we're sitting here in Trenton, putting the pain and burden on our citizens.

And what we would advocate for is, rather than the pain be borne by the citizens, let's have it be borne by the State House. And let's find cuts in the budget that we can do away with and dedicate that money to the Transportation Trust Fund. I think that would be fair, it would be the best way of going about it, and it wouldn't kill our businesses, it wouldn't hurt our middle class citizens, because this is going to be seen throughout the economy. It's not just the individuals who are seeing it at the pump, but it is the business owners who have fleets of cars. It's the small business owner who has to now pay more.

I spoke to a gentleman the other day who owns an ink cartridge business. He has a small truck and drives around the state. That's money

coming out of his pocket that he can't now reinvest into the economy -- whether it's creating a job or expanding his business into a new area.

So why don't we sit down and audit the TTF and find out where this money is actually going in the State. We've seen reports of the Governor taking \$600 million out of tolls and using it to fill budget gaps. I think a great way to make sure the money is being spent properly is to audit it and figure out where it's going, and then make sure it is not being raided for future generations for budget gimmicks. Because I think we can all be honest with ourselves -- that's what a lot of the money has been used for. It's been raided time and time again -- money not going in that is statutorily dedicated that should be going in. So that's a great way of going about and doing it.

And in respect to the costs -- the costs are very real. We spent \$2 million per mile in roadwork. And the study that the gentleman referred to as -- I don't want to put words in his mouth, but what I heard was *erroneous* -- those numbers come from the State of New Jersey. The State of New Jersey reports those numbers. That's what the Reason Foundation uses for their studies. We outspend nearly 3-to-1 our competitors in Massachusetts -- 4-to-1 when it comes to New York -- when it comes to spending on roadwork. What are we spending the money on and what are we getting out of it? Because I can almost guarantee you, not every dollar that we put into the gas tax is going to be going towards fixing our roads and bridges.

Everyone has said infrastructure is vitally important; we agree. We agree in putting together capital projects to make sure our infrastructure is good. But let's make sure if we're going to go down this

road, that that money is actually being invested into the things that it should be invested in -- not budget gimmicks, not supporting Light Rail.

So with that, our time is up -- unless you indulge me to continue, or have me take questions. (laughter)

SENATOR SACCO: No, thank you very much for your testimony. It's a very interesting way to look at the situation.

Thank you.

MR. IWICKI: Thank you.

SENATOR SACCO: Mary Ellen Peppard, New Jersey Food Council.

MARY ELLEN PEPPARD: Good morning. Thank you, Chairman and members of the Committee. Mary Ellen Peppard with the New Jersey Food Council.

Our members have had a lot of meetings on this issue. This is extremely important to our members. We represent the food, retail, and distribution industry which, as you may know, is a very significant user of transportation in this state. We also represent the state's two largest convenience stores with fuel.

Because we do recognize the urgency of the situation, we want to be part of the solution -- and our members have decided that we could support a modest, gradual increase in the gas tax. Our idea would be along the lines of a 3-cent increase over a 3-year period.

We would not be able to support tying this increase to the CPI because of the volatility. Our members have, just this past year, seen the difficulty of the volatility with the minimum wage increase, and it's a difficult thing to try to plan for. Similarly, we would not be able support a

7 percent sales tax on gasoline. As you know, obviously, fuel prices are very volatile. That would be extremely challenging.

Very quickly -- you have my written testimony -- I know I have about 1 minute left.

Because we recognize that a 9-cent, 10-cent increase would not be quite enough and not maybe what we would need, we've also asked that the Committee and the Legislature and the Governor consider other revenue sources -- maybe a little bit different, outside-the-box revenue sources that could be dedicated to the Transportation Trust Fund, such as disposal bag fees, such as liquor license reform fees -- maybe things that would save labor costs like self-serve gas -- things like that. And we have some more information about that in our written testimony.

Thank you.

SENATOR SACCO: Any questions?

Thank you very much for your testimony.

All right, we have Cathleen Lewis, AAA.

CATHLEEN LEWIS: Good morning.

SENATOR SACCO: Good morning.

MS. LEWIS: You all should have copies of my testimony; it's three pages. I won't bore you by reading it.

I will be very brief. You have a brief testimony from me in front of you, so I will not reiterate most of it.

I'll hit some of the keynotes.

SENATOR SACCO: Sure.

MS. LEWIS: Every two years AAA does a study -- does a poll on a variety of different transportation issues. There's a lot of that data on

here, and I'm just going to pull out a couple of pieces that I think are important that people understand.

In 2009, 39 percent of motorists said their commute had stayed the same over the last two years. On our last polling, which is in 2013, 37 percent said their commute had gotten worse. And this was right before last winter; we poll in November. I would guarantee you that if we went out in the field early and we asked them, that the roadways have gotten significantly worse.

One of the places where we see the largest impact of that is on local roadways -- 63 percent of motorists rated interstates as *good* or *excellent*; 70 percent rated toll roads as *good* or *excellent*; 53 percent said State and county roads were *fair* or *poor*; and 61 percent rated their local roads as *fair* or *poor*. Twenty-three percent rated their local roads as *poor*, which was the highest *poor* rating of any of them -- and I think that the reason that you're seeing that is because we all know that, first off, toll roads get the most money. Those are maintained the best. And as we have less money in the Transportation Trust Fund, less of it gets to the local roadways where most of our motorists are driving every day, and those roads don't get repaired. And that's where we're seeing some of the biggest pain.

That crumbling infrastructure hurts us in a variety of ways: our longer commutes, higher repair costs, weakened roadways, and increased crash risk. We've all seen that big pothole in the roadway, and we face the decision: Do we go through the pothole, possibly getting significant damage to our vehicle, or do we swerve and avoid the pothole and possibly get into a crash? And that is, unfortunately, something that most of our motorists are facing on a regular basis.

And when it comes to costs, the average cost for a commuter to bear -- based on the crumbling and deteriorating roadways -- we have is \$600 a year. AAA has done the numbers, and what we see is that repairs, due to potholes, can range from \$50 if it's just a simple realignment, to \$2,500 if you have to replace an axle and you have to replace your tires.

So we've seen those costs continue to expand as our roads continue to deteriorate.

During the past decade, when we have done our poll, we have seen consistent support for an increase in the gas tax if it were dedicated to projects that would improve our roadways. Indeed, as in 2013, we saw a dramatic decrease in that support, and as we've talked to our members we've seen that that's because they just don't trust that the money is getting to the right place.

And I want to be clear on this. AAA continues to educate our members that the gas tax is getting to the right place; the problem is, is that the gas tax is not enough. We are spending 1988 dollars on 2014 costs and it doesn't work.

However, there are other funds that, while not constitutionally dedicated, should have been going into the Fund, and are not. So we are encouraged by some of the discussion about rededicating those and in finding cost savings in other places. And we ask the Legislature to continue to look at those. But the simple math is clear -- that rededication of those funds and reductions of costs is not going to get us to where we need to be. There is too much work to be done; the investment in infrastructure is needed so much that we need to find a new revenue source.

And I know that there's been some discussion about what that would mean out of the motorists' pockets, so I'm going to briefly talk about that. What we've seen is that the costs for the average increase that we've talked about is somewhere between \$200 and \$300. First off, that's significantly less than the average cost that's estimated by the American Civil Engineers, which is at \$600 a year -- if we invest in our roads, we can anticipate that that cost for needed repairs will go down. It's also important to understand that if you know that you're going to spend more money on gas, and your roadways are going to be better, you won't have those unexpected costs because you hit a pothole and all of a sudden you need to replace your tire, you need to replace your axle. Those are costs that you can factor into your budget

And lastly, we are used to fluctuations in our gas prices. And even by increasing the gas tax we would still be competitive when it comes to the gas rate in the region. We have decreased our gas prices by 48 cents in just two months, which means that people have been able to-- For up until two months ago, they were able to absorb another 48 cents per gallon into their regular budgets. When we looked at gas prices last week -- which was when I prepared this testimony -- New Jersey's average gas price was at \$2.68; New York's was at \$3.14; Pennsylvania's was at \$2.93; and Connecticut's was at \$3.08. We have lots of room to increase that cost before we start to get towards any of those other prices. And we also have infrastructure that sorely needs that investment.

I'm happy to answer any questions. The last thing I'll say -- I'm sorry, one more thing -- is that as we look at these, I also urge the Legislature to look at funding for the future. Cars are going to get more fuel

efficient, more cars are going to use alternative fuels. As we have this conversation, this can't be the end. We need to look at how we're going to fold those in, because they are putting the same stresses on our roadways that normal cars that use gas are putting on our roadways today.

So with that, if you have any questions I'm happy to answer them.

SENATOR SACCO: Any questions from anybody?

The interesting fact is that as we get more efficient, even if we raise the gas tax it would be bringing in less money. So that is a consideration. How do you eventually get to the electric car to let them pay their fair share?

SENATOR GORDON: Kilowatt tax. (laughter)

SENATOR SACCO: Yes, okay. All right. I guess there's always a means.

Thank you very much.

MS. LEWIS: Thank you.

Janna Chernetz, Tri-State Transportation Campaign.

J A N N A C H E R N E T Z, Esq.: I guess we're still in the morning, so--

SENATOR SACCO: So we're fine.

MS. CHERNETZ: So I will say good morning.

I do have prepared testimony.

My name is Janna Chernetz. I am the Senior New Jersey Policy Analyst for Tri-State Transportation Campaign. We are a nonprofit, nonpartisan transportation policy advocacy organization; we focus on New Jersey, Connecticut, and downstate New York.

Obviously I don't need to sit here and talk about the state of our roadways and bridges. We all know it; that's why we're here. Ten million people, traveling across deficient bridges a day (*sic*) in New Jersey; the condition of our roadways is deplorable.

But what I do want to talk to you about today is our need to invest in mass transit, because that is an integral part of this discussion. And I just wanted to highlight a few of the statistics in New Jersey that you may or may not be aware of.

About 11 percent of New Jersey workers, ages 16 and older, use public transportation. And of that 11 percent, two-thirds travel by bus.

About 70 percent of New Jersey residents who commute to New York City rely on mass transit, and 24 percent who commute to Philadelphia. These are two economic powerhouses in our region. We need to make sure that our residents can hook up to jobs -- high-paying jobs, because that also translates to New Jersey's economic vitality in terms of revenue.

And New Jersey Transit's ridership is growing. This past fiscal year saw the largest increase in ridership since 2008. For an entire year there's been about 46.4 million riders on New Jersey Transit.

And mass transit is not just a choice for New Jersey residents. Some resident do not own a vehicle. I just want to point out to you the number of residents who do not own vehicles. That's approximately 12 percent of households don't own a vehicle. In Newark, that number is 40 percent. There are 11 municipalities where at least one-third of all households do not own a vehicle -- and I have listed those municipalities, and they vary throughout the entire region.

The other important thing about New Jersey Transit is that they are substantially underfunded. Right now, for the past four years, \$1.6 million has been transferred from capital to meet operating needs. To put that in perspective, \$1.6 million could pay for the Hudson-Bergen Light Rail into Bergen County; it could also pay for the Camden-Glassboro Line. This is how much money we have lost in a possibility for investment in mass transit.

And what else are we losing? Mass transit serves as a huge economic driver in this state. Real estate values go up when people have access to transit. Look at Midtown Direct, look at the property values that increased when that service began. You have people along the Raritan Valley Line who have been asking for direct service, and that's not going to happen unless we talk about how we're going to fund new tunnels. And that's become even more urgent in light of some of the reports -- that we're going to have to close some of these tunnels. So we're talking about losing property values.

Economic growth in terms of transit-oriented development: Look at what's going on in New Brunswick. From 1999 to 2012 they saw a 42 percent increase in jobs because of the development they've been doing in capitalizing on their rail hub. We can be doing this throughout the state and making our communities more economically healthy.

Another thing that I want to talk about, that some of my previous colleagues have spoken to, is: is \$2 billion enough? What is that going to get us? What are our goals in New Jersey, our priorities? How is that going to translate to the number of deficient bridges and improvement in our roadways?

And I see that I'm out of time, but I just want to let you know that--

SENATOR SACCO: Just conclude -- just conclude it now. It's okay. Just finish what you're saying.

MS. CHERNETZ: Okay. Tri-State transportation Campaign, along with New Jersey Policy Perspective, RPA, New Jersey Future, and ATU -- we put out a list of questions that we would hope that the Legislature and the Administration would think about as they guide this discussion. And it talks about where we are now, where we want to be in the future in terms of debt payments. We've had a \$1.6 billion program for 10 years and it is historically stagnant. New Jersey is able to do less and less every year with the rising cost of labor and materials. So how long is-- Whatever proposal that eventually comes to fruition -- how long is that going to last? What are we going to be able to do with that? This is something that the public needs to know, because transportation affects everybody -- it affects you, it affects me. You have a right to know where your dollars are going to go.

So I would hope that you would use those questions that we have come up with as a guide for further discussion.

Thank you.

SENATOR SACCO: Thank you very much for your testimony.
Yes.

SENATOR GORDON: I don't expect a response, but just an observation that occurred to me throughout this morning -- and that is that New Jersey, if not the entire New York metropolitan area, contributes a disproportionate amount to the American economy. And this is really a

responsibility that should be shared with the Federal government. And it is unfortunate that we can't get anything out of Washington anymore.

But the Federal government needs to be a big player here, and it has not been rising to the occasion.

SENATOR SACCO: Yes.

SENATOR PENNACCHIO: Briefly, this is what I find frustrating. For the first time today I've heard the \$2 billion mentioned. And now your testimony says that we need more?

MS. CHERNETZ: I'm just caught wondering whether or not \$2 billion is enough -- looking at what we're doing now with this \$1.6 billion. Is this going to be enough in the future?

SENATOR PENNACCHIO: We have no list of priorities; I don't see anything in front of me that tells me exactly what the dollars -- what the real dollars are, what the costs are going to be. And yet, we just keep putting out there numbers: we need \$2 billion, we need more than \$2 billion. Next week, if we have another meeting, it will be \$3 billion, or \$4 billion, or whatever. I think the taxpayer deserves an honest assessment of what the needs are.

MS. CHERNETZ: We agree wholeheartedly, and we're hoping that we could get to that point -- you know, what is our goal for fixing first, what is our goal for mass transit expansion. The public needs to know that; and are we going to be back here 5 years from now, 10 years from now, 15 years from now? We need to know, long-term.

SENATOR PENNACCHIO: A master plan. Thank you.

MS. CHERNETZ: Thank you.

SENATOR SACCO: Thank you.

SENATOR PENNACCHIO: Thank you, Chair.

SENATOR SACCO: All right, we have our last speaker, Tom Bracken, New Jersey State Chamber of Commerce, Forward New Jersey.

T H O M A S B R A C K E N: Mr. Chairman, thank you for allowing me to testify, and members of the Committee.

My name is Tom Bracken. I'm the President of the New Jersey State Chamber of Commerce and also the Chairman of a coalition called Forward New Jersey, which was put together to do two things: one, to educate people as to the magnitude of the need to invest in our infrastructure. I won't go into that because I'm sure you've heard testimony ad nauseam today about the numbers, and I'm not going to talk about that again. Secondly, our mission was to answer the question, which is always asked in New Jersey if you bring forward a problem, which is: How do you pay for it?

And our coalition listed a number of ways to potentially find funding to replenish the Trust Fund in an intelligent, long-term way.

The coalition is a very sizable coalition, representing 40 to 50 organizations; representing labor, business, consumer groups, individual companies. We have the League of Municipalities involved, the County Association. So we have a number of very diverse organizations as part of this coalition.

I would say, arguably, it is the strongest coalition ever put together in the State of New Jersey fighting for an issue. And the reason we're fighting for this issue is we feel very strongly that it is the number one issue facing the State of New Jersey right now.

Our infrastructure is the key to our economy; it's the key to our business competitiveness. It impacts the safety of every individual in the State of New Jersey, and it impacts every one of those organizations, companies, and individuals every day. It is something that cannot be ignored any longer; it has been ignored for decades, and we need to replenish and fix our infrastructure, invest in more improvements to make us more competitive, and simply to find the money to pay for our debt service on the bonds that are embedded in the Transportation Trust Fund.

The infrastructure is the foundation of our economy. There are many other issues facing the State of New Jersey that are very important. We all know what they are -- the pension issue, Atlantic City, education; and we can go on and on. Working on those issues will never become as effective as the possible solutions can be if we don't have a strong foundation. The foundation for all those issues and the foundation for our State is our infrastructure. We have to fix that. That's absolutely important for the future of New Jersey.

I would also say that there are many investments happening right now in the State of New Jersey that, if we don't invest in our infrastructure, will never be maximized -- the raising of the Bayonne Bridge and a number of issues like that, which could be very important to the economy of our state. If we don't have a strong infrastructure, that's going to be muted dramatically; and what a shame that would be.

The Transportation Trust Fund that we have, as you all know, becomes insolvent next June if we don't do something -- to the tune of about a \$400 million gap between what the debt service is and what the funds coming in are. We need a long-term, sustainable, intelligent,

dedicated source of funding in place to put this issue behind us permanently.

It can be fixed, it can be fixed now. We need to do it with an amount of money that's sizable to have an impact. And we don't need a short-term solution. Any short-term solution right now would be totally unacceptable to the members of our coalition and a complete disservice to the State of New Jersey.

We need a long-term solution; it's the best thing that could happen to our State. The beauty of this problem is it can be fixed, it can be fixed right now, and it would be an enormous step forward for the State of New Jersey.

I highly encourage the Senate and the Assembly and the Administration to do this. There's been a lot of support provided by our coalition. We are 100 percent in favor of this. As I said before, it's the major thing that can be done to the State of New Jersey right now. It has to be done, there's no other alternative, and we would highly encourage you to take positive action on this.

Thank you.

SENATOR SACCO: Thank you.

Before we adjourn -- Senators, any comments?

SENATOR GORDON: I would just add one point.

I really think, as a Legislature, we need to consider not just how we're going to raise revenue to make these imperative investments. But I think we need to think about how we can lessen the burden on those who are least able to bear these costs. And that's why I would really encourage

us to think about how we might build something into our State tax system to lessen the impact on middle class and lower income people.

SENATOR SACCO: Senator.

SENATOR PENNACCHIO: Just a few questions.

The Chamber-- Do you have a number that you think is required in order to meet our needs?

MR. BRACKEN: We haven't done an extensive analysis on that. But I think the number that's being thrown around in the majority of the discussions is \$2 billion.

SENATOR PENNACCHIO: Yes. Again, that's part of the frustrating part to me and for the taxpayers -- because we don't have something that's really quantified, on paper, prioritized: this is exactly what we need, this is how it should be done, and this is the schedule in which it should be done. And they just keep throwing out numbers. I don't think it's fair to the taxpayers -- \$2 billion translates into, what, 40 cents a gallon?

MR. BRACKEN: It would be 40 cents a gallon, if it was all gas tax, correct.

SENATOR PENNACCHIO: Well, it's still \$2 billion. And coincidentally, we have some really great national employment numbers which, in my view, is not coincidental to the price of gasoline and oil dropping. So there is a direct effect on the economy. If you're going to raise it by 40 cents, we may be hurting ourselves a lot more than we may be helping ourselves.

MR. BRACKEN: Well, we're not advocating for any of the options. You know, we're just advocating for a solution.

SENATOR PENNACCHIO: It's going to come from somebody's pocket.

MR. BRACKEN: Oh, absolutely. But, you know, the long-term benefits dramatically outweighs the short-term pain. We're hoping that any kind of pain -- and that's probably a loose term to use -- is dispersed among many organizations and individuals so that it's minimized to any one specific group.

SENATOR PENNACCHIO: Again, before we have that-- An honest assessment -- before we vote on anything, we really need an honest assessment of where we are and how much it's going to cost, and prioritize it; and a timetable.

MR. BRACKEN: Yes. And our coalition is not -- we did not do extensive research on what the DOT and other issues are that need to be addressed in New Jersey which would add to that total. But I'm sure that there are ways to find that.

SENATOR PENNACCHIO: Thank you.

Thank you, Chair.

SENATOR SACCO: Senator Gordon.

SENATOR GORDON: Yes, just a response to that. I would think that we have a 10-year capital plan from DOT and New Jersey Transit. Someone has put those numbers together. I agree with Senator Pennacchio -- we need to see them. But I would be -- I would start scheduling oversight committee meetings if we found out that there was no set of priorities for our infrastructure investments.

SENATOR SACCO: I think that we would have to see how we spend the money; I think that we would have to really analyze our spending to see how much we really need.

Look, we have no solution here, but we do have a lot of input now. And I thank everyone for their testimony and for the time that they put into this. And as we go on, I assure you that the Legislature will work with the Governor to come up with a solution; and hopefully that solution sustains New Jersey into the long future.

I thank you very much for your patience. If anyone felt rushed, I feel very badly. I wish I could go back in time and give more time to each and every one of you.

Thank you.

(MEETING CONCLUDED)

APPENDIX



LEGISLATIVE VIEWPOINT

New Jersey State League
of Municipalities

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Statement on the Need to Renew and Replenish the Transportation Trust Fund And to Increase Local Aid

Presented to the Senate Transportation Committee
By Honorable Brian Wahler, Mayor of Piscataway and
President, NJ League of Municipalities and
Timothy C. McDonough, Mayor of Hope Township and
Past President, NJ League of Municipalities and
Chairman, League Transportation Trust Fund Review Committee
Monday, December 8, 2014

Good morning, Senator Sacco and Members of the Committee. Thanks you for allowing us to present some testimony from the municipal perspective.

Just last year, the American Society of Civil Engineers reported that 651 of the 6,554 bridges in New Jersey (9.9%) are considered structurally deficient and 1,717 (26.2%) are considered functionally obsolete. That report also estimated that driving on roads in need of repair costs New Jersey motorists \$3.476 billion a year in extra vehicle repairs and operating costs – \$601 per motorist, and that 66% of New Jersey's roads are in poor or mediocre condition.

Local officials know that investments in these assets must be made. Failure to do so can compromise the safety of the public, the economic vitality of our communities and the security of our neighborhoods.

As we see it, New Jersey faces three challenges, with regards to transportation capital funding. We must:

1. Reauthorize the Transportation Trust Fund to ensure adequate and reliable funding to meet State and local transportation infrastructure funding needs for the next 10 years.
2. Increase Local Aid funding to ensure adequate and reliable funding to meet all local transportation infrastructure needs.
3. Increase the municipal share of Local Aid funding and ensure fair funding for all municipalities.

-over-

In the first year of the Transportation Trust Fund (FY 1985), Local Aid funding represented almost 22 % of total Transportation Capital funding. By FY 1997, Local Aid was down to 16%. By FY 2004, we were down to 12%. In FY 2013 (the last year for which we have audited numbers, Local Aid represented 15% of the total.

Average Local Aid funding over the 29 years was just under 15%. If the funding level would have remained at the original 22%, total Local Aid for the 29 years would have been \$5,726.5 million, instead of \$3,878 million. At 22%, Local Aid in FY 2013 would have been \$249.4 million.

Leaving NJ Transit aid out of the equation, and comparing only the amounts appropriated for State and local roadways and bridges, in FY '85 Local Aid represented 25% of the total. And the annual average for Local Aid, over the life of the program has been about 25%.

The State Department of Transportation (DOT) reports that New Jersey's municipalities are responsible for 64 percent (28,539 center line road miles) of our roads. County governments are responsible for another 22 percent (6,649 center line road miles). Together, local governments are responsible for 39 percent of our bridges. Local roadways and bridges carry about 55 percent of all traffic.

Again, subtracting NJ Transit funding, if remaining aid was distributed on the basis of traffic carried, in FY 2013 Local Aid (at 55%) would have been \$361.6 million.

If it were based on road mileage, municipalities (at 64%) would have received \$420.8 million, and counties (at 22%) would have gotten \$144.7 million. Total Local Aid would, then, have been \$565.5 million.

Even if only based on our respective responsibility for bridges, at 39%, Local Aid would have been \$256.4 million.

Given these facts, we welcome the hope offered by the statements of Senator Sweeney, of Speaker Prieto and of other Legislative Leaders.

The need for investments in local roads and bridges has not decreased since 1985. No one has suggested that it will decrease in the future. So given the extent of the local infrastructure, and given the need for strong and steady investment in that infrastructure, we will call for assurances that Local Aid will represent, at a minimum, \$350 million. And we will call for adjustments in funding, to account for the effects of inflation.

We welcome your effort to prioritize New Jersey's transportation funding, and to put our State's economic future on solid footing. Without bold action on this matter, New Jersey cannot move forward.

NEW JERSEY ASSOCIATION OF COUNTIES

County Government with a Unified Voice!

M. CLAIRE FRENCH
NJAC President
Monmouth County Clerk

JOHN G. DONNADIO
Executive Director

COUNTY TRANSPORTATION IMPACT STATEMENT 2014

The New Jersey Association of Counties (NJAC) has long been an advocate for establishing a stable, dependable, and long-term source of dedicated funding for the State's Transportation Trust Fund (TTF); and, increasing Local Aid allocations to \$300.0 million as recommended by the New Jersey Transportation Blue Ribbon Commission.

As has been well documented, county governments spend approximately \$565.0 million each year to operate and maintain an estimated 7,140 bridges and more than 6,775 centerline miles of roads. However, the State's current Transportation Capital Program (TCP) only allocates \$165.0 million each year in Local Aid with \$78.75 million for counties and municipalities, \$25.0 million for county bridges, and \$7.5 million in discretionary funding leaving county governments responsible for financing \$453.75 million of its transportation need through the collection of local property taxes. As highlighted in the tables and footnotes below, county and municipal roads and bridges carry an estimated 53% of the State's overall traffic, yet inequitably receive only 12.3% of funding under the State's annual \$1.6 billion TCP. Moreover, the proportionate share of Local Aid relative to overall TCP increases has dramatically decreased by 56.7% since the inception of the TTF in 1985.

To compound matters, county governments must make substantial capital improvement investments as 281 (11.0%) of the 2,556 major bridges maintained by counties are classified as "Structurally Deficient" and in need of \$663.0 million worth of rehabilitation or replacement. A Structurally Deficient bridge is generally defined as a bridge or culvert rated in poor condition, its load carrying capacity is below current design standards, or if a waterway below frequently overtops the bridge. Moreover, 452 (17.7%) of the same 2,556 bridges are classified as "Functionally Obsolete" and in need of \$938.0 million worth of rehabilitation or replacement. A Functionally Obsolete bridge is generally defined as a bridge or culvert that is not Structurally Deficient, but its design is outdated. Finally, 2,941 of the 4584 (64.1%) minor bridges maintained by counties are in need of repair and 1,002 (21.9%) must be replaced at a cost of \$1.25 billion for a grand total of \$2.85 billion.

With these staggering numbers in mind, NJAC urges our State leaders to establish a stable, dependable, and long-term source of funding for vital transportation projects; and, to increase Local Aid allocations under the TTF as a means to mitigate the reliance on the collection of local property taxes, stimulate the economy and job growth, and ensure safe and reliable roads and bridges.

LOCAL TRANSPORTATION INVENTORY 2014

Category	County	Municipal	Total
Centerline Miles ¹	6,775	25,675	32,540
Lane Miles ²	13,550	51,530	65,080
Major Bridges ³	2,556	42	2,598
Minor Bridges ⁴	4,584	0	4,584
Total Bridges	7,140	42	7,182
Vehicle Miles Traveled ⁵	35%	18%	53%

1. Centerline miles represent the total length of a given road.
2. Lane miles measure the total length and lane count of a given road. *The figures used above represent two lanes on a given road, and do not take into consideration the size or type of a lane, or whether a given road has more than two lanes, so the total figure for lane miles is likely greater.*
3. Major bridges are bridges greater than 20' in span.
4. Minor bridges are bridges between 5' – 20' in span.
5. County vehicle miles traveled equals 35%, Municipal vehicle miles traveled equals 18%, State vehicle miles traveled equals 36%, and toll road vehicle miles traveled equals 11%.

LOCAL TRANSPORTATION NEEDS 2014

Annual Need	County	Municipal
Bridges	\$284,425,000.00	\$8,743,000.00
Resurfacing	\$108,295,000.00	\$175,202,000.00
Construction/Reconstruction	\$98,540,000.00	\$179,277,000.00
Design/Contract Administration	\$73,689,000.00	\$54,483,000.00
Total	\$564,949,000.00	\$417,705,000.00

LOCAL TRANSPORTATION TRUST FUND ALLOCATIONS 2014

The current Transportation Trust Fund allocates \$165.0 million in Local Aid of which counties and municipalities share at 50% in the following manner:

- \$78.75 million for county roads
- \$78.75 million for municipal roads
- \$7.5 million for Commissioner's discretionary funding

Counties receive an additional \$25.0 million in State allocations for bridges that is distributed equally among all 21 counties with \$4.0 million set aside for the Commissioner's discretionary funding for a Total Capital Program of \$190.0 million.

*Member Colleges
and Universities*

Bloomfield College
Caldwell University
Centenary College
College of Saint Elizabeth
Drew University
Fairleigh Dickinson University
Felician College
Georgian Court University
Monmouth University
Princeton University
Rider University
Saint Peter's University
Seton Hall University
Stevens Institute of Technology



*Association of Independent Colleges
and Universities in New Jersey*

**TESTIMONY OF DAVID ROUSSEAU, VICE PRESIDENT,
ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES
IN NEW JERSEY**

SENATE TRANSPORTATION COMMITTEE

December 8, 2014

Good morning Chairman Sacco and members of the Senate Transportation Committee. Thank you for the opportunity to address the committee on the important issue of the future of the Transportation Trust Fund.

I am David Rousseau the Vice President of the Association of Independent Colleges and Universities in New Jersey (AICUNJ).

AICUNJ is comprised of the New Jersey's fourteen public-mission, non-profit, independent colleges and universities. These colleges have eighteen campuses located throughout the state with the majority located in northern New Jersey.

Nearly 65,000 students attend the state's independent colleges and universities - - one out of every six of all college students in New Jersey and one in four of all students in four year colleges.

These colleges and universities employ 17,000 residents and generate a total economic impact of nearly \$10 billion annually.

AICUNJ is also a member of the NJ State Chamber of Commerce, the New Jersey Business and Industry Association and the NJ Alliance for Action.

During your previous hearings you have heard testimony from the state labor and business organizations and many others on the need for the continued funding of the Transportation Trust Fund to insure that the state's roads, bridges and public transportation rail and bus systems are safe, reliable and that funding continues to be available for needed repairs and upgrades.

A modern, efficient and safe transportation infrastructure is important to the economic vitality of the state through the movement of goods and the ability of employees to get their respective places of employment.

The State's colleges and universities also require a modern and safe transportation infrastructure to effectively provide access to the quality education that our students need and deserve. The staff and students at the colleges and universities rely on the roads and public transportation systems every day to get to and from the various campuses throughout the state.

Stress from the concern about delays and actual delays due to traffic congestion likely have an impact on the student's ability to learn. Unexpected delays can result in faculty and students missing valuable class instruction time.

Automobile repairs needed due to deteriorating roads have a financial impact on students – many of whom are paying for their own education.

This year, more than 41,000 full and part time students will commute to the eighteen campuses if the independent colleges and universities. This represents nearly two-thirds of the total students attending these schools. Commuter students represent over 80% of the student population at some of the independent colleges.

In addition, more than 17,000 faculty and other employees commute to work nearly every day at our eighteen campuses.

Combined nearly 60,000 students and faculty and other employees commute the fourteen independent colleges and universities. These students and employees need the state's roads and public transportation system each and every day.

The fourteen independent colleges and universities are only one part of the overall higher education system in the State. When you include the state public colleges and universities, the number of students, faculty and employees commuting to campuses each day increases significantly.

At the State's eleven four year senior public colleges and universities over 57,000 part-time students and a significant portion of the 128,000 full time students commute to the campuses throughout the state. In addition, 45,000 faculty and employees commute to these college campuses throughout the state.

All of the 166,000 students as well as the 18,000 faculty and employees at the nineteen county colleges commute to the more than seventy campuses throughout the state.

Finally, nearly 11,000 students attend the many campuses of the six proprietary schools throughout the state and these schools employ over 1,300 employees.

As you can see a significant number of students need the State's transportation infrastructure each day in order to continue their education. In addition the over 80,000 faculty and employees need to drive or take public transportation each day to earn their living and to provide the classroom instruction and other services not only to those students that are commuting but also to the students that are living on campuses throughout the state.

It is encouraging that the planets seem to be aligning on the need to insure that the Transportation Trust Fund continues to be funded in the future. Positive signs include the work that this committee is doing to gather input from a wide range of interested individuals and groups. The Governor's appointment of Jamie Fox as Commissioner of the DOT as well his direction for Jamie to look at all options and his clear statement that nothing is "off the table" is a positive step toward a long term bi-partisan solution. In addition, the work of Forward NJ, which represents a wide range of business and labor organizations, will hopefully provide a base of support to help the Governor and the Legislative leaders of both parties develop a long term bi-partisan solution to continue the funding required to make sure that the State has a 21st century transportation system.

The \$2 billion question of course is how to fund the continuation of the Trust Fund. Legislators, Forward NJ and other groups have suggested a variety of funding options. AICUNJ is not taking a position on the specific funding source. We do, however, urge that **NEW** revenue be provided to fund the continuation of the Trust Fund rather than the use of current General Fund revenue that is already spoken for in the budget.

Since 1988 no NEW revenue source has been used to continue the Trust Fund. Each year existing General Fund revenues have been shifted to the Trust Fund at the expense of other budgetary needs.

As you are all well aware, the State faces significant fiscal issues in addition to the need to fund transportation infrastructure and diverting existing General Fund revenue to solve this problem will only exacerbate other budgetary problems.

From a parochial point of view, the use of existing revenue rather than new revenue will continue to result in minimal increases or possibly even more reductions in the state's to higher education. Of course there are many other fiscal issues facing the state such as the underfunding of the pension systems and retiree health benefits, the continued need for increased K-12 funding, as well as the continuing efforts to provide property tax relief for the middle class.

Thank you for the opportunity to address the committee on this important issue and I am hopeful that the leadership of both houses and the Governor will agree to a plan that continues the funding for the state's transportation infrastructure into the future.

I hope that the perspective from one portion of the higher education community that I have provided is helpful.

Independent Institutions with Public Missions

A I C U N J

*Association of Independent Colleges and
Universities in New Jersey*

Association of Independent Colleges and Universities in New Jersey

The Association of Independent Colleges and Universities in New Jersey (AICUNJ) is the public relations, research and government liaison organization for fourteen privately supported institutions of higher education in New Jersey. Members include non-profit four-year undergraduate, graduate, and professional schools accredited by the Middle States Association of Colleges and Schools and licensed by the State of New Jersey. Institutions whose primary function is religious training are not eligible for membership.

AICUNJ was organized in 1966 to represent the interests of its members to New Jersey's lawmakers, regulators and citizens. AICUNJ seeks to strengthen financial aid programs for students and bring about a greater understanding of the impact and contributions of independent colleges and universities in New Jersey. AICUNJ also works with members to develop consortial programs that save time and money and enhance service. At the same time, AICUNJ works to promote the well-being of New Jersey's higher education system as a whole, with special regard for the dual private/public nature of that system and its responsibility to serve the educational, social and cultural needs of the state and the nation.



Independent College Fund of New Jersey

The Independent College Fund of New Jersey (ICFNJ) is a partnership among corporations, foundations and colleges and universities which provides a vehicle for investing in the quality of private higher education in New Jersey and the State's economic future.

ICFNJ conducts an annual fundraising campaign that urges business and foundation communities to invest in New Jersey's private colleges and universities and their students.

We provide our corporate partners with a way to invest in their future employees through support of innovative strategic giving programs and named scholarships.

The funds we distribute support:

- Professional preparation
- Faculty development
- Community service
- Technology initiatives
- Global awareness
- Lifelong learning

Our Board of Trustees is comprised of our 14 college and university presidents and more than 60 senior business executives from a broad range of industries.

Since 1953, we have attracted over \$69 million to support New Jersey's independent colleges and universities.

NEW JERSEY'S INDEPENDENT COLLEGES & UNIVERSITIES

The 14 independent colleges and universities in New Jersey have a long history of meeting the needs of the State and its residents.

Serving All Students

- Our member institutions enrolled 64,768 students in Fall 2013 providing opportunities for students to find the right academic, cultural and social blend to enhance individual learning.
- We enroll 24% of all students attending four-year institutions in New Jersey.
- The overall minority enrollment at our member institutions is 30%, with the undergraduate minority enrollment even greater at 36%.
- Our colleges and universities provide over \$657 million in institutional grant aid to undergraduate students.

Meeting the Workforce Demand

- While enrolling 15% of all higher-education students, New Jersey's independent colleges awarded 20% of all degrees conferred in FY2014.
- Our students earned 24% of the baccalaureate degrees and 37% of all advanced degrees conferred in FY2014.
- Our students earned 28% of all the education degrees and 30% of all advanced education degrees conferred by four-year institutions in FY2014.
- New Jersey's independent colleges excel in degrees awarded by four-year institutions in the fields of Science and Technology:
 - 30% of all math degrees
 - 46% of all engineering degrees
 - 42% of all chemistry degrees
 - 31% of all nursing degrees
 - 59% of all physical science advanced degrees
 - 53% of all computer science advanced degrees

New Jersey's Investment in Independent Higher Education

- Thanks to the Building our Future bond act and bond renewals, capital support for the independent institutions was \$73.5 million in FY2013.
- The Tuition Aid Grant (TAG) and Educational Opportunity Fund (EOF) programs totaled \$92.8 million in financial aid for New Jersey students attending an AICUNJ institution in FY2014.
- Direct State support in fiscal year 2014 to our fourteen member institutions equaled \$1 million.

Contributions to the State of New Jersey

- The economic impact of the sector on the State of New Jersey was more than \$9.7 billion in FY2012.
- New Jersey's independent colleges and universities employ more than 17,000 people.
- Our member institutions saved the State of New Jersey over \$184 million in FY2013 – the price it would cost the State to educate the New Jersey residents our institutions enrolled.
- The fourteen institutions collectively have more than 423,700 living alumni. About 54% of all graduates of these institutions still live in New Jersey.
- Our 14 member institutions will spend over \$827 million in 2015 & 2016 on new construction and renovation of campus facilities. These projects will generate many jobs in construction and related industries over the next several years.
- Governor Christie and six of the governor's Cabinet Members, as well as 36 members of the New Jersey State Legislature, are alumni/ae of AICUNJ institutions.

Statement of Gordon MacInnes
President, New Jersey Policy Perspective
December 8, 2014

Today, the Senate transportation committee is casting a spotlight on the condition and prospects for New Jersey's transportation network and the bank that finances it. The following may provide a useful context for the committee.

"Emergency" is the right word and even that might be too soft. I will not repeat what is already known and accepted about this emergency. It is--simply--a product of successive legislatures and governors of both parties deciding that an accurate discussion of the condition of the TTF was to be avoided despite clear, documented warnings of the consequences. Instead of a real discussion of the state's transportation needs, we've gotten small-bore responses in the hope that no one would notice, handing off the negative impact to future administrations, legislatures and residents.

Time's up. The emergency has arrived. My first recommendation is that it be fully acknowledged. All the evidence points to a disaster for our future if we dawdle any longer. Commissioner Fox urges that a third rail tunnel to Manhattan be put on the table. Any New Jersey driver will confirm the federal transportation department's ranking of our bridges and highways as near the bottom of the 50 states for drivability and safety. In short, the typically timid politically-appealing response of a little bit here and little bit there won't work.

Both the Speaker and the Senate President have urged that the emergency requires a bold, immediate response. "Bold" means finding revenues of at least \$1 billion but up to \$2 billion in new revenues dedicated to the TTF. Finally, the true dimension of the emergency has been acknowledged by two of the three constitutional officers who must reach agreement on policies and priorities.

My second recommendation is that the legislature and governor begin to match up unmet priorities with specific taxes or tax increases to fund them. No one in public life wants to be the bearer of the bad news that we played games with our future and that the cost of repairing the damage will be noticeable to everyone who buys gas in New Jersey. The same bipartisan spirit that responded to Superstorm Sandy is required now for the TTF emergency.

There is a powerful consensus developing about both the magnitude of the transportation problems that must be addressed and the perils of inaction. But so far, little has been offered about *what* should be done. In April, NJPP recommended applying the sales tax to gasoline sales, which at April prices, would add about \$1.2 billion to the TTF. Recently, Assemblyman Wisniewski introduced a significant hike in the petroleum products tax that would raise about the same amount. Both employ *percentage* increases that work well with stable or rising prices. It's possible that a

combination of per gallon and percentage tax hikes will be required to finance essential investments in an era of declining prices and more fuel-efficient vehicles.

What New Jersey cannot afford is to rely on no revenue increase, such as the proposal to dedicate the segments of the gasoline and petroleum products taxes not yet dedicated. Not only is the amount involved paltry, it continues the "free lunch" practices that put us in this hole.

The third recommendation is to not play political games that have nothing to do with dealing with the emergency. Already, there is a rumbling that the TTF emergency should be used to gain political points by insisting that any gas tax increase be offset with elimination of the estate tax. Maybe the estate tax should be modified as a part of a comprehensive reform of New Jersey's tax structure. But it makes no sense to combine increased gas taxes that everyone will pay and that will pay for specific needs, with a sudden elimination or reduction in a tax that only 5 to 10 percent of New Jerseyans pay - the revenues from which help balance our fragile annual budgets. There is no connection between the two.

Consider that the state's general fund is in such desperate condition that the 2011 pension reform has been blown up. Consider that New Jersey is lagging our neighbors and the nation in recovering jobs and economic activity, which helps explain the yawning deficit in the operating budget. Consider that property tax rebates have been slashed for families trying to make it in high-cost New Jersey on less than \$75,000 a year. Consider that state aid to counties and towns has been declining for years while their costs continue to rise.

The idea that we would combine trying to salvage the TTF and at the same time dig the general fund into an even deeper hole by cutting our revenues by \$300 to \$700 million defies common sense and prudent financial practice.



November 18, 2014

TO: The Honorable Chris Christie
New Jersey Legislature
The Honorable Andrew Sidamon-Eristoff
The Honorable Jamie Fox

FROM: Eric DeGesero, Executive Vice President

RE: **TRANSPORTATION FUNDING**

The Fuel Merchants Association of New Jersey (FMA) represents petroleum distributors in the state.

While FMA does not support an increase in, or new assessment of, any tax on petroleum, we recognize the need for a dedicated and stable source of transportation funding. As discussions continue regarding reauthorization of the Transportation Trust Fund (TTF), FMA offers the following concerns and recommendations relative to the impact a tax increase would have on the state's petroleum distributors.

Concerns Regarding an Increase

FMA members have significant concerns as to how any fuel tax increase will impact them operationally.

For example, the bond that FMA members procure pursuant to N.J.S.A. 54:39-122 will increase. The purchasing power of their lines of credit with their suppliers will likely diminish as a higher tax is factored into the purchasing price of their fuel. A higher tax will also adversely impact the operation of those businesses that serve government entities as it will mean larger refund amounts which they must wait for, hurting cash flow.

Three Actions to Mitigate Above Concerns

An increase in the motor fuels tax will have a detrimental impact on the operations of motor fuel distributors in New Jersey. A higher tax rate will adversely impact the line of credit distributors have with their suppliers since it is unlikely there will be a dollar for dollar increase to offset the increase. Furthermore, distributors will have more at risk when customers don't pay and the receivable, including the tax, must be written off as a bad debt. Currently there is no refund mechanism to account for the bad debt. To address the adverse impacts if tax increases are part of the TTF renewal, FMA believes the Legislature should:

- a) Enact S-1083(Bucco/VanDrew) and A-1070(Schaer/Schepisi/Space) which would allow certain fuel dealers and distributors refunds of petroleum products gross receipts tax and credits against motor fuel tax for certain bad debts from sale of fuel.

- b) Enact legislation that would prohibit taxes from being part of the credit card interchange fee. This would free up cash flow to help offset a potential tax increase.
- c) Amend N.J.S.A. 54:39-134 to reduce the amount of bond that a distributor must procure to either the single highest month in the past twelve (as opposed to 3x) or a lower amount at the discretion of the Director of the Division of Taxation. Many FMA members have decades of solid payment history to the state by which the Director may feel on a case by case basis a lesser amount could be warranted.

FMA Opposes Assessing the Sales Tax on Motor Fuels

There has been discourse in the media regarding TTF replenishment that includes assessing the sales tax on gasoline by repealing the current exemption at N.J.S.A32B-8.8.

While it can be stated this is closing a tax "loophole," FMA would note that few if any other goods or services on which the sales tax is assessed are also assessed an excise tax. Furthermore, collecting a retail tax on a motor fuels is bad policy. Few, if any other goods on which the sales tax is assessed have daily changes in price, let alone significant daily changes in price. While all retailers assess and collect the sales tax, the volatility in price and daily change will hurt collection efforts which will suffer from both human error and unsavory operators. The Christie Transportation Transition Report recognized the inefficiency of the previous system of motor fuel tax collection in making its first Finance Recommendation, which stated, "*Collect the gas tax at distribution to reduce the losses and expenses from multiple collection points currently used.*" (1/5/2010). The Legislature enacted this recommendation when it passed Assembly Bill 3014 in the 214th Legislature (P.L. 2010 c. 22).

Even if there were no collection related issues as outlined above, the variation in sales tax revenue as a result of volatile fuel prices will make annual planning for stable transportation funding extremely difficult. For example, West Texas Intermediate (WTI) crude oil prices have swung from \$104/barrel in July 2014 to \$76 now (Nov. 14, 2014). Approximately 4 billion gallons of gasoline are consumed in New Jersey annually. If prices were to swing \$0.50/gallon, that would result in a variance of \$140 million per year. Depending on the total amount that is looking to be raised (FMA is unsure and has heard from \$1.2billion to \$2billion per year), this could mean the projection being off by 10%. As policymakers, you must grapple with swings in revenue from the gross income tax related to capital gains, while not to the same dollar magnitude the ability to stably plan for a capital program will be dramatically impacted.

Competitive/Border Issues

Proponents of a fuel tax increase have noted the fact that many vehicles drive through New Jersey and therefore we will continue to benefit from significant out of state volume, even with an increased tax rate.

While unaware of any quantification of the out of state fuel volume, FMA agrees that it is significant. However, FMA also cautions that there is a distinction between inelastic demand for New Jersey gasoline - those driving through on toll roads, and elastic demand for gasoline - those out of state commuters who buy in New Jersey because of lower prices but could just as easily purchase in their home state. The below chart outlines the price of gasoline and diesel in neighboring states.

	Gasoline/cents per gallon	Diesel/cents per gallon
New Jersey#	14.5 (PGRT incl.)	17.5 (PGRT incl.)
Delaware	23(incl. 0.9% GRT)	22 (incl. 0.9% GRT)
New York	50.25 (incl. state sales tax)	48.65 (incl. state sales tax)
Pennsylvania*	41.8	52.10

#Add to NJ Cost ~7-8 cents a gallon for labor *Will adjust January 2015 by approximately 9 cents/g.

Other general concerns include how alternative fueled vehicles will contribute to transportation funding as well as the overall impact on the cost of goods with higher fuel prices.

FMA Opposes Increasing the Gross Receipts Tax on Heating/Off-Road Fuel

The Petroleum Gross Receipts Tax (PGRT) is calculated in two different manners. For gasoline, commercial heating oil, and diesel fuel it is a 4 cents/per gallon tax, for all other petroleum products it is assessed at 2¾% of the sales price. According to the Energy Information Administration there are 1.2 billion gallons of distillate (heating oil, diesel, heavy oil excludes – jet fuel) sold in New Jersey. Of this total, 785 million is on-highway diesel and only 90 million commercial/industrial (the 175 million of residential is already exempt). The off-road and heating component is small and would not raise that much money relative to overall TTF needs. FMA questions if it is it time to co-collect the PGRT with the motor fuels tax (pursuant to N.J.S.A. 54:39-148h.) or if the revenue from the PGRT is calculated within the excise tax to simply eliminate the PGRT altogether on for gasoline, commercial heating oil, and diesel fuel.

Conclusion

If a tax on motor fuels is going to be enacted to reauthorize the TTF, the concerns of small business need to be addressed and the tax needs to be a one-time excise tax increase that doesn't dramatically damage our advantage against neighboring states.

Outline of Legislation Prohibiting Interchange Fees on State Taxes

- I. Short title of bill
- II. Purpose

Example: "To amend the New Jersey Tax Code to prevent charging of interchange fees on state tax portions of electronic payment transactions in order to protect New Jersey tax policy and prevent unfair financial harm to merchants that participate in New Jersey's tax collection efforts."
- III. Amendment of current law

Example: "In general, the New Jersey Tax Code is amended by adding the following section XXX after section YYY"
- IV. Definitions:
 - a. Electronic payment transaction –

Sample: a transaction in which a person uses a debit card, credit card, or other payment code or device, issued or approved through a payment card network to debit an asset account or use a line of credit, whether authorization is based on signature, PIN, or other means.
 - b. Interchange fees –

Sample from Durbin Amendment to Dodd Frank Act: any fee established, charged, or received by a payment card network for the purpose of compensating an issuer for its involvement in an electronic payment transaction
 - c. Issuer –

Sample from Durbin Amendment: any person who issues a debit card, or credit card, or the agent of such person with respect to such card
 - d. Payment card network –

Sample from Durbin Amendment: an entity that directly, or through licensed members, processors, or agents, provides the proprietary services, infrastructure, and software that route information and data to conduct debit card or credit card transaction authorization, clearance, and settlement, and that a person uses in order to accept as a form of payment a brand of debit card, credit card or other device that may be used to carry out debit or credit transactions
- V. Prohibition of interchange fees on state-tax portion of electronic payment transactions
 - a. Prohibit interchange fees on motor fuel excise tax as described/defined in [insert code cross reference]

- VI. Prohibition on circumvention of interchange fee prohibitions
Example: prohibit circumvention of interchange fee prohibitions by issuers or payment card networks – may include a general prohibition of circumvention or evasion of the law's purpose, and also specifically prohibit manipulation of interchange rates or structures to circumvent the intent of the law (e.g., increasing rates on non-tax portions of electronic payment transactions to compensate issuers for loss of interchange revenue on the tax portions)
- VII. Enforcement
Example: insert technical amendment(s) to tax code and other relevant statutes' enforcement provision(s) granting enforcement authority over this section to the appropriate body
- VIII. Civil penalties for violations
- IX. Private right of action (i.e., retain right to private cause of action for violations of these provisions)
- X. Effective date
- XI. Severability

SENATE, No. 1083

STATE OF NEW JERSEY

216th LEGISLATURE

INTRODUCED JANUARY 30, 2014

Sponsored by:

Senator ANTHONY R. BUCCO

District 25 (Morris and Somerset)

Senator JEFF VAN DREW

District 1 (Atlantic, Cape May and Cumberland)

Co-Sponsored by:

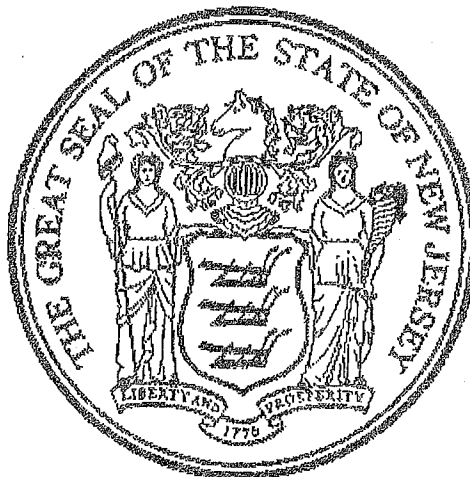
Senator Oroho

SYNOPSIS

Allows certain fuel dealers and distributors refunds of petroleum products gross receipts tax and credits against motor fuel tax for certain bad debts from sale of fuel.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 2/26/2014)

S1083 A.R.BUCCO, VAN DREW

2

1 AN ACT allowing certain fuel dealers and distributors refunds of
2 petroleum products gross receipts tax and credits against motor
3 fuel tax for certain bad debts from the dealers' and distributors'
4 sale of fuel, supplementing P.L.1990, c.42 (C.54:15B-1 et seq.)
5 and P.L.2010, c.22 (C.54:39-101 et seq.).
6

7 BE IT ENACTED by the Senate and General Assembly of the State
8 of New Jersey:
9

10 1. a. A distributor of motor fuels licensed pursuant to section
11 33 of P.L.2010, c.22 (C.54:39-133) or a person that has been
12 recognized as a licensed company pursuant to section 6 of
13 P.L.1991, c.181 (C.54:15B-12) shall be allowed a refund for the
14 portion of a bad debt from the sale of fuel that constitutes petroleum
15 products gross receipts tax. The portion of a bad debt from the sale
16 of fuel that constitutes petroleum products gross receipts tax shall
17 be determined from the purchase and sale records concerning the
18 person filing for the refund and shall be that portion of the charge
19 for fuel and the charge for tax that is the charge for tax, without
20 regard to any other charges reflected on the distributor's invoice.

21 b. As an alternative to applying for a refund, a taxpayer that
22 has been recognized as a licensed company pursuant to section 6 of
23 P.L.1991, c.181 (C.54:15B-12) may elect to receive the value of the
24 portion of a bad debt from the sale of fuel that constitutes petroleum
25 products gross receipts tax by taking a deduction from gallons sold
26 against the payment otherwise required pursuant to section 7 of
27 P.L.1990, c.42 (C.54:15B-7). The reduction of the payment
28 required pursuant to section 7 of P.L.1990, c.42 (C.54:15B-7) shall
29 be applied on the report for the period during which the bad debt is
30 written off as uncollectible in the claimant's books and records and
31 is eligible to be deducted for federal income tax purposes. If the
32 reduction of payment allowed pursuant to this subsection exceeds
33 the amount of petroleum products gross receipts tax otherwise due
34 for the period during which the bad debt is written off, that amount
35 of excess may be carried forward to subsequent periods, as
36 necessary, and applied against liability in those periods.

37 c. For the purposes of this section:

38 "Bad debt" means "bad debt" as defined by section 166 of the
39 federal Internal Revenue Code (26 U.S.C. s.166) as the basis for
40 calculating bad debt recovery; provided however, the amount
41 calculated pursuant to section 166 of the federal Internal Revenue
42 Code (26 U.S.C. s.166) shall be adjusted to consider any amount
43 paid on an account to be a payment for motor fuel and petroleum
44 products gross receipts tax, and any charges on the account for
45 anything other than motor fuel and petroleum products gross
46 receipts tax shall be disregarded in calculating the amount of bad
47 debt.

S1083 A.R.BUCCO, VAN DREW

3

1 d. If the refund for bad debt pursuant to subsection a. of this
2 section or the deduction from the payment otherwise required
3 pursuant to section 7 of P.L.1990, c.42 (C.54:15B-7) allowed
4 pursuant to subsection b. of this section is taken for a bad debt and
5 the debt is subsequently collected in whole or in part, any amount
6 collected shall be considered payment for motor fuel, petroleum
7 products gross receipts tax, and any associated service charges
8 reflected on the account, and the proportion of the amount collected
9 that is petroleum products gross receipts tax shall be paid and
10 reported on the report filed for the period in which the collection is
11 made.

12
13 2. a. A distributor shall be allowed a credit against the
14 payment required pursuant to subsection c. of section 5 of P.L.2010,
15 c.22 (C.54:39-105) for the portion of a bad debt from the sale of
16 motor fuel that constitutes motor fuel tax. The portion of a bad debt
17 from the sale of motor fuel that constitutes motor fuel tax shall be
18 determined from the statements required by subsection a. of section
19 5 of P.L.2010, c.22 (C.54:39-105) to be delivered with each
20 consignment of fuel to a purchaser and shall be that portion of the
21 charge for fuel and the charge for tax that is the charge for tax,
22 without regard to any other charges reflected on the statement.

23 b. The credit against the payment required pursuant to
24 subsection c. of section 5 of P.L.2010, c.22 (C.54:39-105) allowed
25 pursuant to subsection a. of this section shall be applied on the
26 report for the period during which the bad debt is written off as
27 uncollectible in the claimant's books and records and is eligible to
28 be deducted for federal income tax purposes. If the amount of the
29 credit allowed pursuant to subsection a. of this section exceeds the
30 amount of motor fuel tax for the period during which the bad debt is
31 written off, that amount of excess credit may be carried forward to
32 subsequent periods, as necessary, and applied against liability in
33 those periods.

34 c. For the purposes of this section:

35 "Bad debt" means "bad debt" as defined by section 166 of the
36 federal Internal Revenue Code (26 U.S.C. s.166) as the basis for
37 calculating bad debt recovery; provided however, the amount
38 calculated pursuant to section 166 of the federal Internal Revenue
39 Code (26 U.S.C. s.166) shall be adjusted to consider any amount
40 paid on an account to be a payment for motor fuel and motor fuel
41 tax, and any charges on the account for anything other than motor
42 fuel and motor fuel tax shall be disregarded in calculating the
43 amount of bad debt.

44 d. If the credit against the payment required pursuant to
45 subsection c. of section 5 of P.L.2010, c.22 (C.54:39-105) allowed
46 pursuant to subsection a. of this section is taken for a bad debt and
47 the debt is subsequently collected in whole or in part, any amount
48 collected shall be considered payment for motor fuel, motor fuel

S1083 A.R.BUCCO, VAN DREW

4

1 tax, and any associated service charges on the account and the
2 portion of the amount collected that constitutes motor fuel tax shall
3 be paid and reported on the report filed for the period in which the
4 collection is made.

5
6 3. This act shall take effect immediately and apply to fuel sold
7 on or after the first day of the third month next following the date of
8 enactment.

9
10
11 STATEMENT
12

13 This bill allows motor fuel distributors and heating oil dealers a
14 refund of their petroleum products gross receipts tax for certain
15 "bad debts" on their sales of fuel.

16 This bill also allows motor fuel distributors a credit against their
17 motor fuel tax due for certain bad debts on their sales of motor fuel.

18 Motor fuel distributors sell motor fuel to other distributors and to
19 retail dealers for that price they must charge for the fuel plus the
20 State petroleum products gross receipts tax (\$0.04 per gallon for
21 gasoline and diesel) and motor fuel tax (\$0.105 per gallon for
22 gasoline and \$0.135 for diesel fuel). In general, motor fuel
23 distributors purchase motor fuel "tax included" and pass the tax on
24 to their customer. Heating oil dealers generally purchase their fuel
25 "tax free," and must charge their non-exempt customers for the
26 petroleum products gross receipts tax on their sales of heating oil.
27 The distributors and dealers must pay these taxes when they
28 purchase motor fuel and then pass them on to their customers. If a
29 distributor's or dealer's customer goes out of business or fails to
30 pay for some other reason, the distributor of motor fuel is at risk not
31 only on the loss for the cost of the fuel but also on the loss for the
32 taxes.

33 The petroleum products gross receipts tax and the motor fuels tax
34 are frequently co-collected but are independently administered.

35 This bill allows a distributor or dealer who has an account that
36 becomes an uncollectible bad debt to claim a refund of petroleum
37 products gross receipts tax for the petroleum products gross receipts
38 tax portion of the bad debt. To make the process as simple as
39 possible, the sellers that are recognized as licensed companies
40 allowed to directly pay petroleum products gross receipts tax on
41 their sales are allowed, in the alternative, to take the refund in the
42 form of a deduction on their tax returns.

43 This bill allows a motor fuel distributor who has an account that
44 becomes an uncollectible bad debt to claim a credit against motor
45 fuel tax liability for the motor fuel tax portion of the bad debt.

46 The bill defines that a "bad debt" becomes uncollectible when it
47 becomes a bad debt deduction for federal income tax purposes.

S1083 A.R.BUCCO, VAN DREW

5

- 1 In the case of each tax, if a portion of the bed debt that was
- 2 previously written off as uncollectible is ultimately collected, a
- 3 dealer or distributor who was allowed a refund or credit must pay
- 4 the portion of the amount collected that represents the tax liability.

**LECET STATEMENT SUBMITTED TO THE
NEW JERSEY STATE SENATE TRANSPORTATION COMMITTEE
DECEMBER 8, 2014 HEARING
ON
THE NEW JERSEY TRANSPORTATION TRUST FUND (TTF)**

My name is Joseph McNamara, Director of The New Jersey Laborers' - Employers' Cooperation and Education Trust. NJ LECET is a labor management fund representing over 25,000 laborers in NJ and their signatory contractors. We work statewide with numerous stakeholders to promote investment in economic development, transportation and utility infrastructure.

**A PERMANENTLY AND SUFFICIENTLY FUNDED TTF - AND THE
INFRASTRUCTURE INVESTMENTS IT MAKES - ARE VITAL TO THE FUTURE
ECONOMIC GROWTH OF OUR STATE**

We believe that New Jersey must now more than ever focus on the importance of investing in infrastructure to lay the foundation for future economic growth. There is no more important way to do this than by investing in the TTF. Each day hundreds of thousands of people, thousands of state and regional businesses must travel on our roads, bridges and transit systems and this is the lifeblood of our general commerce and economic activity. Specific areas of commerce, such as the jobs and economic activity of our Ports, which are poised for significant growth in the next decade, are absolutely dependent on a safe and efficient multi-modal transportation network. Every resident and business of our state have benefited from the past improvements made by the TTF, whether related to their daily commute or the linkage to their employment. It is critical that these benefits continue.

The needs and problems of New Jersey's transportation network are serious and have been well documented. In the same vein, the fiscal woes of the TTF have been similarly documented. The TTF will functionally run out of money by mid-year next year and, unless a solution is found, will be unable to certify state funds in February 2015 in order to draw down 50% Federal transportation matching funds.

**WE ARE PARTICIPATING IN AND SUPPORT THE WORK OF THE FORWARD NJ
COALITION AND BELIEVE THEIR TTF POLICY AND FUNDING OPTIONS MUST BE
REVIEWED AND ACTED UPON AS SOON AS POSSIBLE**

Forward NJ is a Coalition of NJ-Based organizations focused on reforming the state's transportation system. The three-fold mission of the Forward NJ Coalition is direct:

We must REFORM and consolidate management of the system, REDUCE the burden on consumers and create Public-Private Partnership capacity and INVEST revenue in a reliable, sustainable, constitutionally-dedicated fashion to move NJ FORWARD

We have attached a fact sheet on the Coalition as well as a research paper by Dr. Allison Premo Black, Chief Economist for the American Road and Transportation Builders Association. The report examines the economic impact of several different funding scenarios for the TTF on the state economy and for key business sectors

The Senate Transportation Committee has played a key role in supporting funding and transportation initiatives in our State. We urge you to continue to do so in seeking a solution for the TTF. We stand ready to assist you and other important stakeholders in any appropriate way. Thank You.



30 West Lafayette Street
Trenton, NJ 08608
609-392-8899
609-396-6571 Fax
www.njfoodcouncil.com

Date: December 8, 2014

To: Members of the Senate Transportation Committee

From: Mary Ellen Peppard, Assistant Vice President of Government Affairs

Re: **NJFC Views on Transportation Trust Fund**

The New Jersey Food Council is a trade association representing the food retail and distribution industry, one of the largest users of transportation in our corridor state as well as the state's two largest convenience stores with fuel. NJFC recognizes the need for a reliable transportation system to safely and efficiently move food products and supplies, many of which are perishable. We take this issue very seriously, and fully recognize the urgency of dealing with New Jersey's outdated infrastructure, and being vigilant that constitutionally dedicated sources of revenue are used solely for capital infrastructure.

NJFC offers our unique perspective of utilization and reliance on our transportation system. While it is important to carefully consider various revenue options, we do not want our food retail and distribution members to disproportionately bear the costs of funding. NJFC could potentially support a gradual, modest phase in of a gas tax increase of no more than 9 cents over a three year period (3 cent increase per year). The food industry operates on very small margins, and a significant increase in transportation costs would ultimately result in higher food prices. Any increase in the gas tax should be constitutionally dedicated for the sole use of capital improvements for the Transportation Trust Fund.

We could not support indexing a gas tax increase to the Consumer Price Index (CPI). Tying the tax to CPI forces our members to attempt to plan for this unpredictable hike. Food retailers and distribution members in New Jersey are already struggling with the ramifications of the recent minimum wage hike tied to CPI. This is creating an unbalanced labor line item, and adding additional unpredictability to our transportation line item makes our business model anti-competitive.

We would also be unable to support a 7 percent sales tax on gasoline. The volatility in fuel prices, and the resulting variability in this tax, would be extremely challenging for both retailers and consumers. We believe anything that adds to price volatility, like a percentage based tax, is bad for business and the consumer. The average gasoline transaction is 10 gallons and the average diesel transaction is about 19 gallons. In 2014, the minimum average retail price for regular 87 grade has been \$3.08 and the

maximum price has been \$3.80. Keep in mind, prices move in tandem with cost considerations, the largest being the market movements of crude oil which have been affected by major geopolitical events and traditional supply and demand factors in the world markets. A 7% tax on the minimum price would be 22 cents per gallon while the tax on the maximum price above would be almost 27 cents. Across a 10 gallon fill-up (for gasoline), the variability of a tax to a total customer transaction could be as large as 50 cents. This variability would be double for diesel given the higher gallon fill-up. That equates to a 44% increase to the current 14.5 cent price per gallon tax. Overall, given customer sensitivity to fuel prices but supporting the need for infrastructure funding, a flat based cents per gallon tax as New Jersey has currently would seem to continue to make the best sense for customers and fuel merchants.

There are steps the state could take to lower the costs of fuel without raising taxes. New Jersey could permit self-serve gas to lower the labor costs of fuel retailers and that savings could be passed onto consumers if the gas tax is raised. Labor costs for self-serve are estimated to amount to approximately five cents a gallon, resulting in savings for consumers of \$250 million based on an approximate average of five billion gallons of motor fuel sold per year in NJ. New Jersey could also lift the retailer prohibition on selling motor fuel below cost. These changes would lower the overall price of gas, softening the impact of a gas tax increase to the consumer.

NJFC has identified additional revenue generators for your consideration, including dedicating a portion of a statewide disposable bag fee to the Transportation Trust Fund. There are numerous bag fees throughout the country, many of which contain provisions stipulating that a portion of the charge go toward environmental programs. If crafted appropriately, New Jersey legislation could provide for the majority of the monies to be dedicated to the Transportation Trust Fund. Another potential avenue is an alcohol beverage fee generated from liquor license reform. There is currently pending legislation that modernizes liquor licenses for packaged goods outlets, the fees from which could be invested in the state's transportation system. Finally, excluding transportation projects from the prevailing wage mandate and project labor agreements would lower costs of transportation spending.

Thank you for considering our views on this important issue. Please contact us at 609-392-8899 or mpeppard@njfoodcouncil.com if we can provide additional information.



Clubs of New Jersey

AAA Testimony for the Assembly Transportation Funding Hearing December 8, 2014

Thank you to the Chairman and members for holding this hearing today, I am Cathleen Lewis and I am here today representing the AAA Clubs of New Jersey and our over 2 million members in the state.

In 1901 nine motor clubs, including the New Jersey Automobile Club of New Jersey, banded together to form the American Automobile Association or AAA in an effort to advocate for safe roads and highways suitable for automobiles.

One hundred and 13 years later, the AAA Clubs of New Jersey sit here today advocating for the necessary funding to maintain safe roads and highways for our vehicles. In order to maintain and expand our transportation infrastructure New Jersey needs a stable, sustainable funding source.

Transportation funding is a constant need, especially here in New Jersey. Our roadways are continually pounded by not only our own residents but by trucks and travelers from throughout the country. Our state is a gateway and as such it is imperative for not only the safety of our motorists but also for our economy.

For over a decade AAA has polled motorists to gauge their views on road conditions and traffic safety issues. In 2009, 39 percent of motorists said their commute had stayed the same over the last two years, asked the same question in 2013, 37 percent said their commute had gotten worse. Those 2013 responses were taken before our roads were pounded by an extremely harsh winter, it's unlikely that opinions of road conditions have gotten any better over the last year.

Across the state drivers rated local and state roads as fair or poor, while major interstate and toll roads received the highest ratings. As transportation funding has dwindled, the local roadways that a majority of New Jerseyans use everyday have suffered the most. Local roadways are integral to our infrastructure. Commuters depend on their local roadways to get to work, to the grocery store, to school and to everyday errands.

I think everyone can relate to the frustration of making it off the highway and into your town only to spend 20 minutes stuck in traffic for the last mile. And for more and more commuters that's the daily reality. Let me drill down a little more into our latest poll results:

When asked to rate the conditions of various roadways:

- 63% of motorists rated Interstate roadways as Good or Excellent

26x

- 70 % of motorists rated Toll roads as Good or Excellent
- 53% of motorists rated state and county roads as Fair or Poor
- 61% of motorists rated local roads as Fair or Poor
- 23% rated local roads as Poor, the highest Poor rating of any roadway type

It's not hard to see why there is such a distinction in road conditions. With a cash-strapped Transportation Trust Fund there is not enough to go around. Local roadways receive less funds to take care of more miles of roadways. The condition of our local roadways is an indicator of what happens when there are not enough transportation dollars to address needed infrastructure maintenance and repair. Any funding solution must adequately provide for local roadways.

Crumbling infrastructure hurts New Jerseyans in a variety of ways:

- Longer commutes
- Higher repair costs
- Weakened roadways
- Increased crash risk

Most drivers on New Jersey roads have experienced the sudden realization that a large crater is a few feet in front of their car. The driver's choices are to either swerve into another lane of traffic to avoid the pothole or drive over it hoping that it won't cause too much damage to their vehicle.

Avoiding the pothole may cause a crash which can result in injuries and even more expensive repairs. For commuters those crashes mean more delays and the possibility of additional crashes as inattentive drivers don't notice the sudden slow down.

The risks of uneven pavement and potholes is even greater for motorcycle riders, those hazards can quickly launch a rider off their vehicle or cause a wipeout as they try to avoid the hazard.

New Jerseyans have also witnessed the costs of delaying infrastructure maintenance. From the collapse of 287 after Hurricane Irene to a series of collapses earlier this year due to missing manhole covers and sewer grates, which had been loosened after the lanes were shifted and traffic was placed directly on top of the grates.

Waiting until roads are at or near collapse or riddled with potholes often means significant changes to traffic patterns and longer delays. Changes to traffic patterns – where lanes must be shifted or detours are required may lead to increases in crashes as drivers try to make quick alterations to their routines.

New Jersey drivers face commutes that on average are 9 minutes longer than the rest of the country, but many face uncertainty every day – will roadwork or a crash push their 30 minute commute to an hour or more? Will uneven road surfaces cause damage to their vehicle or possibly create hazards that could cause a crash?

But for many the overriding concern is the costs that come with this deteriorating infrastructure. Costs for repairing damage caused by potholes can range from \$50 for a simple wheel alignment to \$500 or more for replacing a tire and a rim. If the vehicle suspension system or steering components are impacted, the repair cost can rise to \$2,500 or more.

These cost concerns need to be weighed as we look for a solution, which will inevitably mean a new sources of revenue. During the past decade the AAA Clubs of New Jersey bi-annual poll of New Jersey drivers has shown consistent support for an increase in the gas tax if the taxes collected are dedicated to projects that will improve our roadways. In 2013, poll results showed a dramatic decrease in support of an increase in the gas tax. The message from motorists was simple: we don't trust that the money collected from the gas tax will go to where it's needed. I'm sure many committee members have heard the same thing, which is why the first step to any funding solution must be regaining the public's trust.

Let me be clear: we believe that the gas taxes collected are getting to the transportation trust fund. The problem is the funds collected are insufficient to cover much more than debt service. However, there are other statutorily dedicated funds that have been diverted over the years. The following funds should be rededicated immediately:

- o The New Jersey Turnpike Authority and South Jersey Transportation Authority dedicated toll revenues of \$24.5 million
- o Heavy Truck Fees representing \$30 million.
- o Good driver surcharges that range from \$48.5 million to \$80 million a year

Additional steps to achieve savings, such as the restructuring of the transportation authorities, should be explored to ensure that the taxpayer's money is being spent wisely. But the rededication and reductions of costs will not dig us out of this hole. New funding is necessary and it should be a broad based solution that ensures that all road users are paying into the system.

An increase in the gas tax is currently the most logical place for additional funds as it captures out-of-state drivers who inflict significant wear and tear on our roadways. Out-of-state drivers account for roughly one-third of the total income of the gas tax. And for a majority of instate drivers the gas tax is currently the best way to collect funds based on road usage.

A gas tax increase is not a popular solution, but a necessary one. What will an increase in the gas tax mean to motorists? The highest proposed increase is 30 cents per gallon, which would cost the average motorist \$200 a year. That's \$3.84 a week or a large iced coffee at Dunkin Donuts.

It is important to note that an increase of \$200 a year is significantly easier to absorb than the costs associated with unexpected vehicle repairs thanks to common road hazards. Compare that with costs of repair that according to the American Society of Civil Engineers is an additional \$600 per New Jersey driver each year.

One of the objections that is often raised is that New Jerseyans cannot absorb an increase in gas taxes. But motorists absorb large fluctuations in gas prices due to market conditions on a regular basis.

Today's gas prices are at a four-year low with prices as low as **\$2.68 a gallon**. **Two months motorists were paying \$3.16 a gallon – that's a forty-eight cent difference in just two month.** . To the average motorist, an incremental increase to the gas tax would be absorbed in the usual market fluctuations we all have experienced for years.

Other objectors believe that New Jersey's low gas prices are a point of pride, but even a thirty cent increase would keep New Jersey's prices close to or lower than the rest of the area. The average gas prices last week:

New Jersey: \$2.68

New York: \$3.14

Pennsylvania: \$2.93

Connecticut: \$3.08

Today's answer of raising the gas tax to generate additional revenue may not be tomorrow's solution. A flat gas tax per gallon that isn't adjusted to inflation will leave us in the same situation we are today in just a few years down the road. Funding must keep up with costs, which is why any gas tax increase must be indexed.

But for a long term funding solution we must also look for new revenue sources, as fuel efficiency increases there will be less gas tax revenue. Alternative fuel vehicles will continue to be a larger part of New Jersey's fleet and are not paying into a gas-tax only system. In our bi-annual poll, motorists supported efforts to ensure a more equitable funding system that requires all vehicles on the roadways to pay into the system. Fifty-eight percent of respondents support charging a fee to drivers of alternative fuel vehicles to fund the transportation system. As we talk about today's solution we must also explore solutions for tomorrow and create opportunities to include all vehicles in transportation funding.

New Jersey drivers deserve to have safe transportation infrastructure to travel on. Our roadways are vital to our industries and our quality of life. Finding a stable, sustainable way to fund our infrastructure is key to moving New Jersey forward.

associated development; however, without an increase in TTF funding, there won't be an opportunity for these types of projects to be built.

Solutions for restoring the solvency of the TTF must serve the area's non-drivers. The creation of a safer, more equitable and economically viable transit system in South Jersey is possible with an adequately funded Transportation Trust Fund. Building new trails, sidewalks, bike lanes and transit projects will create construction jobs, improve access to centers of employment for area residents and will reduce roadway congestion.

On behalf of Tri-State Transportation Campaign, I appreciate the opportunity to testify before this esteemed committee today.

New Jersey Groups Call for Permanent Fix to State Transportation Problems

by Janna Chernetz

The Assembly Transportation and Independent Authorities Committee will hold its fourth and final special hearing regarding the state's Transportation Trust Fund on Thursday morning as part of the 99th Annual New Jersey State League of Municipalities Conference, now underway in Atlantic City.

Navigating the transportation funding debate is complicated. While the public debate has focused primarily on increasing taxes and creating additional revenue streams, this is only part of the discussion. Clear and concise answers to some of the most complex questions regarding bonding, debt, current and future transportation projects are essential to an informed conversation by all stakeholders from the bus rider to the state's transportation commissioner.

With skepticism and frustration regarding the condition of the state's transportation assets and systems, a clear explanation of the accounting behind the soon-to-be bankrupt Transportation Trust Fund is required.

For these reasons, Tri-State, along with New Jersey Future, Regional Plan Association (RPA), New Jersey Policy Perspective (NJPP) and the Amalgamated Transit Union (ATU) New Jersey State Joint Council today released a list of questions to guide a transparent and informed discussion about transportation funding between state lawmakers and the public:

New Jersey Groups Call for a Permanent Fix for the State's Transportation Fund

"The Transportation Trust Fund, the primary source of money paying for road, bridge and transit repairs, as well as new transportation projects in the state, is nearly bankrupt. In FY2015, the state will have spent nearly the same amount to service its transportation debt as it spent on transportation projects.

The Transportation Trust Fund is not only going broke, but it is badly broken. Successive administrations have over leveraged the fund so that it consists entirely of borrowed funds, instead of a balance of pay-as-you-go funding and longer-term bonding. Many organizations, including the above, have thoroughly documented this situation.

Fortunately, the issue is receiving attention from policymakers in Trenton who are beginning to float a variety of funding proposals. The governor and the legislature are expected to adopt a final funding solution early next year, in time for New Jersey to maintain its transportation programs and continue receiving its share of matching federal funds.

To inform the debate, the public needs to fully understand the current state of the TTF and any new funding proposals, in terms of what they will mean for our roads, bridges and transit system as well as the impact on taxpayers today and in the future.

We call on the state to share with the public the answers to the following questions about today's TTF:

- What funds are dedicated to the Trust Fund now?
- How much money will those sources generate in the next five years? Ten years?
- What are the TTF's current debt obligations?
- How much money is required annually to meet these obligations for each of the next five years? Ten years?
- How much TTF revenue will remain after debt payments for each of the next five years? Ten years? Or is there a deficit?
- How are the ratings by Moody's and S&P impacting the amount of debt service that needs to be paid and future bonding?

The answers to these questions will help us understand where we are and how we got here so that we don't repeat the same mistakes again and we don't saddle future taxpayers with having to solve this problem in another three years, five years or ten years.

But understanding the current situation is only half the story. The capital program has been at a historically stagnant level of \$1.6 billion annually for the past ten years, below the rate of inflation and behind the demonstrated need to keep the state's road, bridge, and transit infrastructure in a state of good repair.

We know that new revenue must be raised to solve this crisis, but what can the public expect to get for the additional money it will be asked to pay? We call on the state to openly answer the following questions as new revenue sources are debated and the amount of revenue to be raised is calculated:

- How big of a transportation program is anticipated/needed for each of the next ten years?
- Will this program size maintain or improve the current infrastructure conditions?
- Will this program size maintain or improve the current operating conditions?
- Will this program include funding for new large-scale projects, such as light rail extensions or a trans-Hudson tunnel?
- How much of this program will be funded with new debt?
- How much of this program will be "pay-as-you go"?
- What are the potential sources of new revenue?
- How much transportation spending will those revenues support in the next five years? Ten years?
- What will be the total amount of transportation-related debt in each year for the next twenty years?
- How long can the proposed program sustain itself with projected revenues before having to go back to the public for more money?

In order to keep New Jersey's economy strong and its commuters safe, new revenue sources must be identified to replenish and sustain the state's nearly bankrupt transportation fund. New Jersey residents deserve a robust transportation capital program that not only addresses the state's current needs but will also set a fiscally responsible path for funding future infrastructure needs. The state's overreliance on debt and one-shot fund transfers is an impediment to future transportation planning and a threat to economic growth and quality of life for residents and commuters.

We support the discussions currently underway in the Assembly Transportation and Independent Authorities Committee and within the executive and legislative chambers to address the transportation funding crisis. As these discussions progress, we urge policymakers to review and answer the above questions and to share those answers with the public. The public has the right to know what it is paying for and a responsibility to pay for what it gets."

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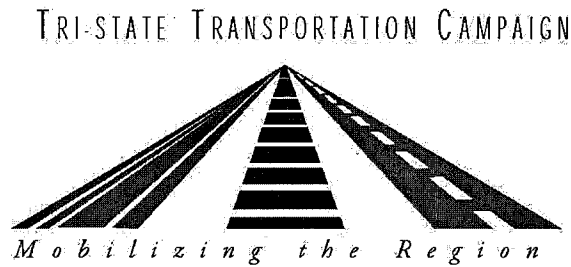
The Tri-State Transportation Campaign is a nonprofit advocacy organization working toward a more environmentally sustainable, fiscally sound, and socially just transportation network in New Jersey, New York and Connecticut. www.tstc.org

New Jersey Future is a nonprofit research and policy group advocating smart growth, environmental preservation, neighborhood revitalization and transportation choice. www.njfuture.org.

Regional Plan Association (RPA) is the nation's oldest independent, not-for-profit regional planning organization that improves the quality of life, economic competitiveness and sustainability of the 31-county New York-New Jersey-Connecticut region through research, planning, and advocacy. www.rpa.org

New Jersey Policy Perspective (NJPP) is a nonpartisan, nonprofit research organization that aims to create a New Jersey with economic opportunity for all and widely shared prosperity. www.njpp.org

ATU – Largest labor union representing transit and allied workers in the U.S. and Canada – fights for the interests of its hardworking members and promotes mass transit. www.atu.org



**Testimony of Janna Chernetz, NJ Advocate at Tri-State Transportation Campaign
Transportation Funding/TTF
Senate Transportation Committee
State House, Trenton NJ
December 8, 2014**

Good morning Chairman Sacco, Vice Chair Gordon and members of the Senate Transportation Committee. I'd like to thank you for continuing the important conversation regarding the future of transportation in New Jersey.

My name is Janna Chernetz and I am the Senior New Jersey Policy Analyst for the Tri-State Transportation Campaign, a non-profit transportation policy advocacy organization working for a more balanced and equitable transportation system in New Jersey, downstate New York and Connecticut.

This Committee is certainly fully aware of the current state of transportation in New Jersey given the insolvency of the Transportation Trust Fund. Roadways, bridges, and transit need significant investment but there is no sustainable plan to raise revenue for transportation. This also means new initiatives and projects such as bus rapid transit, light rail expansion, more NJTransit one-seat-rides, or more bicycle and pedestrian infrastructure cannot be built. And successful and desired state funded programs that spur economic growth such Transit Village cannot expand.

When it comes to the argument to increase revenue to address the condition of the state's roads and bridges, the facts speak for themselves or as attorneys call it "*res ipsa loquitur*." Ten million motorists drive over deficient bridges in NJ daily and the poor condition of roads cost motorists an additional \$600 annually in car maintenance.

My testimony today will focus around the need to adequately fund public transportation in New Jersey.

Transit Ridership

According to the American Communities Survey, almost 11 percent of New Jersey workers 16 years and older use public transportation to get to work. Of that 11 percent, two-thirds travel by bus. Hudson, Essex and Bergen Counties (those counties closest to New York City) have the highest percentage of commuters using transit: 39, 20.5 and 13.3 percent respectively. Seventy percent of New Jersey residents who commute to New York City use mass transit and 24 percent who commute to Philadelphia use mass transit. These numbers far exceed the national average when it comes to commuters using transit but New Jersey is no better than the national average when it comes to those commuting within New Jersey as those using transit falls to only 5 percent. NJ Transit reported the second highest ridership gains in FY 2014 since 2008. Total ridership for that one year period grew by 950,946, taking yearly ridership from 45.48 million to 46.4 million.

Bus-

As mentioned above, two thirds of all transit trips are taken by bus. In FY2013, there were over 160 million unlinked passenger trips by bus. Of the roughly 61 percent of transit trips by bus, the North Jersey local represents 27 percent of all trips, followed by NY Interstate, South Jersey and Contract Carriers at 21, 9 and 4 percent respectively. The

implementation of Bus Rapid Transit (BRT), a cost effective approach to transit service that incorporates features such as off-board fare collection and bus exclusive lanes to offer faster and more reliable service especially on high ridership routes is lacking in New Jersey. There are currently 5 routes being advanced in the Bergen County BRT study. Other study locations in the past have included Camden-Glassboro, Monmouth and Union Counties, and the congested Route 1 corridor. However, without adequate funding, the Bergen County project, and any other BRT service, will not come to fruition and NJTransit will be unable to expand bus service.

Cross Hudson Rail Capacity -

I would be remiss if I did not address the cross Hudson rail commute especially in light of the report identifying the need to overhaul the two existing tunnels due to damage sustained by Superstorm Sandy. According to Amtrak, each tunnel would need to be shut down for at least a year. Reducing cross Hudson capacity to that extent would have devastating effects on the 160,000 daily commuters that go through the tunnels. The now defunct Access to the Region's Core (ARC) project would have provided not only fast and more frequent service between New York and New Jersey as well as similar increases in property values as Midtown Direct, but it would have ensured sustainable cross-Hudson transit infrastructure and more importantly would have been completed by 2018.

Amtrak's proposed Gateway project would significantly expand and improve NJTransit service as well as provide additional one-seat rides to Penn Station and allow for the much needed maintenance of the tunnels without significant service disruption. So far, the right-of-way has been preserved, but funding for the project has yet to be identified. While this is an Amtrak headed project, leaders in both New York and New Jersey must continue to advocate for Federal funding for this project given the regional significance.

Car Ownership

For some, public transportation is not choice. Approximately 12 percent of households lack access to a vehicle. In Newark alone, the states' largest city, approximately 40 percent of households do not own vehicles.

There are 11 municipalities in which at least one-third of all households do not own a vehicle:

Atlantic City (highest, at 45.5 percent)	Union City (44.3 percent)
Passaic (39.8 percent)	Newark (39.2 percent)
Jersey City (39.1 percent)	West New York (38.7 percent)
Guttenberg (36.4 percent)	Camden (36.1 percent)
East Orange (35.7 percent)	Hoboken (35.3 percent)
East Newark (34.7 percent)	

In all of Hudson County, more than a third (33.9 percent) of all households do not own a vehicle. The next highest county is Essex, at 23.1 percent. As such, NJTransit provides even larger role in transportation for New Jersey residents.

NJTransit Funding

Complicating NJTransit's already woeful financial situation, NJTransit's operating expenses outpace operating revenues forcing the agency to transfer dollars from its capital budget to meet its operating needs year after year. Over the past four budgets, \$1.6 billion (\$363M in FY2012, \$397M in FY2013, \$397M in FY2014 and \$463M in FY2015) was taken from the agency's capital fund to meet the agency's operating needs. This money could be better used for much needed capital projects including enough to fund the HBLR extension to Englewood and the Camden-Glassboro Light Rail Line.

Economic Benefits of Transit

There are also substantial economic impacts of transit. Commuters on the North Jersey Coast Line and the Raritan Valley Line have been advocating for a one-seat-ride to Manhattan. Midtown Direct service on the Morris & Essex Line, which offers a one-seat ride to New York's Penn Station, was added in 1996. Since the addition of the service, homes near train stations served by Midtown Direct increased in value by an average of \$23,000 per home, according to the report, The ARC Effect, by RPA. The Midtown Direct 7:33am train to NY Penn also boasted the highest ridership on NJTransit rail according to numbers released last month by NJTransit during the Customer Service Committee meeting, seeing approximately 28,000 passengers in July. The implementation of a one-seat-ride also enhances quality of life. The time commuters would save could translate to more time with family and friends, being home in time for dinner or homework, or making it to your child's extracurricular activity.

There is a growing demand for Transit Oriented Development (TOD) which is the type of development that includes a mixture of housing, office, retail and/or other amenities integrated into a walkable neighborhood and located within a half-mile of a transportation hub. A report recently released by Rutgers University showed an "unparalleled" shift in population away from the suburbs and towards urban areas reflecting a desire of people to live in places where they can work and play; essentially places where people can drive less or even forgo car ownership completely. New Brunswick is a stellar example positive effects of transit oriented development look no further than right down Route 18 to New Brunswick. The Gateway Transit Village brought a mix of retail, office, housing and parking to an under-utilized area adjacent to the New Brunswick Train Station, in turn revitalizing New Brunswick's transit corridor. This is just part of the development in the past decade around the train station. New Brunswick's job growth must also be highlighted. From 1999-2012, the city gained approximately 12,500, which is about a 42 percent increase.

In addition to other state offered economic incentives to promote development around transit, the NJDOT supported and funded Transit Village program, has helped make New Jersey a national leader and role model in promoting sustainable, transit-oriented development by helping towns develop where it makes the most sense: near rail and bus hubs. The program is an overwhelming success and there are currently 28 designated Transit Villages with other municipalities in the process of seeking designation. However; without an increase in funding, NJDOT will not be able to expand this program.

Without public transportation, there would be roughly 440,000 additional cars on New Jersey's roads every day. Imagine 440,000 more vehicles clogging our already-congested roadways. Imagine 440,000 more vehicles adding to the wear and tear of our already-crumbling roads and bridges. Imagine 440,000 additional tailpipes and their associated pollutants and CO2 emissions.

The ability to expand New Jersey's public transportation system doesn't just create construction jobs; transit also improves access to jobs. As a key driver in stimulating development and fostering economic vitality, any solution to restoring the solvency of the TTF must also adequately address the needs of transit.

On behalf of Tri-State Transportation Campaign, I appreciate the opportunity to testify before this esteemed committee today.



REFORMING NEW JERSEY'S TRANSPORTATION SYSTEM

Forward NJ is a coalition of NJ-based organizations focused on reforming the state's transportation system. Forward NJ will educate stakeholders and the public as to the crisis we are confronting in relation to our outdated infrastructure.

We must **REFORM** and consolidate management of the system, **REDUCE** the burden on consumers and create Public-Private Partnership capacity and **INVEST** revenue in a reliable, sustainable, constitutionally dedicated fashion to move NJ **FORWARD**.

1 REFORM

Consolidate into a Single Efficient, Strategic Transportation Planning Unit to Recognize Massive Savings

- Massive savings over 10 years = \$1 billion by making government more effective, efficient and innovative.
- Consolidate NJDOT, NJ Transit, NJ Turnpike, NJ Parkway, and SJTA into one efficient, strategic infrastructure unit that would realize increased buying and bonding capacity, lower interest rates, improve credit rating over current units, and allow us to leverage private capital to increase project development.

2 REDUCE

Burden on Consumers – Public Private Partnerships

- Public Private Partnerships would be utilized to help finance mega-projects, freeing up hundreds of millions in TTF funds.
- With the additional resources made available, the number of capital projects underway at one time could double.
- Program would be structured to incorporate global best practices and also ensure a level playing field for our local NJ contractors.

3 INVEST

Reform Revenue Process, Transportation Money for Transportation

Revenue Options Include:



\$1.15 Gas Tax, Indexed to CPI

\$1.20 Gas Tax, Indexed to CPI



7% Sales Tax on Total Motor Fuels Sales

3.5% Sales Tax on Total Motor Fuels Sales



Revert to percentage-based Petroleum Products Gross Receipts Tax at 6% (Wholesale)



Dedication of Online Gaming Revenue



Dedication of funds realized due to change in Utility Relocation law



Raising Car Rental Fee to \$15

Raising Car Rental Fee to \$20



Dedication of Good Driver Surcharge Proceeds

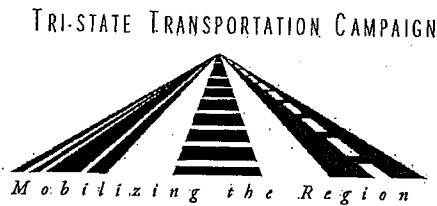


Dedication of Undedicated Diesel Charges



Full Dedication of MVC Surplus Funds

On June 30th 2015, less than one year from today, New Jersey's Transportation Trust Fund will reach bankruptcy and have no capacity to pay for any transportation projects. According to New Jersey Policy Perspective, the TTF needs **\$20 billion** over the next 10 years to **maintain** and **improve** the state's roads, bridges and mass transit systems, as well as to **begin critical** projects. The lack of a long-term solution to this dire problem **threatens the safety and quality of life** of residents and commuters, as well as the state's **business climate and economy**.



**Testimony of Matthew Norris, South Jersey Coordinator at Tri-State Transportation Campaign
Transportation Funding/TTF
Senate Transportation Committee
State House Trenton, New Jersey
December 8, 2014**

Good morning Chairman Sacco, Vice Chair Gordon and members of the Senate Transportation Committee. I would like to thank you for continuing the important dialog regarding the future of transportation in New Jersey.

My name is Matthew Norris and I am the South Jersey Coordinator for the Tri-State Transportation Campaign, a non-profit transportation policy advocacy organization working for a more balanced and equitable transportation system in New Jersey, New York and Connecticut.

This Committee is certainly fully aware of the current state of transportation in New Jersey given the insolvency of the Transportation Trust Fund. Roadways, bridges and transit need significant investment, but there is no sustainable plan to raise revenue for transportation. These needs are acutely felt in South Jersey, where improvements need to be made to roads to make them safer for pedestrians and drivers alike. New initiatives, such as plans for the Circuit regional trail network, bus rapid transit and light rail expansion also need funding in order to advance.

My testimony today will focus on the need to adequately fund transportation projects in the City of Camden and South Jersey in order to improve mobility in the region and aid in local economic development initiatives.

Need for Bicycle and Pedestrian Project Funding

A recent study by the U.S. Public Interest Research Group showed that young people across the country are choosing to live and work in places where they don't have to drive. This is true in Camden, where many students who either commute to Rutgers University-Camden or live nearby are choosing to commute by public transit, on foot or by bicycle. Whether by choice or out of necessity, locals rely on travel modes other than driving. US Census statistics for the City of Camden show this clearly:

- 6.5 percent of workers aged sixteen and over commute on foot, a rate more than 2.5 times higher than the nationwide rate of 2.5 percent;
- 16 percent of Camden workers commute by public transit, a rate more than three times higher than the national average of 6.5 percent;
- Nearly 35 percent of occupied housing units in Camden do not own a motor vehicle, a rate nearly four times higher than the national average of 8.9 percent.

Whether locals cannot afford a car or simply choose not to drive, investing in walking, biking and transit infrastructure in Camden is critical. Only through these investments can local leaders improve daily travel conditions for existing residents, while also providing a welcoming environment for visitors and potential new residents alike.

The Circuit

With sustainable TTF funding, projects that would serve the large and growing demand for pedestrian and bicyclist infrastructure in and around Camden could be advanced. This includes the Circuit, a 750 mile network of pedestrian and bicycle trails connecting people to jobs, communities and parks throughout South Jersey and into Pennsylvania. Circuit trails will eventually connect Camden to Trenton and additional communities throughout Camden, Burlington, Mercer and Gloucester counties. Trails will also connect local residents to light rail and bus transit and to Philadelphia via the Ben Franklin Bridge.

According to a Rutgers University study, infrastructure, businesses and events associated with walking and biking contributed \$497.46 million to the New Jersey economy in 2011, and there is an **eight-to-one** return on investment on bicycle and pedestrian infrastructure improvements in the state. Across the Delaware River in Philadelphia, homes within walking distance of trails are valued between 4 to 7 percent higher than similar homes that lack easy trail access, according to a PennFuture study. The Circuit has received private funding from the William Penn Foundation which has helped allow the network to grow. By leveraging state money with private money, everyone's dollars can go further towards the goal of completing the network.

The economic benefits of completing the Circuit are clear. Locals and those from out of state will be able to walk or bike into Camden and then on into Collingswood, Cherry Hill or any number of South Jersey destinations, allowing them to access farmer's markets, restaurants, parks and entertainment venues, helping to boost the local economy and support small businesses. Circuit trails will provide a vital recreational, economic and commuting benefit to the region, but only with funding to connect existing trails.

Dangerous Roadways

Between 2010 and 2012, 442 pedestrians were killed on New Jersey roads, including many of our state highways. Pedestrians use these roads to reach work, shops and bus stops. In order to make these roadways safer, NJDOT needs to make improvements such as installing connected sidewalks, pedestrian median islands, crosswalks and bicycle lanes where appropriate. Many of the state's most dangerous roads are in South Jersey, including Route 130 in Burlington County, Black Horse Pike in Atlantic County and White Horse Pike in Camden County.

A Tri-State analysis of the 2015 NJDOT Capital Program shows that roughly 2.5 percent of state funds are to be spent on bicycle and pedestrian projects, while another 6 percent of funding is planned to go to road and bridge projects that include amenities like sidewalks or bike lanes. These rates should increase to truly transform New Jersey's roadways into safe and convenient places for walking and biking. In order for this to happen, new revenue streams to replenish the state's Transportation Trust Fund must

be identified—new revenue should be sustainable, long-term, dedicated and not a sources of one-shots or increased borrowing.

Bus Rapid Transit and Light Rail

The insolvency of the transportation trust fund is further complicating NJ Transit's already poor financial situation. NJ Transit's operating expenses outpace operating revenues, forcing the agency to transfer dollars from its capital budget to meet its operating needs year after year. Over the past four budgets, \$1.6 billion (\$363M in FY2012, \$397M in FY2013, \$397M in FY2014 and \$463M in FY2015) was taken from the agency's capital fund to meet the agency's operating needs. This money could be better used for much needed capital projects including the Glassboro-Camden line and the planned South Jersey bus rapid transit system.

The Glassboro-Camden line would run 18 miles and connect existing downtowns, providing a great incentive for transit-oriented development around stations. Glassboro and Woodbury, the two largest towns along the selected route have already begun redevelopment efforts to create pedestrian friendly downtowns. Gloucester County's three largest employers, Inspira Health, Rowan University and the Gloucester County government are all within walking distance of planned stations. The full project is expected to cost around \$1.3 billion, with the state sharing costs with the federal government and private investors.

The planned South Jersey bus rapid transit system would run along Routes 55, 42 and I-676, and would travel on dedicated highway shoulder lanes and medians for part of the trip between Winslow Township and Philadelphia. The system would give buses signal priority, allow riders to use ticket machines before boarding and would include train-style shelters and new park-and-ride lots. The project is expected to cost \$46 million. An estimated 6,400 riders would use the system daily.

Both of these projects are wise investments for Camden and South Jersey. A 2011 Monmouth University poll showed that two-thirds of New Jersey residents would like to see the development of more sustainable communities, with easy access to multiple forms of transportation and opportunities for walking to shops and restaurants. This will be essential in Gloucester County, where the population increased by over 13% between the 2000 and 2010, with no signs of stopping. High quality bus and light rail transit would alleviate the extra pressure on roadway infrastructure and open space in this growing region.

New Jersey Transit's RiverLINE has already demonstrated the benefits of light rail transit in the region. With an increase in ridership between 2005 and 2013 of nearly one-third and development projects moving forward adjacent to stations, the line has become an economic engine for the region. Residential and retail projects have been built or are moving forward near stations in Trenton, Camden and Cinnaminson. Historic downtowns in Burlington and Bordentown have seen increases in visitors and economic revitalization. In Florence, industrial projects that rely on the RiverLINE for workers and to move goods have been recently completed, including for a distribution center for Subaru America and expansion of the Haines Industrial Center complex only a few minutes walk from the local RiverLINE station. The Glassboro-Camden line and South Jersey bus rapid transit system would likely also see