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PUBLIC HEARING

before

SENATE REVENUE, FINANCE AND APPROPRIATIONS COMMITTEE

SENATE BILL 3570

(Empowers the New Jersey Sports and Exposition Authority to use excess revenues from one project for another, to site an entertainment center within the vicinity of other authority projects and authorizes the leasing to the State of an aquarium)

SENATE BILL 3572

(Authorizes a \$185,000,000 State bond issue to finance a baseball stadium)

SENATE BILL 3573

(Establishes the Sports and Exposition Equity Fund and provides for six annual \$10,000,000 appropriations to the fund)

August 4, 1987  
Room 424  
State House Annex  
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

- Senator Laurence S. Weiss, Chairman
- Senator Frank Pallone, Jr., Vice Chairman
- Senator Matthew Feldman
- Senator Ronald L. Rice
- Senator Walter Rand
- Senator Leanna Brown
- Senator John H. Ewing
- Senator Henry P. McNamara

ALSO PRESENT:

- Peggy McNutt
- Office of Legislative Services
- Aide, Senate Revenue, Finance and
- and Appropriations Committee

**New Jersey State Library**

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Hearing Recorded and Transcribed by  
Office of Legislative Services  
Public Information Office  
Hearing Unit  
State House Annex  
CN 068  
Trenton, New Jersey 08625

2000-2001

LAURENCE S. WEISS

*Chairman*

FRANK PALLONE, JR.

*Vice Chairman*

MATTHEW FELDMAN

WYNONA M. LIPMAN

WALTER RAND

RONALD L. RICE

GERALD R. STOCKMAN

LEANNA BROWN

JOHN H. EWING

C. WILLIAM HAINES

HENRY P. McNAMARA



**New Jersey State Legislature**

**SENATE REVENUE, FINANCE  
AND APPROPRIATIONS COMMITTEE**

STATE HOUSE ANNEX, CN-068

TRENTON, NEW JERSEY 08625

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**MEMORANDUM**

July 28 1987

**TO:** MEMBERS OF THE SENATE REVENUE, FINANCE AND  
APPROPRIATIONS COMMITTEE

**FROM:** SENATOR LAURENCE S. WEISS, CHAIRMAN

**SUBJECT:** PUBLIC HEARING - AUGUST 4, 1987

(Address comments and questions to Peggy McNutt, Committee Aide at (609) 984-6798).

The Senate Revenue, Finance and Appropriations Committee will hold a public hearing on the following bills on Tuesday, August 4, 1987 at 10:00 a.m. in Room 424 of the State House Annex. If necessary, the public hearing will be continued at 10:00 a.m. on Thursday, August 6, 1987 in Room 424 of the State House Annex.

S-3570  
Rand  
(pending referral)

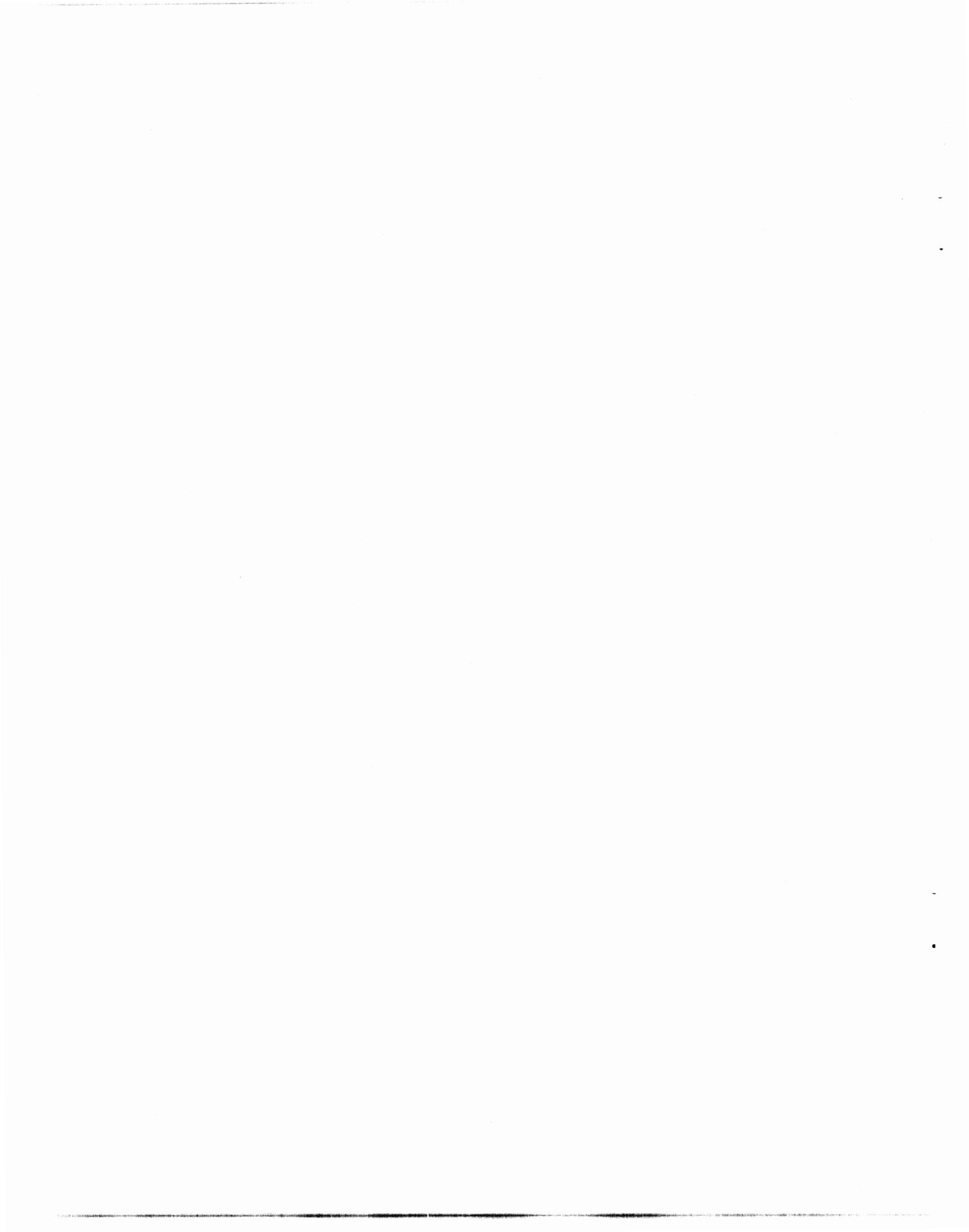
Empowers the New Jersey Sports and Exposition Authority to use excess revenues from one project for another, to site an entertainment center within the vicinity of other authority projects and authorizes the leasing to the State of an aquarium.

S-3572  
Orechio  
(pending referral)

Authorizes a \$185,000,000 State bond issue to finance a baseball stadium.

S-3573  
VanWagner  
(pending referral)

Establishes the Sports and Exposition Equity Fund and provides for six annual \$10,000,000 appropriations to the fund.



53570

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AN ACT concerning projects of the New Jersey Sports and Exposition Authority, providing for lease and other arrangements for the financing and operation of an aquarium, and amending and supplementing P.L. 1971, c. 137.

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

1. Section <sup>6</sup>~~4~~ of P.L. <sup>1971 137</sup>~~1984~~, c. <sup>137</sup>~~215~~ (C. 5:10-6) is amended to read as follows:

6. a. The authority, pursuant to the provisions of the act, is hereby authorized and empowered, either alone or in conjunction with others, and provided that, in the case of an arrangement with respect to any of the projects set forth in this section which shall be in conjunction with others, the authority shall have sufficient right and power to carry out the public purposes set forth in this act:

(1) To establish, develop, construct, operate, acquire, own, manage, promote, maintain, repair, reconstruct, restore, improve and otherwise effectuate, either directly or indirectly through lessees, licensees or agents, a project to be located in the Hackensack meadowlands upon a site not to exceed 750 acres and upon a site or sites outside of that acreage, but either immediately contiguous thereto or immediately across any public road which borders that acreage, consisting of one or more stadiums, coliseums, arenas, pavilions, stands, field houses, playing fields, recreation centers, courts, gymnasiums, club houses, a racetrack for the holding of horse race meetings, and other buildings, structure, facilities, properties and appurtenances related to, incidental to, necessary for, or complementary to <sup>a</sup> complex suitable for the holding of athletic contests or other sporting events, or trade shows, exhibitions, spectacles, public meetings, entertainment events or other expositions, including, but not limited to, driveways, roads, approaches, parking areas, parks, recreation areas, lodging facilities, vending facilities, restaurants, transportation structures, systems and facilities, and equipment, furnishings, and all other structures and appurtenant facilities, related to, incidental to,

necessary for, or complementary to<sup>or</sup> the purposes of that project or any facility thereof.

(2) To establish, develop, construct, acquire, own, operate, manage, promote, maintain, repair, reconstruct, restore, improve and otherwise effectuate, either directly or indirectly through lessees, licensees or agents, a project, at a site within the State of New Jersey [but outside of the meadowlands complex], consisting of a baseball stadium and other buildings, structures, facilities, properties and appurtenances related thereto, or incidental to, necessary for, or complementary to<sup>or</sup> a complex suitable for the holding of professional baseball games and other athletic contests or sporting events, or trade shows, exhibitions, spectacles, public meetings, entertainment events or other expositions, such project to include driveways, roads, approaches, parking areas, parks, recreation areas, vending facilities, restaurants, transportation structures, systems and facilities, and equipment, furnishings and all other structures and appurtenant facilities related to, incidental to, necessary for, or complimentary to<sup>or</sup> the purposes of that project or any facility thereof.

(3) To establish, develop, construct, acquire, own, operate, manage, promote, maintain, repair, reconstruct, restore, improve and otherwise effectuate, either directly or indirectly through lessees, licensees or agents, projects located within the State of New Jersey but outside of the meadowlands complex, consisting of aquariums and the buildings, structures, facilities, properties and appurtenances related thereto, or incidental to, necessary for, or complementary to<sup>or</sup> those aquariums, such project to include driveways, roads, approaches, parking areas, parks, recreation areas, vending facilities, restaurants, transportation structures, systems and facilities, and equipment, furnishings and all other structures and appurtenant facilities related to, incidental to, necessary for, or complementary to<sup>or</sup> the purposes of that project or any facility thereof.

(4) To establish, develop, construct, acquire, own, operate, manage, promote, maintain, repair, reconstruct, restore, improve and otherwise effectuate, either directly or indirectly through lessees, licensees or agents, a project consisting of an exposition or entertainment center, or a hotel or office complex, at a site either (a) within the meadowlands complex or any other project of the authority except for a racetrack authorized by paragraph (5) of <sup>this</sup> subsection ~~of this section~~ and acquired by the authority prior to 1986 or (b) outside of the meadowlands complex or such other project, but either immediately contiguous thereto or immediately across any public road which borders the meadowlands complex or such other project, including any buildings, structures, properties and appurtenances related thereto, incidental thereto, necessary therefor, or complementary thereto, the meadowlands complex or such other project to include driveways, roads, approaches, parking areas, parks, recreation areas, vending facilities, restaurants, transportation structures, systems, and equipment, furnishings and all other structures and appurtenances related to, incidental to, necessary for, or complementary to, the purposes of [that] the meadowlands complex or such other project.

(5) To establish, develop, construct, acquire, own, operate, manage, promote, maintain, repair, reconstruct, restore, improve and otherwise effectuate, either directly or indirectly through lessees, licensees or agents, projects consisting of (a) race track facilities located within the State of New Jersey, but outside of the meadowlands complex, (b) their contiguous properties, and (c) their auxiliary facilities, including, without limitation, pavilions, stands, field houses, club houses, training tracks for horses, race tracks for the holding of horse race meetings, fairgrounds, other exposition facilities, and other buildings, structure, facilities, properties and appurtenances related to, incidental to, necessary for, or complementary to, a complex suitable for

the holding of horse race meetings, other sporting events, or trade shows, exhibitions, spectacles, public meetings, entertainment events or other expositions, including, but not limited to, driveways, roads, approaches, parking areas, parks, recreation areas, lodging facilities, vending facilities, restaurants, transportation structures, systems and facilities, equipment, furnishings, and all other structures and appurtenant facilities related to, incidental to, necessary for, or complementary to, the purposes of any of those projects or any facility thereof.

Notwithstanding any law to the contrary, the acquisition of any existing racetrack facility in and licensed by the State of New Jersey shall be permitted on the condition that payments equivalent to all municipal, school board and county taxes due to each entity shall be paid by the authority to the extent, and in accordance with the same payment schedule, as taxes would have been paid each year, as though the racetrack facility remained in private ownership. In the event the authority conveys lands or other parts of the racetrack facility to others, the authority shall receive a reduction of such payments commensurate with the amount required to be paid by the subsequent owner of the lands and improvements disposed of by the authority. In addition, the authority shall be responsible for paying all existing local franchise fees, license and parking tax fees in effect at the time of the acquisition.

(6) To establish, develop, acquire, own, operate, manage, promote and otherwise effectuate, in whole or in part, either directly or indirectly through lessees, licensees or agents, projects consisting of events, expositions, teams, team franchises or membership in professional sports leagues.

(7) To establish, develop, construct, acquire, own, operate, manage, promote, maintain, repair, reconstruct, restore, improve and otherwise effectuate, either directly or indirectly through lessees, licensees or agents, projects consisting of facilities, at a site or sites within the State of New Jersey and either within or without the meadowlands complex, that are related to, incidental to, necessary for, or complementary to, the accomplishment or purpose of any

project of the authority authorized by this section, including any buildings, structures, properties and appurtenances related thereto, incidental thereto, necessary therefor, or complementary thereto, such projects to include driveways, roads, approaches, parking areas, parks, recreation areas, vending facilities, restaurants, transportation structures, systems, and equipment, furnishings and all other structures and appurtenances related to, incidental to, necessary for, or complementary to, the purposes of those projects.

b. The authority, pursuant to the provisions of the act, is authorized (1) to make, as part of any of the projects, capital contributions to others for transportation and other facilities, and accommodations for the public's use of any of those projects, (2) to lease any part of any of those project sites not occupied or to be occupied by the facilities of any of those projects, for purposes determined by the authority to be consistent with or related to the purposes of those projects, including but not limited to hotels and other accommodations for transients and other facilities related to or incidental to any of those projects, and (3) to sell or dispose of any real or personal property, including, but not limited to, such portion of the site of any of those projects not occupied or to be occupied by the facilities of any of those projects.

c. Revenues, moneys or other funds, if any, derived from the operation or ownership of the meadowlands complex, including the conduct of horse race meetings, shall be applied, in accordance with the resolution or resolutions authorizing or relating to the issuance of bonds or notes of the authority to the following purposes and in the following order:

(1) The costs of operation and maintenance of the meadowlands complex and reserves therefor;

(2) Principal, sinking fund installments and redemption premiums of and interest on any bonds or notes of the authority issued for the purposes of the meadowlands complex or for the purpose of refunding the same, including reserves therefor;

(3) The costs of any major or extraordinary repairs, renewals or replacements with respect to the meadowlands complex or incidental improvements thereto, not paid pursuant to paragraph (1) above, including reserves therefor;

(4) Payments required to be made pursuant to section 18b;

(5) Payments authorized to be made pursuant to section 18c;

(6) Payments required to be made [in accordance with the resolution authorizing or relating to the issuance of bonds or notes of the authority] for the purposes of any project authorized by the [this 1984 amendatory] act and located outside of the meadowlands complex;

(7) The balance remaining after application in accordance with the above shall be deposited in the General State Fund, provided that (a) there shall be appropriated for authorized State purposes from the amounts so deposited that amount which shall be calculated by the State Treasurer to be the debt service savings realized with respect to the refinancing of the initial project as defined in <sup>Senior 1 of</sup> P.L. 1973, c. 286, (C. 5:10-14.1) at the meadowlands complex, by the issuance of bonds of the authority guaranteed by the State, and after such appropriation, 40% of any balance remaining from the amounts so deposited shall be appropriated to the Meadowlands Commission for any of its purposes authorized by P.L. 1968, c. 404, and any amendments or supplements thereto.

d. Revenues, moneys or other funds, if any, derived from the operation or ownership of any project other than the meadowlands complex shall be applied for such purposes; in such manner and subject to such conditions as shall be provided in the resolution authorizing or relating to the issuance of bonds or notes of the authority for the purposes of such project[.]; and the balance, if any, remaining after such application may be applied, to the extent not contrary to or inconsistent with such resolution, in the following order (1) to the purposes of the meadowlands complex, unless otherwise agreed upon by the State Treasurer and the authority, (2) to the purposes of any other project of the authority; and, the balance remaining, if any, shall be deposited in the General Fund of the State.

2. (New section) In order to further the financing and operation thereof, the authority is hereby authorized to lease to the State and to sublease from the State, and the State is authorized to lease from the authority and to sublease to the authority, any project authorized pursuant to paragraph 3 of subsection a. of section 6 of P.L. 1971, c. 137. <sup>(C. 5:10-6)</sup> The State Treasurer is hereby authorized to enter into such lease and other agreements with the authority. Any such lease or other agreement shall expressly provide that the incurrence of any liabilities by the State under the lease or other agreement, including without limitation, the payment of any and all rentals or other amounts required to be paid by the State thereunder, shall be subject to and dependent upon appropriations being made from time to time by the Legislature for that purpose and any such lease or other agreement shall be subject to approval by the presiding officers of both houses of the Legislature.

3. This act shall take effect immediately.

STATEMENT

This bill amends and supplements the New Jersey Sports and Exposition Authority Law, P.L. 1971, c. 137 (C. 5:10-1 et seq.) to authorize the New Jersey Sports and Exposition Authority to lease to the State and sublease, for purposes of operation and maintenance, from the State an aquarium which the authority is authorized to construct in Camden.

This bill also authorizes the authority to use excess revenues generated from a particular project of the authority for the purposes of the authority's other projects and empowers the authority to site an exposition or entertainment center, or hotel or office complex, to be located within the vicinity of any project of the Authority other than Monmouth Park Racetrack.

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AUTHORITIES AND REGIONAL COMMISSIONS

Empowers the New Jersey Sports and Exposition Authority to use excess revenues from one project for another, to site an entertainment center within the vicinity of <sup>certain</sup> ~~other~~ authority projects and authorizes the leasing to the State of an aquarium.

83572

~~New Jersey Baseball Bond Act of 1987~~

**AN** ACT authorizing the creation of a debt of the State of New Jersey by the issuance of bonds of the State in the aggregate principal amount of \$185,000,000.00 for the purpose of providing for the acquisition and construction of a major league baseball stadium to be owned and operated by the New Jersey Sports and Exposition Authority, including land necessary for such stadium and for any other projects of the New Jersey Sports and Exposition Authority which may be constructed on the site of such stadium and for payment of costs of attracting and enabling a major league baseball team to locate in the State; providing the ways and means to pay the interest on the bonds and also to pay and discharge the principal thereof; providing for the refinancing of any or all of the bonds under certain circumstances; providing for the submission of this act to the people at a general election; and providing an appropriation therefor.

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

1. This act shall be known and may be cited as the "New Jersey Baseball Bond Act of 1987."

2. The Legislature finds and declares that:

a. The general welfare, health and prosperity of the people of New Jersey <sup>would</sup> ~~will~~ be promoted and enhanced by the presence of a major league baseball team which plays its home games in the State.

b. The construction of a baseball stadium and the location of a major league baseball team in the State <sup>would</sup> ~~will~~ provide jobs, increase revenues, attract visitors to the State and stimulate the State's economy.

c. The enjoyment of a major league baseball team located within the State <sup>would</sup> ~~will~~ provide a much needed and valuable family activity for the residents of the State.

d. In order to attract a major league baseball team to locate in the State, it is necessary to provide for the construction of a stadium and related facilities suitable for the requirements of a major league baseball team.

e. The stadium and related facilities and such other projects as may be undertaken by the New Jersey Sports and Exposition Authority on the site ~~will~~ also <sup>would</sup> accommodate other events and serve uses which <sup>would</sup> ~~will~~ provide needed recreation, forums and expositions for the public.

f. The New Jersey Sports and Exposition Authority is a public body corporate and politic of the State which was created for the purpose of establishing and operating stadiums and other facilities for the holding of spectator sports, expositions and other public events and as such it is in the public interest that the authority own and operate the baseball stadium and related facilities to be constructed with the proceeds of bonds authorized by this act.

3. As used in this act:

a. "Authority" means the New Jersey Sports and Exposition Authority established by section 4 of the "New Jersey Sports and Exposition Authority Law," P.L. 1971, c.137 (C.5:10-<sup>OK</sup>~~1~~ ~~at sec. 1~~), ~~as amended.~~

b. "Baseball stadium" means a facility to be owned and operated by the authority, at a site within the State of New Jersey, consisting of a baseball stadium and other buildings, structures, facilities, properties, easements, utilities and appurtenances related thereto, or incidental to, necessary for, or complementary to, a complex suitable for the holding of baseball games and other athletic contests or sporting events, or trade shows, exhibitions, spectacles, public meetings, entertainment events or other expositions, such facility to include driveways, roads, approaches, parking areas, parks, recreation areas, vending facilities, restaurants,

transportation structures, systems and facilities, and equipment, furnishings and all other structures and appurtenant facilities related to, incidental to, necessary for, or complementary to, the purposes of that facility, and including any land necessary for the foregoing and for other projects of the authority which may be constructed on ~~said~~<sup>the</sup> site.

c. "Commitment" means a lease, contract or other written document which, in the determination of the issuing officials, ~~as~~<sup>OK</sup> defined in section 7 of this act, evidences a commitment on the part of a major league baseball team to locate in the State and play its home games in a baseball stadium to be constructed with the proceeds of the bonds issued pursuant to this act.

d. "Construction" means the planning, development, erection, acquisition, improvement, construction, and equipment of a baseball stadium and related facilities, including all equipment and facilities necessary to the operation thereof.

e. "Cost" or "costs" means, as determined by the <sup>State</sup> Treasurer, the cost necessary, useful or convenient for or in connection with, the acquisition (by purchase, lease or otherwise), development and construction of all or any part of a baseball stadium and of any real or personal property, agreements and franchises, including the cost of attracting and enabling a major league baseball team to locate in the State, interest or discount on bonds, issuance of bonds, obtaining the services of a bond registrar or an authenticating agent, administrative costs, geological and hydrological services, planning, engineering and inspection, legal expenses, financial, professional and other estimates and advice, organization, operating and other expenses prior to and during such acquisition or construction, and all such other expenses as may be necessary or incident to the financing, acquisition, construction and completion of such baseball stadium or part

thereof and the placing of the same in operation, and also such provisions for reserve funds, or reserves for working capital, operating, maintenance or replacement expenses and for payment or security of principal of or interest on bonds during or after such acquisition or construction as the <sup>State</sup> Treasurer may determine.

f. "Government securities" means any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any federal agency, to the extent those obligations are unconditionally guaranteed by the United States of America, and any certificates or any other evidences of an ownership interest in those obligations of, or unconditionally guaranteed by, the United States of America or in specified portions thereof (which may consist of the principal thereof or the interest thereon) and any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the State.

g. "Major league" means the American League or the National League of ~~Major League Baseball~~, or any successor leagues thereto, or any leagues resulting from a restructuring of ~~Major League Baseball~~.

h. "Project" means any project which the authority is authorized to undertake pursuant to the "New Jersey Sports and Exposition Authority Law," P.L. 1971, c. 137 (C.5:10-1, et seq.) <sup>OK</sup> ~~as amended from time to time.~~

~~i. "State" means the State of New Jersey.~~

~~j. "Treasurer" means the Treasurer of the State.~~

4. The <sup>State</sup> Treasurer may adopt, pursuant to law, rules and regulations necessary and appropriate to implement the provisions of this act.

5. a. Bonds of the State in the aggregate principal amount of \$185,000,000.00 are authorized to be issued for the

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purpose of making a grant of funds to the authority, upon such terms and conditions as the <sup>State</sup> Treasurer may establish prior to the acquisition and construction by the authority of the baseball stadium and the disbursement of any funds therefor, to provide for the payment of costs as defined in <sup>subsection e. of</sup> section 3~~6~~ of this act.

b. As a condition precedent to the issuance of such bonds, there shall exist a commitment from a major league baseball team to locate in the State and play its home games in such baseball stadium.

6. The bonds authorized under this act shall be serial bonds, term bonds, or a combination thereof, and shall be known as "New Jersey Baseball Bonds." These bonds shall be issued from time to time as the issuing officials herein named shall determine and may be issued in coupon form, fully registered form or book-entry form. These bonds may be subject to redemption prior to maturity and shall mature and be paid not later than 35 years from the respective dates of their issuance but may be issued in whole or in part for a shorter term.

7. The Governor, the <sup>State</sup> Treasurer and the Comptroller of the Treasury, or any two of these officials, herein referred to as "the issuing officials," are authorized to carry out the provisions of this act relating to the issuance of bonds, and shall determine all matters in connection therewith, subject to the provisions of this act. If an issuing official is absent from the State or incapable of acting for any reason, the powers and duties of that issuing official shall be exercised and performed by the person authorized by law to act in an official capacity in the place of that issuing official.

8. Bonds issued in accordance with the provisions of this act shall be a direct obligation of the State of New Jersey, and the faith and credit of the State are pledged for the payment of the interest and redemption premium thereon, if any, when due and for the payment of the principal thereof at maturity or

earlier redemption date. The principal and interest on the bonds shall be exempt from taxation by the State or by any county, municipality or other taxing district of the State.

9. The bonds shall be signed in the name of the State by means of the manual or facsimile signature of the Governor, under the Great Seal of the State, which seal may be by facsimile or by way of any other form of reproduction on the bonds, and attested by the manual or facsimile signature of the Secretary of State of New Jersey, or an Assistant Secretary of State, and shall be countersigned by the facsimile signature of the Comptroller of the Treasury and may be manually authenticated by an authenticating agent or bond registrar, as the issuing officials shall determine. Interest coupons, if any, attached to bonds shall be signed by the facsimile signature of the Comptroller of the Treasury. The bonds may be issued notwithstanding that any of the officials signing them or whose manual or facsimile signatures appear on the bonds or coupons has ceased to hold office at the time of issuance or at the time of the delivery of the bonds to the purchaser thereof.

10. a. The bonds shall recite that they are issued for the purposes set forth in section 5 of this act, that they are issued pursuant to this act, that this act was submitted to the people of the State at the general election held in the month of November, 1987, and that this act was approved by a majority of the legally qualified voters of the State voting thereon at the election. This recital shall be conclusive evidence of the authority of the State to issue the bonds and of their validity. Any bonds containing this recital shall in any suit, action or proceeding involving their validity be conclusively deemed to be fully authorized by this act and to have been issued, sold, executed and delivered in conformity herewith and with all other provisions of laws applicable thereto, and shall be incontestable for any cause.

b. The bonds shall be issued in such denominations and in such form or forms, whether coupon, fully registered or book-entry, and with or without provisions for interchangeability thereof, as may be determined by the issuing officials.

11. When the bonds are issued from time to time, the bonds of each issue shall constitute a separate series to be designated by the issuing officials. Each series of bonds shall bear such rate or rates of interest as may be determined by the issuing officials, which interest shall be payable as may be determined by the issuing officials. ✓

12. The bonds may be issued and sold at public or private sale at such price or prices and under the terms, conditions and regulations as the issuing officials may prescribe.

13. Until permanent bonds are prepared, the issuing officials may, in their discretion, issue in lieu of the permanent bonds temporary bonds in such form and with such privileges as to their registration and exchange for permanent bonds as may be determined by the issuing officials.

14. The proceeds from the sale of the bonds shall be paid to the <sup>State</sup> Treasurer to be held by the <sup>State</sup> Treasurer in a separate fund, which shall be known as the "New Jersey Baseball Fund." The proceeds of this fund shall be deposited in such depositories as may be selected by the <sup>State</sup> Treasurer to the credit of the fund.

15. a. The moneys in the "New Jersey Baseball Fund" are specifically dedicated and shall be applied to the purposes set forth in section 5 of this act. However, no such moneys shall be expended for such purposes, except as otherwise authorized by this act, without the specific appropriation thereof by the ~~New Jersey~~ Legislature, but bonds may be issued as herein provided, notwithstanding that the ~~New Jersey~~ Legislature shall not have then adopted an act making specific appropriation of any of the moneys.

b. At any time prior to the issuance and sale of any series of bonds under this act, the <sup>State</sup> Treasurer is authorized to transfer from any available moneys in any fund of the treasury of the State to the credit of the "New Jersey Baseball Fund" such sums as the <sup>State</sup> Treasurer may deem necessary. The sums so transferred shall be returned to the same fund of the treasury of the State by the <sup>State</sup> Treasurer from the proceeds of the sale of such series of bonds.

c. Pending their application to the purposes provided in this act, the moneys in the "New Jersey Baseball Fund" may be invested and reinvested as other trust funds in the custody of the <sup>State</sup> Treasurer, in the manner provided by law. Net earnings received from the investment or deposit of moneys in the "New Jersey Baseball Fund" shall be paid into the General Fund of the State.

16. If any coupon bond, coupon or registered bond is lost, mutilated or destroyed, a new bond or coupon shall be executed and delivered of like tenor, in substitution for the lost, mutilated or destroyed bond or coupon, upon the owner furnishing to the issuing officials such evidence satisfactory to them of the loss, mutilation or destruction, proof of ownership thereof and security, indemnity and reimbursement for expenses connected therewith, as the issuing officials may require.

17. The accrued interest, if any, received upon the sale of the bonds shall be applied to the discharge of a like amount of interest upon the bonds when due. Any expense incurred by the issuing officials for advertising, engraving, printing, clerical, authenticating, registering, legal or other services necessary to carry out the duties imposed upon them by the provisions of this act shall be paid from the proceeds of the sale of the bonds by the <sup>State</sup> Treasurer upon the warrant of the

Comptroller of the Treasury, in the same manner as other obligations of the State are paid.

18. Bonds of each series issued hereunder shall mature, including any sinking fund redemptions, not later than the ~~thirty-fifth~~<sup>35th</sup> year from the date of issue of such series, and in such amounts as shall be determined by the issuing officials. The issuing officials may reserve to the State by appropriate provision in the bonds of any series the power to redeem all or any of the bonds prior to maturity at such price or prices and upon such terms and conditions as may be provided in the bonds.

19. Refunding bonds are authorized in an amount not to exceed the amount necessary to effectuate the refinancing of all or any bonds issued pursuant to this act, at any time and from time to time, for the purpose of refinancing any bond or bonds issued pursuant to this act, subject to the following provisions:

a. Refunding bonds may be issued at such time at or prior to the maturity or redemption of the bonds to be refinanced thereby, as the issuing officials shall determine;

b. Each series of refunding bonds may be issued in a sufficient amount to pay or to provide for the payment of the principal of the bonds to be refinanced thereby, together with any redemption premium thereon, any interest accrued or to accrue on such bonds to be refinanced to the date of payment of such outstanding bonds, the expense of issuing such refunding bonds and the expenses, if any, of paying such bonds to be refinanced;

c. No refunding bonds shall be issued unless the issuing officials shall first determine that the present value of the aggregate principal amount of and interest on such refunding bonds is less than the present value of the aggregate principal amount of and interest on the bonds to be refinanced

thereby; provided, for the purposes of this limitation, present value shall be computed using a discount rate equal to the yield of such refunding bonds, and yield shall be computed using an actuarial method based upon a 360-day year with semi<sup>3</sup>annual compounding and upon the price or prices paid to the State by the initial purchasers of such refunding bonds; and

d. Any refinancing authorized hereunder may be effected by the sale of the refunding bonds and the application of the proceeds thereof to the immediate payment of the principal of the bonds to be refinanced thereby, together with any redemption premium thereon, any interest accrued or to accrue on such bonds to be refinanced to the date of payment of such bonds, the expenses of issuing the refunding bonds and the expenses, if any, of paying such bonds to be refinanced, or, to the extent not required for such immediate payment, shall be deposited, together with any other moneys legally available therefor, in trust with one or more trustees or escrow agents, which trustees or escrow agents shall be trust companies or national or state banks having powers of a trust company, located either within or without the State, to be applied solely to the payment when due of the principal of, redemption premium, if any, and interest due and to become due on the bonds to be refinanced on or prior to the redemption date or maturity date thereof, as the case may be. Any such proceeds or moneys so held by such trustees or escrow agents may be invested in government securities, including government securities issued or held in book-entry form on the books of the Department of Treasury of the United States; provided such government securities shall not be subject to redemption prior to their maturity other than at the option of the holder thereof. Except as otherwise provided in this subsection, neither government securities nor moneys so deposited with such trustees or escrow agents shall be withdrawn or used for any purpose other than,

and shall be held in trust for, the payment of the principal of, redemption premium, if any, and interest on the bonds to be refinanced thereby; provided that any cash received from such principal or interest payments on such government securities deposited with such trustees or escrow agents, to the extent such cash will not be required at any time for such purpose, shall be paid over to such trustees or escrow agents, and to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable and legally permissible, be reinvested in government securities maturing at times and in amounts sufficient to pay when due the principal of, redemption premium, if any, and interest to become due on the bonds to be refinanced on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments, to the extent not required for the payment of bonds, shall be paid over to the State, as received by such trustees or escrow agents. Notwithstanding anything to the contrary contained herein: (1) such trustees or escrow agents shall, if so directed by the issuing officials, apply moneys on deposit with such trustees or escrow agents pursuant to the provisions of this section, and redeem or sell government securities so deposited with such trustees or escrow agents, and apply the proceeds thereof to the purchase of the bonds which were refinanced by the deposit with such trustees or escrow agents of such moneys and government securities and immediately thereafter cancel all such bonds so purchased or the purchase of different government securities; provided, however, that the moneys and government securities on deposit with such trustees or escrow agents after such purchase and cancellation of such outstanding bonds or such purchase of different government securities shall be sufficient to pay when due the principal of, redemption premium, if any, and interest on all other bonds in respect of which such moneys and government securities were

deposited with such trustees or escrow agents on or prior to the redemption date or maturity date thereof, as the case may be; and (2) in the event that on any date, as a result of any purchases and cancellations of such bonds or any purchases of different government securities as provided in this subsection, the total amount of moneys and government securities remaining on deposit with such trustees or escrow agents is in excess of the total amount which would have been required to be deposited with such trustees or escrow agents on such date in respect of the remaining bonds for which such deposit was made in order to pay when due the principal of, redemption premium, if any, and interest on such remaining bonds, such trustees or escrow agents shall, if so directed by the issuing officials, pay the amount of such excess to the State. Any amounts held by the <sup>State</sup> Treasurer in a separate fund or funds for the payment of the principal of, redemption premium, if any, and interest on bonds to be refinanced, as provided herein, shall, if so directed by the issuing officials, be transferred by the <sup>State</sup> Treasurer for deposit with one or more trustees or escrow agents, as provided herein, to be applied to the payment when due of the principal of, redemption premium, if any, and interest to become due on such bonds to be refinanced, as provided in this section, or be applied by the <sup>State</sup> Treasurer to the payment when due of the principal of, redemption premium, if any, and interest on refunding bonds issued hereunder to refinance such bonds. The <sup>State</sup> Treasurer is authorized to enter into any contract or contracts with one or more trust companies or national or state banks, as provided herein, to act as trustees or escrow agents, as provided herein, subject to the approval of the issuing officials.

e. Any series of refunding bonds issued pursuant to this section shall mature at any time or times not later than five years following the latest scheduled final maturity date,

determined without regard to any redemptions prior thereto, of any of the bonds to be refunded thereby, and in no event later than 35 years following the date of issuance of such series of refunding bonds, and such refunding bonds may be sold at public or private sale at such prices and under such terms, conditions and regulations as the issuing officials may prescribe. Refunding bonds shall be entitled to all the benefits of this act and subject to all its limitations, except as to sale provisions and to the extent therein otherwise expressly provided.

f. Upon the decision by the issuing officials to issue bonds pursuant to this section, and prior to the sale of those bonds, the issuing officials shall transmit to the Joint Budget Oversight Committee of the ~~New Jersey~~ Legislature, or its successor, a report that a decision has been made, reciting the basis on which the decision was made, including an estimate of the debt service savings to be achieved and the calculations upon which the issuing officials relied when making the decision to issue refunding bonds. The report shall also disclose the intent of the issuing officials to issue and sell the refunding bonds at public or private sale and the reasons therefor.

g. The Joint Budget Oversight Committee, or its successor, shall have authority to approve or disapprove the sale of refunding bonds as included in each report submitted in accordance with subsection f. of this section. The committee shall notify the issuing officials in writing of the approval or disapproval as expeditiously as possible.

h. No refunding bonds shall be issued unless the report has been submitted to and approved by the Joint Budget Oversight Committee, or its successor, as set forth in subsection g. of this section.

i. Within 30 days after the sale of the refunding bonds, the issuing officials shall notify the Joint Budget

Oversight Committee, or its successor, of the result of that sale, including the prices and terms, conditions and regulations concerning the refunding bonds, the actual amount of debt service savings to be realized as a result of the sale of refunding bonds, and the intended use of the proceeds from the sale of those bonds.

j. The Joint Budget Oversight Committee, or its successor, shall review all information and reports submitted in accordance with this section and may, on its own initiative, make observations and recommendations to the issuing officials, or the ~~New Jersey~~ Legislature, or both, as it deems appropriate.

20. Any bond or bonds issued hereunder shall no longer be deemed to be outstanding, shall no longer constitute a direct obligation of the State of New Jersey, and the faith and credit of the State shall no longer be pledged to the payment of the principal of, redemption premium, if any, and interest on such bonds, and such bonds shall be secured solely by and payable solely from moneys and government securities deposited in trust with one or more trustees or escrow agents, which trustees and escrow agents shall be trust companies or national or state banks having powers of a trust company, located either within or without the State, as provided herein, whenever there shall be deposited in trust with such trustees or escrow agents, as provided herein, either moneys or government securities, including government securities issued or held in book-entry form on the books of the Department of Treasury of the United States, the principal of and interest on which when due will provide money which, together with the moneys, if any, deposited with such trustees or escrow agents at the same time, shall be sufficient to pay when due the principal of, redemption premium, if any, and interest due and to become due on such bonds on or prior to the redemption date or maturity date thereof, as the case may be; provided such government securities shall not be

subject to redemption prior to their maturity other than at the option of the holder thereof. The State of New Jersey hereby covenants with the holders of any bonds for which government securities or moneys shall have been deposited in trust with such trustees or escrow agents as provided in this section that, except as otherwise provided in this section, neither the government securities nor moneys so deposited with such trustees or escrow agents shall be withdrawn or used by the State for any purpose other than, and shall be held in trust for, the payment of the principal of, redemption premium, if any, and interest to become due on such bonds; provided that any cash received from such principal or interest payments on such government securities deposited with such trustees or escrow agents, to the extent such cash will not be required at any time for such purpose, shall be paid over to the State as received by such trustees or escrow agents free and clear of any trust, lien, pledge or assignment securing such bonds; and to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable and legally permissible, be reinvested in government securities maturing at times and in amounts sufficient to pay when due the principal of, redemption premium, if any, and interest to become due on such bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the State, as received by such trustees or escrow agents, free and clear of any trust, lien or pledge securing such bonds. Notwithstanding anything to the contrary contained herein: (a) such trustees or escrow agents shall, if so directed by the issuing officials, apply moneys on deposit with such trustees or escrow agents pursuant to the provisions of this section, and redeem or sell government securities so deposited with such trustees or escrow agents, and apply the proceeds thereof to (1) the purchase of the bonds which were

refinanced by the deposit with such trustees or escrow agents of such moneys and government securities and immediately thereafter cancel all bonds so purchased, or (2) the purchase of different government securities; provided, however, that the moneys and government securities on deposit with such trustees or escrow agents after such purchase and cancellation of such bonds or such purchase of different government securities shall be sufficient to pay when due the principal of, redemption premium, if any, and interest on all other bonds in respect of which such moneys and government securities were deposited with such trustees or escrow agents on or prior to the redemption date or maturity date thereof, as the case may be; and (b) in the event that on any date, as a result of any purchases and cancellations of bonds or any purchases of different government securities, as provided in this sentence, the total amount of moneys and government securities remaining on deposit with such trustees or escrow agents is in excess of the total amount which would have been required to be deposited with such trustees or escrow agents on such date in respect of the remaining bonds for which such deposit was made in order to pay when due the principal of, redemption premium, if any, and interest on such remaining bonds, such trustees or escrow agents shall, if so directed by the issuing officials, pay the amount of such excess to the State free and clear of any trust, lien, pledge or assignment securing such refunding bond.

21. Refunding bonds issued pursuant to section 19 of this act may be consolidated with bonds issued pursuant to section 6 of this act or with bonds issued pursuant to any other act for purposes of sale.

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

omit underlining here

a. Revenue derived from the collection of taxes under the "Sales and Use Tax Act," P.L. 1966, c.30 (C.54:32B-1 et seq.) ~~as amended and supplemented~~, or so much thereof as may be required; and

b. If, at any time, funds, as hereinabove appropriated, necessary to meet the interest, redemption premium, if any, and principal payments on outstanding bonds issued under this act, are insufficient or not available, there shall be assessed, levied and collected annually in each of the municipalities of the counties of this State a tax on the real and personal property upon which municipal taxes are or shall be assessed, levied and collected sufficient to meet the interest on all outstanding bonds issued hereunder and on the bonds proposed to be issued under this act in the calendar year in which such tax is to be raised and for the payment of bonds falling due in the year following the year for which the tax is levied. The tax thus imposed shall be assessed, levied and collected in the same manner and at the same time as other taxes upon real and personal property are assessed, levied and collected. The governing body of each municipality shall cause to be paid to the county treasurer of the county in which such municipality is located, on or before December 15 in each year, the amount of tax herein directed to be assessed and levied, and the county treasurer shall pay the amount of said tax to the <sup>State</sup> Treasurer on or before December 20 in each year.

If on or before December 31 in any year the issuing officials shall determine that there are moneys in the General Fund of the State beyond the needs of the State, sufficient to meet the principal of bonds falling due and all interest and redemption premium, if any, payable in the ensuing calendar year, the issuing officials shall by resolution so find and shall file their resolution in the office of the <sup>State</sup> Treasurer, whereupon the <sup>State</sup> Treasurer shall transfer the moneys to a separate

fund to be designated by the <sup>State</sup> Treasurer, and shall pay the principal, redemption premium, if any, and interest out of that fund as the same shall become due and payable, and the other sources of payment of the principal, redemption premium, if any, and interest provided for in this section shall not then be available, and the receipts for the year from the tax specified in subsection a. of this section shall be considered and treated as part of the General Fund of the State, available for general purposes.

23. Should the <sup>State</sup> Treasurer, by December 31 of any year, deem it necessary, because of the insufficiency of funds collected from the sources of revenues as provided in this act, to meet the interest and principal payments for the year after the ensuing year, then the <sup>State</sup> Treasurer shall certify to the Comptroller of the Treasury the amount necessary to be raised by taxation for those purposes, the same to be assessed, levied and collected for and in the ensuing calendar year. In this event the Comptroller of the Treasury shall, on or before March 1 following, calculate the amount in dollars to be assessed, levied and collected in each county as herein set forth. Such calculation shall be based upon the corrected assessed valuation of each county for the year preceding the year in which such tax is to be assessed, but such tax shall be assessed, levied and collected upon the assessed valuation of the year in which the tax is assessed and levied. The Comptroller of the Treasury shall certify the amount to the county board of taxation and the county treasurer of each county. The county board of taxation shall include the proper amount in the current tax levy of the several taxing districts of the county in proportion to the ratables as ascertained for the current year.

24. For the purpose of complying with the provisions of the State Constitution, this act shall be submitted to the people at the general election to be held in the month of

November, 1987. ~~In order~~ <sup>T</sup> To inform the people of the contents of this act, it shall be the duty of the Secretary of State of New Jersey, after this section takes effect, and at least 15 days prior to the election, to cause this act to be published in at least 10 newspapers published in the State and to notify the clerk of each county of the State of the passage of this act; and the clerks respectively, in accordance with the instructions of the Secretary of State, shall cause to be printed on each of the ~~said~~ ballots, the following:

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

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

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

	Yes.	<p>Should the "New Jersey Baseball Bond Act of 1987" which authorizes the State to issue bonds in the aggregate principal amount of \$185,000,000 for the purpose of providing funds for the acquisition and construction of a major league baseball stadium located in the State to be owned and operated by the New Jersey Sports and Exposition Authority, including land necessary for the stadium and any projects of the authority which may be constructed on the site of the stadium and the payment of the costs of attracting and enabling a major league baseball team to locate in the State; authorizes the State to issue refunding bonds; and provides the ways and means to pay the interest <del>on the</del> <sup>on the</sup> debt and also to pay and discharge the principal thereof, be approved?</p>
	No.	<p>INTERPRETIVE STATEMENT</p> <p>Approval of this act would authorize the sale of \$185,000,000 in State general obligation bonds to provide funds for the acquisition and construction of a major league baseball stadium to be located in the State and owned and operated by the New Jersey Sports and Exposition Authority, including land necessary for the stadium and any projects of the authority which may be constructed on the site of the stadium and for the payment of costs of attracting and enabling a major league baseball team to locate in the State. <del>The stadium would allow a major league baseball team to locate in the State and use the stadium for its home games and would help stimulate jobs, revenues and economic development in the stadium. These bonds would not be sold until a commitment was obtained from a major league baseball team to locate in the State and use the baseball stadium for its home games.</del></p>

The fact and date of the approval or passage of this act, as the case may be, may be inserted in the appropriate place after the title in the ballot. No other requirements of law of any kind or character as to notice or procedure, except as herein provided, need be adhered to.

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

25. There is ~~hereby~~ appropriated the sum of \$5,000.00 to the ~~New Jersey~~ Department of State for expenses in connection with the publication of notice pursuant to section 24 of this act.

26. The Authority shall submit to the <sup>State</sup> Treasurer a plan for the expenditure for funds pursuant to section 5 of this act from the "New Jersey Baseball Fund" for each fiscal year during which expenditures are anticipated. The plans shall include such information as the <sup>State</sup> Treasurer may request.

27. This section and sections 24 and 25 of this act shall take effect immediately and the remainder of the act shall take effect as and when provided in section 24.

STATEMENT

This bill allows the State to sell \$185 million in general obligation bonds to finance the construction of a major league baseball stadium in New Jersey to be owned and operated by the New Jersey Sports and Exposition Authority, the acquisition of land necessary for the stadium and for any projects of the authority which may be constructed on the site of the stadium and the costs of attracting and enabling a major league baseball team to locate in the State, provided a commitment by a major league baseball team to play its home games in the stadium is first obtained. New Jersey has one of the heaviest concentrations of baseball fans in the nation and <sup>would</sup> ~~will~~ strongly support a major league team in the State. In return, the State <sup>would</sup> ~~will~~ benefit directly and indirectly in many ways. Major league baseball <sup>would</sup> ~~will~~ provide a valuable family activity for State residents. The stadium <sup>would</sup> ~~will~~ accommodate other events which <sup>would</sup> ~~will~~ provide needed recreation, forums and expositions for the public. The construction of the stadium and the location of a major league baseball team in the State <sup>would</sup> ~~will~~ create jobs, increase revenues, attract visitors to the State and strengthen the State's economy. The presence of the stadium and a major league baseball team <sup>would</sup> ~~will~~ generate pride in New Jersey and enhance the State's image.

AUTHORITIES AND REGIONAL COMMISSIONS

Authorizes a \$185,000,000 State bond issue to finance a baseball stadium.

S3576

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AS TO FORM  
ONLY

SUGG. 2200  
5-12-83

AN ACT concerning the New Jersey Sports and Exposition Authority  
and supplementing P. L. 1971, c. 137. <sup>(C. 5:10-1 et seq.)</sup>

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

1. a. There is hereby established a separate fund entitled  
the "Sports and Exposition Equity Fund." The fund shall be  
maintained by the State Treasurer and may be held in  
depositories as may be selected by the State Treasurer and  
invested and reinvested as other funds in the custody of the  
State Treasurer in the manner provided by law. In the fiscal  
year beginning July 1, 1987 and in each of the five fiscal years  
thereafter, subject to and dependent upon appropriations being  
made by the Legislature for the purposes of the fund, the State  
Treasurer shall credit or pay into the fund the amount of  
\$10,000,000.00.

b. Amounts on deposit in the Sports and Exposition  
Equity Fund, including investment earnings thereon, shall be  
disbursed by the State Treasurer to the authority solely for the  
purposes of paying major maintenance costs and making payments  
in lieu of taxes in connection with the meadowlands complex and  
retiring authority debt and paying debt service thereon. The  
determination of the amounts in the fund to be disbursed at any  
time, to one or more of the purposes thereof, shall be established  
by the State Treasurer in an agreement with the authority to be  
entered into prior to any disbursements from the fund; provided,  
that the fund shall be administered in a manner consistent with  
covenants made with authority bondholders and noteholders. Such  
agreement may include provisions which would require the  
approval of the State Treasurer prior to the issuance by the  
authority of any or all of its bonds or notes.

2. This act shall take effect immediately.

STATEMENT

In order to further the continued success of the Meadowlands ~~Sports~~ Complex in providing major league sports and high quality entertainment events and to assist the New Jersey Sports and Exposition Authority in developing additional projects in the State, authorization of additional financial resources is needed. This bill, which supplements the "New Jersey Sports and Exposition Authority Law" (P.L. 1971, c. 137; C. 5:10-1 et seq.), creates a Sports and Exposition Equity Fund to be held by the State Treasurer and funded by annual State appropriations of \$10,000,000.00 for six years. Such appropriations would represent a repayment to the sports authority of amounts contributed to the State by the authority since 1977 from excess revenues generated by the sports complex. The authority would be limited in using the appropriations only for purposes of paying major maintenance expenses and payments in lieu of taxes in connection with the sports complex, and for the retirement of debt issued by the authority and the payment of debt service on that debt.

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AUTHORITIES AND REGIONAL COMMISSIONS

Establishes the Sports and Exposition Equity Fund<sup>a, b</sup> provides for six annual<sup>a, b</sup> appropriations to the fund.

**Public Information  
Copy**

**AUTHORITIES AND REGIONAL  
COMMISSIONS**

AN ACT concerning the New  
Jersey Sports and Exposition  
Authority and supplementing  
P.L. 1971, c. 137  
(C. 5:10-1 et seq.).

*Van Wagner*

**APPROVED AS TO FORM**

**OFFICE OF LEGISLATIVE SERVICES**

*(Approved as A. 4445 '87)*

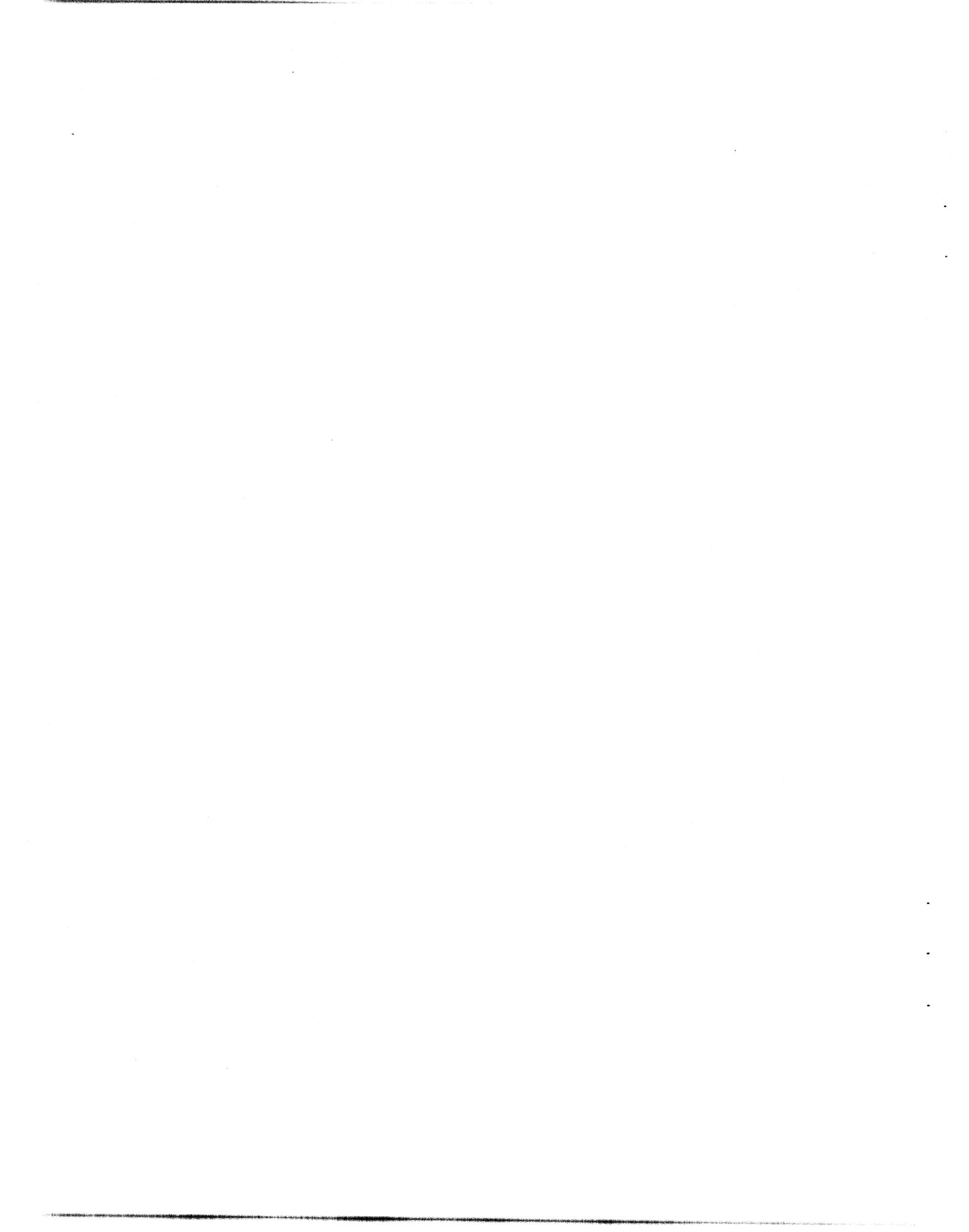
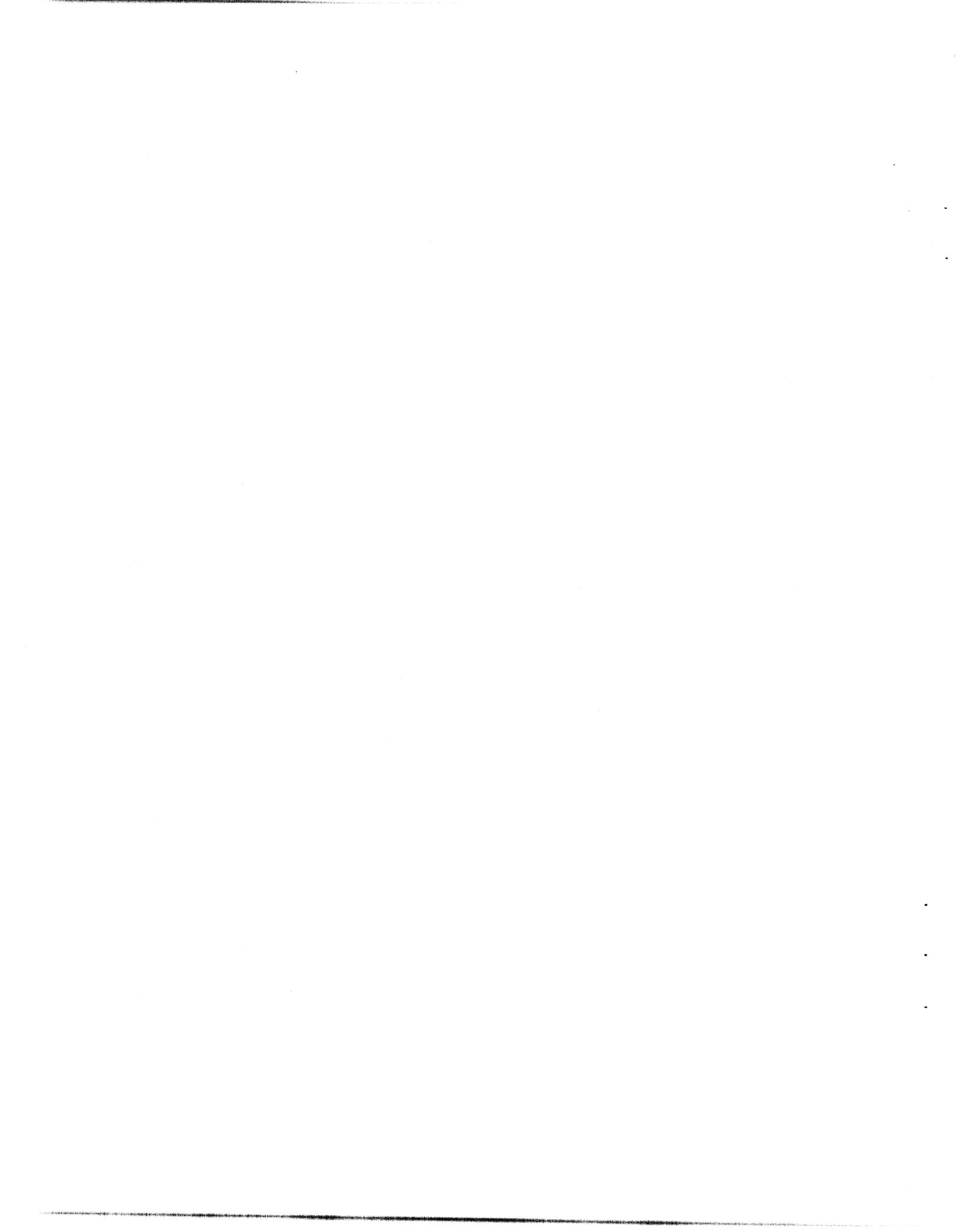


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**SENATOR LAURENCE S. WEISS (Chairman):** Good morning. Will everyone please take their seats? We do have a quorum this morning. There will be another member here -- Senator Ewing. At least he said he was going to be here, and he is usually good at that.

This Committee has been asked to review a package of three bills which will provide State financial assistance to the Sports and Exposition Authority for the construction of a baseball stadium near the Meadowlands Complex. That bill is S-3572. The second bill, a State lease to cover the cost of the Authority bonding for the construction of an aquarium in Camden, is Senate Bill 3570. And the third bill-- Actually, it is the reduction and reorganization of the Authority's existing financial obligations. That is S-3573.

The Committee does not have the three bills in its possession. We do, however, have draft copies of those bills, and we are going to have to work from there. The bills have yet -- on the Senate side -- to be introduced. They will be introduced, as I understand it-- I do not know who the sponsors are, but they will be introduced on Thursday next, August 6. In the interest of saving time in reacting to this important issue, we decided we would have a hearing prior to the formal hearing, so the Committee and members of the Legislature, at least on the Senate side, can get a sense of what is happening.

The first witness for today will be the Executive Director of the New Jersey Sports and Exposition Authority, Bob Mulcahy. Bob, that is your title, is it not?

**R O B E R T E. M U L C A H Y, III:** It's close enough.

**SENATOR WEISS:** Close enough. As long as we don't change the salary, I guess it's okay. Bob, I would like you to know that there is a tape recorder operating at the moment, and there will be all through the day.

**MR. MULCAHY:** That's okay. Mr. Chairman, may I invite three other people up here with me? Is that okay?

SENATOR WEISS: You may.

MR. MULCAHY: I will identify them when they get here.

SENATOR WEISS: Bob, I don't see our regular microphone there.

MR. MULCAHY: Is this one on?

MS. McNUTT (Committee Aide): They are for the tape recorder.

SENATOR WEISS: Which one is for the tape recorder?

MR. MULCAHY: Is this one on? Do you want them both in front of me?

SENATOR WEISS: Well, I am at a loss. Our regular microphones look like this (demonstrates), and I don't see one here. We may have to hold up, because the acoustics in this place are terrible.

MR. MULCAHY: Maybe they have determined, Mr. Chairman, that what I am going to say is not worth recording.

SENATOR WEISS: It's worth recording, Bob. Don't be so modest. Perhaps the reason we have these is because the court decisions in this place haven't been that good. This is the former Chamber of the New Jersey Supreme Court.

Just give us a moment, would you, Bob? We are going to move one of the regular mikes over.

MR. MULCAHY: Sure. (pause while staff aide moves a P.A. microphone to witness table)

SENATOR WEISS: Bob, we are going to start without the P.A. system. We will just have to listen a little more intently.

MR. MULCAHY: I think my voice is strong enough to carry.

SENATOR WEISS: I think so, but it's not your voice, it's my hearing.

Getting back to square one, the first speaker for this morning is Mr. Mulcahy. Mr. Mulcahy, any time-- Do you want to make your statement, or introduce your guests?

MR. MULCAHY: Thank you, Mr. Chairman. I want to thank you, and I want to thank the other members of the Committee, for coming back from your vacations, and for the opportunity to appear before you this morning to discuss this legislation.

I have with me three individuals who have been instrumental in the planning and success of the complex since its inception, and I would like to introduce them to you because they will serve as resource people for both me, and hopefully for you, as the morning goes on. On your right, my left, is John Miller, Managing Director of Merrill Lynch. He is head of the Municipal Finance Department at Merrill Lynch, and has been the investment banker for the Sports Authority since the initial bond issue was sold.

On my immediate right, your left, is Bob Ferdon, who is the senior partner from Mudge, Rose, Guthrie, Alexander and Ferdon, bond counsels in New York. As you know, they are regarded as probably the premier bond counsels in the country. On his right is Fred Rohn, senior partner with Touche Ross, which has been the auditors of the complex since its early days.

What I would like to do, Mr. Chairman, is briefly go through each of the three bills and offer you my comments on them, if that is acceptable to you, and then take whatever questions, for however long you may wish to question. Is that acceptable?

SENATOR WEISS: Yes. Take them in whatever order you want. I understood from my conversation here that the order of the bills was going to be: first, the equity fund; second, the aquarium; and third, the authorization for the bond issue. Is that correct?

MR. MULCAHY: That is correct.

SENATOR WEISS: Well, you can take them in that order then.

MR. MULCAHY: All right. Senate Bill 3573 is the first bill. The Sports Authority, in 10 years, has achieved a unique status in the life of New Jersey. Its accomplishments have been well-chronicled and have put it in the vanguard of the Renaissance of this State.

What I would like to do is review briefly the revenues of the Authority, what the impact has been, and why we have proposed this idea called an "equity fund." I would like to give you a little bit of history. The net income from racing during the first five years that the complex was in existence, through 1981, never dropped below \$45 million. I think that date is important to bear in mind, because I will deal with that subsequently.

In 1982, it dropped to \$40 million, where it stayed for three years, and then \$30.5 million in 1985, and \$26.3 million in 1986. I think it is important to look at this record because 1981 was a critical year. Three things happened then: The arena came on-line in July, 1981; the casinos began functioning in full bloom; and the Lottery was experiencing its expansion. I would like to touch on these issues.

The complex was originally conceived to have racing pay for itself and the stadium. It did that handsomely for the first five years, and will continue to do so for as long as it is in existence. But it did so well in fact, that the arena was built and the debt service added on with the knowledge that it would have some impact on racing. The debt service became approximately \$9 million a year more.

The growth of the casino industry and the expansion of the Lottery had a dramatic impact. I wish to make it clear that we are in no way quarreling with those public policy decisions. Both industries are very worthwhile and constructive. But I think we all must recognize that when your market research says that 80% of your patrons are going to the casinos and playing the Lottery, 23% going to the casinos

frequently, it has to have a very real impact on you. I think we all understand that the gambling dollar is a finite dollar.

I would like to direct your attention to the first chart we have on the easel, because it depicts the current debt structure of the Authority. If you look at it -- while it may be a little difficult to see from there -- you will see that there are three different bond liens that comprise the total debt service of the complex. They have accumulated over the years because of the construction of individual facilities, and because of additions to various facilities.

So, what you have is the so-called first lien -- the senior lien bonds -- that are slightly less than \$6 million; I think about \$5.7 million a year in debt service, which expire in the year 2016. They have a AA rating. Secondly, you have the State-guaranteed bonds, which are the second lien of roughly \$175 million. They expire in the year 2005. The third lien you have are the so-called subordinated bonds, which are basically racing revenue bonds that are \$103 million, but, as you can see from the chart here, they were constructed so that the debt service would remain at a level of approximately \$32 million less interest on a level basis until it drops in 2016. And those are A rated. I might add that they are the only racing revenue bonds in the country that are rated. Moody's has continued to rate them since the beginning as an A, and we are pretty proud of that.

But, in order to construct the debt service the way we did, when the State-guaranteed bonds expire you have three years of term bonds, and then the bulk of the debt service is in what is commonly known as capital appreciation bonds, which currently are not requiring interest payments, but will in the future, as the other debt services are paid.

When we looked at the racing revenues that I outlined previously, and we looked at the fact that in the last two years the net income from the Authority was roughly \$37 million

in 1985 and \$29.5 million '86 -- and there was a blip in the debt service last year which dropped it to 24, which will not happen any more, which is why we have been able to handle whatever we have-- I think prudent management looked at it and decided that we better have a plan to deal with the volatility of racing revenues, before we reach a point of trouble. I think you are all very much aware that there is a national problem with racing revenues right now.

When we reviewed the situation of the Authority, we looked at the fact that over the past 10 years the Authority has generated and paid to the State approximately \$134 million in direct and indirect revenues, ranging all the way from surplus payments to sales taxes and horse sales at the complex. I think those of you who are old-timers -- and I use that term loosely -- remember that when the original legislation was adopted, in order to get this complex going and get the bonds sold after two false starts -- New York had attempted to sabotage it -- that the State placed a moral obligation behind those bonds. That moral obligation was for the entire debt service, and up to this date it has never been called upon. We are proud of that.

What we are suggesting in this legislation is that roughly half of what we have generated, or the \$60 million we paid in direct cash payments, be returned to the Authority over six years at the rate of \$10 million a year. This would be placed in an equity fund administered by the Treasurer, and would accomplish certain things. I would like to move to the second chart here.

The Authority could draw against this fund for one of three reasons, in accordance with an agreement which would be reached by the Treasurer. First of all, we would be able to pay capital maintenance budget items or payment in lieu of taxes. If you look at the last five years, our annual capital budgets averaged \$4.7 million, and our payment in lieu of taxes

approximately \$1.1 million. We could also use it to pay current debt service, or we could retire subordinated debt. This, I think, is where the dramatic savings take place and prudent fiscal planning dictates action.

Because of a call feature that exists in the current subordinated debt, in 1991, if we have accumulated \$35 million, we can retire \$366 million in debt service payments. If you look at the chart here, you will see that the area in white with the dotted lines represents the \$366 million in debt service payments between the years 2009 and 2021. And, because of the way it was set up and the way we have looked at this thing, what it would do -- at that point -- is provide whatever-- Three hundred and fifty million dollars or \$360 million in surplus would be available for the State or whatever was decided to do at that time, but it would relieve a tremendous payment of debt. It is roughly a ratio of ten to one, which we think is a tremendous savings.

Now, the other thing that this does -- before we flip the chart -- is, the Authority, by certification, has the capacity to flip the liens--

SENATOR EWING: Excuse me. Can you push that back a bit so Senator McNamara can see it? (referring to easel holding charts)

MR. MULCAHY: Sure.

SENATOR McNAMARA: What year was that, Bob, that you said--

MR. MULCAHY: Excuse me, Senator?

SENATOR McNAMARA: --you could retire the debt? What year was that?

MR. MULCAHY: It was 1991. There is a call feature that we can retire the subordinated debt.

The second aspect of this plan would involve the ability of the Authority to flip the liens, which would put the State guarantees in the third position. We believe that is an

additional protection for the future; that in the event there is an even more dramatic impact on the racing revenues than we now foresee, this would enable us to pay the debt service, without having to provide legislative appropriation or making annual trips to the Legislature. I think the important features here are that you see there is a change in the lien; there are the three years of the term bond between 2005 and 2009; and roughly in 2009, the place will be virtually debt free. That savings in debt service is \$366 million.

SENATOR RAND: Mr. Mulcahy, is it possible to get what you just said in writing to us?

MR. MULCAHY: Absolutely.

SENATOR RAND: I would appreciate that.

MR. MULCAHY: I have smaller charts in my folder here.

SENATOR RAND: Just the resume of the amount you said the State might save.

MR. MULCAHY: Absolutely.

SENATOR RAND: And the payments of the subordinated bonds payable in 1991. No, no, no, no. You are going to pay what in 1991?

MR. MULCAHY: We will pay off the capital appreciation bonds. Yes, Senator, I have smaller charts of what is up there, which we would be happy to provide to the Committee.

SENATOR RAND: Fine, thank you.

MR. MULCAHY: Since it is unlikely that most of us will be in our current positions in 2009, this is not something that will benefit us directly. But it certainly seems to us to be fiscally responsible, and I think represents a tremendous opportunity to the taxpayer.

I want to offer a couple of comments. It is true that racing revenues have experienced a positive turnaround this year, mainly on the expanded use of simulcasting. However, no one knows how racing revenues will respond over the long run, and in planning for the future, it seems prudent to protect

this investment. This is an investment that has an economic benefit in excess of \$550 million a year. That's the Sports Complex. It has generated over \$400 million in purse payments. It has created a whole industry of harness racing in this State with breeding farms. It is a complex with over \$40 million in annual payroll, and one that in 10 short years proved to be the catalyst for a billion and a half dollars worth of private investment in the Meadowlands district. It is a complex that has over nine million people a year visit it, and it generates an image of New Jersey all over this country; indeed, when we have events like last year's Statue of Liberty celebration, all over the world.

The plant is now 10 years old, and we have never slighted our routine maintenance. But it is a plant that is 10 years old, and it needs more maintenance and some renovation. Let me make it clear that I don't ever want to be in the position of being in the New York syndrome, where they let their facilities go to a point where the tenants they have wish to leave, or the patrons do not wish to come.

So, when we looked at this situation, it seemed a very prudent thing to do to protect an investment that was part of the Renaissance of the image and pride in this State; that was responsible for a billion and a half dollars worth of private capital investment in the Meadowlands district because we showed how to do it; that has an economic impact of over half a billion dollars a year; has created industries in this State within the racing industry; and has become a source of initiative in this State.

Last night, we had a golf outing in association with a kick-off classic. The corporate community of this State has had a direct relationship with this complex since its beginning. Bob Winters, who is the Chairman of Prudential, was at the dinner, and he spoke briefly. He spoke about the relationship of the corporate community to this complex, and

what it has meant. I need only recite some of the history back in 1974, when this complex was ready to go, and then Governor Rockefeller pulled his Sunnyside Gardens proposal, and the New York financial community decided they were going to sabotage this thing, and withdrew their money. That 24-hour period I think was New Jersey's finest hour, because the corporate community, led by Prudential and First Fidelity and Fidelity Union and Mutual Benefit, stood up and said, "We will put the money up. We will take the risk," and look what has happened.

I think that when you put all of those things in perspective, this is an investment that we think means a tremendous amount to this State. It is one that I think all of us are very proud of. When we reviewed the situation, we attempted to act prior to the time that there was a real problem.

Secondly, Mr. Chairman, I would like to address Senate Bill 3570, which is the aquarium bill. There are a couple of charts I would like to put up while I am discussing that. This bill would allow the Authority to execute leases with the State. It would enable us to issue short-term revenue bonds to finance construction of the aquarium. Our lease with the State will provide the revenue stream to retire those bonds, and the lease would require the approval of the Treasurer, the Speaker of the Assembly, and the Senate President.

To date, the Legislature has appropriated \$10 million, and the balance would be appropriated over the term of the bonds, probably a five-year period. The Authority has already invested in excess of one million dollars of its own money to do the design, planning, and architectural work, and I would like to take a few moments to point out its location and what it will be.

The underlying theme of the aquarium will reflect the geography and the flora and fauna of New Jersey. Its centerpiece will be a display of the offshore sharks which live

off the New Jersey coast, which have never been displayed in an aquarium before.

The Philadelphia Zoo would operate the aquarium under contract with the Authority, and would develop a curriculum that would be available for use throughout the New Jersey school system. Thus, it would be an enhancement to our educational system. We fully expect this to be the finest aquarium in the United States.

Finally, and most important of all, the aquarium will provide a meaningful centerpiece for the economic redevelopment of the Camden waterfront. It will provide jobs and an important economic stimulus for new development in that area. The aquarium is the key factor in decisions by Campbell Soup and RCA to remain the major employers in Camden. Campbell's has committed to build their new world headquarters immediately adjacent to the aquarium, and RCA will retain their research and development facility on the site.

I would like to briefly talk just a little bit about what the impact of the redevelopment of this area is, and the fact that because the aquarium was committed to, all of these other things will happen. If you look at the-- (Mr. Mulcahy walks to chart to demonstrate, and away from microphone) This is the Delaware River. This is the marina that is currently in existence. The aquarium would be located right here. There will then be built a festival market, a hotel, an office and conference center, and a parking garage. This is the aquarium; these are the Campbell Soup areas, in which they initiated a plot with RCA, so that their world headquarters would be on the river.

The kind of impact that Senator Rand knows so well, is that by having the Campbell Soup headquarters there, you are talking about 500 permanent jobs; \$30 million in investment. You are talking about the Trade Center having 265 jobs and an \$8 million investment. You are talking about the marina and

boat storage-- Incidentally, they have requests for all of the marinas already. You are talking about 25 jobs and \$4 million. You are talking about a public garage, 10 jobs, and \$5.2 million. So, in the first phase, you are talking about 900 jobs, including the aquarium, and \$89.4 million in investment.

In Phase 2, in the areas I pointed out there, you have very dramatic things between the garage and so on, which will mean you are talking about a total number of jobs in this redevelopment, when it is done, of 5350, and a total investment of \$354 million. I think that is significant.

I would like to make two points: First, the Authority is not participating reluctantly in this project. We are excited about it, and believe it has the potential to be a great asset for New Jersey. If you stand on the waterfront in Camden and look at this site, and look at what can happen, as Senator Rand and I have done, it is very easy to get excited. John, would you please put up the rendering of the front of the aquarium? (addressed to John Miller)

Incidentally, these charts, including the layout and all of these, we produced at the hearing in Camden where Senator Rand spoke. You might do the second one, too. This is the front of the aquarium as it would face the river and face Philadelphia. This is the rear view of the aquarium, which will contain many of the outdoor exhibits which have been planned for the aquarium.

So, first, we are excited about being in this project. We are not doing it reluctantly. And, secondly, despite public statements to the contrary, our participation in this project came at the request of the Mayor of Camden, the Coopers Ferry people, which is a nonprofit redevelopment corporation, and the Administration. It was done primarily because of our record of accomplishment. I remember very vividly, and it was restated at the hearing. Mayor Primas

stood before the Governor, and said, "We have fooled around with this project. In order for credibility, and for the corporations to remain here, they want to know that it is going to get done. The one agency in this State that has that kind of credibility to get it done is the Sports Authority. Governor, would you please ask them to get involved in it?" That is how we got involved with it.

The third bill I would like to briefly discuss is Senate Bill 3572, which is the baseball referendum. As you know, this bill would authorize \$185 million on the ballot in November, to let the people decide if they wish to have baseball in New Jersey. There is a very major component in it. It is contingent upon the Authority having a signed commitment with a Major League franchise before the bonds would be sold. This was deliberately done to ensure a safeguard that the money could only be spent at the proper time, for the proper purpose. We feel the referendum allows the people of New Jersey to state very clearly their feelings about baseball.

Our progress in the baseball issue has been shaped by four factors that we feel are necessary for the success of baseball. First of all, we have to have a suitable site. Secondly, we have to have financing in place to be credible. Third, we must obtain the necessary approvals for that site. And, finally, with those points in place, the fourth factor is obtaining a team.

Management's recommendation to the Authority's Board of Commissioners is a site in Lyndhurst. It is shaped by a year-long review of 53 potential sites in 11 counties. The sites were all measured against a set of 20 criteria, ranging from size and availability to geology and environmental factors and transportation access.

I would like to briefly go over this one diagram we have here. (Mr. Mulcahy returns to charts; no microphone) To give you a sense of the location, this is the New Jersey

Turnpike as it proceeds north; this is the current Sports Complex right near the Giants Stadium here. This is the current 16W Exit on the Turnpike. What is proposed here is a 245-acre site in Lyndhurst, which is just to the north of the current railroad line -- the New Jersey Transit line going to Bergen County. The New Jersey Turnpike has already announced that in its widening project it will have exit and entrance ramps at this site to proceed along the Avon Landfill, and will tie it in with Route 17, which would be continued to this point.

I think this is significant if we never have baseball, because as all of you who travel on here know, the bridges which span Route 3 right now, with the industrial and commercial development just to the east of this complex, generate almost a gridlock in the morning and evening. This would provide the capacity as an alternative to avoid this area and would bring the traffic around here. So, what has been devised here, I think, is a transportation network that would accommodate the things we have talked about as problems with traffic here. It provides an entrance and an exit from the Turnpike, a connection to Route 17, and you have a site here to the east of the railroad line that has parking for 18,000 cars. You have a stadium -- we would envision here -- with approximately 45,000 seats, with a grass field. By our going in here, we would create the value for this land, getting the environmental permits, and we would create a slurry wall around the property, so that the land would be usable. A great portion of the land is usable now, but we would be in a position to make all of this useful.

So what you have, I think, is a very dramatic site that has unparalleled transportation access and certainly unparalleled rail access from what we currently have for other sports facilities and entertainment facilities in the State.

John, would you get the chart over there with the cost of the stadium; it's right there. We have estimated the cost

of the stadium at approximately \$185 million. We have shown here for you a breakdown of that cost into four specific categories. The first includes site acquisition and preparation and associated costs of approximately \$71 million. It shows the estimated cost of the 45,000 seat stadium at \$85 million. There are contingencies in there for architects and engineering, and other contingencies, for \$15 million. We have put in an inflation factor there that is prorated over the next couple of years of \$14 million to get to \$185 million, which is the dollar value we have placed in the bill that is before you.

We would envision, as I indicated, that we would have a grass field. It would be sort of a homey, country-fair kind of atmosphere, and we would have parking for 18,000 cars. We have had Touche Ross do an economic impact of baseball, and I would like to also show you that chart at the current time. The chart shows that the stadium would have a direct economic impact of \$103 million in the State. I think when we look back at the origins of the Sports Complex and understand that we had so many doubts, and now we are talking about a complex that has done all of the things I talked about, here you have something that is going to generate in excess of \$100 million a year in economic impact. That figure does not include direct tax payments or employment numbers, because we really didn't have those, and weren't in a position to add to it.

Mr. Chairman, that really concludes my remarks about the outline of the three pieces of legislation which are before you. I appreciate your interest and attention. As I indicated when I started, I would be delighted to spend whatever time you or the Committee would wish in answering whatever questions you may wish to put to me.

SENATOR WEISS: Thank you very much, Bob. We do have questions for you.

MR. MULCAHY: Oh, I was sure that you would.

SENATOR WEISS: We are going to take these up in inverse order, only because the baseball stadium is the freshest in our minds. But there was a question I had left over from one of your original chart representations. It was the chart that showed \$35,258,000 on the bottom. I, for one, don't quite understand it, because you were talking in numbers like 360 some odd million dollars, and there seems to be, like, 10%--

MR. MULCAHY: Do you want to wait until we get to that bill?

SENATOR WEISS: I beg your pardon?

MR. MULCAHY: Do you want to wait until we get to that?

SENATOR WEISS: Well, just tell me about this chart, and they we will--

SENATOR EWING: Mr. Chairman, do we have those charts? Could we have them?

SENATOR WEISS: Well, there is a copy here, Jack. I don't know where.

MS. McNUTT: Don't you have copies? (no response)

MR. MULCAHY: We'll put up the chart again. John, you may want to just hold it up on that table there so they can see it.

SENATOR WEISS: Well, John, I am going to have to ask you to do one thing.

J O H N D. M I L L E R: Sure.

SENATOR WEISS: Hold it up back there, because all of our folks can't see it. I mean, this is not a good room for charts. Okay? Don't you have copies of the charts?

MR. MULCAHY: I have one set of copies here.

SENATOR WEISS: We'll send out and have come copies made. Would you just explain that one?

MR. MULCAHY: Mr. Chairman, these are the three debt services that comprise the total debt payments of the Authority on an annual basis. You have three different liens, or three

different payments of bonds that were sold at three different times. You have a senior lien debt service of a little less than \$6 million here, which expires in 2016. It is in first position. We have never disturbed it. It has a AA rating. It was part of the money that was used when we added the addition to the race track building for the Pegasus Restaurant and did some other additions to the site. So, that's this debt service right--

SENATOR WEISS: Give me a number.

MR. MULCAHY: Six million dollars.

SENATOR WEISS: Okay, that is the bottom one on that chart.

MR. MULCAHY: That is how much we pay a year. It is slightly less than that, but that's close enough. Well, this is the inverted order. The second lien is the State-guaranteed lien, which is approximaely \$175 million. The debt service on that is-- Let me just do a little subtraction here. It is about \$18 million -- that is my recollection -- on the State-guaranteed lien.

SENATOR WEISS: Okay. So we are now up to 24 -- six and eight.

MR. MULCAHY: You're up to 24, roughly 23, I guess. Then you have about \$7 million of subordinated debt, which gets us to between 31 and 32. We have rounded these numbers off.

SENATOR WEISS: Tell me how you got the 300 and some odd million dollars.

MR. MULCAHY: Because of the way this is structured, in order to have a level debt service -- over here -- the only way we could construct the bond sale, was to have a series of three term bonds from 2005 to 2008, and a series of capital appreciation bonds from 2009 to 2021. The nature of the capital appreciation bonds is that we don't pay any interest now. It accretes, and suddenly when they become due, there is a tremendous--

SENATOR WEISS: They're zero bonds.

MR. MULCAHY: --payment of principal and interest. Zeros -- the common term zeros. It is because they accrete this interest, and because we placed a 1991 call feature, which was the earliest we could do, that we have the potential in 1991 of redeeming this, which if it went to maturity would represent \$366 million in principal and interest payments if we paid it all the way to 2021.

SENATOR WEISS: All right. That means that if you pay these in advance -- and, I can't read that here--

MR. MULCAHY: We're saving that money. We're saving that, and at this point--

SENATOR WEISS: Where, 2005?

MR. MULCAHY: Yes. Well, there are three years of term bonds that we haven't counted, but in 2009, you then have a savings of \$366 million and, theoretically, that's all surplus to the State because there is no debt service.

SENATOR WEISS: We won't have to pay it then.

MR. MULCAHY: We won't have to pay it. That is correct. We think for \$35 million, that is a tremendous savings. And we thought--

SENATOR WEISS: All right, but it doesn't affect anything except that you paid it in advance.

MR. MULCAHY: That is correct. Well, I think it affects a lot of things. I think it may affect--

SENATOR WEISS: Well, yeah, you would have to pay 300 and some odd million dollars.

MR. MULCAHY: Well, also, given the fact that you--

SENATOR WEISS: But I was looking for some nexus to the current situation up there, and there isn't one.

MR. MULCAHY: It does a couple of things. Frankly, it is a sign to the rating agencies -- who obviously I talk to every year. I have discussed that not only do we have prudent management, but we have plans to deal with the future. And,

given the instability of racing revenues, this becomes a very big feature.

SENATOR WEISS: Well, the thing that struck me was the 300 and some odd million, and I couldn't make that connection. But, I can now.

Senator Rand, for a moment, and then I want to go on with my questions.

SENATOR RAND: I just want to know, how much money would you need to retire those bonds in 1991?

MR. MULCAHY: We would need \$35 million, Senator.

SENATOR RAND: Thirty-five million. If you extended it out to 20-- What is that term?

MR. MULCAHY: Twenty twenty-one.

SENATOR RAND: Twenty twenty-one.

MR. MULCAHY: You would need \$366 million.

SENATOR RAND: So you're saving \$331 million.

MR. MULCAHY: That is correct.

SENATOR RAND: On the payment of \$35 million.

MR. MULCAHY: That is correct.

SENATOR RAND: And the \$35 million-- You would be getting that in conjunction with your revenue, and the \$10 million that would be paid back out of the equity fund.

MR. MULCAHY: That is correct. The way we have set that fund up-- See, our projections for the future indicate that we have sufficient capacity the way things are going now to cover the debt service. But, given the instability of the racing revenues over the last three years, and given the fact that racing revenues across the country are having difficulty, in spite of great days like we had Saturday at Monmouth Park -- which incidentally was the greatest day in the history of Monmouth Park -- we are concerned that we have enough to provide for maintenance to the degree we have in the past.

That is the thing that I point out that has made us different, that has given us such a high level of patron

satisfaction because of the manner in which the facilities are kept and how the people feel about them, and that is the thing I don't want to put in jeopardy.

SENATOR RAND: And the last question, Mr. Chairman, is--

SENATOR WEISS: I don't want to get away from the baseball.

SENATOR RAND: Oh, no, I am just talking about these bonds.

SENATOR WEISS: Okay, but don't pursue this.

SENATOR RAND: The retirement of the \$331 million then relieves that burden to do your \$185 million. Is that correct?

MR. MULCAHY: Well, at the point it is done, it certainly would provide that kind of revenue to the State. Until that debt service would come into play, Senator, it does not provide an awful lot of relief, but it does provide--

SENATOR RAND: No, no, in 1991.

MR. MULCAHY: Absolutely.

SENATOR RAND: Okay. Thank you, Mr. Chairman.

SENATOR WEISS: Let's get back to the baseball, okay?

MR. MULCAHY: Yes, sir.

SENATOR WEISS: You had a chart up there before. The Authority estimated the total cost of the project to be \$185 million.

MR. MULCAHY: Yes?

SENATOR WEISS: It seems to me that the stadiums that have gone up in the past have been -- you know, have exceeded their original funding and concept. So, I want to lead along those lines. The first thing I would like to know, Bob, is: How was the \$185 million estimated or arrived at? I saw your numbers; I think they are still up there.

MR. MULCAHY: Let me go by each category.

SENATOR WEISS: Okay.

MR. MULCAHY: The first category, the \$71 million-- We have done some appraisals of the land. Obviously, I am not prepared to discuss those, because we have not entered into negotiations, and I don't want to. But, in addition to the appraisals of the land, we have done some test borings on the site. As you know, there is an awful lot of garbage that is buried on this site, but we did enough test borings to satisfy ourselves that there was a reasonable chance that this site would work.

The bulk of the money that is in the \$71 million is the so-called soft costs to prepare this site. That includes the ability to do all of the borings, to provide for the wetlands, to take care of the garbage, to make the site satisfactory to build on. We have a whole series of issues that we have taken into account with that. Jerry, do you happen to have that list with you, of the specific items there? (speaking to an associate in the audience) I only offer this so you will understand the degree of specifics we have gone into.

We're talking about excavation, clearing, grading, surcharge, curb signage, traffic controls, storm sewers, fire service, lighting, fencing, slurry walls, methane ventilating, leachate collection system, landscaping, walkways, trash enclosures, guardrails, wetlands mitigation, site preparations, and so on. That is all part of the \$71 million. Okay?

When we talk about the \$85 million for construction hard costs, we are talking about concrete superstructure, precast concrete, structural steel, masonry caulking, roofing and sheet metal, ornamental metal, rolling doors, toilet partitions, hardware, seating, athletic facilities, graphics, sprinklers, loading dock, and all of the other things you would have in a facility.

I think the architect, engineering, and insurance speak for themselves, and the inflation is simply a factor that

our professionals have built in there, because you would build this stadium over a period of three years. If we take costs in 1985 dollars -- or, excuse me, 1987 dollars -- we have to do some projection for the future.

SENATOR WEISS: Well, I can't say to you that that \$29 million on that list, Bob, didn't bother me.

MR. MULCAHY: Excuse me?

SENATOR WEISS: I can't say to you that the \$29 million on that list did not bother me, considering that it is such a high percentage of the \$185 million involved. So, that leaves you \$150 million to do the hardware.

MR. MULCAHY: Mr. Chairman, part of what is involved-- There are two things involved here. One, I think, is credibility. If there was one thing we strove to do when we put these numbers together, it was to have a project that we could bring in for the dollars we projected. My directives to the people involved, in both this and the aquarium, have been very straightforward and very simple. I don't want to hear about cost overruns.

SENATOR WEISS: I am not impugning your integrity, okay?

MR. MULCAHY: No, no, but I--

SENATOR WEISS: I just want an explanation, and I think the Committee does also.

MR. MULCAHY: Secondly, it is very difficult to project these kinds of costs, and certainly when you have a bond referendum, the last thing you want to do is find that you are short and be in a position where you would have to go back to the voters. So, we attempted to build in a safety factor, Senator. It is that simple.

SENATOR WEISS: Well, what if--

MR. MULCAHY: You are also dealing with a garbage dump.

SENATOR WEISS: There is a possibility, isn't there, that your cost estimate may be higher than the \$185 million.

MR. MULCAHY: Well, one of the problems you have when you reclaim land like this, is that you are dealing with an awful lot of things you are unsure of until you actually get in there. But that was the history of the Sports Complex, and that is how we showed the district it could be done. So, in effect, we are creating a value here, and until we actually get in and do it, it is simply an estimate and, frankly, represents a judgment at this point. I can't tell you how much fat there is or how lean it is. I just don't know.

SENATOR WEISS: Oh, okay.

MR. MULCAHY: But it is a calculated guess.

SENATOR WEISS: Okay. Further on that calculated guess, let me ask you this: Suppose you are over the \$185 million? What then?

MR. MULCAHY: If that were to happen, Senator, there would be only one choice we would have, and that would be to come back to you and say, "Here is the problem we have. How are we going to solve it?" I mean, in frank terms, that is all we could do, as you would do with any other project like that. But somewhere you have to make a guess.

SENATOR WEISS: You could always go public.

MR. MULCAHY: Yes, we could always go public. One of the things we did -- and I am sure you are aware of this -- in an effort to look ahead when this was in its conceptual stages, was, I called Congressman Guarini, who was sitting on the House Ways and Means Committee when they wrote the tax bill. I asked him if they would, in the transition rules, attempt to get what we felt at that time was our best estimate of \$150 million in the transition rules, so that at least the significant portion of this would be tax-exempt, because it would represent a significant savings in interest. That was in both bills and was signed by the President. So, \$150 million of whatever we spend would be in a tax-exempt bond, and certainly at a savings of probably two points on the current market over what the remaining portion would be, which would be taxable.

SENATOR WEISS: That may be for the moment, but as I understand it, that has a limited life; for instance, sometime in 1988 -- or '89 -- and then it runs out.

MR. MULCAHY: There is no limit on it.

SENATOR WEISS: I must have read the wrong publication. I think we better check that. I am not really sure at this point who is right or wrong.

MR. MULCAHY: Well, Mr. Ferdon has read the provision, and certainly we would be happy to look at it again.

SENATOR WEISS: Okay, I will accept what Mr. Ferdon has for the moment, but I'm sure he wouldn't be indignant or insulted if we check it.

MR. MULCAHY: No, he wouldn't.

SENATOR WEISS: Okay, thanks. As a matter of fact, you can verify it for us, if you so desire. Bob, there is one other thing that really bothers me in this thing, and that is-- I have read the bills, and it is tough to determine. After the State puts all this money into it, and everything else, who is going to own the stadium?

MR. MULCAHY: The stadium would be owned by us. The grant would be made to us. It is similar to the way the rest of the complex operates.

SENATOR WEISS: It would belong to the Authority, and the Authority belongs to the State.

MR. MULCAHY: Yes, that is correct. That is a fair statement, isn't it, Bob?

ROBERT FERDON, ESQ.: Yes.

SENATOR WEISS: All we will have is the expense, and none of the assets.

MR. MULCAHY: No, you will have the assets, frankly.

SENATOR WEISS: Oh, we will? I will turn the questioning over to Senator Feldman, and then Senator McNamara.

SENATOR FELDMAN: Thank you, Mr. Chairman. Good morning, Bob.

MR. MULCAHY: Good morning, Senator.

SENATOR FELDMAN: You spoke very movingly and vividly about the genesis of the Sports Authority. I bore witness to that. I was the Majority Leader in those years when we pledged the moral commitment of the State behind the Sports Authority. When we did that as a Legislature, the banks jumped in and issued the bonds, because they knew they were safe and harmless -- they were -- because of the State of New Jersey being behind the Authority. We were right. We were proven to be correct. Under your very capable leadership, under the leadership of Sonny Werblin, we really have a role model for the nation to look at.

But the issue before us now is not baseball. That is not the issue. Everybody loves baseball. I would love to have a stadium and a team in New Jersey. But the issue that is going to concern this Committee, and the Legislature, I believe, is, can we afford it, and what would be some of the ripple effects of the stadium, such as traffic? Eighteen thousand parking places, with no mass transit, is certainly going to have a deleterious effect, in my mind, unless it can be proven otherwise. On the pollution in the Meadowlands, what plans have you for mass transit, getting people there, not by automobile, but by rail or by some other means?

MR. MULCAHY: The very great one that we have here, that we don't have, is the rail line. (using chart to demonstrate) The current main line right to Bergen County runs right along the site right not. It is currently in existence.

SENATOR FELDMAN: And you will-

MR. MULCAHY: New Jersey Transit is committed to a station right here. I mean, this is something we would love to have where we are now, but we don't, and the line exists right here -- is in existence now and runs today. Of course, in addition to that, you would have the usual bus service that we have now.

I might point out that one of the things that happens with all of this -- and I think it is important to look at the history-- When we opened Giant Stadium 10 years ago, they had the same 76,500 seats that they have today. In those years, 15% of the people who came to the games came by mass transit, mainly bus. We parked approximately 20,000 cars per game. As people began to understand that it was so convenient, that they could park at a parking lot where, although they may have had to wait a little bit to get out, they felt safe and secure, that number has grown, on an average Sunday, to 27,000 cars per game, and for Monday night games, to in excess of 30,000 cars. We have considered a variety of things to deal with that, but I daresay that if you had a rail line that was adjacent to that site, it would make a tremendous difference. We don't have that, but we do have that for this proposed site.

SENATOR FELDMAN: Just leaving transportation for a moment -- somebody else might pick it up -- let's go to another interest of the State. We had the greatest day in racing history at Monmouth Park, as you have stated, the other day. Racing interests have spoken to me -- and I imagine to other members of the Committee -- about the effect of the stadium on revenues at the race track, which are already sagging, other than this great day, and simulcasting has not been as it has been in previous years.

But, a baseball team which plays most of its games at night directly competes with the track for spectators. I remember when you had a great show, I think at the stadium, people couldn't get to the track. They were booked the very same night. Genesis, I believe, was the particular show. People were turned away from the track. They couldn't get to the track and, therefore, the track lost hundreds of thousands of dollars in betting. So, the question, Bob, is: If a track continues to lose bettors, will this adversely affect the Authority's financial condition? That is what we are interested in.

MR. MULCAHY: Well, I think there are a couple of factors here. First of all, you're talking about a baseball team that might play 60 games at night. You are talking about a racing establishment that has approximately 300 days of racing, or nights of racing. We have looked at that impact, and honestly considered it. We looked at it when the arena was there and on those nights, particularly with so many nights of racing. People have a choice. They say, "I can go to the track tomorrow night. I'll go to the game tonight."

But that is not why you build a baseball stadium, because you may have a 5% impact on those nights in racing. Frankly, I submit to you, Senator, that the decisions of various Governors and the Legislature relating to the casinos and the Lottery, had far more devastating and dramatic impacts on our complex than 60 nights of baseball would ever have. The answer to your question is, yes, we have looked at the fact that there may be some impact, but if we have a market, a desire, and certainly our research shows a tremendous desire-- We have some facts and figures which have been done and testified to by Mr. Sternlieb about the tremendous viability of this market for baseball, and don't forget, baseball is different than other sports. It is the historical sport of this country. It is the one sport that people identify as a family sport. It is a sport where you still have a ticket for \$5.50, where you can take your family and go to the game for less than \$100 on a day. When you look at the capacity for baseball that has been demonstrated in the market research we have done, it is very dramatic.

SENATOR FELDMAN: Is it true you must have a winning team? The Mets or the Yankees can reach two million a year. You're talking about two million. Can we reach two million with the Mets and the Yankees competing across the river?

MR. MULCAHY: Senator, I believe that is possible, and I would like to spend a couple of moments and tell you why.

SENATOR FELDMAN: You know, I am not debating, Bob. We want to get--

MR. MULCAHY: No, these are legitimate questions.

SENATOR FELDMAN: These questions are agonizing to some of us, and we want to bring them on board.

MR. MULCAHY: Senator, I wouldn't respect you if you didn't ask the hard questions. That has been your history.

One of the things that set the Sports Authority aside from other complexes and other facilities in this country, has been that we were able to take creative risks when we thought it was to the benefit of the Authority, and we could do things. I don't want to spend time enumerating some of those things, because they have paid off and they are in existence there.

One of the things we looked at when we looked at the competition for a baseball team was what we could do that more than anything else would make a statement as to what we are about. That statement was, if we were to put out a five-year guarantee for two million people a year, that would set us apart from everybody else. How did we arrive at that? We arrived at that by having Touche Ross review all of the baseball attendance figures for 1985 -- don't forget we did this a year ago -- in the Major Leagues. They computed those averages in both leagues. Then they looked at every market those teams were in, and they took the average attendance at each of those facilities and divided it by the population of that market, and came up with a ratio. That ratio was .51.

We then looked at our market, which incidentally is more dramatic than any of the others -- but we looked at that market, attempted to take a conservative number, because we did have competition from two other teams, and used a 4.7 number -- a .47 number. When you use that number for our market, you come out with an anticipated attendance of 2.6 million a year. Having done that, and having looked at one other thing-- I

looked at the records of attendance figures in the first four years that the Mets were in Shea Stadium as an expansion team in the early '60s. In those years, as an expansion team that everybody mocked because of Marvelous Marv Throneberry and all of the other people -- Casey Stengel -- they drew 43% on average more than the average attendance in the league.

So, when you look at the kinds of statistics that the Rutgers Center for Urban Policy Development and George Sternlieb have put together, in which they say that the northern New Jersey market is more than 50% larger than the average U.S. baseball market, and in personal income the northern New Jersey region exceeds \$89 billion, while the average for all U.S. baseball markets, excluding New York, is less than \$54 billion, and in terms of covered employment, northern New Jersey's '84 total of more than 2.1 million jobs is almost 50% greater than the U.S. average of 1.4 billion, and that on the population per stadium seat basis, assuming a 45,000 seat facility, northern New Jersey has a population of 123.5 per seat, a ratio more than twice the national average for baseball markets, and even above that of the New York market, northern New Jersey is the most underserved baseball market in the country relative to existing markets, and several times more underserved than any of the planned expansion site.

In sum, there is no other market area which by any of the criteria used here -- population, income, employment -- is so vibrant from the viewpoint of the baseball industry and the consumer. The proposed project offers the opportunity and the responsibility to redress this unmet demand. That is not the Sports Authority saying that; that is the Rutgers Center for Urban Policy Research, headed by George Sternlieb, that said that.

When we looked at those numbers, and calculated them, we felt there was a very safe risk to set us apart from

everybody else in the country. And that is how we came up with it.

SENATOR FELDMAN: Baseball is different from hockey, and then basketball, with the Devils and the Nets.

MR. MULCAHY: Absolutely, no question about it. Absolutely. Yes, the answer to your question is yes.

SENATOR FELDMAN: One final question. Mr. Chairman, I would like to have Director Mulcahy just comment on-- Touche Ross has said that the stadium would generate \$100 million a year in economic development, but the debt payments of \$15 million a year would eat away most of the tax revenues that could be expected from that level of development. Would you care to comment on that?

MR. MULCAHY: Well, let me show you a chart on what we have computed the debt service to be on the complex. John, would you show the one chart we have there on the debt service, so that everybody understands it? (Mr. Miller complies with request) No, no, the declining line that shows the 22 million to nine. We did a chart, because I thought you might ask. This relates to the \$185 million general obligation bond issue. The way in which the State sells it, in the first year, your debt service for principal and interest would be \$22 million; in the twentieth year, it would be \$9.3 million, and the level debt is about \$16 million if you take an average.

So, if you equate the \$16 million a year against the economic impact we have calculated, which really doesn't figure in the direct taxes and salary payments there, we think there is an argument there that you have to look at for the economic impact of what it does.

Secondly, we also think that just as the Sports Complex served as a tremendous catalyst for that area, this kind of thing will serve as a catalyst for the economy. It is these kinds of things that have happened -- frankly, Senator -- that have generated the revenues to do so many other things.

You know, when you talk about a billion and a half in development in the Meadowlands district, the tax payments from those alone have enabled the governments in various other facilities to do things that nobody ever thought about before.

So, we think you have to look at it in its total perspective. That has to be part of the equation when you consider the priorities, which you have to do. I don't deny that. Frankly, it is one of the reasons we suggested to put in on the ballot.

SENATOR FELDMAN: Share the blame. Thank you very much, Bob. Mr. Chairman, thank you.

MR. MULCAHY: Thank you, Senator.

SENATOR WEISS: Thank you very much, Senator Feldman.

SENATOR FELDMAN: Share the glory, and share the blame.

SENATOR WEISS: Going back to your chart, Bob. I have a copy of it here, but I am having a hard time seeing it because of the reflection. That declining line with the \$22 million-- Is that interest going down because you pay principal?

MR. MULCAHY: Yes.

SENATOR WEISS: Then the level line across would be 9.3?

MR. MULCAHY: (witness walks to chart; no microphone) The reason I put a line across here-- There were two. This is the principal of that 9.3. This area -- this pie-shaped area -- is the interest levels that reduce as time goes along here. So, you start out with \$22 million. The first \$9.3 million is principal, and the balance of it is interest. That declines as you pay. The reason I put this dotted line here was because somebody asked me a question at the last hearing about, if you took an average, what would it come to? That is why I did it.

SENATOR WEISS: Well, I don't quite understand the dotted line, but--

MR. MULCAHY: It is irrelevant to the issue.

SENATOR WEISS: It must be. But, anyway, I look at the numbers a little differently than Senator Feldman. I reconstructed some of that-- Was that a study by Rutgers, I think-- Yeah, by Rutgers. The first question I have for you on that, to follow-up on Senator Feldman's question, is: How many teams do you have -- or, how many teams are there that will draw 2.6 patrons?

MR. MULCAHY: Frankly, the study was based upon the fact that it didn't matter who the team was, because they looked at all of the markets, like Pittsburgh, Cincinnati, Seattle. They were all in the equation.

SENATOR WEISS: Would that bring that average up that I see on this study?

MR. MULCAHY: Oh, sure, you have some pluses or minuses, but one of the things I think they point out here is the tremendous difference in those markets and the market we have here. I think it was dramatically indicated by the fact that the Mets drew 43% more than everybody else -- than the average -- the first four years they were in existence.

SENATOR WEISS: How much did the Mets draw last year?

MR. MULCAHY: The Mets, last year, I think, drew three million. Jerry?

J E R O M E W H I T E (speaking from audience): About that, yes.

SENATOR WEISS: All right. Let me use the National League average that is in this study. There are two in here, one for the National and one for the American League, right?

MR. MULCAHY: Yes.

SENATOR WEISS: So, I am going to give you a break. I am going to go for the better one of the two for the situation. You have a projected attendance of 2.6 million people, right?

MR. MULCAHY: Right.

SENATOR WEISS: The National League average is 1.850, rounded off, I think. That puts you behind 750,000 attendees, right? If you follow that a little further, the projected sales per game would be short 32,500 people per game.

MR. MULCAHY: No, you couldn't be short 32,500, because that's the--

SENATOR WEISS: Well, it would if you took the difference between the two. If you take the average and deduct from that 1.8, it leaves you with 750. Divide 80 into that, and it should come out to 32,000 per game -- seats.

MR. MULCAHY: Thirty-two thousand, five hundred would be the average per game if you had 2.6--

SENATOR WEISS: What I'm saying is, you are less 32,500 than the average.

MR. MULCAHY: It can't be, because you only have 45,000 seats in the stadium. That would mean there would be nobody at the game.

SENATOR WEISS: All right, then let me reverse it.

MR. MULCAHY: I think your decimal point is in the wrong place.

SENATOR WEISS: Maybe. Thirty-two thousand is the average projected sales per game at two million six.

MR. MULCAHY: That is correct.

SENATOR WEISS: The average based upon the National League numbers then is 23,150, so you would be short actually 9300 attendees per game.

MR. MULCAHY: Our break-even point is down about a million eight.

SENATOR WEISS: Your break-even point of attendees?

MR. MULCAHY: Yes.

SENATOR WEISS: You're using the national average as a break-even point.

MR. MULCAHY: Yes, on an operating basis. And I might point out one other thing in this Rutgers study: Excluding the

New York/northern New Jersey CMSA on average, there is a population of 58.8 persons per seat. But in the New York/northern New Jersey area, there are 156 persons who must compete for the equivalent seat, nearly triple the number.

SENATOR WEISS: That is in the Rutgers study.

MR. MULCAHY: That is correct.

SENATOR WEISS: Okay, but we don't know that is a fact yet; that is just a study.

MR. MULCAHY: That, frankly, is the answer for why the Mets drew more than the average. I mean, it is a market second to none. It's that simple.

SENATOR WEISS: Well, that may be, but last year was a real good year, and it whipped all the teams--

MR. MULCAHY: No, I'm talking about the Mets in the 1960s, when they were nothing. When they lost more games than anybody, they ran 43% ahead of the league average.

SENATOR WEISS: I am not familiar with the statistics of those years. I didn't follow the Mets that closely--

MR. MULCAHY: I was afraid you would ask the question, so I looked at them.

SENATOR WEISS: --but I do happen to know that last year they did a great job. Well, anyway, it would appear that the ticket revenues would be done, based on the 23,150 and the difference between that and 32,500; that you would be short, like, \$51,425 per game. I am just following it down and deducting the difference. Okay?

MR. MULCAHY: I understand.

SENATOR WEISS: The concession revenues also, which are figured in here, would come down a like amount, assuming everyone spent the same amount of money. There is no other way I know of that I can do it. The concession revenues would be down \$40,000 per game. So, altogether, at the end of the season, using the projections in this Rutgers study, with the numbers you have here, it would show that between the ticket

revenues for the season and the concession revenues, that you would be \$7,300,000 short of your projection.

MR. MULCAHY: At what level of attendance?

SENATOR WEISS: Well, based on the two million six, less the average of the National League.

MR. MULCAHY: So, you're talking about the National League average.

SENATOR WEISS: I am not even taking the 2.6; I am just taking the National League.

MR. MULCAHY: If you took the National League average at 1.850--

SENATOR WEISS: Yes, 1.850.

MR. MULCAHY: Our projections, based upon what Touche Ross has shown us, are that we are in the black on an operating basis.

SENATOR WEISS: I argue with that--

MR. MULCAHY: I understand that.

SENATOR WEISS: --since yours are projections and so are mine. I don't agree; I don't agree. You don't even have a team yet.

MR. MULCAHY: I am assuming that you do have a team.

SENATOR WEISS: You are already shooting for the end line. There is nothing built in.

MR. MULCAHY: No. If you don't have a team, obviously you don't have a deal. But if you had a team, and you had an average attendance of 1.85 million-- Fred, is it correct that we would be in the black, based on the projections we have?

F R E D H. R O H N: Yes. There are variable expenses that go down when attendance goes down that you have to take into account.

SENATOR WEISS: Oh, I understand that, yeah. There is no doubt that in quantity you are going to have a lesser cost price and you are going to make more money. There is no question in my mind about that. I think you are shooting for a

real high number -- \$1.8 million. That is the National League average, and I don't know what makes us think, here in New Jersey, that we are going to beat that average the first few years out.

MR. MULCAHY: Well, basically we think we are going to beat it based upon the independent studies we did, which said the market is three times as viable. That is really where it comes from, Senator.

SENATOR WEISS: Bob, the best thing I can say for you is, I like the confidence. I don't think you will reach it, but I do like the confidence.

MR. MULCAHY: Thank you.

SENATOR WEISS: Thank you. Senator McNamara?

SENATOR McNAMARA: I guess I'm looking at it that it is not even a question of baseball. I think it is more a question of a financial issue. I have a problem with your analogy with the Mets. If you were talking about the start of a new expansion team in a virgin area-- You're talking about where the New York Giants and the Dodgers left the metro market, and created a vacuum that the Mets walked right into. So, I think that analogy with the Mets is totally flawed, because now you are talking about the possibility of an expansion team. The statement by the baseball commissioner, the week of July 16, was that he would be opposed to any movement or relocation attempt by the Yankees, or any other team, unless the franchise had failed and could not be revived, which means that we would inherit a loser from somewhere else and/or a new expansion team. Our track record with expansion teams, such as the Devils and the Nets, tell you how New Jersey fans respond to non-winning teams. The Giants are a phenomenon, and I don't think we can base what happens at Giants Stadium in reality with the projections you are giving in the analogy to the Mets, because I think a third team in this market, when you are running against two good, successful teams, is going to be a lot different in the numbers.

We're talking about guaranteeing two million, when you are telling me your break-even is 1.85. That troubles me. Bob, the refinancing also troubles me. When the Sports Authority was developed, it was developed with the intent that we were going to have a moneymaker that was going to carry the stadium and the arena, when and if it were built. The choice was made, and the arena was built. You stated how significant that nine million additional debt factor -- what a negative factor it was. In the meanwhile, now you are talking about going into a stadium that is going to generate a \$22 million debt factor.

You know, we spent almost hours on this Committee banging heads with the Department of Human Services talking about a REACH program to get people off welfare and, damn, my reaction is, we are putting the Sports Authority on welfare. When I look back at your numbers of 1981 and declining revenues, I would like to know what the Authority did, and when did they begin to address that problem by reducing their fixed overhead? I think the track record of the Authority -- and no pun intended -- is very essential to the people in this State to make a judgment on how they are going to vote on what they think. You know, who likes baseball? I don't think that is the question.

That happened since 1981 -- 1981 is when you began the decline? When is the first time the Authority made any real substantive move to control its operating overhead?

MR. MULCAHY: Well, I think if you look at the expenses-- You have asked a lot of questions and raised a lot of issues here. I think if I start with the first one you raised, one of the differences in the market, even if you want to throw the Mets out, is the fact that in the research that has been done, you have a market here that is three times what that is across the country. I don't think you can compare baseball to hockey or basketball, because the research has indicated that there are very different kinds of fan reaction. I indicated that baseball is basically a family--

SENATOR McNAMARA: Bob, if we accept that premise--

MR. MULCAHY: Yes, sir?

SENATOR McNAMARA: --weren't there studies showing that a hockey team would flourish in our market?

MR. MULCAHY: Frankly, when I went to the Authority in '79, the deal had been made with the Nets. I was the one who really negotiated the deal with the Devils, because one you had an arena, you better get a hockey team in there.

SENATOR McNAMARA: Well, were there studies then showing that the basketball team would flourish?

MR. MULCAHY: I can't answer that, but there obviously had to be something. I was not there then, and I am not privy to what they did.

SENATOR McNAMARA: I would like to--

MR. MULCAHY: But, they had to do a feasibility for the arena, or they couldn't have sold the bonds.

SENATOR McNAMARA: Exactly, which tells me that-- I would like produced for this Committee, through the Chair, that feasibility study as to what exactly they did project was going to happen with the basketball and hockey teams.

MR. MULCAHY: Well, see, the criteria wasn't what the teams were going to project. The criteria was that nobody anticipated that racing revenues were going to drop. They dropped because of decisions that we had no participation in or had nothing to do with. They were made by the Governor and the Legislature at that time. They related to the expansion of casino gambling and to the expansion of the Lottery. You know that there is a finite gambling dollar, and I am not quarreling with those decisions. But, if you are going to make those kinds of decisions that impact upon me in a substantial way, then I have to react. So, I reacted.

We have done things like reduce the staff.

SENATOR McNAMARA: When?

MR. MULCAHY: Over the period of time.

SENATOR McNAMARA: I am trying to pinpoint--

MR. MULCAHY: Well, the dramatic impact was in 1985, and we reduced the staff as soon as we became aware that we couldn't recover from that.

SENATOR McNAMARA: Well, I'll tell you what: Thank God you're not operating my business. I am taking a thing from the record, and I look back to when you started your serious decline, let's say in '81 -- and I think it started more seriously back in '79--

MR. MULCAHY: That is not correct, because the revenues went back up after '79.

SENATOR McNAMARA: Okay. Well, I stand corrected. I am basing it on a Star-Ledger article. Unfortunately, I don't have the revenue figures from any other source. But I look at that, and you're talking about going down from 45 to 1984, which was 39--

MR. MULCAHY: Yes?

SENATOR McNAMARA: And then in '85, you say, is when it was addressed?

MR. MULCAHY: But in those years, Senator, from '81 to '85, we still paid a surplus to the State every year, so nobody was concerned about that.

SENATOR McNAMARA: You know, I'm glad you brought up the surplus. I think it was at a briefing that I was told, you know, that there was no requirement by the sale of the bonds that there be any contribution made to the State of New Jersey. It is nice to give the credit to Prudential and whatever other corporate entities said they would dive in with the money, and the banks jumped in, but they jumped in only after the full faith and credit of the State of New Jersey, which is the taxpayer.

And, you know what, if I signed the bottom line to guarantee 350 million, what happened if it didn't score? They would have made up the difference, right? I think they are

entitled to that \$61 million they were paid. I have a real problem in one of your charts, where we are going to change and make us last on the line, which is the guarantor of it all. I didn't mean to spin off into that particular issue, but since you mentioned it, I wanted to address it.

I'm sorry for interrupting you. Go back--

MR. MULCAHY: One of the things, Senator, if you look at it, back in the early days of the Authority -- and I think Senator Feldman would say it because he was there then -- frankly there was hope that we could break even. Instead of paying the \$60 million in direct surplus, if we had put that in an interest-bearing account, along with the reserves we would have, we would have \$100 million at this point, and we wouldn't even be here talking.

SENATOR McNAMARA: Well, as I say, I happen to think the people of the State were entitled-- I mean, they guaranteed the \$350 million.

MR. MULCAHY: Well, there was a moral obligation in the beginning; that is correct.

SENATOR McNAMARA: Well, you know, moral obligation-- If you failed, who paid? Okay? It would have been the people in the State of New Jersey, via their taxes. I think the idea to retire in 1991 the \$35 million-- I am all for that, but I don't see it necessarily going back to the Authority. Because if Treasury can pull it out -- \$10 million a year out of surplus, take the earnings on it, and pay it off at that time -- give you the money to pay off those bonds, I don't think it is necessary to give the money back to the Authority.

MR. MULCAHY: Well, in effect, it would go into a fund established by the Treasurer and controlled by the Treasurer.

SENATOR McNAMARA: Well, I'll tell you--

MR. MULCAHY: That is the way the bill reads.

SENATOR McNAMARA: I read some article there that in 1985 or 1986, "Oops, the Treasurer never called you for a

million dollars, so, oops, we never sent it to them." That troubles me also.

MR. MULCAHY: Well, what happened was, it was also at the same time that there was a change in administration in the office. But, also, there was a request by us to do studies and engineering for the project in Camden for the aquarium, which was a request from the Administration to do. So, you know--

SENATOR McNAMARA: Why did the Authority buy Monmouth?

MR. MULCAHY: Why did we buy Monmouth Park? We bought Monmouth Park to protect our racing assets and, frankly, as long as a third party owned it, we didn't care. But when it went up for sale, we bought it because we were concerned that if we only had thoroughbred racing dates in the fall -- which are the worse dates -- and a third party owned Monmouth Park who also owned Garden State in the spring, and Philadelphia Park in the fall, we would be out of the thoroughbred business. We bought it just the same way you would buy in business to protect yourself and make sure you had that income. It was the protection of an asset. It has turned out to be a very, very viable buy.

SENATOR McNAMARA: In other words, that is running a profit.

MR. MULCAHY: Pardon?

SENATOR McNAMARA: That is running a profit?

MR. MULCAHY: Yes, it is.

SENATOR McNAMARA: Including debt service?

MR. MULCAHY: Yes, it is.

SENATOR McNAMARA: What do you return on Monmouth?

MR. MULCAHY: Last year, Monmouth Park, before debt service, produced about \$6.2 million or \$6.3 million. Our debt service was about \$3.8 million.

SENATOR McNAMARA: That's encouraging.

MR. MULCAHY: Pardon?

SENATOR McNAMARA: I said, that's encouraging.

MR. MULCAHY: Thank you. I am glad there is something I have done this morning that is encouraging.

SENATOR McNAMARA: You know, you keep talking about the competition for the entertainment dollar.

MR. MULCAHY: Yes, sir?

SENATOR McNAMARA: I just find it hard to fathom that going into this stadium project-- I mean, if it is such a winner, where is private enterprise? Private enterprise was after Monmouth because, guess why? They recognized what was there, and you outbid them. With the present structure, and the present trending, and your concerns about the racing revenue, which is the cog that turns the wheel on all of the funds, why would we want to go off into another venture?

MR. MULCAHY: Well, frankly, we felt that in our role as providing for the sports and entertainment of this State, and the fact that there was a great feeling that this was the final piece of what would make a great complex-- We felt we ought to proceed to see if it could be done, and the fair thing to do was to put it up to the voters. If the voters say no, obviously they don't want it done, Senator.

SENATOR McNAMARA: Well, I guess I have a little bit of a problem with that, because the time frame we are talking about is-- Most probably the time that the facts will become available to the voters will be early September, and they will be voting on it in November, and I have heard no denials from the Authority -- if anything, most probably encouraging statements, and even from somebody who sits on the Authority-- I am not saying that the Yankees would be a potential, but a possibility -- a strong possibility. Last night I heard on television at 11 o'clock, that New York has offered a deal that will tie the Yankees into Yankee Stadium for the next 40 or 50 years. You know, when the arena was built -- and I would like you to give me a little information on that, because I go back, and I am trying to recall, because I was not involved in any

level of government-- But, I can remember a number of \$45 million as being touted as what that baby was going to cost. Then I can remember that when it was bid it was in the mid-'50s, and I think the final package was anywhere between \$80 million and \$94 million.

Now, when you spoke to Guarini, what year was that when you asked him to make that \$150 million?

MR. MULCAHY: It was when they began the debate on the tax bill. What was that, a year and a half ago?

SENATOR McNAMARA: About a year and a half ago. So, your projections then were that a year and a half ago the whole package would be \$150 million, and in a year and a half--

MR. MULCAHY: No, Senator, the--

SENATOR McNAMARA: Well, wait a minute. I am only going by what you stated before in answer to one of Senator Weiss' questions. In a year and a half, you are not talking \$185 million. That is in excess of a 20% increase in 18 months. Now let's say if we hit this baby in 1989, that's another 18 months, and another 20-some percent would really--

MR. MULCAHY: When I asked Congressman Guarini for 150, I didn't have any real work behind me. I had to sort of pull a number out of the air, because they were suddenly dealing with the tax bill, and it occurred to me -- Bob Mulcahy -- that if we ever went ahead with a baseball stadium, I better try to protect all of us. So, I just took a number, not knowing the site, and asked for that kind of an exemption. Frankly, the number in this site is very dependent upon the site acquisition and preparation costs. If we had--

We have looked at this. I mean, one of the reasons private enterprise-- To put this site together is very difficult, but once it is together it creates a great value in that area. But nobody else, I don't think, has the capacity to put it together at this time with all of the permits that are required. So, frankly, I pulled that number out of the air,

without the benefit of the studies we have now, just to get us somewhere and, frankly, just as you do in the legislative process, I asked for a number that I thought I might get. I tried to do it as protection. So, it wasn't based at that time on any of the information we now have.

SENATOR McNAMARA: So, all of the information you now have was generated sometime between 18 months ago and today.

MR. MULCAHY: It has been in the past year, Senator. Now, in answer to your question on the arena, you are basically right. The only difference is that when they took the bids and they acted on the bids, which was shortly before I went there, they made a decision to go to the second highest bidder, because they felt the low bidder was incapable of doing the project for the number. So, on the day they let the bids and began to undertake it, at that particular moment the cost was roughly \$70 million, even though they had come out with projections of \$45 million, and there was a bid at \$54 million, or \$58 million, or somewhere in there. They did not make the decision to go to the low bidder. In fact, I think the low bidder asked out. I was not there at the time, but this is the history that I recollect.

So, you are quite right. It went from \$70 million to \$94 million. Now, as you recall, in the process of that construction, we had--

SENATOR McNAMARA: It was 94; I didn't realize it was 94.

MR. MULCAHY: Well, 85 to 94. I'm using your numbers. In the process of construction, there was a series of collapses of facilities across the country. There was one in New Haven; one in Edmonton; one, I think, in St. Louis. We stopped the project at that time and went through a series of wind tunnel tests, in an effort to make sure that the structure -- the steel structure, and so on -- was sufficient to withstand everything they had learned from these collapses and,

frankly, put additional strengthening into the building. So, that was another factor that entered into the cost at that time.

SENATOR McNAMARA: Well, I'll give it back to the Chair. There are some other problems I have with the individual bills, but I guess we will address them later. Thank you, Larry.

SENATOR WEISS: Thank you very much, Senator McNamara. Senator Rand?

SENATOR RAND: You are going to like me, Mr. Mulcahy.

MR. MULCAHY: Senator, I have always liked you. We go back a long way.

SENATOR RAND: I think you might be a little bit coy. First of all, the Sports Authority and I go back to the early '70s. The venture was a gamble.

MR. MULCAHY: Yes, sir.

SENATOR RAND: The analogy I like to give is, when you sat down to play the piano, people laughed, you know.

MR. MULCAHY: Yes.

SENATOR RAND: Remember that old-- It was definitely a gamble, and nobody guaranteed its success. And racing was big in those days, not only in New Jersey, but all over the country.

MR. MULCAHY: That is correct.

SENATOR RAND: I guess we took in, in those days, I don't know -- but if I can recall the budgets -- some \$30 million or \$35 million. In those days, that was a major tax component, and I guess it has dropped now to around \$12 million or \$13 million -- I don't know exactly -- but that is because of the racing industry and the public policy decision that was made for the competing gambling dollar. Very frankly, outside of a rowdy few, the baseball crowd is not a gambling fraternity.

MR. MULCAHY: That is correct.

SENATOR RAND: Except that little corner up there, where they-- But what happened was, even though you might have

been made to be a racing venture to engender money into the State, the fact that you are not bringing that amount of money into the State has been more than offset by the sustaining of an industry which is worth better than a billion dollars. We had more ground sold -- I wish Senator Haines were here -- in Burlington County and in Gloucester County for those -- and I am sure that has happened in Morris County -- for those horse farms that have to settle here to have a Jersey home. Every big farm has come in and bought ground and brought people in to work. So, what you have done is, you have taken away the betting part which has sustained money coming into the tax coffers -- which really wasn't that much-- In the general analysis, when you compare it to today's tax picture of sales tax, and so on, it really wasn't that big of a deal, even though maybe 20 years ago we thought it was. You have sustained an industry, and have begun a development in the Sports Authority from a dump -- and I used to drive to New York in those days -- which was the laughing stock of this country.

SENATOR FELDMAN: That's my back yard.

SENATOR RAND: So you really have become not just an entertainment facility, but really a catalyst for a lot of things. The fact that maybe you are gambling now might be to your credit, rather than to your disadvantage, because if we want to sustain a place in the sun for New Jersey -- which it has become, frankly -- then maybe we have to have innovative and daring ventures. For that, I compliment you, even though I've got some hard questions to ask you. But, for that I compliment you.

There was a poll in one of the daily papers yesterday in South Jersey as to why they like to live in Jersey and what their criticisms are. One of the biggest criticisms was, people have no place to go for entertainment. I think you have given that to the people of North Jersey and New York.

Now I will get to some of my questions.

MR. MULCAHY: Senator, before you do that, you are far more eloquent than I in stating our case.

SENATOR RAND: Well, if I didn't think you were an economic developer, very frankly, I wouldn't be sitting up here, because that is what you are, and we will get to that bill in a few moments.

But, let me ask you some questions on this, Mr. Mulcahy. You had a picture up there -- or you had a graph -- showing the infrastructure needs. You told us about Route 17 and the connection with the Turnpike and what they are going to build. Is that all the main road that is necessary? Will that handle the traffic, or do you need some new roads? I am getting to a question which I will answer, based on what you just told me.

MR. MULCAHY: Based upon the meetings I sat in on, and there was a whole series of them between the New Jersey Turnpike and the Department of Transportation-- The Commissioners were there. This was a high level series of meetings over a period of months. Based upon the meetings, and asking about the ability to empty cars out of the lots, because it is far more critical to empty them since they usually all go at the same time when the game is over, as opposed to coming in, they have come up with a structure that they believe will empty the stadium within the normal emptying ratios.

SENATOR RAND: Based on the schematic you showed us with the extension of Route 17--

MR. MULCAHY: Based on the traffic, that is correct.

SENATOR RAND: --into the Turnpike, with the widening and so forth?

MR. MULCAHY: That is correct. There are several lanes there, and they are in the process of finalizing the engineering now.

SENATOR RAND: I'm sure you know why I am trying to drive this point home, because I sit in on some meetings at

which we are looking to the future for some roads and some money and a lot of future development. If that be the case, let me ask you, what commitments does the Sports Authority have with the Department of Transportation and New Jersey Transit? Are they going to be assessed for these roads? Are you going to make any contribution? Is there a joint undertaking?

MR. MULCAHY: One of the things that happened out of the discussions we had, Senator, was a realignment of the 16W Exit by the Turnpike into this configuration, which they subsequently believed was better than what they had before, and preserves the wetlands and the old system and property. Their public statements are that whether or not there is baseball, they are going to go with this route.

SENATOR RAND: In other words, it is necessary to the area to develop this transportation infrastructure.

MR. MULCAHY: Yes. We became a catalyst for finding an alternative.

SENATOR RAND: Okay. Now, how about the main line for New Jersey Transit? They were going to look at the West Shore Line, and are they putting their emphasis on this now?

MR. MULCAHY: Jerry, do you have any comments on that? Where are you, Jerry?

MR. WHITE: I'm right here, Bob.

SENATOR RAND: Of course, Bob, you know I always need money for the Transportation Department.

MR. MULCAHY: I understand that, Senator, and I want to be helpful. Jerry, on the conversations with New Jersey DOT, their commitment to facilitate additional transportation for this site, what were your discussions with them relative to that?

MR. WHITE (speaking from audience; no microphone): Well, in addition to the rails, they are talking about increasing buses. They are also talking about working on a second rail line, which is the front line -- the Bergen Line.

SENATOR RAND: Well, that would be the main line.

MR. WHITE: Well, there are two rails: One that goes right to the site, which is the main line. And then there is another line just north of that, which is the Bergen Line. They are talking about throwing them together on the east side of the Hackensack River. We are working with them on a daily basis. In fact, this week we have a meeting with them on the same subject in terms of rail and bus.

SENATOR RAND: Is there any -- and I will address this, Jerry, to you, through Mr. Mulcahy -- cooperative endeavor between the Sports Authority and New Jersey Transit? I mean, can we--

MR. MULCAHY: On our current site, sure. First of all, we have an agreement with them to provide a Park & Ride, which we do, in Lot 17 on our current site. They use it every day for morning and evening traffic into New York, through the bus lane. But in addition to that, whenever we have major events or significant things, New Jersey Transit is there, ready to go, and they work with us.

SENATOR RAND: So they can share in the development also?

MR. MULCAHY: Yes.

SENATOR RAND: Just let me ask you one final thing, which does bother me. I read the bills. What do you mean by "a commitment"? Do you mean when you are going to build this, when somebody gives you a signed document -- a legal document--

MR. MULCAHY: That is correct.

SENATOR RAND: --a document whereby you can sue them for nonperformance--

MR. MULCAHY: That is correct.

SENATOR RAND: That makes me feel better, because I really did not understand the commitment. I didn't understand whether they gave their word, whether they signed a letter of intent, but if you are telling me that you are going to have a

bona fide document that is signed and sealed by that particular team, in which you can sue them for nonperformance--

MR. MULCAHY: I would say I am sure they will put a clause in, as the Nets did, that if you don't produce the stadium within a certain period of time, they can walk away.

SENATOR RAND: Yes, but I hope that you would put a clause in that they are responsible for the amount of money we put in if they do not fulfill their obligations.

MR. MULCAHY: With that caveat, we are talking about a signed lease.

SENATOR RAND: Thank you very much, Mr. Mulcahy. Mr. Chairman, thank you.

SENATOR WEISS: Thank you, Senator Rand. Senator Ewing?

SENATOR EWING: Thank you, Mr. Chairman. Bob, one thing that disturbs me is, you are a member of the Sports Authority as a member of the Board, right--

MR. MULCAHY: Yes, sir.

SENATOR EWING: --as well as the Executive Director. I think it is really rude -- or whatever you want to call it -- of the other members not even being present. Evidently, they don't think it is that important. You asked us to come down here on a special day to have a general hearing on this, yet I don't see Mr. Hanson. Is he around in New Jersey?

MR. MULCAHY: Mr. Ewing, he is on vacation in Europe.

SENATOR EWING: Oh, that's very nice. What about some of the other members? Where are they?

MR. MULCAHY: Senator, I can't answer for them.

SENATOR EWING: Well, you seemed to know about Hanson.

MR. MULCAHY: Well I know because he is the Chairman, and I speak to him every day when he is in the country.

SENATOR FELDMAN: Jack, I got a card from him today.

SENATOR EWING: You're lucky. You will probably get a contribution, too.

SENATOR FELDMAN: From Paris. (laughter) He said it would follow.

SENATOR WEISS: Maybe we ought to exempt all contributions, Jack.

SENATOR EWING: That would be a good idea. Also, I think you come around to a few of the legislators at the last minute. It is the height of something that the Sports Authority feels they can just come and get anything they want, because perhaps the Administration is behind it. I certainly feel there should have been some ground work done by some of the members, if they knew what they were talking about. Now, maybe they didn't know as much as you do, but maybe they could have learned, and made some effort to contact individual legislators ahead of time. We all realized that something was brewing; that there was going to be a baseball team maybe, someday, hopefully, etc. But I just think it is very unfortunate, and I wish you would express that to them at your next meeting. When is the next meeting?

MR. MULCAHY: In about two weeks.

SENATOR EWING: In what?

MR. MULCAHY: In about two weeks, Senator.

SENATOR EWING: Will they be back from vacation?

MR. MULCAHY: The Chairman will; I can't speak for the others.

SENATOR EWING: They didn't give you their schedules?

MR. MULCAHY: No, but I accept your comments. I can only say I think my record is clear in being available at any time to discuss it with everybody.

SENATOR EWING: Fortunately, we have you up there in the Sports Authority, and, fortunately, the Administration is keeping you on, which they certainly should. But I still feel the other people ought to try to pull a little bit of weight, rather than maybe sitting in the free seats they get for all the events they can go to.

Do you have a list of the payments by year that will be necessary on the proposed bond issue -- exactly what it is going to cost the State each year?

MR. MULCAHY: On the baseball bond issue, Senator?

SENATOR EWING: Yeah.

MR. MULCAHY: Yes.

SENATOR EWING: On the whole program you are proposing?

MR. MULCAHY: Yes, I have it. I have it both on the aquarium-- On the baseball issue, Senator -- and I will give this to you -- as demonstrated by the chart here, the principal remains level in each of the 20 years at \$9.250 million. The interest starts out at \$12.950 (sic) and declines to \$647,000. So, in the first year, the total payments are \$22.2 million, and in the twentieth year, they are \$9.897 million. I will give that chart to you. It is broken down by year.

SENATOR EWING: If you give it to the Chair so we can have it, because that is going to be coming up in our budget every year.

MR. MULCAHY: Yes, I will. As far as the aquarium goes, if you were to fund the remaining \$32 million over five years, you are talking about a principal payment in those years of between \$5.6 million and \$7.1 million. The interest would decline. The level payments would be \$7.5 million for the aquarium.

SENATOR EWING: But if we put that money out from just the General Treasury, without taking a bond issue out--

MR. MULCAHY: Well, then you wouldn't have the interest problem.

SENATOR EWING: What would we save on that in the five years?

MR. MULCAHY: You would save five and a half million dollars -- \$5,657,270 to be precise, on the aquarium.

SENATOR EWING: If you will have that go through the Chair, so we can all get copies--

MR. MULCAHY: Sure. I would be more than happy to give it to him.

MR. MILLER: Give this to the Chairman?

MR. MULCAHY: Yes, please give it to the Chairman.

SENATOR EWING: Also, the other somewhat worrisome part is that the \$60 million-- We have been getting some money from the Authority into the State Treasury. We will be losing that and, in addition, we will be putting out another 10 every year for six years.

MR. MULCAHY: Yes, sir.

SENATOR EWING: So that will be an additional drain. Mr. Standiford feels that in the forecast he sees for the State, that is not going to cramp any of our programs? What is going to happen if the Appropriations Committee comes along, because they want to put it into welfare, or roads, or education, and says, "No go"?

MR. MULCAHY: Senator, if the Appropriations Committee decides, in their wisdom, that they are not going to pay the money, we don't get the money. It's that simple. Our position on these bills-- The language in them was carefully drafted with the State Treasury and the Treasury Department throughout. This was not something we did on our own. In fact, the baseball bond bill was not drafted by us; it was drafted by attorneys for the Department of the Treasury.

SENATOR EWING: Do you have a worst case scenario for your overall operation, if you don't get the \$10 million, say, after the third year?

MR. MULCAHY: Well, I think it is along the lines I spoke about before. The problem is in the level of maintenance you provide for the facilities. When we conceived this idea, yes, racing revenues had turned around this year. Whether they are going to stay there, I don't know.

I think Senator Rand made a very valuable point, when you talk about the fact that we have created industries that

have a significant impact -- a billion dollars in racing. But, look at one other thing. In its hay-day, racing may have produced \$35 million to \$40 million for the State Treasury. Look at what the Lottery is producing now -- \$350 million. The impact, I think, was very dramatically demonstrated about three weeks ago when the Pick Six at Monmouth, by a quirk, reached \$564,000. That day, people came in and bet \$400,000 on the Pick Six, when on a normal day they will bet less than \$25,000.

So what happened? You had a Lottery with a big payoff, and everybody came there. That is why they're paying. That is why I talk about the impact on racing.

SENATOR EWING: Right. On the land site itself up there, the problems that private industry has with ECRA-- Where do we stand on that? Have studies been made with DEP? What are they requiring you to do? I guess you really can't make an application to them yet, because you are not going to actually purchase the land.

MR. MULCAHY: Well, we're close to-- I think once the bills pass, we are prepared to go ahead with the permit process. If you look at the site, we sat down with Commissioner Dewling and the people from DEP throughout this process. One of the things we do that makes this site valuable as opposed to the individual is, we would put a closure on the whole site, whereas each of those individual landowners would have to do it themselves and get the permits themselves. So, we believe that by doing this, we can create the site, create the value, and go through ECRA.

Obviously, we have had informal conversations to test these things. There are all kinds of permits that are needed. But we think that by the time we got the closure done, we would have fulfilled all of the requirements ECRA has. We have looked at that very carefully.

SENATOR EWING: Have you gotten estimates as to what closure is going to cost you?

MR. MULCAHY: That is in the site preparation number of \$71 million I gave you, yes. That is why that number is so high. A very small portion of it is the value of the land, because the people can't use it now.

SENATOR EWING: Because having had some contact with people who are having problems with this type of thing on a landfill--

MR. MULCAHY: Yes?

SENATOR EWING: --for a shopping center, the requirements are extremely substantial. How much of the land will have to have in lieu of tax payments?

MR. MULCAHY: Well, if you look at the site we have up there, the area where the Turnpike would go is basically the land that is owned by the Department of Environmental Protection in a trust. Of the 245 acres we are talking about, about 35 acres are owned by Lyndhurst itself now, and they have indicated that certainly they want the site. So for the balance of that site, we would have to negotiate an agreement with Lyndhurst similar to the negotiations with East Rutherford.

SENATOR EWING: Well, where you are today with your complex, are you paying in lieu of taxes there?

MR. MULCAHY: Yes, we are.

SENATOR EWING: It that on an escalated basis?

MR. MULCAHY: Well, we had a 10-year agreement. We are in the process of negotiating another agreement, where we have talked about an escalating agreement. But just when we thought we were close, one of the individuals in the town brought suit against the town for what it is doing. So, I am not sure where we are. He also happens to run their Sewage Authority, so it is a very complicated situation.

SENATOR EWING: Have conversations been held with--  
(Mr. Mulcahy consulting with associates)

MR. MULCAHY: I'm sorry, Senator.

SENATOR EWING: That's all right. As far as the land up there, some of it is owned by the State and some by DEP, etc., and some by private individuals?

MR. MULCAHY: Yes, sir.

SENATOR EWING: Can we get a list of those? Are any of them in corporate names?

MR. MULCAHY: Senator, I would be happy to read you the list we have, at least off the tax map.

SENATOR EWING: Oh, no, if you would just give that--

MR. MULCAHY: There are some in corporate names and some in individual names.

SENATOR EWING: Well, on the corporate names, would you be good enough, through the chair, to give us a listing of who the owners of the corporations are?

MR. MULCAHY: Yes, sir, sure. We will have to do a little research, but we will get it for you.

SENATOR EWING: All right. On the commitment part, should there be language in the bill spelling out as to what the commitment should entail, that it will specify that there will be a penalty?

MR. MULCAHY: I think one of the very difficult things is to tie the hands in negotiations before you negotiate. Frankly, if you will look at the record of our negotiations for all of the other things we have done up there, I think it is fair to say that we have a good record of negotiation. Frankly, nobody is quite sure when we go in what all of the dilemmas are going to be. Rather than tie our hands in specifics, I think there may be other ways to deal with some oversight.

SENATOR EWING: All right. Thank you very much. Thank you, Mr. Chairman.

SENATOR WEISS: Thank you very much, Senator Ewing. May I get back to the transitional tax problem we discussed before?

MR. MULCAHY: Yes.

SENATOR WEISS: I have the Federal statutes on IRS in front of me. They indicate that: "The facility that is described in this paragraph, such as a baseball stadium located in Bergen, Essex, Union, Middlesex, or Hudson Counties, is tax-exempt the aggregate face value of \$150 million." I just read that roughly. But, if you go through the pages, you come up with section 52 of that very same Federal statute, and it does give a termination date. That termination date is-- "This section shall not apply to any bond issued after December 31, 1990." So, you have to get that show on the road prior to that date. If you do it afterward, you lose the benefit of the tax exemption of \$150 million.

MR. MULCAHY: Senator, I can check that. We are not the bond counsel to the State.

SENATOR WEISS: I'll give it to you, oh--

MR. MULCAHY: This would apply to the State general obligation bonds. The State would do the financing. You mentioned, I believe, 1988 before.

SENATOR WEISS: That is what I said, but I was not right on that date. But I knew there was a termination date, and that date is 1990. It is some years hence, but nevertheless, it is there.

MR. MULCAHY: Well, if we don't have a project by that time, Senator, I don't think we'll have a project.

SENATOR WEISS: Okay, Bob. But it is there, and you are going to check it?

MR. MULCAHY: I will check that, yes.

SENATOR WEISS: In the meantime, we will have it checked by professionals.

The next Senator on the agenda-- Senator Ewing, were you all through?

SENATOR EWING: Yes, thank you.

SENATOR WEISS: Then it's Senator Rice and Senator Brown. Senator Rice?

SENATOR RICE: Thank you, Mr. Chairman. I wish Touche Ross would check that information for you.

SENATOR WEISS: Oh, they'll check it, Senator.

SENATOR RICE: I am not trying to put you down, but according to my City Council colleagues, when I took office in 1982, you checked some information for us and it cost us a lot of money. Our computers aren't right; we got the wrong system, I believe, so if you will just look at that, we won't make the same mistake twice.

Let me just say to Mr. Mulcahy, I don't have a lot of difficult questions for you. In fact, my questions may have been answered. But, if you talk to Mr. Cooperman or Mr. Hollander, they say I am a little slow, at least with application, when it comes to the nice important things like education, so maybe they are correct. But I do have a concern about the urban and distressed communities, particularly relating to our young people and our senior citizens.

Oftentimes, people like myself and Senator Rand and a few others here don't represent those communities throughout the State, only the district we come from. They get no representation because middle-class and wealthy folks just think the world is all one big golden pot. So, I speak for those distressed communities throughout the State of New Jersey.

Young people, in particular, have some very difficult times in many of the geographic areas they live in, in this State. Often you can talk to young people who are adults now, who never left the cities of Passaic or Newark or Paterson or Jersey City or Englewood, Asbury, etc. -- or Camden -- who had these problems. One problem has been transportation. See, a lot of people like to feel it is because they are destitute or impecunious, but the reality is transportation. How far can you go if you don't have the proper transportation links?

I guess the question I have for you relating to transportation-- It is good to know we can link New Jersey

communities into the Meadowlands, the sports arenas, etc., but I always drive there. If I don't shape my time right, I am hung up before I get out of Newark in traffic for maybe an hour or two. If I go up with Assemblyman Willie Brown, then I am okay, because I can ride the soft shoulders. But on my own, I have to bear it. I just wonder, how do we take our young people away from the negative role models of street corner drug dealers and pimps, and direct these young folks to a baseball stadium without going to New York, etc., where oftentimes they wind up in trouble or having confrontations with their New York peers? I know coming out of Newark, I am not sure what bus lines run from the urban centers. It seems to me that every time we take minority youngsters to baseball games, some community-based organization, such the Boys and Girls Clubs, or the Boy Scouts, or the PAL, or the Optimists Club, have to give them a special bus ride. So, it is not an every weekend event. It is not a real carrot, if you will, because it doesn't happen often enough.

The same with senior citizens. Some people think that the only way you move senior citizens around is to buy a senior citizen bus and just go up to a nursing home, or someplace, and pick them up. Many of our seniors and disabled move of their own volition, but they have transportation route problems. I see that in cities like Newark, Englewood, and Passaic.

I guess my question is, when you say you are looking at transportation, is anyone paying attention to that? I don't want to just have the tavern owners sending kids to the baseball games. You know, I would like the kids to go on their own. Even the most destitute, oftentimes, can give a young person eight or nine bucks to get to a game -- popcorn, ticket, etc. -- and they will go with their peers, and they will get away from the urban community. You know, the good thing about leaving some of these urban cities and going to South Jersey or Bergen County or Morris County, where we can go because of the

transportation routes, is that our youngsters get an opportunity to compare one environment with another environment. Since the State does not want to help us to clean up Newark through legislation that they just let sit in committees, we feel that maybe if our young people see something different, we can reshape attitudes that way.

Has there been a real serious look at transportation, or is New Jersey Transit, along with your Authority, only looking at how to bring in "the majority," not minority or middle-class folks, but suburbanites or folks from a distance? People from the rural communities are not wealthy people, but the point is, it seems to me that is where the look is. You will probably get half of the urban cities who will come for baseball. Let me tell you, one of the largest Hispanic communities is in the City of Newark, if you want to talk baseball, you know. But how do we get them to the stadium to support it?

MR. MULCAHY: Well, I think, Senator, that two of the projects we have here relate directly to the subject you are talking about. I think baseball has two things: One is, it has a ticket price that is conducive to people being able to go, far more than basketball or hockey. And, secondly, we have looked very seriously at the transportation lines. Right now, you have the direct line from Hoboken right on out. If the transfer station goes in, you will have the capacity to tie all of those lines in right to the baseball stadium. We are very serious about that, because we think that is the right way to deal with a significant percentage of the people who go to the games. Frankly, I think they will find it very attractive.

Regarding the project with the aquarium in Camden, it is designed principally for young people. We have designed a curriculum relating to educational things. We have created exhibits that are changeable. I think you provide an access and a market right there in Camden for the very people you are

talking about to experience the kind of different environment you are talking about.

I think that two of these projects meet the criteria you talked about. The answer is, we are very serious about the rail transportation, because we think it is vital.

SENATOR RICE: I think that if the numbers work -- and I am not sure -- it will be the best thing that ever happened to New Jersey. Most people don't like to deal with my cities -- Irvington and Newark -- but when you talk about Morris County being one of the wealthiest in the State, if not the wealthiest, with all its history, going back to George Washington, and probably somebody before him, and all the different things that young people don't even know about, because they can't get to them, and you talk about the beach areas in South Jersey, and you talk about racing-- A lot of young people don't know that New Jersey is the second or third largest horse breeding state in the country. Then you talk about the aquarium in Camden, which I think is the greatest thing to ever happen to that area. I think that should become a reality. But, when we talk about football, and we talk about basketball, and all those kinds of things, I think baseball is a natural, and maybe should have been here a long time ago.

Now, what we are really talking about is the State that is the third wealthiest, but the formula never fit right with me in the first place. Everybody wants to blame Reagan, but I don't know how you can blame Reagan for the State being the third wealthiest, and Newark being the number one poverty city. I mean, the numbers are wrong here. But I think when you start to have attractions around your urban cities, like Camden, or in those urban cities, you are no longer the third wealthiest State, you become the number one wealthiest State per capita, because you have take up the slack.

The numbers I am concerned about, because there have been a lot of questions about how these numbers fit. Maybe you

answered this, but is this a profit-making venture? I hear the dates 1990 and 1991, retired bond debt service, etc., but is it a profit-making venture? If it is, what exactly will happen to the profits?

MR. MULCAHY: Well, the baseball venture, per se, fits into the same category that I think stadiums and arenas around the country fit into. There is not one that pays its debt service. I think everyone enters into that with the knowledge that that is the situation. In fact, when Giant Stadium was created, it was created with the understanding that the race track would pay the debt service.

So what we have attempted to do here is-- Based upon the numbers and projections we have, on an annual basis the baseball stadium would turn a small operating profit, but the debt service is not something we have the capacity to handle. That is why we have projected and proposed that it be a bond referendum question.

SENATOR RICE: But you expect to retire the debt service at some time or another?

MR. MULCAHY: Yes, sir.

SENATOR RICE: In other words, you expect at some time of another not to have those liabilities? That is my question.

MR. MULCAHY: Twenty years.

SENATOR RICE: Twenty years?

MR. MULCAHY: Yes, sir.

SENATOR RICE: What happens to those revenues then? Do we have to wait until the Governor 20 years from now -- my son -- determines--

UNIDENTIFIED MEMBER OF COMMITTEE: Your son is going to be the Governor?

SENATOR RICE: Yeah, he will be 40, and he'll be the Governor. If he grows up with the Governor's sons, he can be Governor, right, Mr. Chairman?

SENATOR WEISS: You're absolutely right, Senator.

SENATOR RICE: The last question is-- I read something, and again, maybe this was raised, but going back a couple of weeks, I recall reading that we want this baseball to happen in New Jersey. Once again, I support that intent. I think it is good. And, we are willing to guarantee a team an "X" amount of seating capacity. That kind of bothered me, because the numbers you projected-- I don't have a lot of knowledge, but I understand a little bit about planning -- comprehensive planning, that is -- and statistics, probability, research designs, and all those kinds of things, and there is a negative side to all this stuff.

My concern is-- I think attorneys talk about foreseeability. So, if it is not foreseeable, you can't plug it in. On that unforeseeable piece, if there is a unique occasion, for some reason or another that comes up, how will we guarantee these seats? In other words, who will pay?

MR. MULCAHY: Senator, as in many other things the Sports Authority has done, we have taken what we think is a prudent, creative risk, in an effort to set ourselves apart from every other applicant for a baseball franchise. We did that based upon a very detailed study of the attendance averages and projections around the country and other sites, as I indicated earlier.

The answer to your question is, if all else failed, we would have to take it out of the operating revenues on an annual basis, and it is only a five-year guarantee. After five years, it no longer exists. But we attempted to do something that would set us apart from every other application. In fact, there was an article in The Miami Herald, I believe, two weeks ago, that said that New Jersey has embarked upon a methodology that is correct. It is one of the reasons-- I have state after state send delegations to the Sports Complex to ask us how we do it; how we can be successful. They shake their heads and go back and say, "We have so many political problems in our

state." I say that one of the essential ingredients to the success of this complex has been the bipartisan support that this complex has enjoyed since day one. So I think that is essential to whatever we do. It has been essential to our success. But, we took a creative risk -- it's that simple -- to set ourselves apart, in an effort to get it done.

SENATOR RICE: Is that plugged into the \$185 million?

MR. MULCAHY: The operational revenues would have to carry it.

SENATOR RICE: Is that plugged in there, or are we talking possible additional dollars?

MR. MULCAHY: Well, the \$185 million is separate. That is the State general obligation bond. If we were short \$500,000, we would have to make it up from the operating revenues of the Sports Authority.

SENATOR RICE: So, if you are running a deficit on this side, aren't you taking it away from the deficit?

MR. MULCAHY: Yeah, it would come out of our operating revenues, which is separate.

SENATOR RICE: That's what I'm saying. If your operating budget, for whatever reason, is in a deficit--

MR. MULCAHY: Yes?

SENATOR RICE: --we can enhance the deficit by taking something that we guarantee out of the deficit.

MR. MULCAHY: There is a risk there, Senator. There is no question, there is a risk. We think it is a prudent risk based upon all of the projections we have, or we wouldn't have done it. But, in any of these things, you do have a risk, and we have taken that into account. We think we are safe, but we did take a risk.

SENATOR RICE: Well, baseball is certainly a little different, but it has a lot of similarities to football. I know in Indiana -- I have a lot of good friends on the corporate side-- My question is, has anyone looked at their

projections on football, particularly since they wound up with the Indiana (Indianapolis) Colts, and the Colts, depending on how you look at it, are number one -- at the bottom, not at the top.

MR. MULCAHY: Yeah, except that they sold out the Indiana Superdome -- or the Hoosierdome.

SENATOR RICE: Exactly. So, when you spoke about it before, it's not so much the team, but how the numbers work.

MR. MULCAHY: Yeah.

SENATOR RICE: Have you taken a look at their numbers, because apparently they had to do a similar kind of projection?

MR. MULCAHY: Yes.

SENATOR RICE: Has it kind of proven your theory somewhat?

MR. MULCAHY: Yes.

SENATOR RICE: Thank you.

SENATOR RAND: Thank you very much, Senator Rice. Senator Brown?

SENATOR BROWN: Thank you, Senator Rand. To wrap up this morning's questioning-- In my mind, this whole question boils down to two key issues. One is, are we giving the voters in the State of New Jersey a clear choice when it comes to the actual verbiage, Bob, that is on the ballot? In looking through it, I think it takes time, because everybody always says to us later on, you know, "In plain English, where were we," and so on. With your permission, Mr. Chairman, I will just briefly run over what it says in the bill:

"Should the 'New Jersey Baseball Bond Act of 1987,' which authorizes the State to issue bonds in the aggregate principal amount of \$185 million--" Now I gather when you say that, "the aggregate amount," you are saying that over the long term it is going to cost us approximately \$321 million.

MR. MULCAHY: If you calculate the interest. I didn't add it, but you are approximately right.

SENATOR BROWN: Okay. "--for the acquisition and construction of a major league baseball stadium located in the State to be owned and operated by the New Jersey Sports and Exposition Authority, including land necessary for the stadium and any projects of the Authority that may be constructed on the site of the stadium and the payment of the costs of attracting and enabling a major league baseball team to locate in the State; authorizes the State to issue refunding bonds; and provides the ways and means to pay the interest on the debt and also to pay and discharge the principal thereof, be approved?"

To me, it is crystal clear that we are asking the people of the State of New Jersey if they want to get into the baseball business. The cost of their getting into the baseball business -- if we talk about \$321 million over a 20-year period, and with approximately seven million people in the State of New Jersey-- If I am right, it is about \$47 per person over that time period.

MR. MULCAHY: I don't know, I haven't divided it. I will take your arithmetic.

SENATOR BROWN: You have people there to check it out. Is that bottom line reduced to its simplest form about what we are talking about?

MR. ROHN: That is approximately right, Senator.

SENATOR BROWN: Okay. To me, this is one of the most interesting matters to come before the voters of the State of New Jersey. We have talked a lot in these hallowed chambers about initiative and referendum, whether or not we should throw important issues out to the voters in the State of New Jersey. I am a little sad-- You know, to me, the time frame is very short to be discussing a question of this magnitude, because we are going to be discussing priorities and how much is baseball worth to the citizens of New Jersey, and how much, for example, are science centers, and how much is acquiring open space, and

how much is jails. But, again, the people here-- I happen to think that the people in District 26, where Ralph Loveys and I come from, want very much to participate in the governing process, and participate in making the key decisions.

So, unless we can say we have said this verbiage out loud-- To me, it is clear. If any other members of the Committee-- I think now is our opportunity and, of course, the Treasurer will be in this afternoon. It is not clear, do the people in the State of New Jersey want to get into the baseball business? That is the question that is being asked, and I have confidence that that will generate very intense discussion throughout the State in the next couple of months, and hopefully will enliven what, to this point, has seemed to be a fairly dull year.

The other thing besides the financing that I am interested in, and I think very much concerned about, is the transportation. The Senators on this Committee have raised questions about the transportation bit, and it's very, very serious. If we are in the baseball business and nobody can get to the stadium, that, indeed, is serious. To repeat, is it my understanding that the Turnpike is willing to finance all of the construction costs in connection with Exit 16W?

MR. MULCAHY: Yes. There is a short piece DOT has to do with Route 17, but at all of the meetings we sat in on between the Turnpike and DOT, the Commissioners and Chairmen said it. This was always the commitment. This was the plan, and they are prepared to go ahead whether or not there is a baseball stadium there.

SENATOR BROWN: Okay. When we talk about the short piece of DOT, are we talking about half a mile?

MR. MULCAHY: Well, it is probably a little bit more than half a mile, because it runs from where it currently stops at the jug handle here going into the Meadowlands district here (Mr. Mulcahy using chart to demonstrate) up to this piece here, so it is probably about a mile and a half.

MR. WHITE: Less than a mile.

SENATOR BROWN: But we could still be talking in that area, say, half a billion dollars of cost for DOT?

MR. MULCAHY: No, I don't think so. But, ultimately, the answer to all of this, is that this extends to (indiscernible). (Mr. Mulcahy not near microphone) That has nothing to do with baseball. It has to do with this whole southern Bergen area that is now a problem. But at least it is the first step in that.

SENATOR BROWN: Well, it is helpful that the Chair of this Committee, at the moment (meaning Senator Rand, as Senator Weiss is out of the room), is also the Transportation Chair. I do think it is important to focus on the overall transportation cost. Again, one of the questions that is going to be in this ballot question, indirectly-- We are becoming one of the major sports centers in the Western Hemisphere, we we have to really focus on this transportation bit. I am concerned because this Legislature, to date, has not taken the responsibility of committing itself to completing some of the transportation challenges that have already been on the books. We have talked about various projects, like Route 24, that have been out there for centuries, and we are saying, as a Legislature, "No, we won't fund these," and then, as a hooker to this Sports Complex, we are proposing major transportation expenses. I think this ought to be out-front.

My last question is in connection with this rail line. We only show interest in this rail line when we have additions to the Sports Complex. So, we might as well, you know, concentrate here for just a moment. When you say the main line goes through the existing property, are there trains that go daily that just don't stop?

MR. MULCAHY: Yes. There is no stop there now, but they do go daily.

SENATOR BROWN: What are we talking about as far as the cost for having a station there?

MR. MULCAHY: Jerry, do you have an answer on the cost?

MR. WHITE (speaking from audience): We do not have the cost of this station. We have had conversations relative to the location of the station.

MR. MULCAHY: And the commitment by New Jersey Transit to do it?

MR. WHITE: That is correct.

SENATOR BROWN: Okay. How can this Committee, and how can the voters of New Jersey, if they commit themselves to being in the baseball business-- How can there be any assurance that there is going to be the means of getting there?

MR. MULCAHY: I think the greatest assurance is that New Jersey Transit is going to want the revenue from people going there. I mean, that is the reality.

SENATOR BROWN: That's for New Jersey Transit. What are we going to do as far as the mind-boggling expenses involved with the road complex there?

MR. MULCAHY: Part of what the Turnpike has done is-- When they relooked at this thing and saw the costs they were going to have going through the wetlands, they looked at this alternative and, whether or not baseball is there, they want to do this alternative, because it makes sense to them. It keeps them out of a big wetlands problem.

So, if we don't have baseball -- let's assume it is voted down in November -- they are still committed to doing this route.

SENATOR BROWN: How will that missing link be--

MR. MULCAHY: Oh, they'll still do it. They'll do it with DOT. I mean, that is their commitment.

SENATOR BROWN: And you have a commitment from DOT?

MR. MULCAHY: Yes. I mean, I personally don't; the Administration does. I am not going to speak for them. Correct, Jerry? (Mr. White indicates an affirmative response) That's absolutely true.

SENATOR BROWN: To sum up, I am pleased that the voters will get a choice. I think the down-side major question I have is basically the transportation. Thank you, Mr. Chairman.

MR. MULCAHY: Thank you, Senator.

SENATOR WEISS: Thank you very much, Senator Brown.

Bob, we are going to recess for lunch. Otherwise, these folks are going to starve to death.

MR. MULCAHY: Do you wish me back after lunch?

SENATOR WEISS: I would like to talk to you before you leave the room.

MR. MULCAHY: You'll talk to me before I leave the room. Okay.

SENATOR WEISS: We will be in recess until 1:30.

(RECESS)

**AFTER RECESS:**

SENATOR WEISS: I suppose we are all in place now. We are still missing Senator Ewing and Senator Pallone, but they will be in.

SENATOR FELDMAN: He'll be back. He has a press conference.

SENATOR WEISS: Oh, yeah. You don't have to worry about that press conference. It is something on the environment, having to do with the ocean. That's far from the Meadowlands. That's one we don't have to worry about today.

Mr. Mulcahy has stepped aside for a moment, and State Treasurer O'Connor has taken his place very graciously. I think she has something to do this afternoon, so we are going to make every effort to get her out of here before five o'clock.

MR. MULCAHY: I am always happy to yield to the Treasurer.

SENATOR WEISS: Of course. Prior to your appearance, we were working on the baseball stadium, questions having to do with that, rather than with the other two matters at hand. We have come up with some questions that have to do with-- First, with that 1986 Federal tax law, there is some question, Feather, about the expiration of that tax law after a certain date. I wonder if you know something about it? (State Treasurer O'Connor confers with assistants sitting in the audience)

S T A T E T R E A S U R E R F E A T H E R O ' C O N N O R :  
I'm sorry. I had to consult with my--

SENATOR WEISS: That's okay. We did a lot of consulting here this morning. There was some contention about when the expiration date--

STATE TREASURER O'CONNOR: I understand now that the exempt facility provisions in the tax bill extend to January 1, 1990. That covers \$150 million of the \$185 million authorized under the bond act. The other \$35 million would not be tax-exempt under that exemption. It would be issued as taxable.

SENATOR WEISS: We are in agreement then if it is 1990, but I just wanted to double check it -- I have the IRS Code here -- just in case we were reading it wrong. I didn't think we were.

Starting with the issue of \$185 million in bonds for construction of the stadium, these proceeds, as I understand it, are to pay for all the costs relating to the stadium project. As defined in the bill, the costs include attracting and enabling a major league baseball team to locate in the State, and also its operating expenses. We went down that list with Bob Mulcahy, and he broke them down as to, you know, \$71 million in the '85, and 15 and 14 having to do with engineering, and other contingencies.

As Treasurer, are you satisfied with the cost figures given by the Sports Authority and the inflation factor that is built into the contingency fund, and the contingency fund?

STATE TREASURER O'CONNOR: Mr. Chairman, we have not done an independent cost assessment of this project. I do know there has been significant examination of this issue at the Sports Authority with professionals, and I have no reason to challenge their cost breakdown.

SENATOR WEISS: Will you be doing that in the future? I am not really sure, Feather, about how Treasury works with the authorities. I have never been in that position, neither position as a matter of fact, so I am really looking for an administrative type of an answer.

STATE TREASURER O'CONNOR: My assumption, Senator, would be that if the bond act passed, and a team was secured, that before we made significant expenditures, we would reach a level of comfort as to the projected costs, so that if there were any significant deviations, or we had any expectation that there were unpleasant surprises, we would know those before significant State funds had been expended.

SENATOR WEISS: Is there some way that you folks in Treasury keep track of these things? I mean, what is the process?

Bob Mulcahy now has \$185 million of our money. Part of it is his also.

MR. MULCAHY: I wish.

SENATOR WEISS: It is, Bob, you contribute to taxes. I know you do.

STATE TREASURER O'CONNOR: Mr. Chairman, I assume what we would do-- We would have a basic construction critical path plan against which the Sports Authority would be permitted to make draw-downs from the General Fund -- the bond proceeds. We would probably, because of the exemption expiring-- We would have to have sold at least all of the tax-exempt debt before the end of that date. So those proceeds would be available and earning interest. But we would conduct it the same way we do other ones, in terms of looking at invoices and certified

records of construction progress, and invoice -- release funds accordingly.

SENATOR WEISS: Okay, so then there is a tracking method?

STATE TREASURER O'CONNOR: It is not my expectation that we would turn the bond funds over to the Authority. We would be disbursing funds against some kind of a construction draw schedule, which would be the typical way that Treasury would administer general funds and bond proceeds.

SENATOR WEISS: As far as Treasury is concerned, are you satisfied with the definition of cost as it is related in the bill? Let me work that down a little bit. Do you think that one of the costs involved in this thing -- in the bond money-- Do you think that ought to be used for promotional interests, as opposed to capital expenditures -- or capital construction expenditures?

STATE TREASURER O'CONNOR: Are you referring to the costs of attracting and enabling a major baseball--

SENATOR WEISS: Yeah, yeah, all of the promotional dollars that are spent on this thing. Shouldn't that come out of some other current capital account, rather than be bonded for the next 30 years, or for however long this goes? That is something I object to in almost every bill that comes through. I don't know that I have been successful in most cases, but in some I have.

STATE TREASURER O'CONNOR: I think the potential large cost here might deal with indemnification payments or other kinds of business terms with a team or a city that was affected by a decision to come here. I believe Chairman Hanson has said he does not intend to use bond funds for that purpose.

As far as smaller amounts of money, I am going to have to review those and establish a test of reasonableness associated with the expenditures of that kind. I think the basic thrust of this is that the bill is the method by which

the State presents to the voters the opportunity to secure a baseball team and build a baseball stadium. If these costs are sufficiently related to that process, then I think they are appropriate. They also must be reviewed for reasonableness, and that is why the Treasurer is in this in that capacity.

I am not troubled by it, with the understanding that I -- or my successor perhaps -- must review it for reasonableness.

SENATOR WEISS: The other part of this thing-- The bill -- and I will outright tell you I only have the draft copy and I don't know if it has been changed in the Assembly or not -- indicates further on the word "costs" or the definition of that, "development and construction of all or any part of a baseball stadium and of any real or personal property, agreements and franchises, including the cost of attracting and enabling a major league baseball team to locate in the State." That is on page 3, near the bottom.

STATE TREASURER O'CONNOR: I see it. Is there a specific type of use that you are concerned about?

SENATOR WEISS: I don't know; I am trying to find that out. In a lot of these things -- like with some of the bills you and I have discussed in the past -- they come in with 30% for administration. I don't want to mention what program it is at the moment. If you find that we cut it down to 15, and then it goes back to 30 somehow-- I am just wondering if it happens in this instance, or any money spent in the area of advertising and/or promoting, if that ought to be forever bonded -- or for the life of the bond?

STATE TREASURER O'CONNOR: I understand your concern, Senator, and in general I-- In fact, you and I have had this conversation about what should be bonded and what should not be bonded.

SENATOR WEISS: Yes.

STATE TREASURER O'CONNOR: I think the framework in which all of these expenditures will be approved or disapproved

is in an agreement between the Treasury and the Sports Authority. As I indicated before, Chairman Hanson has said that he does not expect to pay indemnification agreements or major cost elements associated with securing a team through this process, and I agree with the Chairman on that point. But I also think that a reasonable amount -- a small amount -- of bond funds expended for this purpose does not do great damage to the basic concept of funding only capital, durable goods with bond funds. I think a certain amount of flexibility in this process is appropriate.

So, I am not troubled by it. I would assert to you again that it has to be done in the context of reasonableness, and you will not see large expenditures of public bond funds expended for this type of activity.

SENATOR WEISS: You are apparently satisfied with that.

STATE TREASURER O'CONNOR: I am satisfied.

SENATOR WEISS: Do you know what the annual debt service is on the bonds? Do you have that? Actually, let me give you three questions at once, okay? It may help. What is the debt service? What will be the total cost to the State of New Jersey? And the very important question that that should lead to is, what will this proposal do to affect New Jersey's AAA bond rating? I think we are all interested in that. I don't want to see it go down either. You cautioned me on that personally, so I am just going to reverse it.

STATE TREASURER O'CONNOR: I would not be here offering technical advice and support for this legislation if I had a concern about its effect on New Jersey's bond rating. Our rating has very recently been confirmed once again by Standard and Poors, and shortly by Moody's. The rating agencies look at our overall debt management approach, and this is a legitimate capital expenditure which the State might wish to bond for.

The primary issue that the rating agencies look at is not how much is on the ballot, but rather whether we are accommodating debt service within our budget properly. We have been very stable on that over a long period of time. This particular issue is even a separate case from that, in the sense that it is contingent on provision; that is, there is no guarantee that if we pass this bill that we will, in fact, ever spend this money, unlike most of the other bond referendum, which guarantee that the money will eventually be spent.

So, I have no concerns about that from that perspective.

SENATOR WEISS: I lost my question for a moment, but I now have it. I want to go back to-- The indication you made was that you are satisfied with the cost figures involved in the bond issue. I don't argue with that statement, but I do have a question on that. Does that include, or are you satisfied with the inflation factor involved, and how was that arrived at, if you know? It seems to me that we are talking about some \$14 million or \$15 million. So, that would be about 8%.

STATE TREASURER O'CONNOR: Senator, I think it is a reasonable number, given the trend in the CPI over the last several years. It is obviously an estimate, because we have no sense of whether we would start the construction six months from now or 18 months from now. So the exposure on the inflation is very difficult to estimate.

SENATOR WEISS: I don't have an idea either.

STATE TREASURER O'CONNOR: I think it is a reasonable estimate.

SENATOR WEISS: I am trying to use your expertise in putting this together. I don't argue with 8% -- is it enough or isn't it enough? I don't know.

STATE TREASURER O'CONNOR: I think it is a reasonable estimate given the fact that certain large hunks of this money

will be expended very early in the process, and only a portion of it is subject to inflation over the full length of the time of construction.

SENATOR WEISS: I am going to accept almost any answer you give me.

STATE TREASURER O'CONNOR: I understand why you are asking the questions.

SENATOR WEISS: The brush we are painting with today having to do with conjecture is wide. I am afraid we are all going to get painted over. So, we are going to have to watch the Sports Authority. They are handling that brush.

Could you talk a little bit about the general obligation bonds? They are usually competitively bid. Why, can you tell me, does this legislation permit a private sale? Somebody? Is there a problem?

DEPUTY TREASURER RICHARD GODFREY: The reason there is a change here relates primarily to the taxable portion of this issue, whereas all other GO bonds have been tax exempt. I know you are aware that only \$150 million of this bond issue could be tax-exempt. With regard to the \$35 million, it is unclear exactly how we would market it, since, right now, it will probably be our first foray into the taxable area, and we may have to use a negotiated sale for that portion.

I apologize. My voice is a little rough today.

SENATOR WEISS: I'm sorry, I can't hear you.

DEPUTY TREASURER GODFREY: I'll do my best. I have a little bit of laryngitis.

STATE TREASURER O'CONNOR: It's getting worse, too.

DEPUTY TREASURER GODFREY: This relates solely to the taxable portion of the issue. This will be our first attempt at--

SENATOR WEISS: You're talking about the \$35 million.

DEPUTY TREASURER GODFREY: That is correct. This will be our first attempt to issue taxable bonds and, therefore, we felt we may need to have the ability to issue negotiated, or private sale bonds, for that portion at least.

SENATOR WEISS: Private sale isn't public bid.

DEPUTY TREASURER GODFREY: That is correct.

SENATOR WEISS: Why can't it go public bid, like anything else?

DEPUTY TREASURER GODFREY: With regard to certain issues, you may need to-- Right now, one of the reasons you would probably bid New Jersey GO bonds is that there is a ready market out there. It is a readily acceptable product. People are familiar with it. With regard to taxable bonds, it may not have exactly the same receptivity. You may be dealing with different customers, and it is just a whole different approach.

SENATOR WEISS: Well, I can understand the different approach. I can understand most of it. For myself, I can't understand private sale in such a public area. It somehow is incongruous that we would take that road. I mean, if you can bid one, you can bid the other. For myself -- and I don't know how the Committee feels -- I would rather see it bid publicly. I see no problem with it. I know you are going to have to raise the rate to make it more attractive, because it is no longer tax-exempt. I understand that.

STATE TREASURER O'CONNOR: Senator, what we are saying -- and if John Miller wants to comment on this-- What we are saying is, the amount of taxable municipal debt that has been sold nationwide is very, very small. When you don't have a ready market for debt, it is not that we are going to pay a higher rate because it is taxable. We are also potentially going to pay an even higher rate because it is an unknown quantity. It is not the same old folks who would buy our regular tax-exempt municipals. Typically, if you are trying a new product, you can do better through a negotiated sale. If we can do it competitively, if the situation has changed so much over the next couple of years that taxable debt is a common commodity and easily sold by competitive sale, we would do that, because we believe that is the preferable way. But I

would hate to be in a situation in which we went competitively and discovered that the New Jersey taxpayers were going to pay appreciably more because this was an unknown commodity in the market. It is the flexibility to do the taxable portion by negotiated sale which potentially saves taxpayers money. That is the reason it is that way.

SENATOR WEISS: Well, I am having a hard time trying to tie together competitive, negotiated, and private. I have a problem with that.

STATE TREASURER O'CONNOR: Understand that when we do any sale of bonds, whether-- Do you want a discussion of how they would be done differently?

SENATOR WEISS: Well, my problem is, a private sale is not a public sale. A private sale negotiated leaves connotations that I personally don't like. It leaves no room for public access -- scrutiny is the word. It is difficult for me to accept that there would be a private sale of bonds that have not yet-- The amount has been determined, but the rate has not been determined. So, how is that negotiated?

STATE TREASURER O'CONNOR: When we--

SENATOR WEISS: I am not saying anyone is dishonest, okay? I just want to set that aside. But the principle is not what it should be.

STATE TREASURER O'CONNOR: Well, understand that--

SENATOR WEISS: Well, I am having a hard time understanding it, Feather.

STATE TREASURER O'CONNOR: When a public agency, or a state, does a negotiated sale, the process, in effect that you decide is not the price, but you decide that you are going to negotiate with a particular investment banking house and syndicate of participants. But, the price of those bonds is negotiated vigorously on the side of the State. When we go to the table to discuss the pricing of the bonds, we see how the orders are coming in for a sale; we see what comparable bonds

are being sold on that day; and we negotiate. I have never been in a negotiated bond sale, and I guess I have done over a billion five in the last five years, in which I did not have absolute confidence that the public agency had negotiated the best possible rate for the taxpayers. The negotiation is good if both parties know what they are doing. I think the State is capable of doing that.

A private sale simply means that there is an investor who is taking the bonds for a price that has been negotiated, and simply not going out on the wire. It doesn't mean that there is not a vigorous negotiation as to what the price might be. It is simply a matter of who is going to be holding that debt.

SENATOR WEISS: There is just one other question: In these private sales, is it done with an individual, or with individuals? I am not really sure what private sale means in this. You are giving me, as I understand it, two meanings: private sale meaning within a group, and private sale meaning an individual, or an individual organization.

STATE TREASURER O'CONNOR: A private sale typically means that the investment banker and other bankers who are in that will possibly be the backup of a large investor, or are purchasing those for their own portfolio, or for a large single investor. I am not sure what you are getting at. If pricing is the issue--

SENATOR WEISS: I'm getting at-- Let me use myself as an example. I want to come in and buy these bonds -- a private person, okay, or a private organization, whatever. Do I sit down and negotiate with you, or are there others in the room -- competitors to bid against me for that particular bond?

STATE TREASURER O'CONNOR: No.

SENATOR WEISS: Just me, and I negotiate the price with you. But, no one else has a chance to talk with you, or with whomever you assign? No one else has a chance to come bid competitively for them?

STATE TREASURER O'CONNOR: That is what the role of the State selling the bonds is. We know what a good rate for the bonds is. If you make an offer that we are not satisfied with, we say, "We are not selling to you. We will look elsewhere." Or we will make a counter offer.

SENATOR WEISS: I understand what you're saying. I think it leaves quite a bit to be desired, and maybe we ought to take a look at that. With the restrictions that are put on us -- and I am going to address this to everybody -- specifically in the Legislature about the Sunshine Law and public moneys and how they are handled, it would seem to me that while there may be a good side to the process, I am looking at the down-side of it, and I think it ought to be a little more public than that, but perhaps that is not--

STATE TREASURER O'CONNOR: I want to stress again, Senator, that the issue is strictly on the question of the taxable debt and our ability to have a successful sale with an unknown commodity. It isn't a question of whether the State-- It is our guarantee that the State will not get caught because of the rigidity of a competitive sale, with the option of either rejecting the bids altogether and starting over, or paying a premium because that was not a commodity that people were used to buying. There is no reduction from our commitment to the competitive sale in general on the tax-exempt debt.

SENATOR RICE: Mr. Chairman?

SENATOR WEISS: Senator Rice?

SENATOR RICE: With relation to your comments, I just want to make a point. I think I hear you loud and clear, Mr. Chairman. I would like to phrase it another way. An attorney told me once that -- in fact, it was a law professor -- "The stench of impropriety is just as bad as impropriety itself." I just wanted to throw that quote out there, Mr. Chairman, in response to what I am hearing from you.

SENATOR WEISS: Thank you, Senator Rice. Senator McNamara?

SENATOR McNAMARA: On that specific point, Madam Treasurer, with the tax law changes we have, you can't really believe that unless we have a baseball team in our left pocket that we are going to spring the day after the election. There is going to be-- A whole new market has to develop, and I can't justify in my own mind the private negotiated sale. I mean, because I just don't understand why that is so critical. I mean, your rating is going to be a factor. It is just like selling bond anticipation notes.

STATE TREASURER O'CONNOR: Senator, I--

SENATOR McNAMARA: You know, a competitive bid, and the more players that are in it, and the stronger credit we have-- All of those factors are what determine the price of the bond.

STATE TREASURER O'CONNOR: Let me just-- I have sold bonds competitively, and I have sold them by negotiated sale. I will assert again, and I know there is no point in arguing about it, that a competent, professional agency can get an as good or better price negotiating a sale as they can competitively -- but I don't think that needs to be the issue here -- when we do have a strong credit.

But, when you are selling a product which is not well-known, in the sense that we don't know how the markets are going to develop for taxable municipal debt, we don't know what the market is going to be like at the point when we do this, we don't know what the secondary market in taxable municipal debt is going to be-- All of those things are going to affect the key issue that you just raised -- how many people are going to be interested in that debt at the moment we decide we need it? If you can't be certain that there are plenty of willing buyers, a competitive sale often works to your disadvantage, because you can pick your time more carefully with a negotiated sale. You can decide when you want to do it. You don't have to get into the trap of having to reject the bids because

nobody showed up. A whole series of things like that happen when there is uncertainty in the market.

There are other times that argue for negotiated sales, but they are not applicable in this case. We are committed to competitive sales. If we are confident that the market, both the primary and the secondary market for taxable municipal debt, is sound and strong, we will go competitive. All we're saying is, let us have the flexibility to decide to negotiate if all of those conditions are present and we find-- If I have to make a judgment that the taxpayers are going to have to pay a higher rate because there is not a strong competitive market when we meet this debt, then I think that is a reasonable judgment for the Treasurer to be entrusted with.

The general policy attitude of the Treasury is very clear on competitive sales, and we follow it.

SENATOR McNAMARA: Nothing personal, Madam Treasurer, but I--

STATE TREASURER O'CONNOR: No, no, I am just saying it is the Treasurer's job.

SENATOR McNAMARA: I have a problem--

STATE TREASURER O'CONNOR: Our concern is, we can go out and do it competitively, but if it means, because the market is not there, that we have to pay too much, or that we have an aborted sale because no one shows up, that is a high risk. If I -- or my successor -- have the flexibility to decide how to do that, then we make a judgment as to what is best for the State. We are not interested in getting into the negotiated sale business in the State. We don't do those. So, we are not going to in this case, unless we have to make a critical judgment that that market just isn't strong enough to take \$35 million in taxable debt. That is really all this is about. It is having that ability to say, "The market is not going to carry this debt, so let's do it negotiated."

SENATOR McNAMARA: I hear what you're saying, but I am not a buyer.

STATE TREASURER O'CONNOR: It is a flexibility issue and a judgment issue, but it does not affect the regular tax-exempt debt, because all of the things you just said are correct. There are plenty of buyers, there is a good market. It is not a big issue; it shouldn't be a problem.

SENATOR WEISS: Thank you, Senator McNamara. Feather, tell me, when was the last time that no one showed up to buy New Jersey bonds for an issue you put out?

STATE TREASURER O'CONNOR: We have never had a taxable debt sale. It isn't just a matter of whether someone shows up, Senator. It is whether we are getting a good price. If they come in and they are uncertain of it and they give us too high a price, rejecting the bids is always an option. But, I don't think it is one that we should want to consider.

SENATOR WEISS: You've rejected those before with those windows of opportunity we used to discuss. I know you have had at least two cases.

STATE TREASURER O'CONNOR: Well, we have not gone to sale.

SENATOR WEISS: I beg your pardon?

STATE TREASURER O'CONNOR: We have cancelled sales in advance of the date of bid opening, yes. But, if we are in the taxable area, it is an entirely different world -- entirely different buyers -- and the pricing depends on finding someone who may or may not be interested in whether there is a secondary market for that paper. There are a lot of issues, and it is all a matter of, can we save money -- can we save taxpayer money -- by doing a negotiated sale?

SENATOR RICE: Mr. Chairman?

SENATOR WEISS: Senator Rice?

SENATOR RICE: I am a little confused, but, once again, I don't know a lot about a lot of things, and I don't profess to be an expert in anything. But, it seems to me that when there is uncertainty, then you test. One way to test

uncertainty in the bond market is to go out there and deal with the market competitively. If you are not satisfied with what the competition brings in, then you sit and negotiate. If you are telling me that the bid law states that once you go out and bid, you cannot make a decision on what is coming in, and then must deal with it another way, I am not really sure -- not knowing anything about the law -- if that is true.

It seems to me that the State or government can actually bid, and if they are committed to addressing it from one of those who compete in the bid process, then ultimately it comes to the lowest responsible bidder. But if, in fact, we are not satisfied with the bids that come in, then you still have the flexibility in the Treasury to take a look at addressing it. I am not sure if that is true or not, and maybe you can tell me. If, in fact, I am correct, it just seems to me that when there is uncertainty in anything, then you test it. The way to test something is not to go and say, "Senator Feldman, let's talk." That is not the way to do it.

That is a lot of money we are talking about in taxpayers' dollars. When you talk about this baseball thing, there are a lot of things that look good, but then there are a lot of uncertainties as it is. Then again, there is another uncertainty, because we don't want to test the market at a given time. If it comes down to that, I think that is really enhancing the risk we are taking. I am not really sure if I am willing to address it that way. I am willing to promote baseball, and I am willing to promote anything that is going to enhance the State of New Jersey, help the people, save the taxpayers' dollars, and trade jobs, and all those positive social things that we need in our State, but I am not willing to enhance risk.

So, maybe you can answer my question. I know it is a long one.

STATE TREASURER O'CONNOR: A lot of the things you say are highly germane to the normal public bidding process -- the process of offering bids and then potentially rejecting them and then negotiating. This is a part of the State Procurement Law which we all practice. But, we are not talking--

SENATOR RICE: In other words, it's real.

STATE TREASURER O'CONNOR: That process is real, but it is not one which I regard as workable in the context of bond sales. It is highly irregular -- not unthinkable, but very irregular -- to accept bids and then reject them. If you do that very often, even more than once, in the bond market, you begin to lose credibility as an issuing agency, because people go to a lot of trouble putting their bids together, and if they think there is a game being played of going out on competitive bid, rejecting the bid, and then doing something else, that is not responsible action on the part of an issuer. You are right on your observations about that process generally for procurement -- for public procurement -- but this isn't public procurement. We are dealing in a different kind of a market.

SENATOR RICE: Well, the reason I raised it was, our Chairman was raising serious issues, and the response from that side gave me the impression -- my gut feeling -- and gave my colleagues the impression, that we have a choice of either or. I want to make it clear that it is not either or, when you are going to test something. I also want to make it clear that it is my personal opinion -- and, once again, I am not very knowledgeable on a lot of things, but I do have life experience that helps-- It is my personal opinion that, as you say, you do not want to lose your credibility in a process like that. But, through your implication and what is being said today, this is somewhat of a unique situation. I don't think you will lose credibility because it is something we wouldn't do everyday. You said yourself this is a taxable bond, which is something I assume we do not work with everyday when we deal with bond issues.

So I think that to go out and test the market first, and if we are not satisfied -- if the timing is off and you think we should test-- I think a test before negotiation would not be a bad thing to do, and it certainly would not put us in bad faith with people who come to the State for bonds, because it is a one-shot kind of a deal, or is the kind of a situation that is often done. If we continue to go taxable bond, and are habitual, then maybe folks would look at us. But, once again, it is a two-way street. If you don't test the market through a competitive system and, in fact, you determine that there is uncertainty in the market at the time -- too great an uncertainty -- and you want to negotiate with Ron Rice, then, once again, let me remind you of the law professor, and I quote again: "The stench of impropriety is just as bad, or just as detrimental, as impropriety itself." Even in that process, I think more so than in the competitive bidding process, we would lose credibility as a government -- maybe not as an individual, but as a government -- whether it is the Governor, whether it is the legislative body, or whether it is both combined.

So, there is a question to be raised on that issue.

STATE TREASURER O'CONNOR: Senator, I respect what you're saying. I understand, but I don't believe there is anyone who is more concerned about the propriety with which actions are taken by public entities.

Mr. Chairman, I simply have to reiterate that it is my professional recommendation that, given the newness of taxable debt, that the Treasurer, or the issuing officials, be given the flexibility of making a judgment that the taxpayers' interests are better served by a negotiated sale on the taxable debt, than to have a mandatory competitive sale. I am satisfied with the bill as it is drafted on that point.

SENATOR WEISS: Thank you, Senator Rice. Senator Ewing?

SENATOR EWING: Thank you, Mr. Chairman. Feather, once a bid has been made on bonds -- I mean a whole block of bonds -- can you turn the bid down, not accept it, and go out and bid again?

STATE TREASURER O'CONNOR: This is kind of the same issue that Senator Rice just mentioned. It is possible to reject the bids. It's very bad form. It is not something that one does without great hesitation, because people expect to bring their bids in and they expect to win if they are the low bid. You are creating a strain on that process if you do that. That is why I am anxious to have some flexibility if I am not confident that the competitive process will bring what is euphemistically called a successful sale.

SENATOR EWING: On the ballot this year, what are you recommending we have as the total amount of the bond -- what figure? In the past, I thought the State had more or less gone -- in the last few years -- around \$300 million. Correct?

STATE TREASURER O'CONNOR: That has been the amount. I am not certain how the Legislature is going to move the various other bond proposals. There are several that I have seen moving -- the prisons, the baseball stadium -- the cultural, I guess, is now out of one of the houses -- and Green Acres. Those combined, plus an additional one of modest size, do not cause me any concern. The real issue with rating agencies is, how fast are you going into debt? That is, how fast are you issuing debt, and how much is your debt service? How does that relate to your budget? Can you pay your debt? What goes on the ballot isn't a guarantee that you are going to spend it immediately. Particularly in the case of a baseball stadium, it is highly questionable as to when and how we would eventually spend that money.

SENATOR EWING: But hasn't it been true in the past, though, that they have tried to limit it -- the various administrations -- to about a total of \$300 million appearing on the ballot?

STATE TREASURER O'CONNOR: That has been a rule of thumb, and I am saying that I am not uncomfortable with--

SENATOR EWING: With going over it?

STATE TREASURER O'CONNOR: --going over that.

SENATOR EWING: Because we are still trying to do something on science and technology. Maybe we can still get that \$50 million in then.

STATE TREASURER O'CONNOR: I understand that.

SENATOR EWING: Would there be any point on going along on a lump-sum payment to the Authority of the \$60 million, with the surplus we have available in the State now, rather than giving them \$10 million a year, and having that subject to the vagaries of the Appropriations Committee in both houses.

STATE TREASURER O'CONNOR: Well, it is always the Treasurer's position that there is not room in the surplus for something we haven't planned for. I think if there is a recognition up-front by the Legislature that there is a planned program of fund releases to the Authority, which has to be appropriated, but which is recognized as a planned obligation. That is a more reasonable approach.

SENATOR EWING: What, to do it each year?

STATE TREASURER O'CONNOR: I think it displaces other things if we do it all in one year, and I would prefer to see it done over the five-year period, because we can't take it in isolation from other needs the State has.

SENATOR EWING: Yes, but we haven't spent all of the surplus every year. We carry it over.

STATE TREASURER O'CONNOR: Senator, we never have enough surplus.

SENATOR EWING: Nobody ever gets a big enough salary either, but they seem to go along. But, wouldn't it be better? It would save the vagaries, as I say, of the Appropriations Committees. Maybe we could cut it down to \$50

million, instead of \$60 million, because if the interest would be accruing to that particular pot of money, it could be set aside, and it would be right there at that time. I certainly don't think you are in any position to say -- and I don't think anybody else is -- that the economy is going to keep going the way it is, and New Jersey will be as fortunate as it has been with its economy, and the incomes are going to be piling in constantly.

STATE TREASURER O'CONNOR: Senator, if it were a decision independent of any other budget needs of the State, it would be preferable to have the money in one lump.

SENATOR EWING: Right.

STATE TREASURER O'CONNOR: Because it is there, and it is held by the Treasurer for the use of the Sports Authority, and it's done. All I'm saying is, there are other budget pressures that this Committee, among all others, knows about, and having it metered out over a five-year period, I think, is a reasonable approach, given other budget requirements.

SENATOR EWING: Then you are saying you are forecasting no stringent budget in future years -- for the next five or six years; that we are really going to be sailing along and always have substantial sums coming in?

STATE TREASURER O'CONNOR: I don't see any major storm clouds which would suggest a major change in the State's economy or its revenue picture.

SENATOR EWING: There will be no effect on the bond rating for the State if we go well over \$300 million?

STATE TREASURER O'CONNOR: I wouldn't be recommending something that I thought would jeopardize the rating. I cannot speak for the rating agency, but they continue to have significant confidence in the State's economy and in the State's ability to manage its debt. I think the part of the package that is forming on the ballot is a reasonable set of referendum for the voters to act upon.

SENATOR EWING: Well, would you recommend to the Administration-- If we change the bill to give them a lump sum of \$50 million, would you recommend that the Governor veto that?

STATE TREASURER O'CONNOR: I would have to consider what other budget matters in Fiscal Year 1988 would have to be displaced in order to pay for it.

SENATOR EWING: Yes, but we--

STATE TREASURER O'CONNOR: It can't be seen in isolation from the others. Would I recommend that the surplus be reduced at this point? I could not do that without looking at it in more detail.

SENATOR EWING: Yeah, but we know historically that when the final audit is done -- which is, what, usually around the end of November, beginning of December -- there is always a lot more there than was anticipated by the Administration, or wanted to be admitted to by the Administration. I don't think it is ever changed.

STATE TREASURER O'CONNOR: There are usually many different uses to which that money can be put.

SENATOR EWING: Very true, Feather; no question about it.

STATE TREASURER O'CONNOR: I don't think it is an issue. I simply don't think it can be considered in isolation from all of the other uses people are proposing.

SENATOR EWING: Okay, thank you. Thank you, Mr. Chairman.

SENATOR WEISS: Thank you very much, Senator Ewing. Senator Feldman?

SENATOR FELDMAN: The only comment I would like to make, Mr. Chairman, is, I believe in money managers, and I believe in managerial prerogatives. I may have a reservation about the bills before us, but I feel very strongly that we have to have confidence in the money managers of this State. If we don't, then we go another route. I have confidence.

SENATOR WEISS: Great. Thank you, Senator Feldman.

Feather, has the State ever sold general obligation bonds that were taxable prior to this sale? Would this be the first time?

STATE TREASURER O'CONNOR: This will be the first time.

SENATOR WEISS: Do you have any idea about what kind of a market exists for that type of sale? I mean, has it been pursued?

STATE TREASURER O'CONNOR: We have not pursued it ourselves. There are isolated cases of taxable municipal debt being sold in the last year. I am not sure what the volume is. John, do you--

MR. MILLER (from audience): It's about a couple a million dollars.

STATE TREASURER O'CONNOR: Yes, that is what I was thinking.

MR. MILLER: Versus 100 plus for tax-exempt.

STATE TREASURER O'CONNOR: John Miller, with Merrill Lynch, estimates that perhaps 2% of the 100 and some billion issued in the last year has been taxable. I would stress again that it gets to the issue not only of the primary market purchases, but also the readiness of the secondary market to trade that. And that has an effect on the rate you end up paying.

SENATOR WEISS: Okay. Would you have any idea about the cost difference between the taxable and non-taxable bonds? What would it be, two, three--

STATE TREASURER O'CONNOR: About two percentage points.

SENATOR WEISS: Two percentage points. (Chairman consults with Committee Aide) Bond issues for 1987 came to a total of 60 issues for \$1,174,000,000. I don't know what that means in this context, but, nevertheless, that is what they issued last year.

The other thing that was called to my attention here is, a number of them were competitive biddings. So, I think maybe we ought to look into that part of it. Okay?

STATE TREASURER O'CONNOR: I am not disputing that it hasn't been done. I am saying that my judgment is that we can guarantee a better sale if I have the flexibility to make that judgment.

SENATOR WEISS: Let's go on to another subject. Jack?

SENATOR EWING: I was thinking, Senator Feldman has confidence in their handling of money, so I don't think we have to look into it, (laughter) And I agree with Feldman.

SENATOR WEISS: I would like to get a little bit further into oversight, since the State is giving the Sports Authority a grant of State money. The only sight provision I can see in the legislation is an annual report submitted to the Treasurer -- in this case, you. There is no language as to what the report should contain, nor will the State have any equity in the property.

The first question I have for you is, who is going to own the property -- the stadium?

STATE TREASURER O'CONNOR: Oh, with respect to the stadium?

SENATOR WEISS: Yeah. I asked Bob the question this morning.

STATE TREASURER O'CONNOR: The Sports Authority will own the stadium.

SENATOR WEISS: They are going to have right, title, and interest to the--

STATE TREASURER O'CONNOR: For what it's worth, yes.

SENATOR WEISS: Well, at least it is worth \$185 million, and that does not count the debt service. So, you know, like \$320 million. I think you indicated before that you, the Treasurer, or the Treasury, is going to kind of oversee the funds, and the Authority is going to do the construction.

STATE TREASURER O'CONNOR: They are going to manage the construction, yes.

SENATOR WEISS: Well, however that comes about will wind up with the statement. Should there be a requirement for some kind of a payback if this thing is successful? I mean, we are going to give them \$320 million. Well, let's stick with the \$185 million, because the 20 years haven't gone by. Bob Mulcahy is making money hand over fist. Is there any way of retrieving our \$185 million?

STATE TREASURER O'CONNOR: Well, Senator, the basic enabling legislation of the Sports Authority provides that the surplus goes to the State.

SENATOR WEISS: I've seen numbers on that, and I have written down here-- I am only going to start with 1981, because I don't have numbers that go back beyond that at this point. Bob was gracious enough to send over, for 1981, \$12 million.

MR. MULCAHY: Yeah, I think it was that, back then.

SENATOR WEISS: In '82, he sent us 10; in '83, he sent us 3.4; in '84, he sent us one; in '85, he didn't send us anything. In '86, he did just as well as he did in '85.

MR. MULCAHY: That was due to the aquarium. (laughter)

SENATOR WEISS: I know you had a fish tank in mind, Bob, but I didn't think we were the fish.

STATE TREASURER O'CONNOR: Senator, the fact is, the basic obligation of the Sports Authority to return surplus to the State remains intact. So, if we were in a situation in which the Sports Authority was generating significant cash as surplus from its activities, that would still flow to the State. Recall, also, that two ex officio members of the Cabinet sit on the Sports Authority. The Governor approves the minutes of the Sports Authority and approves the budget through the minutes approval. So, there is a reasonable process by which the Sports Authority generates surplus, if it does, and

it returns. So I think it is fair to say it is possible that if what you described happens, the money would return to the State.

SENATOR WEISS: I don't really want the water to leak out of Senator Rand's aquarium, or fish tank, or whatever, but isn't that 40 some million dollars we are putting in there going to affect the surplus somehow, someway?

STATE TREASURER O'CONNOR: I'm sorry?

SENATOR WEISS: The aquarium is going to cost some money, is it not?

STATE TREASURER O'CONNOR: Yes.

SENATOR WEISS: Okay. Is it around \$40 million?

STATE TREASURER O'CONNOR: Yes.

SENATOR WEISS: I think it is financed -- if my memory serves me right -- over a five-year period.

STATE TREASURER O'CONNOR: That is right.

SENATOR WEISS: Isn't that going to affect our surplus?

STATE TREASURER O'CONNOR: That is going to have to be budgeted into the Administration budget, probably through the Rent Account, during the period in which we are paying off the lease.

SENATOR WEISS: So, then, there is some effect?

STATE TREASURER O'CONNOR: Absolutely, but it is part of the budget.

SENATOR WEISS: I must have misunderstood you. I thought you said there would be no effect on surplus with all of these things going on.

STATE TREASURER O'CONNOR: No, no, I'm sorry. When you asked the questions, "What if the Sports Authority starts making lots of money?" and "Why don't we get some of it back?" I said that the law says if they make lots of money, some of it comes back to the State. Their surplus comes to the General Fund.

SENATOR WEISS: You and I are going to keep after them, right?

STATE TREASURER O'CONNOR: Absolutely.

MR. MULCAHY: That's for sure.

SENATOR WEISS: We will assume it is successful and that there is a way to extract money from Mulcahy and company, and we are going to keep after that. I think for the moment I would be satisfied with that. But we are going to have to put something in the legislation to indicate that. I am not really sure how it is written in the enabling legislation, so we will take a look at it as we go on.

I would like, somehow, for the Legislature to have a report -- some report. I understand that you and the Governor and other people get reports on how the progress is, whatever authority it is, and this time we are going to talk about the Sports Complex. But I would like to require the Sports Complex to submit those reports to us. I mean, other than that annual report that comes around. I can read those things pretty well, and sometimes they do leave a smile on my face. Other times, I think a year-end report is what it should be -- a real glowing report if you are making money. I have no problem with that at all. But I think a report on how this is progressing financially should be given to the Legislature.

If I ask for that, what kind of information do you think we ought to ask for?

STATE TREASURER O'CONNOR: What we plan to present to you in connection with the aquarium, is a full critical path plan for the construction and financing of the aquarium. We would expect to keep you apprised and, in that case, with the Joint Oversight Committee, we would keep you posted at whatever intervals you request, as to how that project is progressing. Off the top of my head, I see no reason why we could not do the same with respect to the baseball stadium; that is, present you with a program -- our projected timetables and draw-down

schedules. We would have to do that anyway, because we have to plan the management of the bond funds. So we can just as easily make that available so you can get a sense of the draw-downs and of the progress of the project. That would not be difficult.

SENATOR WEISS: Then you personally, as Treasurer, have no objection to that happening?

STATE TREASURER O'CONNOR: No, sir.

SENATOR WEISS: Fine. I thank you for that, because some do -- or did.

Are there any further questions? Senator McNamara?

SENATOR McNAMARA: Did Treasury draft the legislation for the aquarium and the baseball complex?

STATE TREASURER O'CONNOR: The New Jersey bond counsel drafted the baseball stadium legislation, because that is general obligation debt provisions. Mudge, Rose drafted the legislation pertaining to the equity fund and the aquarium, but the contents of both -- of all of that legislation is a product of technical negotiations between the parties. So, it is hard-- It isn't a single person's product, or a single firm's product, in any case.

SENATOR McNAMARA: I would like to know, how do you feel about giving the Authority the expanded powers to develop an office complex within that aquarium legislation?

STATE TREASURER O'CONNOR: The aquarium, or the stadium? (State Treasurer consults with her colleagues) I'm sorry, I just had to clarify, because I was a little-- The Authority believes -- and Mr. Mulcahy can speak to this more effectively than I -- it is possible to -- that it may be advantageous financially to create some type of mixed use development on the baseball stadium side, rather than to simply have an isolated stadium there; that there may be other compatible uses that can be made of the fact that there is parking there and a rail stop there that make that a better

overall project. There are certain costs that might go along with some of this, such as land acquisition and site preparation -- things like that -- for which it would be very difficult to segregate the costs from the baseball stadium.

So, the statute allows certain costs that might otherwise be attributable to these ancillary activities to be part of the bond fund costs. But there are also costs that could be attributable to the baseball stadium. It is just that there was no way to draw a clean line between those. I think that is a reasonable approach to the thing, because it would be very difficult to segregate some of these costs and allocate them to one activity or another on the same side.

SENATOR McNAMARA: Doesn't it kind of leave a blank check opening, you know, the question as to what they do intend to develop? Then if they do, and if it is success or failure, the State is going to underwrite that particular cost, and it is a quantity unknown.

STATE TREASURER O'CONNOR: Mr. Mulcahy would like to address that, but I think the key issue here--

SENATOR McNAMARA: What I am interested in-- You know, we are going to get our shot at him later. What I am interested in is your position as the Treasurer. With deference to the Director of the Sports Authority, as far as I am concerned that is another entity.

STATE TREASURER O'CONNOR: Fine. I just didn't want to misrepresent his position.

SENATOR McNAMARA: No, I am only interested in-- The question was addressed to you.

STATE TREASURER O'CONNOR: I think the issue here is that the goal of the Bond Act is to create the wherewithal within the Sports Authority, with the financial support of the State, to create a successful project. If, for example, they developed a multi-use facility at that site, they would do it in some private sector connection, so there would be someone

else primarily at risk; that is, a bank financing an office building, or whatever was going on at the site.

If it were a successful development project, the money which the Sports Authority would make would again flow into the financial position of the Sports Authority, and would also be financially beneficial to the State, because their surplus flows to the State.

SENATOR McNAMARA: You're talking about private development on public lands?

STATE TREASURER O'CONNOR: You wouldn't want the State developing an office building there?

SENATOR McNAMARA: No, I wouldn't, but again, does this become something that is negotiated by the Sports Authority, or something that is open for those who might be interested in developing that type of a facility?

STATE TREASURER O'CONNOR: The only observation I want to make is, if our goal is to have a successful complex, and it appears that a mixed use project might be more financially successful than one that is freestanding, then I think it is reasonable--

SENATOR McNAMARA: Has that been made clear? In other words, the stadium cannot really stand on its own.

STATE TREASURER O'CONNOR: No, I am not asserting that at all. I am just saying that it-- One of the problems when you do a bond act is that it is not like an appropriation in which if you change how you want to use the money, you just come back to the Legislature and ask for a change. In a bond act, you are bound by that, unless you go back to the voters.

SENATOR McNAMARA: I served in municipal government. I am aware of the constraints, yes.

STATE TREASURER O'CONNOR: So you understand how difficult it is. When we talked about how to construct the Bond Act, we had to consider what some of the possible development scenarios might be for this project; not that one

would necessarily happen, but we had to consider such things as: How do we make it possible for the Sports Authority to do this, if it makes sense if we have to segregate the expenditures in such a way that it is absolutely limited only to the baseball stadium; so the land acquired for the baseball stadium can then not be used as a site for something else?

There are a whole set of issues which--

SENATOR McNAMARA: Isn't the language broad enough that it leaves the determination with the Sports Authority?

STATE TREASURER O'CONNOR: All of the costs associated with this are subject to an agreement between the Treasurer and the Sports Authority, so all of that becomes a matter of judgment and reasonableness by the Chief Fiscal Officer of the State. Obviously, my interests in representing the State Fisc are going to be, to some extent, arm's length with the Sports Authority. That is why the agreement is there, we so negotiate that. I don't see any significant amount of bond funds being used to underwrite an office building. I mean, that is not the purpose. The purpose is simply to not create some artificial segregation of costs, should it appear to be advantageous financially to the Authority and the State to do a multi-use development on that site.

SENATOR McNAMARA: What if the equity fund is not established? What happens, because there is a little lien flip that is involved? What happens if that is not established? How do you read it?

STATE TREASURER O'CONNOR: I can't tell you that, unless you can tell me where racing revenues are going in the next five years. It is our judgment, as well as the bond counsel's judgment that the Authority requires a financial cushion -- contingency cushion -- to enable it to restructure its debt through this lien flip you just mentioned. It is possible, if racing revenues stay where they are and raise slightly, that the Sports Authority would stay in exactly the

same position it is in now. However, they would not have sufficient comfort to meet the tests in the bond covenant to do the lien flip, so there would be no restructuring of their debt.

SENATOR McNAMARA: Doesn't that put the State, then, at the end of the tail?

STATE TREASURER O'CONNOR: The State has always had the option of being at the end of the cash flow stream. That was entirely authorized by the original Bond Act when we guaranteed the debt. It was a business decision, if you will, to put the debt in the order in which it appeared. But, at the time that debt was issued, and at the time the subordinated debt was issued, it could have been reversed; it could have been another way.

SENATOR McNAMARA: Well, it was a business decision at that time not to.

STATE TREASURER O'CONNOR: That's right. And it is a business judgment now, by the Treasury, that it is better to create this financial cushion and to restructure this debt. But it is a business issue; it is not-- It could have been decided that way initially, and in my judgment we are doing something which could have been done at the time, and we are simply changing our position on that -- or the corporate State is changing its position on that.

SENATOR McNAMARA: I'll pass, Larry.

SENATOR WEISS: You're going to pass? Okay. On 3570 -- that's the aquarium bill--

STATE TREASURER O'CONNOR: Yes, sir?

SENATOR WEISS: --page 3, section 4-- Will you tell me what that means, please? Take your time. It is the part that starts: "To establish, develop," and so on, and then it is underlined, "an exposition or entertainment center, or a hotel or office complex, at a site either (a) within the meadowlands complex of any other project of the authority except for a racetrack authorized by paragraph (5)--" Then it

goes on to (b) of that. I think that is where it should really start: "outside of the meadowlands complex or such other project, but either immediately contiguous thereto or immediately across any public road which borders the meadowlands complex--" This is the-- I am sure I am reading the aquarium bill, but it reads, to me, like this is maybe in the wrong place.

STATE TREASURER O'CONNOR: Maybe I can clarify that. The so-called "aquarium bill" is simply amendments to the Authority's general statute. This is the amendments to their enabling legislation. So, for example, if they were to do a hotel complex by the baseball stadium, their enabling legislation has given them the authority to do that.

SENATOR WEISS: But, this paragraph gives them the right to do just about anything they want to do, to put up a building, or buildings, It has to do with "buildings, structures, properties and appurtenances related thereto, incidental thereto, necessary therefor, or complementary thereto--" This is complete, so actually what we are doing, is saying to Bob Mulcahy, and everyone else -- I use your name, Bob, but not in vain-- We're saying, "Here, Bob, you guys can do anything in the world you want."

STATE TREASURER O'CONNOR: If you have the same copy of this that I do, there are underlined--

SENATOR WEISS: Well, I am not really sure about that.

STATE TREASURER O'CONNOR: There are underlined words. Those are the only words that are being added. All of the other language is language which is currently in their statute.

SENATOR WEISS: Well, that may be-- Do you mean that all of this is currently in the statute?

MR. MULCAHY: Yes.

SENATOR WEISS: All right; that's right.

STATE TREASURER O'CONNOR: Except for the underlined words. Appurtenances, and all of that is all--

SENATOR WEISS: You can build it anywhere in one of three places, if you like. Is that not right, Bob?

MR. MULCAHY: That is correct. The problem was, Senator, the current enabling legislation limits it to only the site in East Rutherford. But, once you pass the bond bill, if the language in the bond bill that Senator McNamara was just talking about is relevant, then this amendment had to be in our enabling legislation so that it would be compatible.

SENATOR WEISS: Then you can ostensibly construct a building of some other sort over at the aquarium site. Is that right? Is that the way I should read it?

MR. MULCAHY: See, the theory--

SENATOR WEISS: I am not sure.

MR. MULCAHY: When Senator McNamara comes back-- What we were trying to do here was, if you look around the country, there are certain public/private partnerships that are in existence. I was concerned about the debt service. One of the things that happens is, when you take an area like we're taking, and if it were to work and we created a value there-- All I am looking for is the capacity to put the land in a project to reduce the debt service for all the parties involved. To me, that makes great sense. If we create an area that suddenly is the most valuable real estate we've got, and we just don't do anything with it, and we sit here reducing debt service starting at \$22 million a year, when we might be able to cut that in half by doing something here-- That only makes good sense to me. You see it in Europe, and you see it in some of the other cities that are trying to deal with baseball.

So, all I did was put language in here that gave us the option on our sites, with the exception of Monmouth Park, to cut our debt service. That is really what I am trying to do.

SENATOR WEISS: I understand what this says now, and I understand what you want to do, but has this been discussed at

any other meeting with any other committee? Is this the first time it came up?

MR. MULCAHY: Well, we discussed it when we went before the Assembly.

SENATOR WEISS: They were the only meetings?

MR. MULCAHY: On the earlier legislation -- the complex -- we had discussion, to some degree, up at our current site. But this is not novel. It is just that when you took this wetlands area -- which, frankly, has little value now -- put in all the State-- When you put all the State--

SENATOR WEISS: Bob, don't tell me that.

MR. MULCAHY: Senator, you can't use it right now without a permit or without the roadways.

SENATOR WEISS: Oh, well, no one can do that, but they can have access to it.

MR. MULCAHY: But if we put the roadways in, the State can. If the State puts the roadways in, and the State gets the permit, why shouldn't we help the debt service for the State? It's that simple.

SENATOR WEISS: Well, I am not sure if that follows all the way through being that simple, Bob, because if I look at the other bill--

MS. McNUTT: That's the same bill.

SENATOR WEISS: Oh, is that the same bill? On page 6 of that same bill, under paragraph d., it really leaves us in the State of New Jersey out, because we're last; I mean last. It says: "Revenues, moneys or other funds, if any, derived from the operation," and then it goes on, the new part -- this has been added, okay? -- the enabling legislation is there -- "may be applied, to the extent not contrary to or inconsistent with such resolution, in the following order (1) to the purposes of the meadowlands complex, unless otherwise agreed upon by the State Treasurer and the authority, (2) to the purposes of any other project of the authority; and, the

balance remaining, if any," -- if any -- "shall be deposited in the General Fund of the State."

Is that right? Is that the way I read it? Is that right?

STATE TREASURER O'CONNOR: That is, the State being the recipient of the surplus after it is processed through all of the activities and obligations of the Sports Authority. That is the way the current legislation reads also. So, there are changes in the way this is structured, but it is not inherently different.

SENATOR WEISS: Yeah, but this doesn't even say anything about the debt service, though, that the State of New Jersey is expected to pick up. (pause here while State Treasurer O'Connor consults with her colleagues)

Senator Brown?

SENATOR BROWN: May I just make an observation on this point?

SENATOR WEISS: Well, I just didn't want to disturb their line of thinking. They were talking about something.

SENATOR BROWN: We have spent some time discussing the language in the bill which will allow some flexibility to the Sports Authority as far as a mixed use. I thought it would be germane to just comment, that recently I was looking at Science City outside of Paris, with the Director of that particular facility, which cost \$1.2 billion of French taxpayers' money. The gentleman, in pointing out to me how much the private people on the parameters were going to benefit from this \$1.2 billion expended by the French for science purposes, said, "The only thing I would do differently if I were doing this project over, would be to have some way that the taxpayers could benefit from the change in land values that this investment of taxpayers' dollars, i.e., the science center, has brought to this area."

I think this language allows a vehicle whereby the taxpayers of the State of New Jersey can benefit directly from

the \$135 million, or the \$320 million, which will be the overall investment in this area. I think it is very smart to have some vehicle whereby the taxpayers can possibly recoup some of the investment that we are to put in that particular site. So I think it is a very good part of the legislation.

SENATOR WEISS: Thank you.

STATE TREASURER O'CONNOR: Senator, I would observe, again, that the budget of the Sports Authority is not something that is created solely by the Sports Authority. There are two ex officio members of the Cabinet on the Sports Authority, and the Governor vetoes the minutes or approves the minutes of that Authority. So, there is a significant opportunity to shape the activities of the Authority through those processes which, in effect, affect the surplus and the amount of money coming to the State.

The conversation Bob and I were having was on how surplus revenues played off against obligations the State had incurred -- expenses the State had incurred. With respect to the equity fund, the advances made to the State can become a loan, in effect, which, at points when there is a surplus, can be returned to the State. I think there is some flexibility here as part of the overall process. But, again, I think there is plenty of opportunity in the process to affect the size of the surplus that flows to the State through the statute as it is currently written.

SENATOR WEISS: I understand what you're saying. I have in front of me the enabling legislation, which has been changed, you know, in that part, because it reads differently if I read it from here than if I read the new bill. Maybe I ought to just let it go at that for the moment, so we can get on to other things. But, it is different, and the State is from the position where it would have gotten, I do believe, 60%, it now gets nothing. The Authority got 40% at that time. When you read these two things side by side, they read

differently than I think they should, other places notwithstanding. But we are all looking out for the same thing.

I think the next one on is Senator Ewing.

SENATOR EWING: Thank you, Mr. Chairman. Feather, on page 5 of this bill, it refers to the Governor, the State Treasurer, and the Controller of the Treasury. What position is that?

STATE TREASURER O'CONNOR: That is Dick Standiford and his Comptroller position, as opposed to the Division of Budget and Accounting.

SENATOR EWING: Is that his technical name?

STATE TREASURER O'CONNOR: Yes.

SENATOR EWING: I never heard of it before.

STATE TREASURER O'CONNOR: He wears two hats.

SENATOR EWING: To go back to the lump-sum payment, if we did go that way in the equity fund, would it show greater faith to the bonding houses if we put up the \$50 million to begin with, rather than 10 over six years, because they certainly know how the Appropriation Committee works, and somebody might want it for a zoo down in South Jersey, instead of other things?

STATE TREASURER O'CONNOR: Senator, as I said before, for the purposes of the Sports Authority, the lump sum at the front end is preferable, because it is money in hand -- or in the hands of the Treasurer -- as opposed to waiting. But the issue gets to, if you are going to add \$50 million to what they are paid this year, there are other things which cannot be paid for. You are correct that it would be preferable--

SENATOR EWING: But, it might make a difference in the interest rate. I would like to ask someone from Merrill Lynch what his feeling is. They are in the market; you're not.

STATE TREASURER O'CONNOR: Well, the only debt that is going to be affected by this is the remarketing of AAA State-guaranteed debt. It is not going to be affected by how the Authority uses this \$50 million.

SENATOR EWING: Then why give them any \$10 million every year for six years? Forget that then; wipe that out.

STATE TREASURER O'CONNOR: Because the Authority must be able to certify before it refunds and refinances its debt-- It must be able to certify that it has the capacity to pay both debt service and maintenance and operating costs over a five-year period, and the equity fund is the financial cushion which allows the Sports Authority to make that certification. So, they do need to have the money, and they do need to have reasonable comfort that it will be there and be appropriated over the five-year period. For that reason, it is preferable to have it in a lump sum, but it also has budgetary implications for the State. This is the compromise which we reached, which satisfies counsel, satisfies their financial advisers, but at the same time does not create one large lump sum to be appropriated at one time by the State, which has other budget priorities as well.

SENATOR EWING: And you are willing to certify that the Legislature will put it up every year for six years?

STATE TREASURER O'CONNOR: Neither this Legislature, nor I, nor anyone, can legally bind another Legislature. We understand that.

SENATOR EWING: And yet the bonding house--

STATE TREASURER O'CONNOR: It isn't a bonding issue. It is an issue of the Authority having sufficient comfort that the Legislature will appropriate that they can make a certification. It is not a rating agency issue.

SENATOR EWING: I thought you said the bonding house would want to see that the Authority had the money to pay the interest, etc., and that is why you need the \$10 million a year for six years?

STATE TREASURER O'CONNOR: The Authority must make a certification that it can pay that during the next five years. It will rely on a recognition of a financial plan in which the

Legislature agreed that it would look favorably upon such an appropriation.

I don't think we disagree. I think it is just a matter of judging the priorities of paying it all off in one year or paying it off over five years.

SENATOR EWING: What is your estimate of the surplus this year, at the end of November when they finally do the audit?

STATE TREASURER O'CONNOR: Right now, my estimate is whatever is in the appropriation bill. I believe it was \$362.4.

SENATOR WEISS: Whatever the Governor will certify, I think may be the answer.

STATE TREASURER O'CONNOR: Yes, that's right.

SENATOR EWING: You don't want to give a guess of what it is going to be?

STATE TREASURER O'CONNOR: Not at this early stage in the fiscal year, sir.

SENATOR EWING: Okay, thank you.

SENATOR WEISS: Thank you, Senator Ewing. Senator Rand?

SENATOR RAND: Thank you very much, Mr. Chairman. Madam Treasurer, I just want to clarify in my own mind the \$10 million. This has got nothing to do with the one-half of 1% which is collected for the tax part.

STATE TREASURER O'CONNOR: No.

SENATOR RAND: And that won't be the next thing we are asked to give up, will it?

STATE TREASURER O'CONNOR: No.

SENATOR RAND: Okay. Thank you very much, Mr. Chairman.

SENATOR WEISS: That was fast.

SENATOR RAND: I just ask fast questions.

SENATOR WEISS: Would you, for the Committee, please, Feather, explain the flip the liens language? I know you'll like that. I think it's interesting.

STATE TREASURER O'CONNOR: It's interesting? That's one way of looking at it. Let me collect my thoughts. This is the big test, if I can get through this.

The Sports Authority currently has three sets of debt. Chronologically, they also follow in their rank in terms of getting Sports Authority revenues to be paid. The first is the senior lien debt; the second is State-guaranteed debt; and the third debt is the so-called subordinated debt of \$107 million.

If the Sports Authority's revenues were to drop precipitously, they would first not pay money into maintenance reserves and payment in lieu of taxes, and then they would not pay their subordinated debt. Right now, they have enough money to pay that subordinated debt, but we recognize now, with the change in the prospects for racing revenues, that it is possible that sometime in the future that debt will be a risk. The rating agencies look at those prospects in evaluating ratings on those bonds.

What we are proposing to do is to take the State-guaranteed debt and move it to a position below the subordinated debt, so we are, in effect, the last debt-- The State-guaranteed debt is the last debt to receive money through the racing revenues. That means that sometime in the future, if there was a significant decline in revenues, the State guarantee might be called, and the State would cover the debt service on that State-guaranteed debt.

That business structure, that change, is entirely within the authority that was granted by the voters in the original bond referendum. In response to Senator McNamara's question, a business judgment was made not to do it that way several years ago. It is now our judgment that it is obviously in the Authority's interest, but it is also in the State's interest, to provide that financial safeguard for the Sports Authority, which is a preeminent, independent authority in the State, and one which we wish to see in good financial condition.

Now, one of the issues here is, how does that restructuring of the debt relate to the equity fund? The bond resolutions on the State-guaranteed debt say you can't issue any more debt authority, unless you certify that you've got the money for the next -- for at least five years, to pay all debt service, all maintenance, and operating costs. Right now, the Authority can do that, but because racing revenues have fluctuated and declined, they can't make a certification for five years; they aren't able to do that. There is not that kind of play in their revenues. So, the equity fund is pledged as that cushion that enables the Authority to make that certification. Once they make the certification, we refund all of the guaranteed debt and reissue it at a lower position in the cash flow. That gives a permanent protection for the Sports Authority's debt and, just as a general matter, I think that is a good thing. I believe the Sports Authority's image and financial position in the State, and nationwide, is such that it is in the State's interest to provide that financial cushion.

The equity fund is needed. The equity fund cannot be conditioned on annual reviews, other than simply we agree that we are going to do this, subject to appropriations, because they need to be able to make a fairly clear-cut conscience call that the money is going to be there. They have to believe the Legislature is going to make that available over that period of time, in order to make the certification.

I don't know whether that explains it. It is really a fairly--

SENATOR McNAMARA: What guarantees that the funds that are put into that equity fund -- that the \$35 million will be definitely used in 1991 to pay off those bonds? Suppose the Sports Authority begins to run into some other problems, or some unforeseen expenses, and has to tap-- I understand they have to keep so much money aside for maintenance, etc., etc.

But, what is going to guarantee that in 1991-- Couldn't we accomplish the same thing if it remained within Treasury--

STATE TREASURER O'CONNOR: The equity fund--

SENATOR McNAMARA: Setting aside so many million a year, keeping the interest earned on that to build up that \$35 million by 1991, we could reduce, or eliminate, all of that subordinated debt.

STATE TREASURER O'CONNOR: Well, first of all, the appropriations for the equity fund go to the Treasurer to hold on behalf of the Sports Authority. It becomes, in effect, designated fund balance until it is disbursed. The Treasurer makes a calculation of what is going to be necessary to retire that debt. We have estimated it is \$35 million. The other part of that is held in a negotiation with the Authority, if their revenues drop so they are not meeting their maintenance and operating requirements, and that becomes that process. I am not quite sure what you are suggesting when you say "keep it in Treasury." Do you mean just not appropriate it, and just have it as part of the General Fund? I mean, I think it has to be made expressly available to the Authority, so that their counsel and their auditors can say, "This money is available to you." I think the answer to your question is, if it is not sort of reserved for them in a fairly serious way, it does not meet that certification test. You may wish to-- I don't know whether Bob Verdon, or someone, may want to respond more to that later, but they have to reach a level of comfort where they can make that certification. Having it sit in Treasury, held for only two purposes -- either to retire the debt or to meet their maintenance and operating costs -- is the way we think best creates a good tension, if you will, between the appropriation of public funds and their need to be able to make a clean certification.

SENATOR McNAMARA: I guess I have a problem with the \$60 million going back, per se, because, again, it is the

taxpayers of the State who guaranteed it going in. If there were a way of reducing that to the reserve held by Treasury, dedicated that would pay off the Sports Authority in 1991 with the \$35 million-- Are you saying to me that they are looking at it that in no way the balance of the \$25 million could be certified through their operation of the track at this time?

STATE TREASURER O'CONNOR: I'm sorry. Could you ask-- I hear you, but I am not sure I understand you.

SENATOR McNAMARA: Well, the track income has gone down -- we are aware of that -- but it seems to have leveled off since '85, except for '86, when there were some strike problems, and I don't know what that had to do with the final bottom line. I'm sure it meant less revenue and additional expenses, so that could account for the difference between that and \$30 million.

The \$35 million they are looking for to use to retire debt in 1991, I think is a very wise, prudent choice. I don't see why the Authority can't, out of their track revenues, supply the needed certification of the \$25 million. That would assure me that the money is going to be spent, you know, for maintenance, or whatever it is that they seem to designate as necessary.

We are talking about going into another venture with this Authority -- two other ventures with this Authority -- and it troubles me. It troubles me that it was from '81 to '85 before there was really a major reaction by the Authority to reduce their fixed operating overhead. That troubles me. So, I guess maybe you might detect a certain degree of a lack of confidence as to whether they have additional funds and where they are going to go. I want to try to restrict them as much as I can.

STATE TREASURER O'CONNOR: Well, I understand that. The first thing is, the basic answer to your question on the other half -- or whatever portion -- of the debt service issue

is simply that the cushion -- the capital budget-- The reasonable capital budget which they feel they need to appropriate out of their budget does not give them the cushion and comfort they need to make the certification. When Bob and I have talked about how would all of this play out in different kinds of scenarios, it appears that if the revenues stayed where they are this year, and rose modestly, it is quite possible that their capital budget could now be accommodated within their revenues. So, there might not be a hit on that money. It would sit in Treasury serving as this comfort they require in order to make a certification.

Now, if revenues went down, or there were unforeseen major capital needs that did not fall within what they might have already budgeted for, it would be tapped, but we are at a point of equilibrium right now in which they are making their capital budget, and it is at a reasonable level, and they are doing it within their current revenues. So there is no guarantee right now that that money will be necessary, but it has to be there in order to permit the lien flip, because they must be able to know that they can do it. Given the history of racing revenues, that is a prudent position, I believe, for their auditors and their counsel to take. But there will be in the equity fund a loan agreement between the Treasury and the Authority which sets benchmarks for how much the revenues would go down before they could tap that fund, for example. The advances made would be part of a loan agreement where if a surplus returned, it could be returned to the State.

So, there is a reasonable set of controls built into the equity fund. The part that is important is that they have to know it will be there if they need it. Senator, the real issue is, we are trying to create a safeguard for an important Authority in this State, which we will all have to be concerned with if, without their control, revenues decline significantly. It is far easier to deal with that problem in

the context of a reasoned approach, than it is in a crisis. That is why I think it is the prudent thing to do, and that is why I am supporting it and have, in fact, helped--

SENATOR McNAMARA: I am concerned. I guess that is why I want to limit the growth of the Sports Authority into another venture. It is a philosophical difference that I don't think your or I can resolve at the moment.

STATE TREASURER O'CONNOR: I understand that.

SENATOR WEISS: On this flipping the lien bit, could you tell me, please, since the State is now placed in the third priority debt position, what the annual debt service payments on these bonds will be, and how many years will be left to pay on these bonds?

STATE TREASURER O'CONNOR: We can tell you what the debt service on those bonds is, but they remain debt service of the Sports Authority until the Sports Authority can't pay them. So I can't tell you what the-- I know what the exposure of the State is, but I can't tell you what the probability is that we will ever have to write a check.

SENATOR WEISS: Even though I have a lot of confidence in the Sports Authority, let's take it from the point where we give them the money, and all of a sudden they declare Chapter 11.

STATE TREASURER O'CONNOR: Senator, if the State guarantee were called, the debt service in Fiscal Year 1988 for all of that debt is \$17,870,000.

SENATOR WEISS: Seventeen million per year?

STATE TREASURER O'CONNOR: That is on the State-guaranteed debt. If they were unable to pay any of this debt, which is a terribly unlikely possibility, that is the upside--

SENATOR WEISS: I am not quibbling, but only because it goes over a number of years, wouldn't it be closer to 20?

STATE TREASURER O'CONNOR: No. I have a chart here that is from their official statement. In 1988, it is \$17,870,000. It rises in 1998 to \$21.6, and it never goes to 22.

SENATOR WEISS: All right. Then the number I am looking at is an average number. Over the period of time, it would come out, like, \$19.5 million, rounded off.

STATE TREASURER O'CONNOR: That is probably the average.

SENATOR WEISS: That is basically what we would be responsible for per year, and that would have to become, in that case -- and I am taking the worst case scenario -- a budget item that you and I -- or whoever succeeds us -- would have to sweat over.

STATE TREASURER O'CONNOR: Senator, I would like to just point out that, in the current arrangement, if the Sports Authority were unable to pay its subordinated debt, that would be the subordinated debt holder's problem, but we would be exposed anyway, because we are the next in line after the subordinated debt. So, we are already in a risk position, because we have a State guarantee out. It is not all new exposure.

SENATOR WEISS: That is the unfortunate part. I agree with you in that no matter what happens to the Sports Authority, no matter what it says here in the law, we are going to back them and pick up all that debt. Otherwise, our credibility will be down the tubes for good. I think the Committee understands that. I think also that the Sports Authority, and every other authority out there understands it. That is a problem we are going to have to wrestle with as we go along, because there are a lot of these bond issues that are being put out by others. You and I have discussed this before. Times are great, and they can do pretty near anything they want. But the first bad day, when the Consumer Price

Index, or whatever other ladder you're using -- or indicator you're using -- goes the other way, then we are going to have to work hard on this budget, and you and I are going to be arguing about items like \$2000 again. That has happened previously.

STATE TREASURER O'CONNOR: I understand that, but, Senator, I would just mention that because we are already on the hook for the guaranteed debt, the net increase in our exposure between the way the liens are now and the way they would be under this scenario is about \$10 million a year, because once they have failed to pay their subordinated debt, the guaranteed debt is called anyway, and there is already State exposure through that guarantee. So, that \$20 million number is really inflated, since there is already exposure. In the same financial circumstances, there would be exposure of \$10 million anyway.

SENATOR WEISS: Well, whatever that number is-- I am just trying to minimize the risk for the State of New Jersey, whether it is \$20 million or \$1 million. I think if we are in that position, I would like to protect us from the real down-side of that.

Senator Rand? What happened to him? It is a good time for him to disappear; he's next on the agenda. Senator Rice?

SENATOR RICE: Mr. Chairman, thank you. I just have one question that was brought to my attention. I would just like to say that I think Feather is doing a good job in responding to the questions, with her knowledge of bonding, etc. Maybe a question we should have asked earlier is with regard to The Star-Ledger article. I know sometimes The Star-Ledger can misquote and say the wrong things. In fact, a reporter talked about me because he was so in love with Mr. Cooperman. He wouldn't know who I was if he saw me, probably. He talked about me negatively without checking the facts, so I

am just going to raise the issue with you, rather than from The Star-Ledger.

But, on February 13, 1987, the Treasurer was quoted as opposing the State bond issue for the Sports Authority. I guess the question to be raised is, what were your reasons, and have you changed your mind with regard to that, because you are doing such a good job on the bond issue today, that until I glanced down here I had forgotten about The Star-Ledger article? Do you recall that at all?

STATE TREASURER O'CONNOR: Since I have been working on this all through the period, I don't remember seeing the article. If I had seen it, I would have tried to correct the reporter. I never stated that, nor is that my position.

SENATOR RICE: That's good to know, because there are so many reporters who come out of Trenton. I know back in Newark, we get more accurate detail from the people who write about me. That is probably why I got a negative reaction also from Mr. Cooperman's friend. Thank you, Mr. Chairman.

SENATOR WEISS: Thank you, Senator Rice. Our last questioner will be Senator Rand.

SENATOR RAND: No, I have no more questions.

SENATOR WEISS: Well, I have you down here that you wanted on.

SENATOR RAND: Oh.

SENATOR WEISS: But, no questions, that's even better. Feather, thank you very much for appearing here today. I know we kept you longer than we should have, longer than the amount of time we agreed to yesterday. However, again let me thank you for the Committee. If there is anything you would like to say, we are open to suggestions.

STATE TREASURER O'CONNOR: It is always a pleasure to appear before you, Mr. Chairman.

SENATOR WEISS: Thank you very much.

SENATOR RAND: I should have asked her how the sales tax was going.

SENATOR WEISS: What's that, Senator?

SENATOR RAND: I should have asked for the revenue projections.

SENATOR WEISS: Bob, it's getting kind of late, and for reasons I do not understand, I don't want to put you through any more of this today. We are going to have to have another meeting on this.

MR. MULCAHY: Senator, I am more than happy to answer anything else. I'm here, and I might as well do it.

SENATOR WEISS: Do you want to stay?

MR. MULCAHY: Sure. Maybe we could take a two-minute recess so I can get a drink of water.

SENATOR WEISS: All right, go ahead. We will take that two-minute recess. We'll make it five; go ahead.

MR. MULCAHY: Okay, thank you.

(RECESS)

AFTER RECESS:

SENATOR WEISS: Will the Committee please take their seats?

MR. MULCAHY: Mr. Chairman, before you begin, during the intervening time, Bob Ferdon has talked to his office about the issue of the sunset on the taxable portion of the bill. I would like him to address that, because he has an answer to it.

SENATOR WEISS: Mr. Ferdon?

MR. FERDON: Mr. Chairman, my office has reviewed the tax law, and there is a sunset provision which states that the bonds which are entitled to the tax exemption in this transitional rule, which you alluded to earlier, must be issued prior to January 1, 1991. In other words, the last day by which they may be issued is December 31, 1990.

Now I might say that the technical corrections bill, which is pending in Congress, does contain an exception to that sunset provision which could allow for amendments of various projects that are included in the transitional rules. There are numerous exceptions. We do not believe there is an exception with regard to the baseball stadium bill, although there are exceptions with regard to similar projects.

SENATOR WEISS: We are concerned purely with the baseball stadium.

MR. FERDON: Yes, and right now under the law, December 31, 1990 would be the last day for the issuance on a tax-exempt basis of those bonds.

SENATOR WEISS: December 31, 1990, so that is prior to January 1--

MR. FERDON: Ninety-one.

SENATOR WEISS: Ninety-one. Okay. That is not the way I recall reading it, but I will accept that. And thank you very much.

Getting back to the Camden fish tank--

MR. MULCAHY: Yes, sir, the white sharks?

SENATOR WEISS: You don't need the charts, I don't believe. I'm not necessarily talking about the aquarium, but that office building project you have down there. Is there any intention on the part of the Sports Authority at this point to build an office complex in -- I guess it would be Camden, or anyplace else, as a matter of fact? I might as well add that on.

MR. MULCAHY: Do you mean in the baseball complex? Was that your question?

SENATOR WEISS: The office buildings that were alluded to, and all the extras that were alluded to in the--

MR. MULCAHY: Mr. Chairman, in response to Senator McNamara's question, and so on, the reason this was conceived -- and I think he was out of the room when I responded to it

before -- was, here we have a situation where we create a great deal of value because of the new road network and the permits that are acquired to use the land. Once we had done that, it seemed reasonable to me to look at some of those examples of public/private partnerships that have occurred, in an effort to cut the debt service to the State. If we can use that land by throwing in the land, and perhaps getting the participation of the revenues, which is the common way they do these deals, then it made sense to me to do that in an effort to cut the debt service. That is simply all it is. It seems a shame to have created an area of such value, and then not be able to take some advantage of it to cut the debt service. That is really all that was involved with that, Senator.

SENATOR WEISS: Well, then, am I to understand that the-- Let's assume an office complex somewhere; that you are going to do this on a participatory basis with some current builder, or some builder at the time.

MR. MULCAHY: Well, somebody who would make-- You take a national outfit that would provide a basis for making a deal, and you would negotiate a deal just like you do anywhere else.

SENATOR WEISS: And the State would wind up -- or the Authority would wind up as a partner in whatever was decided on at the time?

MR. MULCAHY: Yes, sir. I didn't want to focus on that, because I didn't want to hold out a false promise. But, it's there, and it seems to me, as in many other things the Sports Authority has done, vision has been one of our assets. Certainly not to take advantage of having created this value to cut the debt service to the taxpayers seemed to me imprudent. That is simply all I had in mind.

SENATOR WEISS: That was one of the concerns in discussions about this in the beginning: What part will the Sports Complex play in this, and will you be out there yourself

going through this whole development field, considering that we have a lot of private enterprise in this State that likes to do that?

MR. MULCAHY: No, sir, we would not be building it. But the problem, Senator, was that because you have public bond funds involved, and it is a referendum question, unless that language was included in the bill, and in addition amended in our enabling legislation, there was no potential to use that land as our participation in those deals and, in effect, cut the debt service.

SENATOR WEISS: Was it your intention to use bond funds to put up the--

MR. MULCAHY: No, sir, but you see-- If you look at the numbers, we envision \$185 million being spent for the baseball stadium. But let's assume we create this 245 acres. We've got parking, we've got rail, and we've got highway access, and we have a baseball stadium. We have the opportunity to construct a significant office complex on that site, and they are willing to construct it and do everything, and all we have to do is throw in the land. In return for throwing in the land, we get a lease payment each year and a percentage of the profits over a certain level, which is the general way these are done. That is all we would be doing.

But, unless I had that language in the referendum issue, because it went to the voters, and the bond money was used to buy the land, there would be no way we could do this. We would be restricted from doing it. We discussed this with counsel at great length. It was simply my intention to find as many vehicles as I could to offset the cost of this.

SENATOR WEISS: The land will be bought out of the \$185 million?

MR. MULCAHY: Yes, sir, but it is going to be bought anyway.

SENATOR WEISS: And then you are going to land-lease that to someone else?

MR. MULCAHY: That is correct, yes, sir.

SENATOR WEISS: And there will be three parties involved.

MR. MULCAHY: We would have had to buy it anyway, because we have to buy the whole site. That is really all I was trying to do, Senator -- cut the cost.

SENATOR WEISS: And bond counsel does agree?

MR. FERDON: Yes, I agree.

MR. MULCAHY: Yes.

SENATOR WEISS: Tell me, Bob, how many square feet are there in that proposed stadium? What size is it?

MR. MULCAHY: Which stadium, Senator?

SENATOR WEISS: Well, we're talking about the baseball stadium. Do you have any idea?

MR. MULCAHY: The stadium itself takes up about 12 acres, Senator. I can't give you the square footage; I haven't computed it.

SENATOR WEISS: Twelve times 44,000?

MR. MULCAHY: Yeah, but a good deal of it is field.

SENATOR WEISS: I beg your pardon?

MR. MULCAHY: A good deal of it is playing field.

SENATOR WEISS: Yeah. I am just trying to figure out the cost per square foot.

MR. MULCAHY: Oh, I think that is a different issue. Actually, the way we compute these things generally gets down to cost per seat, which is the way we--

SENATOR WEISS: I'll accept your figure.

MR. MULCAHY: Do you have a number on that, Jerry? (addressing Mr. White in the audience)

SENATOR WEISS: You probably worked on it already.

MR. MULCAHY (after consultation with Mr. White): We computed it, Senator, but I don't have it off the top of my head. However, we would be happy to supply it to the Committee.

SENATOR WEISS: You would, okay. I was just curious. You're buying a lot more land than you really need for the stadium.

MR. MULCAHY: Well, we are buying enough land to do the 18,000 parking spaces. In the configuration of land, you have to pick up what you can to make the wetlands convertible. Frankly, we have looked at certain configurations which you could use if you wanted to construct a complex, and you don't need an awful lot of land for that. But certainly you've got something here that creates tremendous value, and you have the rail access. Those are two things that are very valuable to anyone who wants to build this kind of a complex. It just seemed foolish to me not to take advantage of that. If the Committee, in its wisdom, decides they don't want it, far be it for me, but I think it is a great opportunity to cut the debt service.

SENATOR WEISS: So what you're doing is buying that extra land so it can be developed at a later time.

MR. MULCAHY: No, no, we have to buy the land now; it is simply that we will use a piece of it.

SENATOR WEISS: Yes, you're buying the land now, but you are going to develop it at a later time.

MR. MULCAHY: It is simply that we use a piece of it, yes. You see, you would probably use a piece of parking area right now, because you have so much. You have to buy the whole land anyway.

SENATOR WEISS: I understand.

MR. MULCAHY: Okay.

SENATOR WEISS: So the rest is for future development?

MR. MULCAHY: Yes, sir.

SENATOR WEISS: How about the land around the aquarium? Is that the same, to some great extent?

MR. MULCAHY: Well, the land around the aquarium, Senator, outside of what we are doing, is basically controlled

by the Coopers Ferry Nonprofit Redevelopment Corporation, which is doing the redevelopment of the Camden waterfront.

SENATOR WEISS: Somewhere down here I don't believe the number I saw, and I am looking for it very desperately. (Senator Weiss going through his papers) I saw the number 750, and I was hoping that wasn't acres.

MR. MULCAHY: No, I'm sure it's not 750 acres. Jerry, what is the size of the aquarium site? (Mr. White's response is indiscernible because he was speaking from the audience; no microphone) The aquarium site is 120,000 square feet, Senator.

SENATOR WEISS: Okay. Are there any other questions for Mr. Mulcahy or his guests? Senator Rand, Senator Brown, Senator McNamara, Senator Rice, Senator Pallone? (no response) If not, Bob, let me thank you very much for spending the day with us.

MR. MULCAHY: Senator, it is always a pleasure to spend a day with this Committee. It is an intellectual challenge.

SENATOR WEISS: Oh, is it? I don't know, you did pretty well. At any rate, again I thank you for coming down; Mr. Miller, Mr. Ferdon, and Mr. Rohn also. We will have another meeting a little later on. As you know, we do not have the bills, so we cannot vote on them.

MR. MULCAHY: Yes, sir.

SENATOR WEISS: We can, however, start discussing how we are going to handle the bills prior to the next meeting.

MR. MULCAHY: I appreciate your time and consideration.

SENATOR WEISS: Thank you, sir, and I appreciate yours.

Next we will have Mr. Ronald Dancer, from the Standardbred Breeders and Owners Association. Mr. Dancer has some remarks he would like to make. Mr. Dancer, do you have copies of your testimony, or is that just a copy?

R O N A L D D A N C E R: Yes, I can provide you with a copy.

I appreciate the opportunity at this late hour, and with the arduous task you have. I am here to represent the

Standardbred Breeders and Owners Association of New Jersey, which represents more than 5000 owners, trainers, drivers, and breeders of standardbred race horses. I have also been authorized by the HBPA -- the Horsemen's Benevolent and Protective Association of New Jersey -- to represent and speak before you today as far as thoroughbred racing interests are concerned. I just might add that that is significant, because with racing, having both the standardbred and the thoroughbred interests come to Trenton and speak one voice, is analogous to having one speaker for the Democrats and the Republicans here in Trenton. So, I am pleased to have that opportunity today.

We, the race horse industry, represent a one-half billion dollar annual economic impact to the State of New Jersey. We provide thousands of farm-related jobs. We preserve thousands of farmland acres, pasture land, open space, and green acres. I might add that the green acres that are a result of the horse industry are not by the taxpayers' subsidized Green Acres fund, but by the private sector horse racing industry.

I'm sure you can see that the horse racing industry has a significant economic impact to the State, and that we also enhance the quality of life in this State with entertainment and environmental values. But the horse racing industry is facing fierce competition. It is competition for a gambling, leisure, and entertainment finite dollar; a dollar that has given to education from the Lottery; a dollar that has given aid to senior citizens from the casinos. And from racing-- What has racing given the State of New Jersey?

The Sports Authority has provided a venue for sports entertainment -- a football stadium, a race track, an arena -- all very valuable contributions to the State. But racing now faces its greatest challenge, and that is going to be from America's favorite pastime -- baseball. Baseball at the same place, at the same time as racing.

Now, the ills of racing are certainly going to be exacerbated by baseball fever, but it need not be the death of racing at the Meadowlands. We are not here to oppose the baseball bill, and its very valuable companion legislative bill, the equity fund bill, but rather to propose to you, the Legislature, that there is a viable means by which both baseball and racing can coexist compatibly at the Meadowlands -- at that Complex area.

Consider the caveats that the racing industry has. A baseball stadium located 1.5 miles from the race track; game time and post time coinciding at 7:30 p.m. Mr. Mulcahy testified earlier that perhaps there would only be 60 home games directly conflicting with the prime seasonal racing schedule of harness racing in the spring and the summer. That is a third of our racing schedule. Everything you have heard here today is predicated on one thing -- all the projections -- a healthy racing industry. You have heard that reiterated time and time again. What happens with volatile or unstable racing revenues?

You know, even from present day competition, we have a reduction -- a negative impact -- on our racing industry revenues as a result of a concert -- as Senator Feldman pointed out earlier -- basketball games, hockey games. We have a negative impact of 25% to 28% on our racing industry revenues. When there is football, there is a 100% negative impact, because the Giants have a contractual agreement with the Sports Authority that there can be no racing when there is a football game. Now isn't that a bit ironic, that the racing operations that pay the bills and built the stadium, is forced to close because of a football? I would hope that the Legislature sees to it that our place of business -- the racing industry's place of business -- is not dark because of baseball games, as is the case with football games.

I cannot understand, for example-- This is the fourth public hearing. The Sports Authority retained Rutgers University's Dr. Sternlieb to do a professional demographic study. The location is to be a gold mine for the State of New Jersey, but it is unconscionable to us in the industry -- the racing industry -- that that survey -- professional survey -- was completely oblivious to the negative impact, the economic impact, and the traffic impact of racing operations right next to the proposed baseball stadium. Why this oversight, I do not know.

I listened to Mr. Mulcahy's testimony here. You heard of the tenuous financial condition of the racing industry. Mr. Mulcahy placed the casinos, to a large extent, as being culpable for our economic woes. Well, the casinos are, but they are 90 miles away from the racing complex, and we have lived with them for over a decade. I am more concerned about the competition 1.5 miles from the race track,

Mr. Mulcahy cited volatile racing revenues because of national declines. I am more concerned about regional competition, not national declines -- regional competition that the Sports Authority and the State of New Jersey are creating and sanctioning.

I listened here today about the guarantees for fans in the stand. Look, I think we've got to reestablish our priorities. It's not fan projections we should be looking at; it's job protection for an industry. You know, Mr. Mulcahy testified it was prudent to protect our investments of steel and stone, and it is. We have to do that, but let's also think about protecting the farm jobs and the farmland of this State, which are so dependent upon the healthy industry at the Meadowlands.

To date, we, the racing industry, have felt very comfortable that the health of the racing industry is tantamount to the well-being of the Sports Authority. After

all, it is the racing industry that produces the positive cash flow for the Sports Authority. But, as a result of the equity fund bill, as we have heard here, ostensibly the debt service will be retired, thereby obviating the need for a healthy racing industry in the future. I submit to you that privately the Sports Authority has examined the issue of a negative impact of having baseball right next to its racing operations, and I think it is clear, if you think about it, that they need that \$10 million a year for the next six years to make up, in part, for the shortfall in the competition that is going to be evident.

Quite frankly, I was a little dismayed that Mr. Mulcahy didn't exhibit a little more public concern. He said perhaps there might be a 5% decline. My gosh, we're having 25% to 28% declines now with concerts, basketball, and hockey games. But, look, the Sports Authority is fulfilling its legislative mandate. They have provided to the people of New Jersey sports entertainment venues, and they have done a good job. But, we are here to protect our jobs.

You know, I don't mean to speak disparagingly of the Sports Authority, so please don't misunderstand me. The equity fund bill is a very important companion bill to the baseball bill. As far as racing industry interests are concerned, we believe it would be prudent to amend, in addition to providing for the major maintenance costs and the retirement of debt service, to provide for the stabilization of racing industry revenues at pre-baseball competition levels.

I testified before the Assembly Independent and Regional Authorities Committee. Assemblyman Joe Palaia offered publicly to sponsor that amendment in the Assembly. I wish you would please give serious consideration that if there is-- Even if Mr. Mulcahy estimates only a 5% negative impact as a result of direct competition between baseball and racing, we are trying to protect an industry. This competition

compensation proviso is, in my opinion, a very reasonable premium and, if you will, amendment, to ensure the future health of a one-half billion dollar industry. The success of baseball entertainment in the State of New Jersey does not have to be at the expense of our industry.

I have asked the President of the New Jersey Farm Bureau to say a few words and to accentuate to you the importance of keeping healthy racing operations at the Meadowlands, and its effect on farmland in the State of New Jersey. Mr. Ellis?

**W A L T E R E L L I S:** Mr. Chairman, ladies and gentlemen of the Committee: I came here today to reenforce the remarks that Mr. Dancer has just made. I have to admit that I know very little about bonding, and I don't really know very much about horses. But I do know a great deal about what the equine industry has meant to the State of New Jersey, particularly to the agriculture of this State. It helps to preserve farmland, which is one of the stated objectives of the State of New Jersey. It adds to the quality of life in this State, and it helps to do the things that we would like to have done for the people in the State of New Jersey.

It is my understanding that the Meadowlands is the backbone -- could very well be called the backbone of the horse racing industry in the State of New Jersey. We have become, in New Jersey, one of the premier states for horse racing. A lot of farms are coming into the State; a lot of farms are being developed in the State to raise and train horses, racing horses in particular.

I am here just to reenforce and reiterate what Mr. Dancer has said. The impact of the baseball stadium on the horse racing industry, particularly in the Meadowlands, is going to be a very significant one, and I hope you will certainly consider what he has said today.

Thank you.

SENATOR WEISS: Thank you, sir. Mr. Dancer?

MR. DANCER: I know it has been a long day, but this is really important to us. It is our industry. Are there any questions?

SENATOR WEISS: I was just wondering if you were finished with your statement. I suppose you are, at this point.

MR. DANCER: Pardon?

SENATOR WEISS: I do have a question for you, if you are through with your statement.

MR. DANCER: Yes, sir.

SENATOR WEISS: Would you feel differently about this whole situation if the stadium, let's say, were where the aquarium is in South Jersey?

MR. DANCER: Well, I would be concerned. Garden State Park has had such a rough road in establishing--

SENATOR WEISS: Let me change the location -- change it to anywhere else in the State. Would you feel differently if it were somewhere else?

MR. DANCER: Yes. I think obviously changing the location to where it would not be in a competitive situation with racing markets would be judicious.

SENATOR WEISS: It would then have less of an impact on the industry you are representing.

MR. DANCER: Obviously, I think there would be less of an impact.

SENATOR WEISS: I understood you to say that some nights when the Giants are doing their thing, the impact on racing is 100%. That would indicate to me that the track is closed down. Is that what it is?

MR. DANCER: Yes, sir, that is correct. We cannot race when there is a football game there. We would hope that the Legislature would at least try to protect us, so that when there are baseball games, they cannot write such a contract with whatever team comes in there.

SENATOR WEISS: How many nights do you lose?

MR. DANCER: I would have to check. I know we wanted to race this Saturday night, and they told us that there is an exhibition game -- football game. So I know we are losing that. But, in a season, I would probably say there are three or four we have lost.

SENATOR WEISS: How far in advance do you find out? It appears to me that they tell you when there is just a little time left. Is that what happens?

MR. DANCER: Yeah. We are not apprised. When the Racing Commission allocates its annual dates, we are not apprised. In fact, we have cancelled racing as a result of just fortuitously discovering that there will be a conflict between racing and football, and racing must cancel.

SENATOR WEISS: Well, Mr. Dancer, there should be better coordination than that between the Authority and yourselves.

MR. DANCER: Yes.

SENATOR WEISS: I mean, it's not that you folks are just operating up there for the first year.

MR. DANCER: That is correct.

SENATOR WEISS: I agree that you are a stable source of funding for them. I don't have an argument with that, but certainly, somewhere along the line, someone should be talking with someone.

MR. DANCER: Yeah. We are certainly establishing that as a priority now.

SENATOR WEISS: But it hasn't been that way before? It has not been a priority previously?

MR. DANCER: No.

SENATOR WEISS: What do you do-- You are not going to race this Saturday night, I understand, and you just found out about it, when, a couple of days ago?

MR. DANCER: It is not this Saturday night, sir; it is the following Saturday.

SENATOR WEISS: Oh, the following Saturday. Let's set up a theoretical scenario. This Saturday night you are cancelled out. Assuming it happens within a short period of time, what happens to your horses at that time, and your payroll, and all of the other things that go with it that I know nothing about, but which are called expenses in the horse racing industry at this particular location?

MR. DANCER: Those overhead costs have to be absorbed. We do not get any revenues from not racing.

SENATOR WEISS: Well, yeah, I understand that, but your expenses seem to go on.

MR. DANCER: Oh, yes.

SENATOR WEISS: Doesn't the Sports Authority, or the Sports Complex, or whatever, make some arrangement when they call things off, and say, "Okay, you don't have to pay room and board for your horses for tonight," or whatever else you call it? Do you pay it anyway?

MR. DANCER: No, fortunately we do not have to pay for the stalls at the race track, provided we support the racing program. As long as we race, we don't have to pay for stalls.

SENATOR WEISS: Oh, I see. So, as long as you are there for the season, you get the stalls as a matter of--

MR. DANCER: That is correct.

SENATOR WEISS: --right.

MR. DANCER: Yes. I might add, though, that there are many satellite training farms. There are more horses off the track than on the track. That is one of the reasons why we have so many horse farms in the State of New Jersey. They must continue, however -- when there is no racing -- to pay the rent at these private training centers around the State. Those expenses must be absorbed.

SENATOR WEISS: Do you participate in any other remuneration from the track; for instance, concessions -- the things that are sold?

MR. DANCER: No. We have raised that in negotiations with the Meadowlands, but we do not share--

SENATOR WEISS: You don't share in anything?

MR. DANCER: No. This is a good point to interject, if I may, that the hour revenues to the racing industry are completely controlled by you, the Legislature. We, the racing industry, have never -- let me repeat, have never -- received a legislated purse increase since the enabling legislation for the Meadowlands Race Track in 1976. We have raced there for the same percent, which is about 5.9% of the handle -- of the money bet -- which was established by this Legislature. It is statutory. That is why there was-- You made reference to a strike at the Meadowlands. We did strike a year ago. That is another reason for a shortfall in revenue. We have never received an increase in 11 years at the Sports Authority for statutory purses.

SENATOR WEISS: Well, I can remember former Secretary of Agriculture Phil Alampi being all over my back about a million dollars for horse racing. That was some time since 1977, because I didn't get here until 1978.

MR. DANCER: Yeah, that is called the Sire Stakes. That is what created our breeding fund. The breeding fund was created in 1971, 1972, and then it really grew in leaps and bounds in 1976, with the inception of the Meadowlands, because it provided so much more money for the breeding industry. But, there has never been an increase to horsemen's purses since the enabling legislation, back in 1976.

Let me just say, if I may, for one second-- You know, we talk about how important it is to stabilize racing revenues and how crucial the racing industry is, and why it has declined. Just Sunday night, I was with the Meadowlands Director of Racing, Joe DeFrank (phonetic spelling). He said, "Ron, we are now number three." "What do you mean? New Jersey has been the capital of racing in the Meadowlands." "No, no,

Illinois and New York. The legislatures have been very progressive in Illinois and New York." They have now established purse schedules which offer more money to the star performers of racing. There is going to be, if this is not checked, a precipitous decline in racing revenue, because the star performers are leaving the Meadowlands. The quality racing is leaving. New York is establishing plush teletheaters a stone's throw, on the West Side of Manhattan, across the Hudson River. They are competing with New Jersey like you cannot believe. It is a serious situation. It is not just national declines and casinos. It is problems in purse money. We no longer have the star performers here in New Jersey. They are leaving the State, and the fans are leaving along with them. That is a very important consideration.

That is why our problems are compounded, because we realize that with baseball competition, there is going to be less money for the industry, less money for purses, and as an end result, the fans are not going to continue to patronize a facility that cannot offer the best in racing. We are not taking the effects of competition.

SENATOR WEISS: Thank you. Senator Ewing?

SENATOR EWING: Thank you, Mr. Chairman. On the August 15 game, when were you notified that the track would -- I mean, that you couldn't use the track?

MR. DANCER: I am not sure. I would really have to check with the Racing Commission. I personally became aware of this about a month ago, but I really don't know when the--

SENATOR EWING: But the Commission might have been notified earlier?

MR. DANCER: Yes, sir, they probably were. I personally was not aware of it until about a month ago.

SENATOR EWING: Well, then really, that is the fault of the Commission.

MR. DANCER: It may be my own fault for not being cognizant of it.

SENATOR EWING: For not letting the breeders and trainers know ahead of time.

MR. DANCER: You're right.

SENATOR EWING: So, really the fault does not lie with the Sports Authority.

MR. DANCER: Well, other than--

SENATOR EWING: With that particular Saturday game, you would have to close, because that is a college game?

MR. DANCER: We usually race in the evenings. We cannot race Saturday night. We will have to have a Saturday afternoon card. We were going to race, also, the week-- We have five additional days in August -- the fifteenth through the twenty-second.

SENATOR EWING: You're only talking about standardbreds now?

MR. DANCER: Yes, standardbreds.

SENATOR EWING: But the reason you don't race when there is a football game is because the parking is used. Am I correct?

MR. DANCER: That is what they have told us.

SENATOR EWING: But at a college game, I do not believe they fill that stadium.

MR. DANCER: I don't believe they do either.

SENATOR EWING: And yet they are telling you you cannot race on August 15?

MR. DANCER: We cannot-- I don't know about the college games, but I do know with the Giants.

SENATOR EWING: Whoa, wait a minute. You said earlier that you have to close this coming Saturday night -- a week from Saturday, on the fifteenth. Now you're saying you're not sure whether you are going to close.

MR. DANCER: I am not sure if they have that in a contract with them, but I do know it is in the contract with the Giants that there cannot be--

SENATOR EWING: Oh, yes, that I understand, but I don't think—

MR. DANCER: Our main concern here is to make sure that there is not any type of a sweetheart deal made between the tenant of the baseball stadium and the Sports Authority that is going to eradicate a racing schedule.

SENATOR EWING: Well, I don't see how it could happen with the baseball, because they are going to have an 18,000 car lot over there. Well, they may have to have a few cars over by you in the arena, but certainly not enough to close you out on a baseball night. I can see maybe there might be some bettors who would go to the races, but who instead would go to the baseball. That is what you are worried about.

MR. DANCER: Not only is the parking a consideration, but the inconvenience of trying to get in and out to our racing program. Many people may know that there is this conflict, and may just decide not to come to the race track at all.

SENATOR EWING: Fine, but hopefully, with coordination with the Turnpike Authority, DOT, etc., etc., the traffic situation will be eased enough so that people will go.

MR. DANCER: Hopefully, that will be looked into. As I say, I really can't understand why they didn't do a traffic impact study. That, to me, was a complete oversight.

SENATOR EWING: What is the racing attendance?

MR. DANCER: Our average attendance?

SENATOR EWING: Yeah.

MR. DANCER: I would say about 15,000 people.

SENATOR EWING: And you drop about 3500 or 3600 people when there is a hockey game? Because at some of those games, they don't even have that number of people going to a hockey game or a basketball game.

MR. DANCER: No, not just for hockey or basketball. But I know for a concert--

SENATOR EWING: Oh, a concert, yes.

MR. DANCER: In fact, it was Senator Feldman who said something about the Genesis-- We lost, not in net value, but in gross value, hundreds of thousands of dollars in handle that would have been generated.

SENATOR EWING: From people attending, or the lack of betting?

MR. DANCER: Both. They are commensurate.

SENATOR EWING: Because a concert, I would think, would appeal to a different crowd than you are appealing to.

MR. DANCER: Yeah, I think that is probably true. There is some crossover, but again, the traffic inconvenience-- People today, when they know there is going to be that conflict, just won't come out to the track. They don't want to stand in lines for hours upon hours. They just don't want to do that.

SENATOR EWING: Now, the 60 nights of baseball games -- if this comes about -- would they all occur just during the standardbred season, because you're saying it would affect one-third of your racing schedule? I understand, from what Mulcahy said, that there are about 300 racing days. Granted, that is between the flats and the standardbreds.

MR. DANCER: Right. The standardbreds, this year, have 199 racing days. The thoroughbreds, well, would have the balance.

SENATOR EWING: Yeah, but I mean, would the baseball season really coincide with the standardbreds, or would the flats--

MR. DANCER: It is going to impact both, because obviously in the spring and the summer, it is going to be standardbred racing, and in the fall -- September and October -- it is going to be thoroughbreds. So, it is going to affect both.

SENATOR EWING: What do the other tracks -- say, New York and Illinois-- What percentage of a handle do they give

toward the purses, because there is no question that better purses bring better horses?

MR. DANCER: I'm glad you asked that question. We are the lowest paid by percentage in the country.

SENATOR EWING: Fine. What do New York and Illinois break on the handle?

MR. DANCER: It is approximately 7% to 8% compared to the 5.9% for us in New Jersey.

SENATOR EWING: What would the cost of the guarantee be that you recommend?

MR. DANCER: Well, the mechanics of it would be that if there were a direct conflict -- same day, same time -- between racing and baseball-- The mechanics of it would work that we have a pretty good track record that can be established at the Meadowlands, what we handle, for example, in volume on a Friday night. If the average is \$2 million and, just for round figures, we get 6% of that \$2 million, or \$120,000, which is our share of the revenue, and if we say our business is impacted by 10%-- We don't know the figure. It has been--

SENATOR EWING: That's 12,000, that's 108--

MR. DANCER: That is what we would be looking for. For that one particular night, there would be that impact of approximately \$12,000 on our industry. We would be looking to get that from the equity fund to offset it. It may not sound like a lot, but if you take \$12,000 -- or whatever it happens to be -- over a period of 60 games -- or the 80; whatever it happens to be -- and it is significant.

SENATOR EWING: Would you be willing to do the other side? If you went over when they had a baseball game -- split the difference if you made more than the average handle?

MR. DANCER: We would be delighted to do that, yeah. Sure, we can work that out with you.

SENATOR EWING: Well, have you talked to the Sports Authority about increasing your take from the handle in order to increase the purses?

MR. DANCER: Yes. Those talks resulted in the strike last year.

SENATOR EWING: What is their reason for keeping it down that low?

MR. DANCER: The reason they gave us was that they have other commitments to the State of New Jersey -- Grand Prix racing, which loses a million dollars -- you know, and other projects they are committed to. It is not just racing. They did not have the surpluses that they had back in '81, and without the surpluses they could not afford to give us, the racing industry, any additional moneys.

SENATOR EWING: Thank you. Thank you, Mr. Chairman.

SENATOR WEISS: Thank you very much, Senator Ewing. I have Senator Rand, Senator Brown, Senator Rice.

SENATOR RAND: Thank you, Mr. Chairman. Let me first say, Mr. Dancer, that the ills you bring up are very important. I think it is important, and I am glad that Mr. Mulcahy is going to come back, and I am glad the Chairman is going to have another chance to speak to Mr. Mulcahy, because I think there is no question that the standardbred racing season is very important as far as North Jersey is concerned. There should be some protections. I don't know what, very frankly. That is not the only threat racing has.

You have opened up a situation, you have opened up a dialogue, and I guess we ought to continue that. These are some of the questions we ought to throw out. Again, I want it to be understood that this is not an endorsement, but rather a statement that the Racing Commission itself put out on April 20 or April 21, or so. New York has Sunday racing. Is that correct?

MR. DANCER: That is correct.

SENATOR RAND: What disturbs me -- and I am going to certainly continue this when I address these bills-- It is my understanding that the Meadowlands is not too happy with Sunday

racing because of the Giants. Let me say this to you: If Garden State is going to exist, we've got to have Sunday racing. I don't have to tell you that.

So, there are a lot of things we have to explore. You are absolutely correct. If there is amendatory language that we have to put in that will protect both the State and the racing industry, I think we ought to address that. And I think the Chairman of this Committee has just begun to really scratch the whole outlook on the bills. It seems to me that if you are going to have Sunday racing, and you're blacked out-- I mean, you are at a handicap.

Fortunately, there has been a good racing season up in the Meadowlands, even though it has gone down. There is no question that you need better purses to attract better horses. We are not going to have a standardbred season unless we attract more horses down at Garden State. I mean, I know that. We are not going to open up with 100 horses down there, or 150, or 200. We have to have a complement that can address the 58 or 59 days, even as limited a season as that.

I suppose what I am really trying to tell this Committee is, the answers are not simple. The problems are complex, and in my opinion, we have to protect every segment of the total industry. I don't have any solutions, but I know we have to talk.

Thank you, Mr. Chairman.

SENATOR WEISS: Thank you very much, Senator Rand. I have two other Senators, Mr. Dancer, in the following order: Senator Brown and Senator Rice. Senator Brown first.

SENATOR BROWN: Thank you, Mr. Chairman. Mr. Dancer, we certainly appreciate your spending the day in Trenton and making some valid points, because we are all very proud of what the horse racing industry contributes to the State.

I have a question for the Chairman, if I may.

SENATOR WEISS: That is usually the wrong way, but--

SENATOR BROWN: It is late in the day, and procedural-wise, and so on. We have had a lot of discussion today about the transportation ramifications of this particular proposal. May I just make a request, which may be taken or left, as you wish? I think that as long as we are going to have another session on this, I certainly would like to have the benefit at least of hearing how the Commissioner of Transportation and Mr. Premo are addressing some of these issues, because this has been one theme that has come out today, and they just--

SENATOR WEISS: If you like, Senator Brown, we will even get someone here from the Turnpike Authority to address their part of it.

SENATOR BROWN: Well, I think it is important.

SENATOR WEISS: They are talking about a larger interchange at that point, so we might as well make it all inclusive.

SENATOR BROWN: Yeah. Well, it just seems that this is a concern of many of us, and certainly Mr. Dancer has questioned whether that was part of Mr. Sternlieb's report.

SENATOR WEISS: You are on the right track, Senator. I know where you are coming from.

SENATOR BROWN: I guess my last question to you is, if an amendment is not made to this bill to have some sort of compensation if there were a drop in revenues to the horse racing industry, and so on, would you wager a guess, given the State of the bill as it is now, whether it would receive support from the horse racing industry? Not to put you on the spot, but if you just had to guess whether or not the bill in its present form-- Because, after all, there are going to be a lot of groups out there, I would assume, taking positions one way or another, between now and November.

MR. DANCER: We have only discussed to date that we would not oppose the baseball bill or the equity fund bill;

that we would certainly try to speak to our legislators about trying to amend it -- the equity fund bill. Now, if we don't get that protection, you know, I don't know. I can't speak for the Board of Directors, which has not raised that issue. That would have to be something-- It is certainly a reality, and we should, probably at our next Board of Directors' meeting, discuss it.

But, we would hope-- We seemed to get favorable input at the Assembly Independent and Regional Authorities Committee on a similar amendment proposal, and all we can do is come before you and state our concerns, and leave the lawmaking up to you.

SENATOR BROWN: Thank you very much.

SENATOR WEISS: Thank you very much, Senator Brown. Senator Rice?

SENATOR RICE: Thank you, Mr. Chairman. I concur with Senator Brown on the key issues, one of which happens to be transportation. I am not certain -- once again, from my own limited knowledge and experience in planning, evaluating, and analyzing -- that you have really, really great concerns, the way you think you have them. I think transportation is a very key part, and I think that more communication -- as the Chairman said -- is very important, because it seems to me that someone doesn't even know when scheduling is taking place. It seems to me that when you go to book a dance, you know far in advance of the dance when it is going to be, but yet we book multi-million-dollar affairs, and no one knows what date is open, etc. I have a problem with that. Listening to you, I am not sure that is the way Mr. Mulcahy operates. I don't know him personally, but I respect what I know of him. But, other folks up there may do things differently.

I can also say I am not sure you do everything you can to promote your industry. I can remember the days when Weequahic Park had trolley racing, but no one talks about

Newark any more as having the potential to do some basic things that would enhance it.

I don't even want to ask you about minority participation in horse racing in a State like New Jersey, which is the second or third largest, because I have a feeling there is another group of little guys who could probably raise horses and learn to train them and get familiar with the industry, but no one will go after it. I don't mean that all minorities are farmers basically, but I think it is a part of our tradition, too, even in this State, because I have been to some of those farm locations. So, you need to do a little bit more to work up horse racing, because-- See, when I think of horse racing and Atlantic City, I think of bookies. When I think of bookies, I know they are related to other sports also. I don't see how young people get into that mentality. If I had to choose between where I was going to take young folks and poor folks to enjoy some leisure, my choice would be football, baseball, basketball, etc., because they don't necessarily get into a gambling mentality, which could be very addictive, as they could with a track -- where many times we can't take the kids anyway -- and other activities.

I think that all of the industries are good for states like New Jersey. I read a book by Dircon (phonetic spelling), I believe it was, where he indicated: "Vices are good and healthy for society, as long as they are legally controlled, just as crime." Whether that philosophy is true or not, I am not certain.

The other thing is the relationship to farm life. I don't think it is contradictory as to what racing can do. I don't think that one of our major pleas in the State of New Jersey is the fact that we are going to lose racing totally, and it is going to kill our farm life. I have a lot of respect for Senator Haines, and particularly the agricultural community. It seems to me that one of our major situations

happens to be the building of housing all over the place. That is what is absorbing a lot of farmland right now.

When it comes to scheduling, I think Senator Ewing mentioned Sundays. I am from North Jersey, but I have a great respect for the whole State. I understand the problems of South Jersey a lot more than some people in South Jersey. I am talking about rural and suburban communities. I also understand the problems of Newark. The difference is a matter of scheduling again. I don't know how you schedule racing in the State of New Jersey, but many times I have seen advertisements that say there is racing taking place at the Meadowlands. When I ask my friends who constantly like to go to the track, "What's happening in Monmouth?" they say, "There is no racing tonight." "What's happening in Atlantic?" They say, "There is no racing tonight." The same with Garden State, "No racing tonight." "Well, where are the horses running?" "Well, they're running in the north," or "They're running in the south," so it becomes apparent to me that they are racing on the same nights, or not using all of the tracks.

Now, I would have to assume that each track is different to some degree -- there is some uniqueness. But it also appears to me that if there is going to be Sunday racing, it does not have to be at Giants Stadium, which was created for a variety of things. We could have Sunday racing-- Maybe that could be the day we go to Garden State, because we are talking about revenues and saving an industry.

I guess what I'm saying is, I don't think the problems are as serious as you think they are. I think you have communication problems. I was glad to hear -- because I didn't forget how you prefaced your remarks -- that you are not opposing baseball. I am glad you said that, because I think if you oppose baseball at this stage-- We may have to oppose it for economic reasons, as it relates to taxpayers' dollars, but I think if you oppose it, if, in fact, we can make the numbers

work here to make it possible to have baseball, you will be indirectly -- or even directly -- hurting your industry. The more we can do in terms of enhancing and creating leisure activities and a response to the various sports activities -- the major sports activities in New Jersey -- the more we are going to enhance your industry.

New York is doing well not so much because of Sunday, in my estimation-- Well, it may be because of Sunday, but the point I want to make is, they are increasing the industry, at their loss. In the meanwhile, by putting the concentration on the industry, they are losing, because everybody else is picking up the other major sports. So, I think New Jersey, to keep from being in a position that New York has placed itself in, not only with industry and housing and all the other kinds of things, and sports-- I think that this Legislature, this governing body-- Long before I got here, my observation -- and I don't agree with everything it has done -- was that the Legislature at least tries to create some balance in the State, so that we don't tip ourselves and lose over here to benefit over there, or come back this way. We are looking for parity across-the-board. That is probably why New Jersey is the third wealthiest state, and could probably be number one, once we address the urban distressed cities' problems.

I think many of us support your industry, if not all of us, but we support the other industries, too. Our task, I guess, is to see how we can balance it. I don't think having a baseball team, for example, in Lyndhurst, is a detriment to you. I think it is a benefit.

But I do think, Mr. Chairman, that our colleague, Senator Brown has said it very well. It seems to me that the major issue of balance -- aside from the dollars -- is transportation. That is something we will have to take a real serious look at, and it may be worth spending money for transportation. We may have to come back to you.

I wish the horse racing industry would put some money toward education in urban cities. Since we don't get a chance to come to the farms, we could at least borrow some horse racing books, or something, for our kids.

Thank you, Mr. Chairman.

MR. DANCER: May I respond briefly? (no response) Senator Rice, some day I would appreciate the opportunity of taking you with me in the back stretch, or the barn area of the Meadowlands Race Track, to show you firsthand the minorities we do hire in the back stretch, providing job opportunities. There are many blue-collar workers and minorities out at the farms also. I mean, it is a job market which I think you would see has a very respectable percentage of minorities in it. Many people depend upon working with the horses for their living.

The other thing is, Bill Haines will speak to you, I believe, on Thursday. That is what he said when I spoke to him. He will certainly reiterate and accenuate what the President of the Farm Bureau and I have stated before this Committee today -- the value of the horse industry with respect to keeping and preserving farmland in the State of New Jersey. I think he will contribute significantly to that.

SENATOR RICE: Mr. Chairman, just a quick comment, in response to that. I would have to assume that there is minority participation. Knowing the history of my people, I have to put it that way. I also understand the kinds of job opportunities involved. They seem to be the kinds of jobs we get. You know, we are good for sanitation and pitchfork, and those kinds of things. I think I was more alluding to the training schools. How do we teach a youngster how to ride a horse, a thoroughbred, and win a million dollar purse? Those kinds of things.

We can teach them baseball because we lead in that sport when we get involved; and in football we lead. I would





like to see those numbers. I was in California with my wife, and there was a race track just two blocks down in Berkeley. I noticed when we used to go to the track -- I don't bet, but I go and watch-- I believe I observed one oriental, one female jockey, no minorities on horses. I used to want to be a jockey. I used to think I was small enough. I always said since I was small enough, I would win big money. I never thought the opportunity would be there, like car racing years ago. That is what I was alluding to.

MR. DANCER: We do support the Brookdale Community College, with an accredited course in horsemanship and grooming school. That's the Brookdale Community College.

SENATOR RICE: Are you telling me that we are very soon going to see a world-class minority horse racer?

SENATOR WEISS: Could be.

MR. DANCER: The opportunity is there.

SENATOR RICE: I support that, Mr. President.

SENATOR WEISS: Thank you, Senator Rice. Are there any further questions for Mr. Dancer?

SENATOR EWING: What is a good horse to bet on tonight? (laughter)

MR. DANCER: I thought maybe you'd never ask. The only way you can beat them is with a whip, believe me.

SENATOR RAND: One of the family's horses?

SENATOR WEISS: As a contributor. I think that is how Senator Ewing is asking, and that goes for me, too.

SENATOR RICE: Mr. Chairman, I do have one more question. This may be a joke, but I'm serious, because I raised this before. Maybe Mr. Dancer can answer, and maybe he can't.

We are something like the second or third breeding area for thoroughbred horses, okay? What percentage of our horses win, because every time we talk about winners-- I had a conversation with someone, and he said, "Well, the winning

horses don't seem to be from New Jersey." I don't know what he meant by that. Maybe they are classified as being from someplace else out there.

I mean, we raise horses here in New Jersey -- and we raise so many, 55,000 plus -- but do they win? I'm serious. I know it sound funny, but I am serious.

MR. DANCER: I'll tell you, in standardbred racing, trotters and pacers, we have more New Jerseybreds winning locally and nationally. In thoroughbred racing, Kentucky is still at the forefront of your breeding industry. That is why you see, in thoroughbred racing, more out-of-state horses winning the major classic races. New Jersey has not yet, in thoroughbred racing, produced those champion performers that Kentucky has been producing. Kentucky is very established. They have the major stallions standing in that State.

But, in harness racing, we really are the capital of horse racing. Our Jerseybreds are setting world records year after year now.

SENATOR RICE: It must be the fertilizer and the farm life of the thoroughbreds.

SENATOR WEISS: We'll have to talk to Senator Haines, Senator Rice. Are there any other questions? (no response) Mr. Dancer, unless you have something else you would like to add, I would like to thank you for your appearance here today. I thank you very much for your patience in putting up with this all day today.

MR. DANCER: Well, that's all right. Thank you for your indulgence. I enjoyed it. It was a good experience.

SENATOR WEISS: Come back any time.

MR. DANCER: Okay, thank you.

SENATOR WEISS: I thank you, too, Mr. Ellis.

It looks like we are at the point where I can say, this hearing is recessed, until we meet again on Thursday. I

thank all the Committee members for their patience today -- it was a long, arduous day -- and also the staff, who has been beating me over the head.

(HEARING CONCLUDED)

