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**PUBLIC HEARING**

before

**SENATE REVENUE, FINANCE AND APPROPRIATIONS COMMITTEE**

on

**SENATE BILLS 1948 AND 2248 AND SENATE CONCURRENT RESOLUTION 120**

(Funding needs for shore protection and preservation)

Held:  
October 16, 1984  
Room 400  
State House Annex  
Trenton, New Jersey

**MEMBERS OF COMMITTEE PRESENT:**

Senator Laurence S. Weiss, Chairman  
Senator Matthew Feldman  
Senator Frank Pallone  
Senator Walter Rand  
Senator Leanna Brown  
Senator John H. Ewing

**ALSO PRESENT:**

Alan Kooney  
Office of Legislative Services  
Aide, Senate Revenue, Finance and Appropriations Committee

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SENATE, No. 1948

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STATE OF NEW JERSEY

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INTRODUCED JUNE 25, 1984

By Senator PALLONE

Referred to Committee on Natural Resources and Agriculture

AN ACT providing for the partial financing of the researching, planning, acquiring, developing, constructing, and maintaining of certain shore protection projects, creating a Shore Protection Trust Fund in the Department of the Treasury, imposing a tax on the rental of certain facilities, supplementing Title 13 of the Revised Statutes, and making an appropriation.

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

1 1. The Legislature finds and declares that:

2 a. The restoration, maintenance, and protection of our beaches,  
3 dunes, riverfronts, bayfronts, and inlets are essential to the welfare  
4 of the communities proximate to those resources and to the State's  
5 economy;

6 b. New Jersey's dense population, expanding commercial develop-  
7 ment, and thriving tourist industry absolutely require a shorefront  
8 area that is adequately protected and accessible to the public;

9 c. The restoration, maintenance, and protection of the State's  
10 shore areas require a substantial and stable source of funding; and

11 d. A program supported by those who are the principal bene-  
12 ficiaries of the recreational resources of the communities along, or  
13 proximate to, the shore areas is the most appropriate and equitable  
14 means of providing this funding.

1 2. As used in this act:

2 a. "Department" means the Department of Environmental Pro-  
3 tection;

4 b. "Director" means the Director of the Division of Taxation  
5 in the Department of the Treasury;

6 c. "Fund" means the Shore Protection Trust Fund created pur-  
7 suant to section 4 of this act;

8 d. "Hotel or motel" means a building regularly used and kept  
9 open principally for the lodging of guests, but shall not include  
10 single-family residences or duplex units offered for rental.

11 e. "Shore municipality" means any of the 87 municipalities  
12 identified on the inventory of shorefront municipalities of the De-  
13 partment of Environmental Protection, defined as such on the basis  
14 of the dependence of these municipalities on the shorefront  
15 economy and on the presence of, or proximity to, shorefront recrea-  
16 tional resources.

1 3. a. In every shore municipality there is levied upon all charges  
2 for lodging at every hotel and motel, and for access to or use of  
3 every campground facility, a tax of 2%, to be collected and for-  
4 warding by the owners or proprietors of these facilities to the  
5 Director of the Division of Taxation in the Department of the  
6 Treasury for deposit in the "Shore Protection Trust Fund" created  
7 pursuant to section 4 of this act.

8 b. (1) Every owner or proprietor of a hotel, motel, or campground  
9 facility shall, on or before the 20th day of the month following the  
10 close of each calendar quarter, and quarterly thereafter, render a  
11 return under oath to the director on a form or forms prescribed by  
12 the director indicating the amount of money in fees collected, and,  
13 at that time, the owner or proprietor shall forward the full amount  
14 of the tax due.

15 (2) Every owner or proprietor of a hotel, motel, or campground  
16 facility shall, within 90 days of the effective date of this act,  
17 register with the director on forms which the director shall pre-  
18 scribe.

19 (a) If a return required by this act is not filed, or if a return  
20 when filed is incorrect or insufficient in the opinion of the  
21 director, the amount of tax due shall be determined by the  
22 director from any information as may be available. Notice of  
23 that determination shall be given to the taxpayer liable for the  
24 payment of the tax. The determination shall finally and  
25 irrevocably fix the tax unless the person against whom it is  
26 assessed, within 30 days after receiving notice of the determina-  
27 tion, shall apply to the director for a hearing; or unless the  
28 director reconsiders the matter. After the hearing the director  
29 shall give notice of this determination to the person to whom the  
30 tax is assessed.

31 (b) Any taxpayer who fails to file a return when due or to  
32 pay any tax when it becomes due, as herein provided, shall be

33 subject to the penalties and interest provided in the "State Tax  
34 Uniform Procedure Law," R. S. 54:48-1 et seq. If the director  
35 determines that the failure to comply with any provision of this  
36 section was excusable under the circumstances, the director may  
37 remit part or all of the penalty as appropriate.

38 c. (1) Any person failing to file a return, failing to pay the tax, or  
39 filing or causing to be filed, or making or causing to be made, or  
40 giving or causing to be given any return, certificate, affidavit,  
41 representation, information, testimony or statement required or  
42 authorized by this act, or rules or regulations adopted hereunder  
43 which is willfully false, or failing to keep any records required  
44 by this act or rules and regulations adopted hereunder, shall, in  
45 addition to any other penalties herein or elsewhere prescribed, be  
46 guilty of a crime of the fourth degree.

47 (2) The certificate of the director to the effect that a tax has not  
48 been paid, that a return has not been filed, that information has  
49 not been supplied or that inaccurate information has been supplied  
50 pursuant to the provisions of this act or rules or regulations  
51 adopted hereunder shall be presumptive evidence thereof.

52 d. In addition to the other powers granted to the director in this  
53 section, the director is authorized and empowered:

54 (1) To delegate to any officer or employee of the division any of  
55 the powers and duties of the director as the director deems  
56 necessary to carry out efficiently the provisions of this section, and  
57 the person or persons to whom that power has been delegated shall  
58 possess and may exercise all of the powers and perform all of the  
59 duties delegated by the director;

60 (2) To prescribe and distribute all necessary forms for the im-  
61 plementation of this section.

62 e. The tax imposed by this section shall be governed in all  
63 respects by the provisions of the "State Tax Uniform Procedure  
64 Law," R. S. 54:48-1 et seq. except only to the extent that a specific  
65 provision of this section may be in conflict therewith.

1 4. There is created in the Department of the Treasury a special  
2 fund, to be known as the "Shore Protection Trust Fund," to carry  
3 out the purposes of this act. The fund shall be credited with all  
4 revenues collected pursuant to section 3 of this act and all interest  
5 received from the investment of moneys in the fund. Moneys in the  
6 fund are specifically dedicated to meeting the cost of shore restora-  
7 tion, maintenance, and protection projects in shore municipalities,  
8 which projects shall be developed by the Department of Environ-  
9 mental Protection and which shall be consistent with the New  
10 Jersey Shore Protection Master Plan prepared pursuant to section

11 5 of P. L. 1978, c. 157; except that an amount not to exceed 15% of  
 12 the estimated annual revenues generated for deposit in the fund  
 13 may be expended on emergency and other critical projects in shore  
 14 municipalities not anticipated in the master plan. Moneys in the  
 15 fund may also be appropriated as the required nonfederal share  
 16 of any State-federal project for the restoration, maintenance, or  
 17 protection of a shore area. Moneys in the fund shall not be expended  
 18 except in accordance with appropriations from the fund made by  
 19 law.

1 5. One year after the effective date of this act, and annually there-  
 2 after, the department shall submit a report to the Governor, the  
 3 Legislature, and to the chairmen of the General Assembly Energy  
 4 and Natural Resources Committee, the General Assembly Agri-  
 5 culture and Environment Committee, the Senate Energy and En-  
 6 vironment Committee and the Senate Natural Resources and Agri-  
 7 culture Committee, or their designated successors, on the imple-  
 8 mentation of this act. The report shall contain a priority list of  
 9 projects eligible for funding from the "Shore Protection Trust  
 10 Fund," the projects funded during the preceding year, and a  
 11 complete operating and financial statement of the program's opera-  
 12 tions during the year.

1 6. There is appropriated to the Department of the Treasury from  
 2 the General Fund the sum of \$100,000.00 to cover the costs of  
 3 administering this act.

1 7. This act shall take effect 90 days following enactment.

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#### STATEMENT

The purpose of this bill is to establish a substantial and stable funding source of revenue to finance shore protection, beach restoration, and shorefront maintenance projects.

Specifically, the bill imposes a 2% tax on hotel and motel charges and on campground access and user fees in shorefront municipalities, revenues of which are to be deposited in a "Shore Protection Trust Fund." The fund shall help support shore protection projects in those municipalities where the tax is imposed. The New Jersey Shore Protection Master Plan shall govern the selection of projects to be funded, except that up to 15% of the estimated annual revenues may be expended for emergency and critical projects unanticipated by the master plan. The fund shall also cover the nonfederal share of any State-federal project to restore, protect, or maintain shore areas.

The bill appropriates \$100,000.00 to the Department of the Treasury from the General Fund to cover the administrative costs required to initiate the program.

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SENATE, No. 2248

STATE OF NEW JERSEY

INTRODUCED SEPTEMBER 20, 1984

By Senator PALLONE

Referred to Committee on Revenue, Finance and Appropriations

AN ACT to authorize 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 \$100,000,000.00 for the purpose of State projects and the making of State grants and loans to counties and municipalities for the researching, planning, acquiring, developing, constructing and maintaining of county and municipal shore preservation projects; providing the ways and means to pay the interest on the debt and also to pay and discharge the principal thereof; providing for the submission of this act to the people at a general election; and providing an appropriation therefor.

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

1 1. This act shall be known and may be cited as the "Shore  
2 Preservation Bond Act of 1984."

1 2. The Legislature finds and determines that:

2 a. The restoration, maintenance and protection of our beaches,  
3 dunes, riverfronts, bayfronts and inlets are essential to the welfare,  
4 commerce and prosperity of the people of the State.

5 b. The State's growing population, expanding commercial de-  
6 velopment and tourist industry all require a shoreline which is  
7 adequately protected and accessible to the public.

8 c. The Shore Protection Master Plan prepared by the Department  
9 of Environmental Protection pursuant to P. L. 1978, c. 157 has  
10 identified the need for additional State funding for State and local  
11 shore preservation projects and has recommended a method of  
12 allocating that funding.

13 d. State assistance to counties and municipalities for shore  
14 preservation projects can best be provided through a program of  
15 matching grants and loans to counties and municipalities, and loans  
16 which assist them in providing the local share of these grants.

17 e. The availability of State shore preservation funds will enable  
18 New Jersey to attract federal funds for joint State-federal shore  
19 preservation projects.

1 3. As used in this act, unless the context indicates a different  
2 meaning or intent:

3 a. "Bonds" means the bonds authorized to be issued, or issued,  
4 under this act;

5 b. "Commission" means the New Jersey Commission on Capital  
6 Budgeting and Planning;

7 c. "Commissioner" means the Commissioner of Environmental  
8 Protection;

9 d. "Construct" and "construction" mean, in addition to the usual  
10 meanings thereof, acts of construction, reconstruction, improve-  
11 ment, rehabilitation, relocation, demolition, renewal, repair, replace-  
12 ment, extension, improvement and betterment;

13 e. "Cost" means the expenses incurred in connection with: the  
14 acquisition by purchase, lease or otherwise, the development, and the  
15 construction of any project authorized by this act; the acquisition  
16 by purchase, lease or otherwise, and the development of any real or  
17 personal property, including any rights or interests therein, and  
18 the execution of any agreements and franchises deemed by the  
19 department to be necessary or useful and convenient in connection  
20 with any project: the procurement of engineering, inspection,  
21 planning, legal, financial or other professional services, including,  
22 the services of a bond registrar or an authenticating agent: the  
23 issuance of bonds, or any interest or discount thereon; the admin-  
24 istrative, organizational, operating or other expenses incident to  
25 the financing, completing and placing into service, projects au-  
26 thorized by this act; the establishment of a reserve fund or funds  
27 for working capital, operating, maintenance or replacement  
28 expenses and for the payment or security of principal or interest on  
29 bonds, as the Director of the Division of Budget and Accounting  
30 in the Department of the Treasury may determine; and reimburse-  
31 ment to any fund of the State from which moneys may have been  
32 transferred or advanced to the fund or funds created by this act  
33 or of any moneys expended for or in connection with any project  
34 authorized by this act.

35 f. "Department" means the Department of Environmental Pro-  
36 tection;

37 g. "Project" means any work relating to shore preservation,  
38 whether undertaken singly or jointly by the State, a county, a  
39 municipality, or agencies thereof.

1 4. The commissioner shall adopt, pursuant to law, the rules and  
2 regulations necessary to carry out the provisions of this act. The  
3 commissioner shall review and consider the findings and recom-  
4 mendations of the commission in the administration of the pro-  
5 visions of this act.

1 5. a. Bonds of the State of New Jersey are authorized to be  
2 issued in the aggregate principal amount of \$100,000,000.00 for the  
3 purpose of financing the cost of State projects and the making of  
4 State grants and loans to counties and municipalities for the cost  
5 of researching, planning, acquiring, developing, constructing and  
6 maintaining county and municipal projects.

7 b. Of the total moneys available pursuant to this act, (1)  
8 \$70,000,000.00 is allocated for State projects and for State grants  
9 to counties and municipalities, or agencies thereof, for county and  
10 municipal projects, and (2) \$30,000,000.00 is allocated for State  
11 loans to counties and municipalities for county and municipal  
12 projects.

13 c. State grants to counties and municipalities, or agencies thereof,  
14 made pursuant to this act shall provide no more than 75% of the  
15 total cost of a county or municipal project, and the affected county  
16 or municipality, or agency thereof, shall provide the remainder.

17 d. State loans to counties and municipalities, or agencies thereof,  
18 made pursuant to this act may be used to provide the county or  
19 municipal share of State grants for county or municipal projects, as  
20 the case may be, made from the Shore Preservation Fund or other  
21 State funds appropriated or otherwise made available for similar  
22 purposes.

23 e. When a federal agency pays part of the cost of a project, the  
24 State and local share shall be computed after deducting the federal  
25 contribution.

26 f. Loan rates shall be established by the State Treasurer taking  
27 into consideration rates available in the capital markets for com-  
28 parable maturities and comparable credit quality. Local govern-  
29 ments may secure interim financing under this act to enable a project  
30 to be undertaken before permanent financing is secured or may  
31 secure permanent financing under this act with a final maturity  
32 related to the expected useful life of the project being financed.

1 6. The bonds authorized under this act shall be serial bonds, term  
2 bonds or a combination thereof, and shall be known as "Shore  
3 Preservation Bonds." These bonds shall be issued from time to time

4 as the issuing officials herein named shall determine, and may be  
5 issued in coupon form, fully registered form or book-entry form.  
6 These bonds may be made subject to redemption prior to maturity  
7 and shall mature and be paid not later than 35 years from their  
8 respective dates of issuance.

1 7. The Governor, the State Treasurer and the Director of the  
2 Division of Budget and Accounting in the Department of the  
3 Treasury, or any two of these officials, herein referred to as "the  
4 issuing officials," are authorized to carry out the provisions of this  
5 act relating to the issuance of bonds, and shall determine all  
6 matters in connection therewith, subject to the provisions of this  
7 act. If an issuing official is absent from the State or incapable of  
8 acting for any reason, the powers and duties of that issuing official  
9 shall be exercised and performed by the person authorized by law  
10 to act in an official capacity in the place of that issuing official.

1 8. Bonds issued in accordance with the provisions of this act shall  
2 be a direct obligation of the State of New Jersey, and the faith and  
3 credit of the State are pledged for the payment of the interest  
4 thereon as it becomes due and for the payment of the principal at  
5 maturity. The principal of and interest on the bonds shall be exempt  
6 from taxation by the State or by any county, municipality or other  
7 taxing district of the State.

1 9. The bonds shall be signed in the name of the State by the  
2 Governor or by the facsimile signature thereof, under the Great Seal  
3 of the State, which seal may be by facsimile or by way of any other  
4 form of reproduction on the bonds, and attested by the manual or  
5 facsimile signature of the Secretary of State, or an assistant Secre-  
6 tary of State, and shall be countersigned by the facsimile signature  
7 of the Director of the Division of Budget and Accounting in the  
8 Department of the Treasury and may be manually authenticated  
9 by an authenticating agent or bond registrar, as the issuing officials  
10 shall determine. Interest coupons, if any, attached to the bonds  
11 shall be signed by the facsimile signature of the director. The bonds  
12 may be issued notwithstanding that an issuing official signing them  
13 or whose manual or facsimile signature appears thereon has ceased  
14 to hold office at the time of issuance, or at the time of the delivery  
15 of the bonds to the purchaser.

1 10. a. The bonds shall recite that they are issued for the purposes  
2 set forth in section 5 of this act and that they are issued pursuant  
3 to this act and that this act was submitted to the people of the State  
4 at the general election held in the month of November, 1984 and  
5 that this act was approved by a majority of the legally qualified  
6 voters of the State voting thereon at the election. This recital shall

7 be conclusive evidence of the validity of the bonds and of the  
8 authority of the State to issue them. Any bonds containing this  
9 recital shall in any suit, action or proceeding involving their  
10 validity be conclusively deemed to be fully authorized by this act  
11 and to have been issued, sold, executed and delivered in conformity  
12 herewith and with all other provisions of laws applicable hereto, and  
13 shall be incontestable for any cause.

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

1 11. When the bonds are issued from time to time, the bonds of  
2 each issue shall constitute a separate series to be designated by the  
3 issuing officials. Each series of bonds shall bear the rate or rates of  
4 interest as may be determined by the issuing officials, which interest  
5 shall be payable semiannually; except that the first and last interest  
6 periods may be longer or shorter, in order that intervening semi-  
7 annual payments may be at convenient dates.

1 12. The bonds shall be issued and sold at such price or prices  
2 and under such terms, conditions and regulations, as the issuing  
3 officials may prescribe, after notice of the sale, published at least  
4 once in at least three newspapers published in this State, and at  
5 least once in a publication carrying municipal bond notices and  
6 devoted primarily to financial news, published in this State or in the  
7 City of New York, in the State of New York, the first notice to  
8 appear at least five days prior to the day of bidding. The notice of  
9 sale may contain a provision to the effect that any or all bids in  
10 pursuance thereof may be rejected. In the event of rejection or of  
11 failure to receive any acceptable bid, the issuing officials, at any  
12 time within 60 days from the date of the advertised sale, may sell  
13 the bonds at a private sale at such price or prices and under such  
14 terms and conditions as the issuing officials may prescribe. The issu-  
15 ing officials may sell all or part of the bonds of any series as issued  
16 to any State fund or to the federal government or any agency  
17 thereof, at a private sale, without advertisement.

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

1 14. The proceeds from the sale of the bonds shall be paid to the  
2 State Treasurer who shall hold these proceeds in a separate fund,  
3 which shall be known as the "Shore Preservation Fund." The  
4 proceeds of this fund shall be deposited in such depositories as may  
5 be selected by the State Treasurer to the credit of the fund.

1 15. a. The moneys in the "Shore Preservation Fund" are speci-  
2 cally dedicated and shall be applied to the cost of the purposes set  
3 forth in section 5 of this act, and all such moneys are appropriated  
4 for those purposes, and no such moneys shall be expended for those  
5 purposes, except as otherwise authorized in this act, without the  
6 specific appropriation thereof by the Legislature, but bonds may be  
7 issued as herein provided, notwithstanding that the Legislature has  
8 not adopted an act making a specific appropriation of any of the  
9 moneys.

10 b. At any time prior to the issuance and sale of bonds under this  
11 act, the State Treasurer is authorized to transfer from available  
12 money in any fund of the treasury of the State to the credit of the  
13 "Shore Preservation Fund," such sum as he may deem necessary.  
14 The sum so transferred shall be returned to the same fund of the  
15 treasury by the State Treasurer from the proceeds of the sale of  
16 the first issue of bonds.

17 c. Pending their application to the purposes provided in this act,  
18 the moneys in the "Shore Preservation Fund" may be invested and  
19 reinvested as are other trust funds in the custody of the State  
20 Treasurer, in the manner provided by law. Net earnings received  
21 from the investment or deposit of the fund shall be paid into the  
22 General Fund.

1 16. If any coupon bond, coupon or registered bond is lost, muti-  
2 lated or destroyed, a new bond or coupon shall be executed and  
3 delivered of like tenor, in substitution for the lost, mutilated or  
4 destroyed bond or coupon, upon the owner furnishing to the issuing  
5 officials evidence satisfactory to them of the loss, mutilation or  
6 destruction of the bond or coupon; evidence of the ownership  
7 thereof; and evidence of the security, indemnity and reimbursement  
8 for expenses connected therewith, as the issuing officials may  
9 require.

1 17. The accrued interest received upon the sale of the bonds shall  
2 be applied to the discharge of a like amount of interest upon the  
3 bonds when due. Any expense incurred by the issuing officials for  
4 advertising, engraving, printing, clerical, authenticating, register-  
5 ing, legal or other services necessary to carry out the duties im-  
6 posed upon them by the provisions of this act shall be paid from  
7 the proceeds of the sale of the bonds by the State Treasurer, upon  
8 the warrant of the Director of the Division of Budget and Account-  
9 ing in the Department of the Treasury, in the same manner as other  
10 obligations of the State are paid.

1 18. Bonds of each series issued hereunder shall mature, includ-  
2 ing any sinking fund redemptions, not later than the 35th year  
3 from the date of issue of the series, and in such amounts as shall

4 be determined by the issuing officials. The issuing officials may  
5 reserve to the State by appropriate provision in the bonds of any  
6 series the power to redeem any of the bonds prior to maturity at  
7 such price and upon such terms and conditions as may be provided  
8 in the bonds.

1 19. The issuing officials may at any time and from time to time  
2 issue refunding bonds for the purpose of refunding in whole or in  
3 part an equal principal amount of the bonds of any series issued  
4 and outstanding hereunder, which by their terms are subject to  
5 redemption prior to maturity, provided the refunding bonds shall  
6 mature at any time or times not later than the latest maturity date  
7 of the series, and the aggregate amount of interest to be paid on  
8 the refunding bonds, plus the premium, if any, to be paid on the  
9 bonds refunded, shall not exceed the aggregate amount of interest  
10 which would be paid on the bonds refunded if the bonds were not  
11 so refunded. Refunding bonds shall constitute direct obligations of  
12 the State of New Jersey, and the faith and credit of the State are  
13 pledged for the payment of the principal thereof and the interest  
14 thereon. The proceeds received from the sale of refunding bonds  
15 shall be held in trust and applied to the payment of the bonds re-  
16 funded thereby. Refunding bonds shall be entitled to all the bene-  
17 fits of this act and subject to all its limitations except as to the  
18 maturities thereof and to the extent herein otherwise expressly  
19 provided.

1 20. To provide funds to meet the interest and principal payment  
2 requirements for the bonds issued under this act and outstanding,  
3 there is appropriated in the order following:

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

7 b. If, at any time, funds necessary to meet the interest and  
8 principal payments on outstanding bonds issued under this act, are  
9 insufficient or not available, there shall be assessed, levied and  
10 collected annually in each of the municipalities of the counties of this  
11 State, a tax on the real and personal property upon which municipal  
12 taxes are or shall be assessed, levied and collected, sufficient to meet  
13 the interest on all outstanding bonds issued hereunder and on the  
14 bonds proposed to be issued under this act in the calendar year in  
15 which the tax is to be raised and for the payment of bonds falling  
16 due in the year following the year for which the tax is levied. The  
17 tax shall be assessed, levied and collected in the same manner and  
18 at the same time as other taxes upon real and personal property.  
19 The governing body of each municipality shall pay to the treasurer

20 of the county in which the municipality is located, on or before  
21 December 15 in each year, the amount of tax herein directed to be  
22 assessed and levied, and the county treasurer shall pay the amount  
23 of the tax to the State Treasurer on or before December 20 in each  
24 year.

25 If on or before December 31 in any year, the issuing officials, by  
26 resolution, determine that there are moneys in the General Fund  
27 beyond the needs of the State, sufficient to meet the principal of  
28 bonds falling due and all interest payable in the ensuing calendar  
29 year, the issuing officials shall file the resolution in the office of the  
30 State Treasurer, whereupon the State Treasurer shall transfer  
31 the moneys to a separate fund to be designated by him, and shall  
32 pay the principal and interest out of the fund as the same shall  
33 become due and payable, and the other sources of payment of the  
34 principal and interest provided for in this section shall not then be  
35 available, and the receipts for the year from the tax specified in  
36 subsection a. of this section shall be considered part of the General  
37 Fund, available for general purposes.

1 21. Should the State Treasurer, by December 31 of any year, deem  
2 it necessary, because of the insufficiency of funds collected from the  
3 sources of revenues as herein provided, to meet the interest and  
4 principal payments for the year after the ensuing year, then the  
5 State Treasurer shall certify to the Director of Budget and Account-  
6 ing in the Department of the Treasury the amount necessary to be  
7 raised by taxation for those purposes, which is to be assessed,  
8 levied and collected for and in the ensuing calendar year. The  
9 director shall, on or before March 1 following, calculate the amount  
10 in dollars to be assessed, levied and collected in each county as  
11 herein set forth. This calculation shall be based upon the corrected  
12 assessed valuation of each county for the year preceding the year  
13 in which the tax is to be assessed, but the tax shall be assessed,  
14 levied and collected upon the assessed valuation of the year in which  
15 the tax is assessed and levied. The director shall certify the amount  
16 to the county board of taxation and the treasurer of each county.  
17 The county board of taxation shall include the proper amount in the  
18 current tax levy of the several taxing districts of the county in  
19 proportion to the ratables as ascertained for the current year.

1 22. For the purpose of complying with the provisions of the State  
2 Constitution, this act shall be submitted to the people at the general  
3 election to be held in the month of November, 1984. To inform the  
4 people of the contents of this act, it shall be the duty of the Secre-  
5 tary of State, after this section takes effect, and at least 15 days  
6 prior to the general election, to publish this act in at least 10 news-  
7 papers published in the State and to notify the clerk of each county

8 of this State of the passage of this act: and the clerks respectively.  
 9 in accordance with the instructions of the Secretary of State, shall  
 10 have each of the ballots printed as follows:  
 11 If you approve of the act entitled below, make a cross (X), plus  
 12 (+), or check (✓) mark in the square opposite the word "Yes."  
 13 If you disapprove the act entitled below, make a cross (X), plus  
 14 (+), or check (✓) mark in the square opposite the word "No."  
 15 If voting machines are used, a vote of "Yes" or "No" shall be  
 16 equivalent to these markings respectively.

	<b>Yes.</b>	<p style="text-align: center;"><b>SHORE PRESERVATION BOND ISSUE</b></p> <p>Should the "Shore Preservation Bond Act of 1984" which authorizes the State to issue bonds in the amount of \$100,000,000.00 for the purpose of financing the cost of State projects and the making of State grants and loans to counties and municipalities for the researching, planning, acquiring, developing, constructing and maintaining of county and municipal shore preservation projects, providing the ways and means to pay the interest on the debt and also to pay and discharge the principal thereof, be approved?</p>
	<b>No.</b>	<p style="text-align: center;"><b>INTERPRETIVE STATEMENT</b></p> <p>Approval of this act would authorize the sale of \$100,000,000.00 in bonds to be used for State shore preservation projects and for State grants and loans to counties and municipalities for the development, construction and maintenance of county and municipal shore preservation projects.</p>

17 The fact and date of the approval or passage of this act, as the  
 18 case may be, may be inserted in the appropriate place after the  
 19 title in the ballot. No other requirements of law as to notice or  
 20 procedure, except as herein provided, need be adhered to.  
 21 The votes cast for and against the approval of this act, by ballot  
 22 or voting machine, shall be counted and the result thereof returned  
 23 by the election officer, and a canvass of the election had in the same  
 24 manner as is provided for by law in the case of the election of a  
 25 Governor, and the approval or disapproval of this act so determined  
 26 shall be declared in the same manner as the result of an election for  
 27 a Governor, and if there is a majority of all votes cast for and  
 28 against it at the election in favor of the approval of this act, then  
 29 all the provisions of this act not made effective theretofore shall  
 30 take effect forthwith.

1 23. There is appropriated the sum of \$5,000.00 to the Depart-  
2 ment of State for expenses in connection with the publication of  
3 notice pursuant to section 22.

1 24. The commissioner shall submit to the State Treasurer and the  
2 commission with the department's annual budget request a plan for  
3 the expenditure of funds from the "Shore Preservation Fund" for  
4 the upcoming fiscal year. This plan shall include the following  
5 information: a performance evaluation of the expenditures made  
6 from the fund to date; a description of programs planned during the  
7 upcoming fiscal year; a copy of the regulations in force governing  
8 the operations of programs that are financed, in part or in whole,  
9 by funds from the "Shore Preservation Fund"; and an estimate of  
10 expenditures for the upcoming fiscal year.

1 25. Immediately following the submission to the Legislature of  
2 the Governor's annual budget message, the commissioner shall  
3 submit to the General Assembly Agriculture and Environment  
4 Committee, the Senate Energy and Environment Committee, or  
5 their successors, and the Subcommittee on Transfers of the Joint  
6 Appropriations Committee, or its successor, a copy of the plan  
7 called for under section 24 of this act, together with such changes  
8 therein as may have been required by the Governor's budget  
9 message.

1 26. Not less than 30 days prior to entering into any contract,  
2 lease, obligation, or agreement to effectuate the purposes of this  
3 act, the commissioner shall report to and consult with the Sub-  
4 committee on Transfers of the Joint Appropriations Committee, or  
5 its successor.

1 27. This section and sections 22 and 23 of this act shall take effect  
2 immediately and the remainder of the act shall take effect as pro-  
3 vided in section 22.

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#### STATEMENT

This bill would authorize a referendum to approve a \$100,000,000.00 Shore Preservation Bond issue to be used for State shore preservation projects and for State grants and loans to counties and municipalities for the cost of researching, planning, acquiring, developing, constructing and maintaining county and municipal projects. State grants would provide no more than 75% of the cost of these projects, with municipalities providing the remainder. State loans to counties and municipalities may be used to provide the county or municipal share, as the case may be, of State grants available from the Shore Preservation Fund or other State funds for these purposes.

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# SENATE CONCURRENT RESOLUTION No. 120

## STATE OF NEW JERSEY

INTRODUCED SEPTEMBER 13, 1984

By Senator PALLONE

Referred to Committee on Energy and Environment

A CONCURRENT RESOLUTION proposing an amendment to Article VIII, Section II of the Constitution of the State of New Jersey.

1 BE IT RESOLVED *by the Senate of the State of New Jersey (the*  
2 *General Assembly concurring)*:

1 1. The following proposed amendment to the Constitution of the  
2 State of New Jersey is agreed to:

### PROPOSED AMENDMENT

3 Amend Article VIII, Section II by adding the following  
4 paragraph:

5 4. There shall be credited to a special account in the General  
6 Fund an amount equivalent to 1/6th of the revenue derived from  
7 the sales and use tax imposed pursuant to P. L. 1966, c. 30  
8 (C. 54:32B-1 et seq.) collected from all sources within the counties  
9 of Atlantic, Cape May, Monmouth and Ocean provided, however,  
10 the dedication and use of such revenues as provided in this  
11 paragraph shall be subject and subordinate to (a) all appropriations  
12 of revenues from such taxes made by laws previously enacted in  
13 accordance with Article VIII, Section II, paragraph 3 of the State  
14 Constitution in order to provide the ways and means to pay the  
15 principal and interest on bonds of the State presently outstanding  
16 or authorized to be issued under such laws or (b) any other use of  
17 those revenues previously enacted into law. This amount shall be  
18 appropriated from time to time by the Legislature, only for the  
19 purposes of paying or financing the cost of planning, acquiring,  
20 engineering, constructing, maintaining, reconstructing, repairing  
21 and rehabilitating State, county, and municipal shore protection  
22 projects affecting the beaches, dunes, riverfronts, bay fronts and

23 inlets of those counties. It shall not be competent for the Legisla-  
24 ture to borrow, appropriate or use this amount or any part thereof  
25 for any other purpose, under any pretense whatever.

1 2. When this proposed amendment to the Constitution is finally  
2 agreed to, pursuant to Article IX, paragraph 1 of the Constitution,  
3 it shall be submitted to the people at the next general election  
4 occurring more than three months after such final agreement and  
5 shall be published at least once in at least one newspaper of each  
6 county designated by the President of the Senate and the Speaker  
7 of the General Assembly and the Secretary of State, not less than  
8 three months prior to the general election.

1 3. This proposed amendment to the Constitution shall be sub-  
2 mitted to the people at the election in the following manner and  
3 form:

4 There shall be printed on each official ballot to be used at the  
5 general election, the following:

6 a. In every municipality in which voting machines are not used,  
7 a legend which shall immediately precede the question as follows:

8 If you favor the proposition printed below make a cross (×),  
9 plus (+) or check (✓) in the square opposite the word "Yes." If  
10 you are opposed thereto make a cross (×), plus (+), or check (✓)  
11 in the square opposite the word "No."

- 12 b. In every municipality the following question and interpretative  
 13 statement:

	Yes.	<p style="text-align: center;"><b>DEDICATION OF CERTAIN SALES AND USE TAXES FOR SHORE PROTECTION PROJECTS</b></p> <p>Do you approve amending Article VIII, Section II of the Constitution of the State of New Jersey to dedicate an amount equivalent to 1/6th of the revenue derived from the sales and use tax collected within the counties of Atlantic, Cape May, Monmouth, and Ocean, which has not been previously subject to any other use, to a special account in the General Fund, and authorizing the Legislature to enact laws appropriating these moneys only for the purposes of paying or financing the cost of planning, acquiring, engineering, constructing, maintaining, reconstructing, repairing and rehabilitating State, county and municipal shore protection projects in those counties?</p>
	No.	<p style="text-align: center;"><b>INTERPRETIVE STATEMENT</b></p> <p>If this proposed constitutional amendment is adopted, 1/6th of the sales and use tax collected in Atlantic, Cape May, Monmouth and Ocean counties will go into a special account in the General Fund, to be appropriated by the Legislature only for the purposes of paying or financing the cost of planning, acquisition, engineering, construction, maintenance, reconstruction, repair and rehabilitation of shore protection projects in those counties.</p>

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**STATEMENT**

The purpose of this proposed constitutional amendment is expressed in the interpretive statement.

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**SENATOR LAURENCE S. WEISS (Chairman):** Good morning, ladies and gentlemen. On behalf of the Senate Revenue, Finance and Appropriations Committee, I welcome you to today's public hearing. Before we begin I would like to make some introductions. The only legislator on the Committee who is here, at the moment, is Senator Pallone, on my left. On the Committee staff, we have Rosemary Pramuk; Tom Marshello, a member of the staff; and Alan Kooney, staff specialist. The other Committee members should be arriving at a little later this morning. I will introduce them as they arrive.

The subject matter of this hearing concerns the funding needs for shore protection and preservation. We hope to hear from you about the scope of the problem we face in New Jersey in preserving our beaches and shore for public use. We also hope to hear any suggestions or recommendations for solving some of these problems. In this context, the Committee has before it, for discussion purposes, pieces of legislation sponsored by my colleague, Senator Pallone. Senator Pallone is the Committee's resident shore expert, by virtue of his being a member from that area. The rest of us are seasonal or occasional interlopers, except for me. I am very close because I am from Middlesex County and the beach runs right in front of my house. But, nevertheless, we do share a concern for the irreplaceable resource of our beaches and that which it represents.

Senator Pallone's three bills suggest alternative methods for financing shore protection in a stabilized manner. Bill S-1948 would impose a 2% tax on motels, hotels, and campground rentals in the 87 shore municipalities to capitalize a Shore Protection Trust Fund. Bill S-2248 proposes a \$100 million shore bond issue to supplement the \$50 million program authorized by the voters in 1983, and \$10 million of that has already been allocated. Senate Concurrent Resolution No. 120 proposes a constitutional amendment to dedicate a portion of the sales tax collections in the four shore counties to shore projects. We welcome your comments on these, as well as other proposals that you might want to discuss.

In the way of housekeeping chores, I wish to inform you that this hearing is scheduled for half a day only. We hope to wind up at

noon because we have a regular Committee meeting beginning at 1:30 p.m. with a sizable agenda that may take us into the wee hours of the morning. Therefore, I would request that you keep your prepared testimony as brief as possible, so the Committee members may ask questions, and others will be afforded an opportunity to speak. If you have written testimony, please see that copies are available for the Committee's use and for the hearing reporters.

Thank you very much for your cooperation and, with that, I will call the first witness; he is Assemblyman John Hendrickson, Assistant Minority Leader, former Mayor, and present member of the Council of Eagleswood. John.

**ASSEMBLYMAN JOHN T. HENDRICKSON, JR.:** First of all, thank you very much, Senator, for allowing me to testify here today. I do not have any written testimony. When I heard that you were having hearings, I thought that I should come up to express my concerns, as an elected official of the shore communities of the great State of New Jersey and, of course, our wonderful county of Ocean.

I lean, at this time, to a portion of the sales tax. The explanation, I believe, is that the portion of the sales tax should be of a little broader scope than what the SCR is saying now — just for beach protection. When we have those northeasters and hurricanes, it not only does damage to our beaches and our dunes along our coast, but it also fills the mouth of the estuaries and channels for our sport fishing. These need to be open to keep the brackish water constantly flowing into the bay. If our estuaries are not dredged periodically, what is going to happen is that our water will back up and stagnate and will not have that ebb and flow. We will not know our bays and back bays as we know them now.

What I would propose is, not only shore protection, but a natural resources fund to be taken from a portion of the sales tax. Of course, that would have to go through Management and Budget as a fiscal note, so that we would have an idea of what we could sustain in bonding.

I believe we also have a lot of problems on the northern side of our State -- just lately -- with flooding. I believe that, with our

need for water, particularly in the northern sections-- Not too many years ago, we had to stop washing cars and so forth.

I think we should be taking a broad approach to our problems in the whole State of New Jersey, by using a portion of that sales tax. As much as possible could be used to replenish the bond money, rather than to continue bonding without a constant source.

We have always helped the large cities with safe and clean streets and law protection and so forth. It has been an obligation of the whole State. I feel our beaches -- and keeping the natural resources that we have in the back bays and our barrier islands -- are also important. I know an argument can be made regarding beach access. Like everywhere else, the beaches have to be maintained by that local municipality.

The great State of New Jersey is based on an ad valorem tax base. Through that ad valorem tax base, throughout the State of New Jersey, each one of the residential units adds to the residential tax base of that municipality. I don't believe those taxpayers can anymore bear the brunt of an increase in taxes than can anybody else in the State of New Jersey. When we start talking about ad valorem tax base, it is the greatest source of revenue. I know that we have had a lot of tax-study commissions. We have not been able to do much with it. I am adamant on the ratio of equalized-value formula. I don't believe it is fair to all the municipalities.

I tried to briefly give you an idea of what I think is the direction. I think we need a broad approach to a natural resources fund, which includes beach protection, dredging, and flooding problems in the great State of New Jersey.

Thank you for allowing me to testify. Are there any questions?

SENATOR PALLONE: I just wanted to ask you about this natural resources fund. In other words, instead of saying dedicating one-sixth or one penny on the sales tax in the four counties, we would simply use it for the whole State?

ASSEMBLYMAN HENDRICKSON: I believe that is the proper, fair approach, not knowing exactly how much money. I haven't had a fiscal

note on that side. But I believe it is an approach in the right direction, and that it will help us. I believe the State needs it.

SENATOR PALLONE: In other words, we could then use it, not only for shore protection, but for the lakes as well, for dredging and all the different things that come up periodically, with regard to natural resources.

I just want to ask you one thing. You mentioned something about using the money to pay off the interest on the bonds. For example, on our current Shore Protection Bond? The way the dedicated sales tax is set up in this bill, it would simply go into a fund that would be used for shore protection projects in the same way we currently use the money from the bond issue to pay for projects. You indicated that maybe we should use it, initially, to pay off the interest?

ASSEMBLYMAN HENDRICKSON: We should be using it to lower the interest rates in the bonding because of the problem in the amount of bonds that the State of New Jersey has out at this time. I believe we both understand that we cannot continually go in the direction we are going, in bonding for everything we need in the State of New Jersey. It is just not a way to go without inundating the future.

SENATOR PALLONE: One of the questions that came up with this broader natural resources fund was whether or not we would have to specify that a certain amount of the money be used, for example, for shore protection versus dredging or versus lakes. I know there was some concern on the part of the shore municipalities or municipal officials that if we did it on a large basis, we may not get that much for shore protection. I suppose we could build that into it.

ASSEMBLYMAN HENDRICKSON: There is no question that a percentage should be built in for shore protection. We also know that it is with our weather— It depends on what is actually happening to our environment, as to how much we need one year, or how little we need another year, in shore protection. I believe, over the years, that fund could be built and set aside; that would be a tremendous help to those municipalities that are hit by emergencies. I also believe that we ought to— I know that the Department of Environmental Protection

is looking for other ways of protecting our beaches. There has been a lot of thought given to another barrier reef being installed and so forth.

SENATOR PALLONE: Thanks a lot.

SENATOR WEISS: Thank you, Senator. John, I have a question for you. It was a very interesting comment you made before, about the estuaries and the back-up of water, when those estuaries in the flood plains are, in fact, filled with something else -- normally buildings and/or landfill or whatever. What about development in the shore areas?

ASSEMBLYMAN HENDRICKSON: We have the Wetlands Act of 1971 and 1972. Predominantly, our wetlands have been preserved and rightfully so. I believe we have learned a lesson that hindsight is better than foresight; you will not see too many more lagoon developments built in the State, I think, because of the problems we have had. But, the Wetlands Act has taken care of the development along our coast and the protection of our wetlands.

SENATOR WEISS: I gather, then, what you are saying is that you are satisfied that the Wetlands Act, CAFRA, and all are sufficient to keep us from being inundated by the next hurricane or the next few hurricanes or for the next 10 years?

ASSEMBLYMAN HENDRICKSON: I believe we have learned, like everybody else -- through hardship -- that in the shore areas we can now build in different areas. I don't have that kind of anxiety -- because of any fear of hurricanes -- for residential units being built. We do have the flood plain heights now on piling. There is a whole litany of things we are doing out there to protect ourselves.

You asked me about the wetlands; again, the wetlands have protected the saltwater marshes in the State of New Jersey. At the expense of the tax base of those municipalities, we had another law passed. I was not against the act, but the way it was addressed. We are losing the ad valorem tax base in our municipalities, because if you cannot use your land, you do not want to pay 100% taxes on it. That is a whole other scope. So when you ask if I am satisfied with the wetlands, I am satisfied that we have the protection there for our environment; I am not satisfied with the return to the municipalities.

SENATOR WEISS: I asked you that question because you were a former mayor of your town and I thought you would be conversant with it.

ASSEMBLYMAN HENDRICKSON: We are just putting sewers down there now to try to protect it more. It is very important to us -- if I may take another minute -- on the western side of the bays to keep our estuaries open as far as dredging goes. It is not only for the sport-fishing industry, but it is for our commercial hard-shell clam and oyster industry -- the whole thing -- in order to allow the egress to the bays. More importantly, or just as important, is to keep those estuaries open so that we get the flow of the brackish water to maintain the environment of the bay.

SENATOR WEISS: Thank you very much.

ASSEMBLYMAN HENDRICKSON: Thank you.

SENATOR WEISS: Thanks for coming today.

Mr. Bodnar of Treasury, are you here to testify or just to listen?

MR. BODNAR: Just to listen.

SENATOR WEISS: Okay. We are going to spend your money so be careful.

Senator Pallone?

SENATOR PALLONE: I just wanted to briefly give a little rundown about the three pieces of legislation and why I think they are important. Obviously, those people who are here representing shore municipalities -- legislators, mayors, councilmen, freeholders, or whatever -- know that we have a definite problem: We do have inadequate funding right now for shore protection. Estimates vary, in terms of well over \$100 million, for needy shore protection projects that are on the books, that have been applied for through DEP, and that really need to be done. So, even with the current bond issue, which was passed in 1983 for \$50 million, if we were to spend all of that money today, we know that we would have a shortfall of well over \$50 million for needed shore protection projects.

I think the reason why so many people in the shore area have asked me, and have asked their other legislators, for some sort of

stable funding for shore protection is because they recognize that without that stable funding source forthcoming, within the next few years, we are simply not going to have enough money for shore protection. We have traditionally, in this State, relied upon a series of bond issues as the mechanism for funding shore protection. What that means is that we haven't traditionally relied upon general revenue sources or annual appropriations for shore protection. The reasons for that are varied. But, in order for us, in the future, to come up with enough money, on an annual basis, for shore protection, I think the feeling is that we can't continue to rely on bonds. We can't expect a lot of money to come from general revenue sources, but rather we have to look for a stable funding source.

My own preference, after talking to various legislators-- I know this has been going on now for years, and some of you have been to several conferences in the past year where we discussed the subject. My own impression is that the overall preference is for a dedicated sales tax. That is why I put forward one of the proposals which is before you this morning: taking one-sixth or one penny from the six-cents sales tax, in the four coastal counties -- Monmouth, Ocean, Atlantic, and Cape May -- and dedicating that, through a referendum that would have to go to the voters, to shore protection projects. That is the ideal situation, and I would like to see us, as legislators from the shore area, push for that as the preferred alternative.

However, I think, at the same time, we have to recognize that there may be other alternatives. One of the other things that I have put forward, and which is before you today, is a hotel, motel, and campsite tax -- or what is known as a resort tax -- which, unlike the sales tax option, would generate a new source of revenue. We know that whenever you are going toward existing revenue sources -- through the sales tax or through some other mechanism -- you are going to run into people from other parts of the State, who are going to say, "If we dedicate the sales tax, or a portion of it, in your county, I may want to use it in my county for education, housing, or other purposes."

It seems to me, the advantage of hotel and motel taxes is that, with them, you are generating a new source of income. It is a 2% tax on hotels, motels, and campsites in 87 municipalities, which have been identified in a survey that was put out in March of this year by DEP. If anybody would like to have a copy of that, we would certainly furnish it to you, or we would furnish it through DEP. The 87 municipalities, with the exception of one municipality, are in the same four coastal counties. In addition, there is one town in Burlington County which is also on the coast.

The idea with the hotel and motel tax is that we would take this money and put it into a Shore Protection Fund, which could only be used for projects in those 87 municipalities. Another advantage of it is the fact that the money would be used without requiring a match from the local municipality. As you know, presently, if a municipality -- for example, Allenhurst -- applies to the DEP or to the State and wants a shore protection project, the State will put up 75%, but the local municipality has to put up 25%. This would not require that. This would have the money 100% funded through the Shore Protection Fund. Similarly, if there are Federal matching funds available, the State and local match would come exclusively from this fund.

I, frankly, think that we should look at the hotel and motel tax as an alternative to the sales tax, only because of the fact that it may be more easily salable to the rest of the State.

However, there is another thing which I think should be recognized today -- and I know that Senator Van Wagner is going to be here later and indicated he would like to talk about this briefly -- and that is, we do have to look in terms of using general revenue funds, in part, to finance shore protection.

In other words, whether or not we go ahead with the sales tax alternative, dedicated sales tax, hotel and motel tax, or any other stable funding source, I would like to see us come up with a formula for the use of general revenue funds, in order to match whatever is raised through a stable funding source. If we come up with a one-cent dedicated sales tax, I think that we should look into the possibility of coming up with a formula which would match that money with general

revenue funds. The reason for that is simple: We, in the shore area, of course, should put up some of the money to finance shore protection projects, whether it is through a dedicated sales tax, a hotel tax, or another proposal. At the same time, I think, on a State level, there should be a recognition that State funds should be used on a Statewide basis for shore protection. So, I would recommend that whatever proposal is used for stable funding, some sort of general revenue formula be attached to it, on an annual basis.

I wanted to stress, again, that because we do have a backlog of projects, we may also have to think in terms of another bond issue.

The third proposal that is before you today is a \$100 million dollar bond issue, which is very similar to the \$50 million one that was passed in 1983. Again, that \$100 million figure was taken simply from the fact that we have \$100 million worth of backlog projects in the State which need to be funded. In other words, even though we may be talking about a stable funding source with the need, for example, of \$20 million to \$30 million to fund projects on an annual basis, we still have to recognize that there is a backlog of \$100 million worth of projects today for shore protection.

Another thing which we should look into is the possibility of clearing up that backlog of projects through another bond issue, and then using the stable funding proposals, on an annual basis, after those projects are cleared up. You may all say, "There is a lot of money involved here." We are talking about a lot of money. I have had mayors, councilmen, and freeholders from the various counties of the shore say to me, "We have this project and it is not being funded; it is an expensive project, and our tourist industry is dependent on it." Then, I think it is incumbent upon us, as legislators, to think in terms of these funding proposals, even if they do amount to a sizable amount of money.

I know that various proposals have been put forth about how much money we really need. Just based on what I have seen, I think we really do have to think in terms of a revenue source that is going to bring us \$20 million to \$30 million a year and not less than that, based on the proposals which I have seen so far.

I asked Senator Weiss to hold this hearing today because I know that many of you want to address these various issues. I am very happy to see that he was kind enough to have this Committee hearing. Obviously, these proposals which I have mentioned are only some of the things that can be considered. I know that there are various others out there. I would encourage anybody who has a proposal to talk about that as well, and not simply to focus on the ones before the Committee. Thanks again.

SENATOR WEISS: Thank you, Senator. I would like to introduce Senator Leanna Brown who has arrived. Good morning.

SENATOR BROWN: Good morning.

SENATOR WEISS: The next speaker is Mr. John Weingart, Director of Division of Coastal Resources.

JOHN WEINGART: Thank you. Good morning.

SENATOR WEISS: Good morning.

MR. WEINGART: I would like to start by congratulating the Committee for holding this hearing. As you know, we are now spending money from the second shore protection bond issue ever approved in New Jersey. The first one was approved in 1977. No one really began to focus on how to pay for shore protection after that bond issue was exhausted; those funds were basically exhausted in 1982.

We just approved another bond issue last November, and we have just begun to spend the money from that. We have money to spend for another two to four years under that bond issue. I think it is an appropriate time to begin to talk about what we are going to do when those funds are exhausted. I am delighted that this hearing is being held. Other meetings like this have been held over the last few months in different locations.

Senator Pallone just gave you a brief history of shore protection funding in New Jersey. The last major coastal storm in New Jersey was in 1962. New Jersey got a large infusion of Federal funds, which basically carried the State through the 1960s. As those funds got to be exhausted, the State turned to the Legislature for additional appropriations; those appropriations were not forthcoming. There were annual appropriations of less than \$1 million each year. Sometimes

there were no appropriations at all. That led to the proposal for a bond issue in 1977 and, again, for a bond issue in 1983.

After the bond issue was passed in 1983, we held a number of public hearings around the shore to ask local officials and local residents for their suggestions as to how that money should be spent. That is how we got the list of \$100 million worth of projects that Senator Pallone referred to. We had local officials come to very well attended public hearings and ask for projects which totaled over \$100 million when the bond issue was \$50 million, of which \$10 million was for loans; only \$40 million was for grants.

I think the figure that Senator Pallone just gave of a need for \$20 million to \$30 million a year is accurate. I think there are a number of principles which, I think, should be in the shore protection funding proposal. I would like to run through those principles and to talk a little bit about the three specific proposals before you. From my point of view, I think it is premature to endorse a specific proposal at this point. For one thing, I think, any approach to shore protection has to recognize that we are not talking about a solution. We, in the DEP, are not claiming that if you give us a certain amount of money, we are going to solve the problem. We are saying that we have a continuing need here, like repaving a road. The beach is going to migrate, it is going to move, and this is going to happen no matter what we do and no matter what we put on the shore. We are not going to take money and buy sand and glue it to the beach. It is going to go away. From year to year, we can't estimate exactly what the expenses will be. Some of the projects will work very well and last for five to ten years, if we are lucky. Others will be unlucky, and they will last less than a year. I think everyone should realize, in going into it, that this is what we are talking about. I think that kind of program is worth it because of the benefit the shore gives to New Jersey residents and the benefit which the tourist economy gives to the State as a whole.

The report, which Senator Pallone mentioned, estimates that the tourist economy contributes \$5 billion a year to the State's economy. We are talking about \$15 million to \$20 million a year for shore protection; that is obviously a small portion of that.

The second principle, I think, which should be a part of any shore protection funding proposal is to recognize that shore protection benefits the State as a whole, but it benefits shorefront municipalities the most. That is recognized in the current arrangement where the State pays 75% of the cost of the project, and the shorefront municipality, itself, pays 25%.

The third principle, I believe, is that we must look to generating that new source of funding to pay for shore protection. Traditionally, when shore protection had to compete with all the other needs of the State in the legislative appropriations process, shore protection lost out. Shore protection is likely to gain more if we can come up with a source of funding that is somehow related to the coast and is an additional funding that was not coming in previously.

Fourth, I think we do not need a new agency for shore protection. Some of the proposals you will hear about today, I imagine, will talk about the need for some kind of new agency. I think the Department of Environmental Protection is well set up now to administer shore protection funds. The only difficulty we would have is if funds come in erratic amounts. We would then have a difficult time gaining the necessary staff to spend those funds. That is to say, if we were suddenly to get a large infusion of funds for one year, we would have difficulty determining whether or how to hire staff to spend those funds, knowing that those funds may not be there two years from now, and what would we do with the staff we just hired? That is one of the reasons why a stable, continuous source of funding would enable us to better implement the shore protection program.

Fifth, I think we need to recognize that we have a Shore Protection Master Plan in place in New Jersey. There is not a need to do a massive study as part of any funding alternative that is developed. We have a Master Plan; we are the only State in the country to have such a plan. It talks specifically about each area of the shore and the best approaches to shore protection in those areas. The plan is flexible so that as events and knowledges change, we can accommodate those changes in the plans.

That plan recognizes a number of things which I think should be part of any shore protection program. It is part of the shore protection now and it should continue to be; that is, the dune protection and land-use practices along the shore should be part of the consideration of any shore protection funding. Shore protection State money should not go to maintain or improve a beach in an area where land-use decisions are going to waste that money or cause that money to be wasted even faster.

Related to that, public access should be assured for all residents in the State on any beach at which the State spends money for shore protection. That is the case now, and I believe that should continue.

Shore protection funding should provide flexibility; it should provide the Department of Environmental Protection with the ability to respond to emergencies, including hurricanes. It should mean that if there is a storm -- as there was this weekend -- and if that storm had been worse, we should be in a position to be undertaking projects today to repair some of that damage from the storm. Fortunately, that was not necessary, but that kind of flexibility should be in a program.

Related to that, we should be able to respond to new situations. Senator Bradley was able to attach \$2 million in Federal money for dune creation and dune protection. A budget bill was just signed by the President last month. That money has to be matched by 20% in State money. We should have a shore protection process that allows the Department of Environmental Protection to match those funds whenever possible.

Programs should provide predicability in terms of funding -- which I mentioned before -- and in terms of staffing so that we can prepare for a project: do engineering studies one year, knowing that we are likely to have the funds to do the project the next year.

Lastly, the process should provide a means for the State to continue to work closely with the affected municipalities and counties and with the Corps of Engineers so that we can attract any available Federal money, and also attract the expertise of the Federal agencies to projects we undertake.

Those are the factors I think should be considered in the shore protection funding bill. Regarding the specific proposals before you today, the bond issue, I think, is inappropriate. Having spoken to numerous groups last year when the bond issue was being debated, there was wide public skepticism about the use of bonds to pay for sand, when you know it is a continuing expense and you know you are going to have to do it for the foreseeable future and beyond. I think that argument is still there. Regarding the notion that we have a need of \$100 million, this really isn't a backlog, in the way that the dredging projects, for example, might have a backlog. It is a continuing need. If we did those projects, we would still have a need for projects, of a large scale, for the future. We are also not in a position administratively to take an infusion of \$100 million and spend it in a year or two and catch up.

A proposal for a sales tax is related to the notion of generating new funds. I will leave that to members of the Committee, but I think, again, a proposal that would generate new funds would have a larger chance of success.

That brings us to the third proposal of S-1948 for a hotel, motel, and campground tax. I think this is a promising alternative, and I would like to see and participate in more discussions on that. One suggestion I would make, to begin with, is that seasonal homes be added to that proposal. Obviously a large number of people who use the shore are those who rent seasonal homes, really on the same basis as they do hotels, motels and, to some extent, campgrounds.

Lastly, I want to refer to the natural resources fund idea that Assemblyman Hendrickson mentioned. That idea has also been suggested in a different form by local officials in Stone Harbor and Cape May. Their proposal would be a statewide funding source of some sort that could be tied in, not only to shore protection and dredging, but also to Green Acres, and be a dedicated fund which would eliminate the need for both Green Acres and shore protection bond issues in the future. As the Stone Harbor officials proposed it, there would be a tax on the sales tax. Another possibility would be a Statewide hotel and motel tax that would go into some kind of fund like that.

As I said in the beginning, I think it is a little premature for me to say one proposal is the best, at this point. I think there are other ideas that may come forward.

Again, I congratulate you on all these hearings. I would be happy to answer any questions.

SENATOR WEISS: Thank you very much, John. Senator Pallone, do you have any questions?

SENATOR PALLONE: I just want to ask you two quick questions. You mentioned a separate authority. I agree with you that we should simply be looking for a mechanism to fund shore protection projects. We can use the traditional process of having the Legislature appropriate funds, based on a priority list that is recommended by DEP, without the necessity of having either a State or a regional authority. But, I was just going to ask you, John, what do you see as the advantage of not moving to an authority approach, whether it is a State authority or regional authority? Obviously you have a vested interest; you are in DEP and you are the head of the Coastal Resources.

MR. WEINGART: I guess, to begin with, the notion that if something is not broken, don't fix it. With the process we have at DEP, we are now able to spend the shore protection funds, and I think that works. Also, I think there are Statewide interests in shore protection that need to be protected. While a local agency could be structured so that would happen, I think that would have to be carefully done. The notion of dune protection and public access to the beaches have traditionally been things that some municipalities have not paid as much attention to as, I believe, the Legislature and the State as a whole would want them to. A State agency is in a position to do that.

There is also a tremendous amount of folk wisdom about shore protection and a tremendous number of proposals of how things should be done. The State now has expertise to evaluate those proposals, and we certainly rely on the expertise of many municipal officials, consultants to municipalities, and so forth. But, it doesn't seem to be practical to assemble another staff to do that when there already is a staff that can do that.

SENATOR PALLONE: I have one other question. I just want the Committee to be aware, as part of the testimony, of the Federal Disaster Declaration and the money that came from that, as a result of the March storm of this year. Many representatives of the municipalities said to me, "We got so much money, but it was a shortfall; we didn't get as much as we needed to put our beaches and our structures back to what they were before the March storm." One of the main concerns was that they didn't get money for beach restoration. They may have gotten it for a structure, a pavilion, or a bulkhead, but not for replenishment of the beaches. To what extent is that true? Was money available for beach replenishment from the Federal Disaster Declaration?

MR. WEINGART: To a large extent, that is true. The Federal Emergency Management Agency has a policy which the State has strongly disagreed with. We didn't know that it existed until the March storm came up, that they would not reimburse money — or not pay money — for putting sand on beaches. They would pay for repair of structures. It is a policy which seems, to me, contradicts much of the other policies of that agency. It certainly contradicts the policies of the State, that often beach restoration is the most effective means of shore protection. The policy they adopted after the storm is still under review, and now more than six months after the storm, we still don't have answers to many of the questions asked or requests made as a result of the storm. Their policy, so far, has been largely to pay for structures. Sometimes, structures have even been sandfencing, which I think has been good, but not for sand itself.

SENATOR PALLONE: And as a consequence, a lot of the municipalities were not able to replenish their beaches which were damaged.

MR. WEINGART: Both the municipalities' and most of the State's requests for reimbursement were not granted.

SENATOR PALLONE: Thanks a lot.

SENATOR WEISS: Thank you very much, John.

Next, we have Assemblyman Kline, District 2. Good morning.

**ASSEMBLYMAN J. EDWARD KLINE:** Good morning, Senator Weiss and Committee members. I am here today as a State Assemblyman in District 2, but I am also here today as the Mayor of the City of Brigantine, which is a shore community north of Atlantic City.

I am here today in favor of the bond issue. I am speaking on behalf of District 2 and the City of Brigantine. We favor this particular bond issue to help in restoring the beachfront communities which have been damaged by storms, erosion, and other problems.

I am also here today to speak of experiences I have had as a mayor of a shore community. I have been an elected official in the City of Brigantine for five years. Since I have been in City Hall as the mayor, I have instituted a Dune Management Plan. I have brought up a copy from my office. If copies are needed for the Committee, I will make them available. We have spent over \$50 thousand on this Dune Management Plan for the City of Brigantine.

Over the years, the previous mayor, John Rogge, started a plan with the State of New Jersey on building jetty groins, jetty rocks, or timber groins every seven blocks within the City of Brigantine. He came up the beach and constructed seven of those structures, and it has built our dunes tremendously, and our beachfront. We have a very good beachfront, and I am very proud of it. And, I am proud of the dune system that we have in the City of Brigantine.

Funds ran dry. The State's help stopped, and we never completed our every-seven blocks of jetty rocks. At the north end of the island in the City of Brigantine, we need two more jetty groins. We would be applying or working with the State of New Jersey on whatever funding would become available, through either a bond issue or a new tax through the sales tax, or whatever. Over the past few years, the City of Brigantine has spent \$50 thousand on a Dune Management Plan. We also have spent almost \$200 thousand on floodgate valves and flood controls in the back bays of the City of Brigantine.

In our Dune Management Plan, we have stepped forward -- and I believe I was told we were one of the only towns along the Jersey coast that had designed and planned a building restriction line -- and

planned by saying what a dune was, where the dunes are not to be touched, what is buildable ground, what is unbuildable ground, and what are considered dunes. Most communities will not do that. It does cause problems with your local developers or realtors and different people involved in the community because you are now setting the law down on what is buildable and unbuildable. We stepped forward and did that. We designed this Dune Management Plan and put in a building restriction law. We spent many dollars. We have cooperated with the DEP and with the State of New Jersey by trying to work together in the management of our dunes and protection of our island. We are now to the point where we have spent, out of city funds, many thousands of dollars. We are now to the point where we would like to continue with our jetty groins, but we need a plan or moneys to become available for the City of Brigantine so that we can move and construct such jetty rock systems.

Our community would work with a plan — partially State-funded and partially city-funded. We can live with that. We understand that some communities have other problems. Our major concern is our dune system and the protection of our beachfront. Therefore, we will place this as a top priority. Our residents would rather see us, in the City of Brigantine, go for a year or two without paving a few streets and put that amount of money toward a State-cooperation plan on dune systems. We will support any kind of funding.

Also, in the City of Atlantic City we have lost a great amount of beachfront near the Bally Hotel Casino. If any of you ever go to the broadwalk, walk in front of the Bally Casino, and you will note that the ocean is now right up to the broadwalk. I grew up in Atlantic County; on many days I could go to the broadwalk in Atlantic City and there was a good walk to the waterfront. There was plenty of sand; there was a couple of hundred yards of sand before you hit the water's edge. This particular area, now, has the ocean directly right up to the broadwalk. Atlantic City will be in great need, in the near future, of some kind of protection plan, or the broadwalk will be in jeopardy in Atlantic City. We all know that Atlantic City is the new shining diamond in this State. The spotlight is on Atlantic City from

casino gaming. This is an area where, I believe, the State of New Jersey should be cooperating with Atlantic City. They should work together. We should have some plan put forward for the management of the beachfronts in Atlantic City. We cannot do that without funding.

Therefore, I am here today to push for support for this bond issue that is before us and what the public hearing is on. I am also here to say that we must continue with a yearly plan of funding for beachfront protection. Thank you. Are there any questions?

SENATOR WEISS: Thank you very much. Assemblyman, I don't have a question for you, but thanks for coming and testifying. I know what you are talking about. I have been in Brigantine a number of times.

ASSEMBLYMAN KLINE: You are welcome in Brigantine any time.

SENATOR WEISS: Thank you.

Next, we have Dr. Norbert Psuty.

DR. NORBERT PSUTY: Good morning. Mr. Chairman and members of the Committee, I am here to speak in behalf of continuing support for shoreline protection and shoreline management in the State of New Jersey. Perhaps my views are slightly different, as I identify what I think are some of the important problems within the State.

I don't think that the issues associated with shoreline management in the State of New Jersey can be solved entirely just by throwing money at the shoreline or at the problem. It is a continuing problem. It is one that the State of New Jersey has faced for many years and will continue to face in the future. Basically, there is a combination of an insufficient amount of sand at the shoreline and a long history of development in which we really sort of put the structures at the water's edge. The problem can't be solved until we either recognize that we have to do something to put the sand back in place on these beaches or try to change something which we refer to as a sediment budget. I think it is something which has to be done by virtue of a phenomenon called "beach nourishment."

My own background is that of working in shoreline management, shoreline protection, and sedimentation. I am a geographer and geologist at Rutgers University. I am the Director of the Center for

Coastal and Environmental Studies. I have been working in the area of coastal geomorphology for about 25 years, and specifically in New Jersey, since 1969. We have done a variety of studies up and down the shoreline of New Jersey. We have done studies in other areas, so we have some ideas about the relative importance and relative dynamics of the shoreline for New Jersey. I think I have a good handle on the kinds of situations that we find within the shorelines of New Jersey.

I also think, similar to the previous speakers' testimony, that we won't really have a solution to the problem until we start looking at some Statewide guidelines toward shoreline management. I think it is very difficult to approach this on a community-by-community basis. I think Statewide guidelines for dune management and beach management are necessary. I think that has to happen, if you are going to approach this on more than an unit-by-unit or ad hoc basis.

I further suggest that, in the process of reacting to shoreline erosion and of storms, for example, we, as a State, need to look at the kinds of approaches that we are applying. That is, we need to evaluate the variety of things which we are doing so that if, in fact, there are favorable situations, we can repeat them. But if, in fact, we are exacerbating the problem by putting in structures that just increase erosion hazards, we need to know that as well.

I think we, as a State, need to work closely with our shoreline communities to be available to evaluate some of the small programs that they have going, whether they are sandfencing, bulldozing the sand to create dunes, or just attempts at putting Christmas trees up, for example. None of these things have really been identified as being effective in producing coastal dunes, over a long period of time. I think that, as a State, we need to do something to help these communities in terms of, what I call, their ad hoc approaches to shoreline management. They are short-term. They are inexpensive. They may or may not work. We really don't have a handle on them.

I conclude by indicating that I think we need to look at something which is a little further down the road, and that is the issue which was posed before: post-disaster planning following major storms and major modifications of the shoreline. I really think that

the State owes it to citizens to have some kind of plan to put into effect so that, in fact, we don't repeat the same mistakes of the past and we don't have the same structures going back into the same hazardous locations, thus merely prolonging this effect of disaster which could occur over and over again. Those are my comments.

SENATOR WEISS: Thank you very much, Dr. Psuty. I somehow got the impression, through your comments, that if you could have, you would have said, "Let's put the barrier islands back the way they were and take all the buildings and move them back 6 miles, or whatever it takes, to get them off the shoreline." Is that really what you are saying?

DR. PSUTY: I don't think that is the point I am trying to make. I do think there is a hazardous area which is near the shoreline. I do think we have structures which are just sort of at the water's edge. There is very little that can be done, unless we are going into really massive sand nourishment programs to protect those buildings which are at the water's edge.

I think in terms of long-range planning and post-disaster planning, you have to come back to a concept of producing a buffer between the beach and the next area of development, whether it be casinos or residential developments. It doesn't really matter. I do think there has to be some buffer zone, whether it is dunes, construction setbacks, whatever. I do think there is opportunity for residential development and commercial development to exist side by side in the barrier islands. I don't think you have to abandon the barrier islands and just sort of let them go. But, I don't think the entire island is adaptable to having development on it. I don't think that you should have development near the water's edge and, therefore, I think there is a necessity to have some sort of buffer zone or setback area in the construction on the barrier islands.

SENATOR WEISS: Dr. Psuty, do you think that we can stabilize the shoreline and, at the same time, encourage development so that we don't defeat our purpose?

DR. PSUTY: In the long-term -- the long-term meaning decades -- I don't think it is possible to stabilize our shoreline. I think

the deficits of sediment are so great that we, as a State and really as a nation, cannot afford the massive inputs of funds that it would take in order to really stabilize the shoreline. I do think there are some areas where essentially high values and tremendous use would make it possible to do that. I would think that developed areas, such as Atlantic City, with the tremendous capital which is invested there, might be able to afford the stabilization, as Miami Beach has, for example. I don't think that the values that are represented by structures of single-family residences would really provide the basis for investing huge amounts of money in shoreline stabilization. I do think that it is something which has to be taken up on a case-by-case basis, but in the long-run, the history of shoreline change is such that these islands are moving underneath those buildings. Our attempts at stabilization have shown that we just can't stop the process. We can try to live with them. We can try to plan for the changes, but I don't think we can stop the process.

SENATOR WEISS: Thank you. Are there any questions?

SENATOR PALLONE: I just want to ask one question. You seem to be implying that perhaps we need to do a little more research for some alternative for shore protection, in terms of dune restoration and beach restoration. I generally get the impression that the answers are all there and all we need is the money. But you seem to imply that isn't the case and maybe we should be spending a little money on a few more studies.

DR. PSUTY: Yes, but not just studies. I think there are two aspects here: one, there are a number of programs in effect right now that really need evaluation; that is a kind of study to determine whether or not it is achieving the objective for which it is originally planned. I think, for example, some of the programs within the shoreline management plan need evaluation following their implementation, rather than just saying, "It is good and we have done it, and now we will go on to the next priority item." I really think we owe it to the citizens of the State to be able to evaluate what it is we are doing at the shoreline. So, that is one type of study.

In addition, I think there is opportunity for studies that would, for example, show the effectiveness of dune stabilization, as well as the effectiveness of planting sandfences to essentially produce the effective barriers that we need to protect our communities against storm surge and mass erosion.

I do think there are some areas for study. I think there is research we can do within the State which is rather unique. Our State, among the rest of the states in the country, has one of the higher levels of development of the shoreline. We don't react as a natural shoreline. We can't really go to Cape Hatteras and take the data from there and apply it to the State of New Jersey. We really have to find out what is occurring in our State. Are these groins and structures producing different responses to the waves and currents off our shoreline? In that sense, we really have to generate some new information.

I think we, as a State, are in an advantageous position to produce information which, in fact, will eventually become valuable to the rest of the country. We will be in a position of experiencing a lot of these problems before many other portions of this country will be. We are in a position of being able to take advantage of this developed scenario which we have along our shoreline, as far as finding out a little more about what happens in developed situations and making use of that information on a national basis. I really think we are in an excellent position for that.

SENATOR WEISS: Thank you very much, Dr. Psuty. I appreciate your testimony.

Dr. Villane, Assemblyman. Good morning.

**ASSEMBLYMAN ANTHONY M. VILLANE, JR.:** Good morning, Mr. Chairman, Senators, and staff.

SENATOR WEISS: How are you?

**ASSEMBLYMAN VILLANE:** I am fine, thank you. How have you been, Senator?

SENATOR WEISS: Fine, thanks.

**ASSEMBLYMAN VILLANE:** we haven't seen so much of other since the Appropriations Committee ended, but it is nice to see you again.

SENATOR WEISS: It has been a while.

ASSEMBLYMAN VILLANE: I would like to thank you for the opportunity to be here today. It is a favorite subject of mine. As you well know, I represent 24 municipalities in Monmouth County, 21 of which border on the water.

I had to chuckle just a bit at Dr. Psuty. It seems like researchers always like to do more research. It seems like people who happen to be in the academic area think that academic study is the best way to spend dollars.

SENATOR WEISS: You like to fix teeth.

ASSEMBLYMAN VILLANE: That is right. (laughter) Except I don't work for the State and ask them to support me; do I? I work for myself.

Let me just tell you generally about the philosophy. There are a couple of philosophies about shore protection. One of the philosophies is to move to Pennsylvania and let nature take its course. Another philosophy is, perhaps, we can live side-by-side with erosion and shore protection, and maybe we ought to help Atlantic City because it is generating a lot of dollars and it is a showcase. Maybe we ought not to help Brigantine because it is a little town and there aren't too many people; maybe we ought to let Monmouth Beach and Sea Bright float out to sea.

I represent 186,000 people who live primarily on the coast. I think it is my job, as a representative in the State Legislature, to provide the dollars to do those things that have been scientifically proved capable of being done to protect our shores.

The philosophy goes on a little bit further. The philosophy is: Are you willing to make an investment in shore protection, seeing how tourism, fishing, and recreation generate about \$8 billion a year in revenue in the State of New Jersey? I think that states, like Florida, have recognized that the tourism business is worth the input of dollars for shore protection. States like Florida have done offshore mining and have made an investment in their tourism business. They have made an investment in shore protection. Those things are possible, plausible, and are being done all over.

Historically, before 1977, New Jersey never had a general appropriation of more than \$1.2 million in the Shore Protection Fund. Since the passage of the original shore protection bill of \$20 million in 1977, there hasn't been a single annual appropriation on a regular basis from the General Fund.

Last year, as you know, Senator, you helped me get a bill through the Senate which provided \$50 million for shore protection. I really look at the \$50 million bond issue that was passed last year as emergency funding to give us some time to provide a permanent source of funding for shore protection. We need a permanent basis, whether it is a commitment by the State of a portion of the sales tax, a tax on hotels and motels, or a user fee for people who use the beaches. Whatever it is, we need some permanent source of funding.

As John Weingart mentioned, it is very difficult, on an annual basis, to study and work with the dynamics of shore erosion when you don't know where your next dollar is coming from, or if, indeed, there is going to be a next dollar. We have a little time now to do it because we have some \$40 million left in the appropriation process because of the bond act. This gives us some time to work on shore protection and a permanent source of funding.

There are a lot of things to do. You ought to know how shore erosion happens. Geologists study and tell you that the water level is rising because the icebergs are melting. Other people tell you that the water is drying up and that the planet is getting hotter. Lots of those things are long-range and kind of theoretical and academic, but the bottom line is that the shores are eroding because government and man have done things to the natural source of supply of sand. We have closed up the inlets to many lakes, ponds, small rivers, and creeks all over the coast of New Jersey. We stopped the natural opening of barrier islands because of the development. We have not allowed the Shrewsbury and the Navesink Rivers in Monmouth County to flow directly into the ocean, thus bringing the sediments from upland down to the beaches to actually naturally nourish the beaches.

We have done some other things. The Federal government protects the inlets all over the State of New Jersey. The philosophy

and the mentality of protecting an inlet at the Federal level in the State of New Jersey is to build a barrier to stop the natural movement of sand as it moves up and down the coast of New Jersey. New Jersey is unique in that it has a littoral flow that goes both directions: north and south, with the nodal division of that flow of natural movement of sand occurring somewhere in Monmouth— in Ocean County, south of Bayhead. So, there is a natural movement in nourishment of sand that goes along the coast. There is a natural erosion that takes place every winter, and there is a natural replenishment of sand, to some degree, that occurs every spring.

What we have done, and the way we have allowed the government to proceed, is the way you protect an inlet from shoaling in or becoming too shallow: you build a barrier, and that barrier is called a groin. Now the problem with the groin is that, on the southerly side, where the sand builds up in such great amounts -- as it does in Point Pleasant Beach in Ocean County -- the Federal philosophy was if that didn't do it, let's build a jetty or the groin further out. And they have done that on several different occasions. They go out and they build a bigger barrier to prevent the natural movement of sand to proceed up the coast. What we have done with Federal dollars and with the geologists' philosophy is we have actually stopped the natural movement of sand.

Now there are some things which we can do, in spending money, to help nourish the beaches. One is to promote the natural movement of sand through mechanical means. If we are going to block the sand mechanically from filling into the rivers, then we ought to pass a bill in my House in the Assembly which provides for sand transfer. We have a bill in for \$1.5 million to allow for two experimental -- more than experimental -- but functioning sand-transfer devices that would take the sand where it is impeded mechanically at the mouths of the Manasquan River and the Shark River and allow for a natural transport of that sand where we have mechanically blocked that sand. That is one thing which we ought to do.

The other thing that we should be doing is really taking a look at what the government has done in the state of Florida. The

State of Florida has been the recipient of a lot of Federal dollars, of course, and some state dollars, used to renourish those beaches from offshore mining pits -- a very engineeringly sound technique. It was done in the 1950s in the State of New Jersey at Sea Girt -- very successfully. And, we haven't done that in the State of New Jersey.

What we do in the State of New Jersey is primarily react to a problem. I am not being critical of the DEP, but they are reacting to a problem rather than looking to measures to prevent some of the erosion in the State of New Jersey.

As noted before, the philosophy of some people -- that you should move away from the coast -- is fine, except for those people who live in shore municipalities. And, they certainly do need the help and protection of the State government. That was my philosophy when I sponsored legislation in the past, and is my philosophy in supporting legislation now.

Senator, in June of this year, I asked for a meeting. We had talked about shore protection for a long time, and I have been involved with it for awhile. I asked for a meeting, and Legislative Services put together a meeting here in the State House; as a matter of fact, here in this building. We asked all the mayors, the freeholder directors, the State Senators, and the State Assemblymen from all the shore municipalities to come to a meeting and discuss their ideas of how to provide money on a stable basis for shore protection. It was an unusual meeting in that we had some 40 or 50 people attend it. There were mayors, freeholders, senators, councilmen, and assemblypeople. At that meeting, Senator, not one person left the room until everybody had testified. I don't think I have ever been at a meeting -- and I don't think you have -- where everybody had the courtesy to stay to hear everybody else speak. Sometimes, of course, you can't do that. At this meeting, we really hammered around a lot of different ideas and came up with nine different proposals as ways of providing permanent funding for shore protection.

What I promised, at this meeting in June, was to send them a letter -- a survey form -- and ask them to respond to the nine different proposals and what they thought would be a good source of

stable funding. The whole philosophy was that if I am going to propose a piece of legislation that I would make available to all the legislators from shore counties, then I would like to find out a sense of the support that I have from mayors, senators, and freeholders. I sent a letter to some 87 public elected officials, and of those 87 people who were surveyed, and as of this morning -- I just got Senator Pallone's five minutes ago; he forgot to send it to me -- I got some 50 responses. I think that is pretty good. You have to understand where this survey and questionnaire come from. These come from the mayors, freeholders, and legislators from the four shore counties -- Monmouth, Ocean, Cape May, and Atlantic. I think there is somewhat of a built-in bias to the response. These people have the problems of erosion, and I think their input was important.

I had suggested to the people in Legislative Services that another idea which we should pursue would be to survey the rest of the State, to add to their support regarding different ways of funding, and then compare that to people who live at the shore or in the counties which are represented along the coast.

The questions which I purposed to all the elected officials were:

1. A tax on beach fees. That would be a user tax for those people who directly go on the beach. We had thought of, perhaps, a 25- or 50-cent tax on the beach admission, or a portion of the annual beach fee. That tax on beach fees was not very well received. Of the 50 respondents, only 9 of them thought that would be first, second, or third choice. There were only 4 first choices to a tax on beach fees.

It would be very interesting to find out what the rest of the State thinks regarding a tax on beach fees.

2. The next one was a proposal that was made by Senator Pallone: a tax on hotel, motel, and seasonal rentals. I don't think he included seasonal rentals, but we have a lot of them in our district. That received even less support than a tax on beach fees. That received four first-place answers, four second, and zero for third place.

We also got several letters from shore municipalities saying that they didn't think it was fair to tax that portion of the tourist industry specifically when there were a lot of people involved in tourism, and not just hotels, motels, and seasonal rentals.

3. The third question was a question of providing revenues from bonds issued by a shore protection authority. The philosophy of a shore protection authority would take the politics, the government, and bureaucracy out of providing dollars for shore protection and deciding where the dollars went. That has been a very well received idea. Of the 50 respondents, 13 thought that was the best idea, four thought it was the second best, and 10 thought it was the third best. And, indeed, a shore protection authority to raise the money and to expend the dollars out of the hands of government is a good idea. I am not entirely sure they should be separated from government all that much. I think an authority certainly has to work with an environmental agency, like the Department of Environmental Protection in the State of New Jersey.

4. The fourth question that I applied to these elected officials regarded an annual appropriation from the General State Fund. This question received, in total, some 30 responses saying that was either the best, second best, or third best idea. It has always been a popular idea — that an annual appropriation is the right way to go. In fact, just a year ago, Mr. Pallone didn't think that bonding was the right way to go, but thought, perhaps, a better way to go was through an annual appropriation. You, Senator, know the contest that there is for dollars for an annual appropriation. Depending on how rich or how poor we are, shore protection is an easy one to put by the boards. So, I think we need a more stable source than just an annual appropriation.

5. The fifth question concerned State General Obligation Bonds. I was surprised at how little support the General Obligation Bonds had, after the good response we from the bond issue just last year. In total, only three people thought that was the best idea; three thought it was in the second-best idea; and four thought it was the third-best idea. There doesn't seem to be a whole lot of support for General Obligation Bonds for shore protection.

There were three other questions that we asked. They were generally about an idea that was promoted in the south part of the State. It talks about a tax on household goods and personal effects for nonresident taxpayers. For example, if somebody has a shore house, and they live in Pennsylvania, then the State would apply a personal property tax on the contents of that property. It is a very narrow and selective tax. I am not sure it would be constitutional. Very few people thought that was a good idea. In fact, only one thought it was the best idea.

The next one concerned a fractional increase in the property tax rate, the proceeds of which would be dedicated to shore protection. That idea came from one of the mayors of a shore municipality, who said, "If the tax rate in your town is \$3.40, and you add one penny on the tax rate of assessed valuation, for all the towns along the shore, that would provide enough dollars for shore protection and a dedicated fund." That had very little support. None of the respondents was really interested in changing the broad-based tax in the State of New Jersey.

The last suggestion is an increase in the property tax, the proceeds of which are to be dedicated to a natural resources fund, applied to shore protection, parks, forestry, maintenance, protection, Green Acres acquisition and maintenance, fish, game and wildlife. In other words, an omnibus kind of a small, small tax, collected all over the State of New Jersey to be dedicated for all the environmental things we do in the State: parks, recreation, fishing, dredging, shore protection, et cetera. That had the least support of anything. The most universal concept had the least support.

In summary, it appears as though the things which have the most support are the annual appropriations, revenues from a bond issued by a shore protection authority, and a dedication of a portion of a sales tax.

I don't have a handle on whether or not a piece of legislation like that, Senator, could get through the State Legislature. I don't know whether that would be a dangerous precedent to establish, where you take a fund like the sales tax and begin to

take a piece of it in a dedicated form for different things. I don't know how that would be received by the Senate or the Assembly. But just in case it is received, I put a bill in the Legislature -- I haven't put it in it, but I am offering it to all my colleagues -- that would provide one-twelfth, a half of one cent, on the sales tax to be dedicated to shore protection.

Legislative Services indicated to me that one half of one penny of the sales tax in shore counties -- just the four counties involved in the southern part of New Jersey -- would raise \$10 million a year. I believe that \$10 million is enough on a regular basis to provide the shore protection that we need in the State of New Jersey.

The other bill which I have had prepared is a bill to create a bonding authority. That authority is to assess the needs for shore protection and also to find a way to pay back those bonds.

Senator, I thank you very much. I know I had a long presentation, but this is an area I have been working in for a long time. I appreciate you and your Committee hearing these ideas today. I hope that we can, on a long-range basis, find some stable source of funding for shore protection, rather than coming to the State each year and trying to get some small appropriation to cover our problems.

SENATOR WEISS: Thank you very much, Doctor. There is just one thing. You indicated something about inlets and, I think, the Shrewsbury and Navesink Rivers; what inlet?

ASSEMBLYMAN VILLANE: I beg your pardon?

SENATOR WEISS: What inlet?

ASSEMBLYMAN VILLANE: I have to explain that to you. I am a local history buff, and historically--

SENATOR WEISS: There was an inlet there before Sandy Hook; is that what you were talking about?

ASSEMBLYMAN VILLANE: Historically, the barrier island of Monmouth Beach, Sea Bright, and Sandy Hook has been opened four or five different times. The sand from those rivers used to pour out into the Atlantic Ocean and nourish the beaches. As late as 1866 or 1867, there was an opening. In 1855, the national geodetic survey indicated that Sandy Hook, indeed, wasn't part of the barrier island, but Sandy Hook

was a portion of the Rumson point of land which comes off the Jersey Coast.

SENATOR WEISS: Thank you.

ASSEMBLYMAN VILLANE: Thank you. Are there any other questions I could answer?

SENATOR PALLONE: Doctor, the sales tax proposal that you put forward is similar to mine, in the sense that we are dedicating a percentage of it in the four counties. But, you are talking about one half of a percent, whereas I talked about one penny or one-sixth of it. We have been operating all along, I thought, on the assumption that we needed about \$20 million to \$25 million or even \$30 million dollars annually. Now you suggest that we are talking in terms of, I guess, \$10 million to \$12 million. I am just wondering where you get that figure, because based on the backlog in the number of projects that have been submitted to DEP, and from what John said, it would seem that we really need more like \$20 million to \$30 million.

ASSEMBLYMAN VILLANE: I think that like professors of geology at the State institutions, you need the money as much as you want it, and you try for as much as you can get. I don't think the State of New Jersey and its Department of Environmental Protection can spend more than \$10 million a year.

SENATOR WEISS: Gentlemen. Doctor, please finish your statement. I don't want this to digress into a debate; it is a hearing.

ASSEMBLYMAN VILLANE: I understand. Frank and I are working on this together.

SENATOR WEISS: I understand.

ASSEMBLYMAN VILLANE: I don't think DEP can spend more than \$10 million a year on a regular basis. In 10 years to spend \$100 million dollars would be fantastic. If you look historically at the State of New Jersey, the most money ever spent in the State was spent last year, but not by the State. The Federal Government spent \$18 million in part. We haven't spent \$10 million. We haven't spent \$5 million a year in the State of New Jersey. And, a good deal of what we have spent has been used to do catch-up work and repair jobs.

Thank you again, Senator.

SENATOR WEISS: Thank you again, sir.

Sal Bucolo, U.S. Army Corps of Engineers? On, Mr. Bucolo, Senator Van Wagner would like to testify. May I call him first? (affirmative response) I didn't realize he had a time constraint.

**SENATOR RICHARD VAN WAGNER:** With the Committee's and the next witness' indulgence, I have a meeting on a matter--

SENATOR WEISS: (interrupting) You don't have to explain, Richard. Just go ahead.

SENATOR VAN WAGNER: (continuing) --that is before the Legislature. I just want to briefly address the Committee on this issue, which I think is probably, in order of priority, one of the most important issues that we, as a policy-making body, can address in terms of the basic economy of this State.

First of all, let me say that in coming here today, I am also representing, to some extent, the views of my two colleagues in the Assembly -- Assemblywoman Jacqueline Walker and Assemblyman William Flynn.

I've watched with interest the debate over the manner in which money will be raised to provide a stable and consistent source of funding for projects which have, by everyone's admission, been lagging for some time in the shore area. Again, I would like to underscore the fact that it is my belief -- and I think it is generally shared in the Legislature -- that the protection of the shore and the orderly development of the shore, and providing for the kinds of activities that the shore provides to this State is, in fact, an important issue to all of us, regardless of where our location may be. The shore area is a very important resource of this State.

Before I discuss my feelings on the funding sources, I would like to address my remarks, Mr. Chairman, to an area that hasn't been addressed so far, and that is the methodology by which this Committee primarily will decide to distribute the money that is raised either by a tax on hotels and motels or by a tax that might be dedicated from a portion of the sales tax. Perhaps what I am suggesting is that concurrent with this deliberation on these bills you have before you, there be some type of formula distribution developed that would also

provide an amount of money from general appropriations from the State of New Jersey to match that source of revenue that is specified as being allocated to those communities.

Frankly, I would share the view of the 30 respondents that Assemblyman Villaine talked about before with a formula apparatus or mechanism which would provide the stable source of funding, and basically leave it to the Legislature to appropriate that amount of money, having made a policy statement that shore protection is, in fact, a statewide priority.

I would also suggest that in any event, regardless of how the money might be raised, that it will ultimately be the decision of the Legislature — primarily this Committee, and the Assembly Committee — to decide how much and what moneys will be appropriated for the purpose of shore protection.

I think that perhaps part of the issue, or a major portion of the issue, to be faced here is the mechanism by which these communities might receive the money, and the manner in which the Legislature will appropriate that money and distribute it to those communities. I say this because I represent an area that is not necessarily considered part of the shore in many cases. It is an area called the Raritan Bay area. It suffers as much, in many cases, from shore protection needs as any of the communities along the oceanfront. In many cases, it has been the beneficiary of shore protection bond issues and appropriations that this Legislature has made. But, I think in developing a manner in which a stabilized source of funding is to be distributed, certainly the criteria should be developed so that these communities can also avail themselves of whatever moneys might be available under that appropriation.

In terms of the source of revenue, I'll just express my own views and those of my colleagues. Our first inclination is that with a \$600 million surplus, the last thing in the world that the Legislature should be talking about is taxation. I think fundamentally we would all agree on that issue. However, we do have two proposals before us, and in looking at those proposals, it has been the determination of myself, Assemblyman Flynn, and Assemblywoman Walker that if we were to

favor a proposal, it would be a reduction in the 2% proposal recommended by Senator Pallone to 1%. We would extend the tax if the principle of taxing hotel and motel units in the shore area is based on the direct benefit that those facilities enjoy as a result of being located at the shore. It is our opinion that that 1% or one penny should be extended to all of those facilities, including summer rentals, that benefit directly from being located at the shore.

As interesting as Dr. Villane's proposal is, and the proposals of some of the others in the Assembly and the Senate, regarding the allocation of a portion of the sales tax, I frankly don't believe the dedication provision will receive the approval of the voters of this State. I think it would be a difficult administrative process for the Division of Taxation to implement the kinds of audit and post-audit procedures that would have to be put in place to determine that that portion of money was properly allocated. In any event, it seems to me that it would be very difficult to sell the dedication provision across the board.

Let me put in priority what I feel and my colleagues in the Assembly feel might be the best consideration for resolving this problem. We will have to come to a consensus agreement in both houses in any event. We would, of course, prefer the direct appropriation's route. We would underscore that with the fact that we believe that appropriation should be tied to a formula based on the criteria that might be developed by any number of experts who are in this room, people who have worked in the communities along the shore, and with our own people in the Department of Environmental Protection. That formula might then provide those municipalities with an opportunity to at least anticipate the amount of money that is available and the amount of money that they might be able to apply for and obtain through the State of New Jersey.

If it is determined that there should be a specific source of revenue, then it is our feeling in District 13 that that revenue raiser should be a 1% tax on those facilities, such as hotels, motels, and summer rentals, which would directly benefit from being located in the shore area. Therefore, they would receive a direct benefit from any

kind of infrastructure development that takes place in the shore region. That would be our second recommendation.

My third recommendation, which is specifically my own, is, I think all of us together should explore the concept of establishing a Shore Protection Authority, as has been recommended, I think, by both Senator Pallone and Assemblyman Villane, or at least by Assemblyman Villane in his survey. That kind of authority would provide a structure, at least for the direction and management of how best those moneys might be developed from a financial point of view and from an application and implementation point of view.

In any event, I think we have reached a point where we can recognize clearly that the economy of this State on an overall basis has benefited greatly by perhaps one of the most beautiful natural resources that this State enjoys, and that is its coastline. I feel confident that this Legislature, through the influence of this Committee and its fine Chairman, will come to a consensus and develop a program that will provide that kind of consistent and stable funding.

Thank you for your time, Mr. Chairman.

SENATOR WEISS: Richard, thank you very much for coming here this morning. I'm sorry I held you so long, but it became necessary.

SENATOR VAN WAGNER: I appreciate that.

(Senator Van Wagner walks away from witness table.)

SENATOR WEISS: Where are you going? Someone may have a question for you. You're running away, but if you are in a hurry, go on.

SENATOR VAN WAGNER: No, I'll be glad to answer any questions if there are any.

SENATOR WEISS: I'm sorry I delayed you. Thank you again for coming.

SENATOR VAN WAGNER: Mr. Chairman, I'll provide a written statement on behalf of myself, Assemblywoman Walker, and Assemblyman Flynn.

SENATOR WEISS: All right, we look forward to receiving it. Thank you.

SENATOR VAN WAGNER: Thank you, Mr. Chairman and the Committee.

SENATOR WEISS: Mr. Bucolo.

SAL BUCOLO: Good morning.

SENATOR WEISS: Good morning.

MR. BUCOLO: My name is Sal Bucolo, and I am with the Corps of Engineers in Philadelphia. I would like to give you the Corps' perspective of beach erosion problems along the New Jersey shore.

Any of you who own shore-front property, or are familiar with the shore, are aware that the beaches along the New Jersey coast, in their natural state, are in continuous movement and are not static pieces of real estate in the usual sense. There is a continuous action of waves and currents which results in changes along the shoreline.

We have reliable surveys of the Jersey shore dating back to 1842. During this more than a century of records, there have been irregular movements of the shoreline with losses and accretions varying with regard to both time and location. However, considering the entire period of record, the result has been a net loss of beaches.

It is extremely difficult to analyze the record and rationalize the irregularities. Nevertheless, by considering all the engineering parameters and the natural processes which affect the shore, coastal engineers have made great progress toward an understanding of the beach erosion process.

To give you an idea of what the Corps thinks the seriousness of the problem is in New Jersey, in the early 1970s, the Corps completed the National Shoreline Study for the entire country at the request of Congress. Along the New Jersey shore, of the 148 miles from Sandy Hook to Cape May, 124 miles were identified as critical erosion areas. I am not including the Delaware/Raritan Bay area, which also had problems. A critical erosion area was a qualitative judgment, which included consideration of the extent of past erosion, as well as the amount of development along the shore.

What are the typical solutions to the problem? These vary from structural to non-structural. They range from complete protection to abandonment of the beach, as some people proposed. Abandonment of the beach in New Jersey is kind of difficult to do because of the amount of development that is there. It is not really the way to go.

Some more typical solutions are: beach fill and periodic nourishment, which is the most used in the country, and probably the most used in New Jersey. We can generally get the sand from offshore. There are reservoirs of sand off the coast. Sometimes, if it is suitable sand, you can get it from the inlets. Also, to keep the sand in motion, as other people have said before me, there are proposals to bypass sand or back-pass sand around jetties.

Some of the structural features that can be used, and have been used elsewhere along the New Jersey shore, are groins, bulkheads, breakwaters, jetties, and sea walls. It should be emphasized that structures are usually only considered in conjunction with a source of sand on the beach, or defined beach fill alongside or in front of the structure.

Let me emphasize that all the normal coastal erosion solutions qualify for Federal government participation.

The Corps and the State have a long history of close involvement in beach erosion in New Jersey, especially since 1962 when considerable damage resulted from the March, 1962 storm. Since 1962, the Corps has expended about \$13 million in New Jersey for beach erosion, most of which was for emergency restoration work. Both the Corps and the State have completed master plans for the entire coast. They differ in scope and somewhat in method, but they both follow accepted coastal engineering practices to accomplish the end product, which is beach erosion control. The Corps plan is greater in scope and includes navigation features at the inlets. That is primarily the biggest difference in scope.

The cost for initial construction along the entire coast can range up to several hundreds of millions of dollars. Annual maintenance, once this is in place, could average about \$10 to \$20 million, or even more, depending upon the severity of storm activity. If Federal government involvement is sought, as it has been in the past, traditional cost-sharing has historically averaged around 50% Federal and 50% non-Federal. Where there are cost-sharing proposals before the Congress, and the Administration is proposing new cost-sharing proposals, it could change this slightly. I'm not sure how yet.

Beach erosion in New Jersey should be considered serious in most areas. It has been of national interest to protect and maintain coastal industries along the coast. There is no doubt that New Jersey shores are one of its most valuable resources, and they also supports one of its major industries -- tourism.

That concludes my testimony. Thank you for allowing me to speak.

SENATOR WEISS: Thank you very much for being so patient. I just have one question for you, since you represent the U.S. Army Corps of Engineers. I think this is highly impossible at the moment, but what if all the groins were removed? Would we still be faced with the problem? We heard some earlier testimony today indicating that in that instance, one side of whatever groin there is would fill up with sand, the other side would be left barren, and then beach erosion would then ensue.

MR. BUCOLO: That depends upon the area along the coast. Some areas have too many groins in place.

SENATOR WEISS: Are there studies available from the Department that you could forward to--

MR. BUCOLO: (interrupting) We have a master plan available, yes, sir, of studies of most of the areas in the State. DEP does also.

SENATOR WEISS: It seems to me as if those islands may have been out there for about 10,000 years, and they hadn't washed away until humans got to them and did what they did.

MR. BUCOLO: Sometimes the groins are spaced too close together, sir.

SENATOR WEISS: If you can forward a copy of that, sir, I would appreciate it. Thank you very much.

MR. BUCOLO: Certainly, thank you.

SENATOR WEISS: Oh, wait, Mr. Bucolo, Senator Pallone has a question.

SENATOR PALLONE: Mr. Bucolo, are you familiar with the Army Corps' project that has been proposed for the Sea Bright/Monmouth Beach/Long Branch area? The feeder beach project?

MR. BUCOLO: Yes.

SENATOR PALLONE: I was just wondering if we could also-- I don't know how extensive that document is, could we also get that proposal, or design work, or whatever it is, as part of the record? I know we have made some requests to try to get it, but we haven't been able to get it. So, if you could send that to us, I would appreciate it.

MR. BUCOLO: I would be glad to.

SENATOR PALLONE: Thank you.

SENATOR WEISS: Thank you very much, sir. Mr. Leon Avakian. Are you gentlemen together? (negative response)

LEON AVAKIAN: I'll be very brief. Thank you, Senator.

SENATOR WEISS: Thank you, sir. Are you down here as an engineer?

MR. AVAKIAN: Yes. I would first like to thank all of you for this opportunity, Senators, staff, legislators, and guests.

I am a municipal engineer, and I have had beach-front experience for over 30 years. I am in the front-line trenches when it comes to stopping the damage, or repairing the damage. I am very concerned about that because most of what I would like to be doing would be called "planning." However, what we have been forced to do, because of lack of funding, is to become reactionary. When you are reactionary to a storm, you spend many more dollars than you ought to spend. Hence, it would be my very strong recommendation that we resolve this matter of stabilized funding so that we can move from the reactionary mode to a maintenance mode sometime in the near future.

Regarding the scope of the need, because I have been involved for so many years, I've had the experience of attending State meetings where the Appropriations Committee heard requests from municipalities from up and down the State coastline. My experience indicates, from the past 30 years, that approximately 10% is requested annually of what is really needed. You can use that figure and be within the ball park. I have estimated that if we were to repair the entire coastline in one sweep, we would need approximately \$500 million. That is the scope of the need.

When we talk about urgent projects, and we talk about \$50 million and \$100 million, we are still referring to only a portion of the total need. Then we move from urgent projects to less urgent projects, and we still have the continuing need for maintenance. Until we reach the maintenance mode, we will never solve this problem.

I would like to comment on the authority for a moment. The concept of the authority has been discussed, and re-discussed, at conferences held by interested and concerned citizens, and it comes from a frustration, not from anything less. The frustration is that we have never had enough money to protect our beaches. At the present time, the beaches I am involved with are perhaps three feet lower than they should be, and between 50 and 100 feet narrower than they should be. This simply invites disaster during the time of a storm.

So, once again, at the municipal level, our concerns are more for the reestablishment of our beaches to not only protect them against storms, but to get into that maintenance mode so we can annually anticipate lesser funding for these projects. More importantly, and singularly important, it would provide the width of beach that is needed for the increased recreational action that is promoted, for instance, by the Governor's office. We want folks to come to the shore, but one of our towns has no beach throughout 500 feet. So, what good does it do to invite people if they have no beach to sit upon and enjoy?

Thank you very much.

SENATOR WEISS: Thank you very much, sir. Senator Pallone, do you have a question? (affirmative response)

SENATOR PALLONE: I just want to tell the Committee that Leon Avakian also happens to be the engineer for the Deal Lake Commission. You've heard a lot about Deal Lake, I'm sure, over the last few months. So, just in case, he may be back again.

SENATOR WEISS: Is that where all the herring is? (laughter) My wife buys it, but it is already pickled. (laughter)

SENATOR PALLONE: I wanted to ask you two questions. First of all, I mentioned the Federal Disaster Aid before. I think there is a general conception that the money municipalities received from the

Federal Disaster Aid basically took care of the problems that came out of the March storm. I wanted you to address that because I knew you were working directly with the towns in terms of what type of funding was available, and whether or not it was sufficient to deal with some of the problems that came up from the destruction of that storm.

MR. AVAKIAN: FEMA provided funding simply to repair the damage that was caused by the storm, mostly for structural elements that existed, such as buildings, boardwalks, bulkheads, etc. It also provided funding for cleanup by municipal forces or contractual forces. However, FEMA still, to this day, refuses to recognize the need for mitigation of the problem that exists, and that could take place very simply by placing more sand on the beach, so that the next time we had a storm, we wouldn't have the extent of damage that we've experienced in the past.

If you were to plot a curve of the damage created by storms over the past several years, it is advancing exponentially, and we are very concerned about this. What happens is, the beach drops one foot after a particular storm, and it stays there. You can expect those bulkheads to have that much more pressure against them. The following year, or two years later, you lose another foot of beach. This has been going on now for about 15 years where we have not had the replacement sand that Dr. Villane spoke about.

We can address these issues; we must not sit and wait for other things to take place while we have this emergency situation. That is what we have at the present time.

SENATOR PALLONE: I don't want to prolong this because I know we have other speakers, but I think it is important that the Committee and the Legislature recognize that even with regard to the State match which came about as a result of the FEMA money, we were only talking about funding those proposals that were approved by FEMA. In other words, there were two bills. In fact, I happen to be the Senate sponsor of the two bills: one, which was basically to allocate the FEMA money we got from the Federal government to the municipalities, and two, the State match for that FEMA money.

The money could only be used for those projects that were Federally authorized. We still have a lot of projects, particularly when we talk about beach nourishment, which were not funded through that Federal Disaster Aid with the State match. I want to emphasize that because I don't think people realize it, except those who are right there on the beach.

MR. AVAKIAN: That is correct. Municipalities are paying 25% of the cost of these projects. I'll give you an example.

A bulkhead was damaged in Bradley Beach; it was wiped out. The boardwalk was wiped out there. FEMA responded by allowing "x" number of dollars for the replacement of those structures. Their dollar values are calculated from handbooks, textbooks, and that sort of thing. So, the municipality will get its boardwalk and bulkhead back, but the sand is gone. And, the next storm that comes will wipe out that same boardwalk and that same bulkhead. It is the reactionary mode we have been in, and we have to turn that around and get to the maintenance mode, as I said before.

SENATOR PALLONE: Thank you.

SENATOR WEISS: Thank you very much, sir.

MR. AVAKIAN: Thank you.

SENATOR WEISS: I appreciate your testimony. Mayor Vaccaro of Allenhurst?

MAYOR MARIN VACCARO: I want to thank you for giving me the opportunity to be here this morning to testify before you.

SENATOR WEISS: Thanks for being so patient.

MAYOR VACCARO: I would like to give you a little bit of my background. I am a licensed engineer in this State; I am a graduate engineer. That was my profession until I retired in 1972. I have been in public office since 1968, and I have been Mayor for a number of years. I am also the acting chairman of the citizen element of the Beach Erosion Commission.

While I am here, I would like to comment on the Beach Erosion Commission. It was established by the Legislature in 1948, and for many years it served as a forum for both sides of the Legislature to discuss beach problems and also to guide the selection of projects and

expenditure of the funds. It is composed of four members of the Assembly, four members of the Senate, and four citizens at large, who are appointed by the Governor. The Governor has made his four appointments; the Assembly has made its four appointments; but, for some reason, the Senate has not done so for the past three or four years. I think you are missing a very good opportunity to reestablish that committee to a working committee so it can serve its initial purpose, which was to get feedback to the Legislature -- both sides of the Legislature -- on problems concerning the beaches. I think if we had that, a lot of the questions being asked here today would already be answered, and the members of that committee would be the persons relaying them to their respective sides of the houses.

Now, I would like to get into my presentation. I am sure we are all aware that during the course of civilization, we have gotten to where we are now because we have learned to cope and work with nature. We don't just avoid nature, and we just don't back away because nature behaves in a certain way. As I said, for ages we have learned to work with nature. We have many projects that have had that in mind. We would have disaster along the Mississippi River if we did not have flood control measures. We wouldn't have any farms if we didn't take down the trees, till the soil, and contour it so as to take advantage of nature's forces.

Likewise, we have an oceanfront. We have bays and rivers. To be able to enjoy them, we have to know how to work with nature. We have to be willing to make that commitment.

For many years, we have had a natural development of our shorefront. People moved in the area because they liked the environment. They liked to go bathing, they liked healthful effects of being near the ocean, and using the ocean. It has developed into the second largest economy in our State. Various figures have been cited -- \$5 billion, \$6 billion, \$7 billion, you name it -- but anyway, it is in the neighborhood of \$6 billion to \$7 billion per year. It isn't only shore related; it is not only the business which is generated by people visiting the shore. It is also the other business that is generated throughout the State in manufacturing the products that

enable people to go to the shore and enjoy it. This consists of boats, bathing attire -- you could go on item for item -- and food. There is a great variety of businesses that are involved in supporting beach-related activities.

Our approach to ensuring that we have a beach to enjoy has been one of vacillation, really. We have used a Band-Aid approach. We have reacted to emergency. We know we have technology. We have had many studies done to tell us how the ocean behaves and how nature is acting. We know pretty well what to do to cope with it, but we chose not to make the commitment to do it in the proper fashion, which is: You cannot attack and address yourself to isolated, individual problem areas. One has to address the entire shoreline. You cannot pour money into Atlantic City and ignore Brigantine, Ocean City, or what have you, because nature acts on a regional basis. Whatever you put into Atlantic City is going to disappear unless you take care of the entire shoreline.

There was a study done -- a number of studies. The Corps of Engineers made an in-depth study starting back in 1953. It was commissioned by Congress to perform a study. They made a subsequent reevaluation of that study in 1967 and published reports in 1968. The 1968 report reaffirmed what they had found in their 1957 study, and that is, on a regional basis we have to replenish the sand which is lost through the natural forces of nature, and we have to build a structure to hold it there. Unless we do that, we are fighting a losing battle.

In 1977, we had a bond issue of \$20 million for each project. If you look at the study that was made and the results of the recommended projects, you will find that there were recommendations for spending \$20 million. It totaled \$20 million. So, obviously, it was not an unbiased approach to the overall problem. The projects that were implemented were basically isolated projects in isolated communities. In fact, something like \$3 million of \$4 million was poured into Ocean City for sand replenishment. It disappeared. Why? It was done late in the season, and they didn't construct the necessary jetties. There was no work done on either side, so the sand was basically lost.

We have to put the beaches back into a condition that will provide the kind of enjoyment that we feel will be an attraction to our visitors -- to the entire State. We have an industry, and we have to invest money in it in order to keep it prosperous and attractive. You can take any business, but you cannot ignore the capital structure. You have to keep investing; you have to maintain it. We have ignored that capital investment. We have allowed it to just whittle away to the point were right now, all we are doing is applying Band-Aid treatments here, there, and elsewhere.

The \$50 million bond issue is nowhere near enough to address the entire problem. In 1981, the Corps of Engineers estimated it would cost somewhere in the vicinity of \$300 million to put in large amounts of sand and to put in the necessary stabilizing structures to bring the beaches back to a reasonable condition. Obviously, there would have to be maintenance applied periodically from that point on. They recommended feeder beaches where, from time to time, sand would be put in, and the sand would then migrate along the seashore and replenish what had been lost.

Mention has been made as to what has caused some of the problem, and obviously, it is the fact that we no longer have nature itself providing the replenishment of the sand. Every time we dredge a channel, we are making that channel deeper. We are taking sand that would normally be on the beaches and putting it out into the ocean.

When we increase the speed of flow, we push the sand out further, rather than allowing it to migrate along the shore. I'm not saying we shouldn't dredge; I'm saying we should recognize that when we do it, we are working against nature, so therefore, we have to do something else to compensate. The compensation is feeder beaches.

For the last five years, I have been espousing the cause for using a portion of our sales taxes for these projects. As I mentioned, the cost put on the entire project -- the initial cost by the Corps of Engineers several years ago -- was \$300 million. They were willing to put up-- At least we were assured that the Federal government would contribute roughly 50%, which would be \$150 million, and the State would have to come up with \$150 million. The State of New Jersey

didn't have the wherewithal, so it was unable to match the funds. The project has never gone forward.

If we had taken 1% of the sales tax in the four seashore counties, the data which I received from the State Treasury tells me that we would have realized about \$21 million in 1983. The figures are oddly based on a total sales of somewhere in the vicinity of \$6.7 billion in those four counties. As I said, oddly it is almost the same amount as the \$6 billion value of the tourism industry in the State. Only 31% of that is taxable -- roughly one-third of the total sales is taxable. That means that you have roughly \$2.1 billion in taxable sales in the four counties. One percent of that amounts to our \$21 million per year.

I would use it in this fashion: There is no doubt that we should address ourselves to the entire shoreline. I feel that we should have a bond issue in the neighborhood of \$150 million to \$200 million, and ask the Federal government to match those funds. We would then use about \$16 million of the \$21 million to basically pay for those bonds. A \$150-million bond issue costs us roughly \$15 million per year for 15 years, assuming they will mature in 15 years. That is another thing we have lost sight of. When we come up with a bond issue-- A \$50-million bond issue costs the State roughly \$5 million a year. I would use \$15 million or \$16 million of that tax money to amortize the bonds and to pay interest. That would leave roughly \$4 million a year to be used for periodic maintenance. From data I have seen, that should suffice. It would replenish the feeder beaches, and I feel that if we were to engage in a program of this sort, we could restore our beaches and maintain them. The burden would be put on the area of the State which benefits most -- the four counties -- although we must recognize that the benefits of tourism apply to the entire State.

Thank you.

SENATOR WEISS: Thank you very much, Mayor. I'm glad you are an engineer; you can straighten these things out for us, at least part of the way. I understand you are being straightened out by the gentleman sitting behind you.

MAYOR VACCARO: Yes, we work together.

SENATOR WEISS: (laughter) Yes, since you work together. Thank you very much. Are there any questions? (negative response) If not, thanks for being so patient, and thanks for your testimony.

Mr. Ken Smith, Director of the New Jersey Shore and Beach Preservation Association. Mr. Smith.

**KEN SMITH:** Good morning. I appreciate the opportunity to speak before you.

SENATOR WEISS: Are these papers the ones you asked to be passed out?

MR. SMITH: Yes, there are three papers that I've written. Let me explain them. One may be a little bit redundant. They were talks that were given in Monmouth County last spring, and in California about two weeks ago. The lines I liked, I used again.

One is about a municipal service taxing unit, which was a proposal for the adaptation of a mechanism that was used in Florida on privately-financed beach projects. You can go over this; I think it might be adaptable to the local shore.

As I said, I appreciate the opportunity to be here, but I'm not happy to be here. If a general appropriation had come out every year from the Legislature in the area of \$20 million or \$30 million, I wouldn't be here.

I want to show you a good example of why I am here. This is our local paper, The Beach Haven Times, from Long Beach Island. The date is October 3. This is an article with regard to Barnegat Inlet and the jetty project, which we have looked for for a long time. It says, "Jetty Funding Passage Seen Likely." The very next day, The Atlantic City Press said, "Congress, Deep Six, is Funding for Jetty." It is a see-saw pattern that we've seen.

SENATOR WEISS: For that, you are going to have to go to Washington. (laughter)

MR. SMITH: The financing of beach projects has been a three-ring circus for a long time. I have gone to many meetings, and many of them are quite depressing because they accent the erosion problems, but don't talk to some of the cures. Displays of coastal engineering are just displays if you don't have a funding mechanism to back them up.

This year, I think we are finally getting down to some specifics, and I am happy about that.

What I think is necessary is this: Beach nourishment is the most ecologically sound and safe method of maintaining the beaches. Sand transfer is a help. It doesn't replace the sand deficit, but it does keep the sand moving down the coast. When you stabilize the inlets, you should take the spoils, put them in the littoral drift, and take them down the coast. When you build groins, they do not create sand; they only trap it. If you don't fill them with sand, you are defeating your purpose. The bottom line, of course, is that this all costs money.

With regard to building lines, Dr. Psuty mentioned that we need to address some critically eroding areas. I don't know what is considered critically eroding. I don't know if an area is wiped out every 20 years if that would be considered critically eroded on the New Jersey coast. It might be somewhere else, but in New Jersey where you have such tremendous recreational pressures, I think it is justified, even if it is every five years, to rebuild that structure. The value of a one-family home or one duplex on the coast does not accrue just to the property owner. It is a trade-off, and the benefit that the public at large gets by having a facility to enjoy the recreation at the shore makes it well worthwhile.

Let me talk about the resort tax. I proposed the resort tax. It wasn't my original thought though; I got it from some folks down in North Carolina. I was at our annual meeting last year in Florida, and I mentioned this inability to find a good, stable revenue source. They told me that in New Hanover County, they put in a 2% resort tax on hotels, motels, and similar lodgings. It took two tries to get it through the Legislature down there. There was a lot of grumbling and a lot of skepticism about it, but it went through. It has worked so well that other towns are using it. I talked with the Finance Director of Myrtle Beach. They put in a 2% accommodation tax on top of a 4% sales tax, and they expect to bring in \$1.3 million in revenue this year.

I can understand why the municipal officials are in favor of an annual appropriation; so am I. If we get it, fine. Then I'll stop all my proposals about other taxes. If we could get a dedicated sales tax, I would be in favor of it. I think most of it is already in place. If you could extend it to seasonal family homes -- single family homes -- I would be in favor of that. It is probably a more equitable way to go.

Failing that, first of all, I think you are going to have a hard time in the Legislature with it. At my distance from the Legislature, and from my infrequent talks with legislators, I am told that it doesn't have a chance.

Let me talk about the resort tax. First of all, the advantages of a resort tax are:

1. It is a virtually direct user fee, mostly paid by tourists;
2. It is a fairly painless tax. The 2% tax on a \$500-a-week rental is \$10.00. A 2% tax on a \$50.00 meal in a restaurant is \$1.00. People whom I've talked to about it have not complained about it. It is the kind of taxation that doesn't hurt. It is like going to the dentist. It is a small pain to relieve a great ache;
3. It is an easily collectible tax. I would extend it to meals and restaurants also.

SENATOR WEISS: You know, they haven't paid that tax yet, so it doesn't hurt. Wait until the day they have to pay it.

MR. SMITH: Yes, I know. Nobody likes taxes, and I understand that. I don't like them either, but I think that at the shore, necessity is the mother of invention. If I were a betting man, I would almost bet that we are going to get to some type of a user-fee basis. We are going to have to, whether it is a resort tax or whatever.

Let me address the beach fees. I looked at dedicating some of the surplus from beach fees to a shore protection fund. When you finish adding up the costs of lifeguards, summer police, beach cleaning, and minimal storm damage restoration, forget it; there is no surplus. Even if there were, its contribution to shore protection funding would be insignificant. I have discounted that altogether.

This tax, for the most part, is not paid for by the locals. They are already paying enough. Locals have paid in over 30% of the total cost of shore protection over the last 25 years. Yes, it would be collected under my proposal between Memorial Day and Labor Day, and yes, if you were a local and you were going to a restaurant there, you would have to pay it. But, I think the net benefits of the tax far outweigh your inconvenience.

Number four, it can be dedicated; it would be dedicated. In North Carolina, it is dedicated 80% by state law -- 80% for beach protection, and 20% for tourism promotion. With that dedication, we could be sure that the revenue would stay in the area where it was collected.

A study done by the DEP found that tourists spent \$5 billion in the coastal zone in 1982. I don't think much of the money from the sales taxes has really gone back to the coastal areas. This would resolve that somewhat.

It would generate the kinds of funds that are needed for major shore protection projects. If it didn't generate those kinds of funds, it could at least help you make bonding more viable, because if you have a stable funding source that could help to pay off the indebtedness on bonds, then it will look a little bit better than by taking them out of general obligations. It is well-recommended by other areas that have tried it. The main thing is, it provides a somewhat stable source of funds, which may accumulate each year, to be spent as the projects come up for bid. The stability will help us to plan more positively and accurately because we know the funds will be there.

There has been an argument that we will drive tourists away. On Long Beach Island, they are backed up 30 miles on a weekend -- a Saturday -- and a \$10.00 fee on a rental is not going to drive anyone away. We have 25% of the nation's population living within 300 miles of Atlantic City. Our location has predetermined our role. We are almost 100% developed, so the development question and the set-back question, I think, are moot. The facilities are there, and people are coming to use them. Instead of going round and round, pleading with the State for general appropriations--

With regard to a natural resource fund, I would like to see what kind of money would be put into that fund, but I am a little concerned that we would have to compete with other areas of the State, and that we would be on an unequal basis.

As I said, I am partial to a sales tax. Failing that, I think a resort tax is the way to go. It has been tried in other areas, and it has worked very well. It has to include seasonal family homes, single family homes, and rentals to make the equity of the collection ratio. Without that, you will destroy it. You have Wildwood and Wildwood Crest paying for Long Beach Island. You have Long Beach Island, where there are 30 motels and about 9,000 rental units. You can't ask those 30 motels to take up the whole burden, and even if you did, it would be insignificant. So, there has to be a way to include the rentals.

I think that is about all I have to say.

SENATOR WEISS: Mr. Smith, thank you very much.

MR. SMITH: You're welcome.

SENATOR WEISS: Are there any questions? Senator Ewing?

SENATOR EWING: I have a couple of questions. What do you think about having a 1% sales tax added to the 6%, just for those four counties?

MR. SMITH: If you could do it, I would be in favor of it. I think everyone should be taxed. I'm not too happy about singling out one industry, rental properties, or restaurants. I would rather see it collected from everyone who makes money in the coastal zone.

Another thing about taxes is, you are not paying the tax; the burden is the inconvenience of collecting it. What do we do with taxes? You go out to a restaurant. You've got your bill, you've got the sales tax added on, and it is passed on to the consumer. If that can be done in a way that doesn't drive consumers away, then that is the art of taxation.

SENATOR WEISS: I have one other question. You said they provide 200,000 jobs in the summertime. What percentage of those go on unemployment?

MR. SMITH: Well, I don't know. I honestly don't know. It is a seasonal employment increase, but not all of that is in the coastal counties. There are people who come from other areas of the State, and other states, to work at the shore. There is a pretty good seasonal employment fluctuation in the coastal counties, primarily because they are based upon tourism.

SENATOR EWING: I was just wondering though. It would be interesting to know how many go on unemployment, because that puts a hell of a burden on the other eight months. There are two sides to the story, you know.

MR. SMITH: Yes, I agree with you.

SENATOR WEISS: The other side is, it keeps them off unemployment for three months. (laughter)

Thank you very much, Mr. Smith. We appreciate your testimony and your patience.

Mr. Don O'Brien, New Jersey Hotel and Motel Association?  
Mr. O'Brien.

DON O'BRIEN: Mr. Chairman and Committee members, my name is Don O'Brien. I am Executive Vice President of the New Jersey Hotel/Motel Association. I am here to convey the Association's endorsement of the idea to provide a stable funding source for shore protection programs. I will then discuss the issues we hope you will take into consideration as you attempt to develop an equitable method of raising the necessary funds.

Certainly, the pounding taken by the Jersey shore during the last couple of days, from the high tides generated by Hurricane Josephine, dramatizes the fact that nature poses a constant threat to our State's most valuable resource.

There are several options available to us. First, we can take no action and allow existing beaches to be destroyed, while other beaches are created by the natural forces of wind and tides; second, we can institute piecemeal reclamation projects funded through a combination of State bond issues and Federal aid; finally, we can put in place a long-term stable program to fight nature and retain our beaches as they exist today.

A few years ago, the State Department of Environmental Protection proposed legislation which, essentially, embraced the first option: letting nature take its course. The hue and cry raised over this bill, the so-called Beach and Dune Protection Act, was enormous. So, it should be obvious, politically and economically, that New Jerseyans do not want to sit back and let nature take its course.

Today, we are embarking on the second option: restoring the beaches here and there with State and Federal funds. There is growing concern, however, that such one-shot funding programs will eventually become exhausted, while the programs will continue forever.

This brings us to the third option: a stable source of funding to finance a continuous program of beach preservation and restoration. This is a great idea, but, naturally, the question arises: Who should pay?

We believe that sound, necessary programs which are intended to benefit the public should be paid for on an equal basis by everyone who benefits. This principle is reflected in two of the bills which are before you today: S-2248, the proposed \$100 million bond issue which would supplement projects financed by an existing bond issue and which, of course, would be borne by all the taxpayers of the State; and SCR-120, a proposed dedication of a portion of the sales tax collected in the shore counties to create a special fund for beach preservation and restoration. Both of these bills reflect the reality that the entire State has a stake in the condition of our beaches.

A third bill before you today, S-1948, embodies a short-sighted, inadequate approach. It would require hotels, motels, and campgrounds in shore communities to collect an occupancy tax, the proceeds of which would be used strictly for beach preservation. The notion that hotels and motels in shore communities should be the sole source of funds distresses us. First, the idea seems based on the premise that hotels and motels benefit more from the beach than any other segment of the business community, and, therefore, should bear the entire burden of keeping the beaches whole. Second, it appears to reflect a parochial theory of taxation that we in the hotel-motel industry often see, a theory which holds that the bulk of hotel patrons

are out-of-staters who are ripe for the picking, a theory which holds that a hotel tax will result in New Yorkers, Pennsylvanians, and Canadians paying for projects which will benefit New Jerseyans.

Let me state clearly that NJH/MMA believes S-1948 is based on this false premise. Hotels and motels are not the only segment of the business or residential communities which benefit from wide, sandy beaches. If the Legislature is of a mind to construct a bill which taxes enterprises which benefit from the beach, then all enterprises should be taxed equally. This includes amusement piers, arcades, supermarkets, taverns, restaurants, pizza shops, boat rentals, bakeries, party boats, gift shops, and so forth. In fact, every seasonal business in each of our shore communities should pay an equitable share of the cost of a continuous program to restore and preserve the beaches.

There is another segment of the shore community that should have to pay a share of the cost: homeowners who rent their houses during the summer. I am sure you realize that summer rentals along our coast constitute an enormous business; the costs of rental properties are going up in direct proportion to their proximity to the beach. I doubt there is any other business along our shore which benefits more from the beaches than private homeowners who rent their homes to others during June, July, and August.

If you believe hotels and motels in shore communities are obligated to pay a share of keeping the beaches whole, then you must agree that summer rentals should be taxed, as well. Would these taxes, then, be paid mostly by out-of-staters? Would New Jerseyans, in effect, be getting a free ride by taxing hotels and motels, other businesses, and summer rentals? We do not think so.

It has been our experience that most people who visit the Jersey shore are New Jerseyans who live in non-shore counties and save their money all year, in order to enjoy a week or two at the beach in the summer. So, while you are developing the stable funding idea, we think you should bear in mind the greatest portion of the program will be borne by New Jerseyans, not by out-of-staters.

If business and summer-rental taxes are justified, there is one last segment of our shore communities that should not be overlooked. That is the year-round population which will derive the greatest benefit from a continuing program to enjoy the beaches. No equitable revenue plan would be complete without factoring in the year-round residents of shore communities who would enjoy the long-term benefits of beach protection.

In summary, I would like to reiterate that the New Jersey Hotel/Motel Association endorses the idea that the restoration and protection of our beaches, dunes, riverfronts, bayfronts, and inlets is essential to shore communities and to the State's economy.

Furthermore, we believe all residents, property owners, businesses, and industries should pay a proportionate share of this program. Since all will benefit, none can claim exemption, and in our view, none should. To do otherwise would be unfair and discriminatory, and would negate the principle of fair taxation.

Mr. Chairman, I thank you.

SENATOR WEISS: Mr. O'Brien, we thank you for coming today, and for giving us your ideas on how this thing ought to work. I was anxiously awaiting to hear what the New Jersey Hotel/Motel Association had to say. (laughter) Are there any questions?

SENATOR PALLONE: Mr. O'Brien, you emphasized the equity and what you consider the discriminatory nature of the hotel and motel tax. The main thrust of the criticism toward it is something you did not address; and I thought you might. I felt that, from a practical point of view, was a very good idea because it would be easy to administer. Furthermore, it really would not bother anyone that much, because if you are talking about a \$50 motel room you are really only talking about \$1, which could be added to the bill in the same way as the sales tax, and administered in the same way as the sales tax. It could be added to the bill and sent on to the Treasury Department. One of the strengths of the proposal, I have always felt, is that, practically, it is easy to administer, and it is not going to affect the industry that much.

There was testimony about the long lines of people traveling to and from Long Beach Island this summer; so, in effect, this is not going to hurt anyone, New Jerseyans or New Yorkers. I just wanted to address that briefly. Do you honestly feel this would, in any way, hurt your industry?

MR. O'BRIEN: Whenever you add taxes to any industry, you have a certain effect on the clients of that industry. If it is \$1 for each \$50, it then becomes \$2 for each \$100, until, eventually, you reach the point where you may price yourself out of the market. The customers may go elsewhere. The beaches of Delaware and Long Island, you know, are not that far away. Bear in mind, however, that the lines of traffic going into Long Beach Island were not going to hotels and motels; they were going to the beaches.

SENATOR PALLONE: This is really what I was going to ask you. From my experience in Monmouth County, I believe we need more hotels and motels. There is an effort to try and get more. In the summer we just do not have enough lodging. So, my feeling is that we are not going to hurt the industry, because there is a real need for more hotels and motels; if anything, right now, we have a shortage.

MR. O'BRIEN: Our response, Senator, is this: If there is going to be a tax, it should be an equitable one. Hotels and motels are not the only ones to benefit.

SENATOR PALLONE: I understand your position; I was looking at it from a practical point of view.

MR. O'BRIEN: We believe something should be done about the shore; therefore, we endorsed the proposal that there should be something done. Don't make hotels and motels the only groups to bear the burden.

SENATOR WEISS: Thank you.

MR. O'BRIEN: Thank you, Senator.

SENATOR WEISS: I have two other witnesses. I wonder if they are here. Mr. Magno of Schoor Engineering? (affirmative response) You are on next, sir. Is Robert Starosciak here? (affirmative response) All right. You are the last witness, so be real patient. I have no one else on my list. Excuse me, Ron Gilmartin of Monmouth

County is also here. You will have to be third, sir, since I have already made the announcement.

**DAVE MAGNO:** I am here on behalf of my company, Schoor, DePalma & Gillen. We are located in the borough of Sea Bright, which is probably the community most in need of shore protection.

I don't think I have to bore you by telling you of the need we have in Sea Bright for beaches. A good example was this weekend when the State highway had to be closed, for probably the fifth or sixth time this year, because of flooding.

There are no beaches in Sea Bright. The water comes right over the sea wall and floods the town. I find it very positive that the Legislature is going to a permanent funding source. We believe the most equitable — even though it may be the toughest to get through the Legislature — is the sales tax method. The people who benefit the most would pay the most into it. Outsiders who come to the shore, and definitely appreciate the shore, would pay their proportionate shares while at the shore.

That, we believe, is the way to go right now. It is, at least, the first step, even though it may be the most difficult to get through the Legislature.

That is all I wanted to address. Thank you.

**SENATOR WEISS:** Thank you very much, Mr. Magno. Are there any questions? (no questions) Thank you for coming down.

**MR. MAGNO:** Thank you.

**SENATOR WEISS:** Our next witness is Robert Starosciak, Executive Assistant, New Jersey Alliance for Action.

**ROBERT STAROSCIAK:** Senator, thank you for giving our association the time to make a brief statement. The New Jersey Alliance for Action, as you may know, is not a newcomer in its advocacy for the protection of our coasts and waterways, which are an invaluable environmental and economic asset. Our 130-mile shoreline plays a great part in our economy. Water plays a key role in the commerce of our State — much more than most of our residents realize.

In the past, the Alliance for Action has spoken out on problems of dredge-dumping and treatment, enhancement of New Jersey's

urban and coastal ports and navigable waterways. The vast area of New Jersey known to most of us simply as "the shore" is an area of enormous beauty and importance to New Jersey's environment and economy.

We support New Jersey's Shore Protection Bond Issue, but we want it known to the members of this Committee and members of the State Legislature that a continuing source of funding is needed for the protection of our shore region and its coastal resources.

We have advocated, in the past, our endorsement of the Transportation Trust Fund as a stable monetary source for our State's road network. We, too, advocate the need to have a certain amount of money dedicated to saving our shoreline. The shore needs saving, and the Alliance for Action believes that to do any less than preserve our shore for future generations is to deny New Jerseyans one of its proudest assets.

Obviously, the shore is important to tourism, one of our most important industries. Yet, each year, we watch thousands of cubic yards of sand wash away slowly into the ocean, or we watch storms such as those experienced in March of this year quickly damage our coast and harm our residents.

The shore is also an environmental buffer to New Jersey inland areas and serves a valuable, protective function in our ecology. We must act to preserve our New Jersey shore. Our State can take a leadership role in its future. Should we delay too long, the shore, as we now know it, probably will not be there for us in the future.

That last point is one that all the members of this Committee should ponder. The New Jersey Alliance for Action asks this Committee to recommend to the full Legislature the dedication and creation of a stable fund for the preservation of our valuable New Jersey coast.

Thank you.

SENATOR WEISS: I didn't think you were going to finish that quickly; you said it would be short, but you are usually not that short. Are there any questions? (no questions) Thank you very much, Bob.

New Jersey State Library

Mr. Ron Gilmartin will be our next witness. Is there anyone else who wants to testify? (affirmative response from Sally Mollica, seated in audience) I'm sorry. I made the assumption -- perhaps I should not have -- that you two were together. (negative response from Ms. Mollica) All right. We will save the best for last, present company excluded.

Mr. Gilmartin.

**RON GILMARTIN:** My name is Ron Gilmartin. I am the Coordinator of Emergency Management for Monmouth County. My situation is a little different than the other two gentlemen who testified. I am in charge of protecting the lives of the people along the shore areas in case a disaster occurs.

I worked during the March 29 storm, when 39 out of 53 of our communities were damaged by of the storm. Since then, I have checked out the beaches, and part of what Senator Pallone said about beach erosion is true. For instance, during the storm, Cliffwood Beach lost \$3 million worth of sand; they will not receive any Federal funding for the loss, because, according to FEMA, it is not "life-endangering." If the loss of the sand is not life-endangering, they will not replenish it.

As I have checked the beaches, I have seen other problems along the shore. In the spring, normally, any sands that have eroded during the winter will return; this year the sands have not come back at all. In June, Sea Bright lost eight feet of sand from behind some of its bulkheads. The water, now in most of the Monmouth County municipalities on the bay and the ocean, is up to the bulkheads. There is no buffer-state left.

If Hurricane Diane had hit Monmouth County, the prediction made by the New Jersey State Police and Dr. Neil Frank that a 100-year hurricane would hit, would have come true. A 100-year hurricane is predicted to hit the State, because the last time the eye of a hurricane touched down over New Jersey was in 1821. That year it touched down in Cape May and Atlantic County, the Delaware River and Atlantic Ocean met, and killed everyone there. They are predicting that if a 100-year hurricane came ashore it would create a 20-foot surge on top of 14 feet of mean, high water.

If you correlate that to Monmouth County, you can estimate it would knock out anywhere from five to 20 blocks of homes. With the problem I have in Sea Bright and Monmouth Beach, the sea wall would go. So, unless there is sufficient sand to buffer the ocean, the disaster that has been predicted could be catastrophic. A 100-year hurricane hit Galveston and killed 6,000 people in 30 minutes; that was in 1900. Correlated to that, you are talking about 250,000 people being killed in 30 minutes in Monmouth County.

This is what I am faced with: I have no beach; and the water is on top on the bulkheads. If a disaster occurs and a lot of water comes ashore, there is simply no place for it to go. It will destroy lives and homes. My problem, then, is lives. I cannot correlate dollars and cents into lives. I think that is up to you.

I heard you have \$600 million in surplus; this would be the ideal time to cut loose with some of it; you don't have to tax anyone; you don't have to go the hotel and motel tax; and it would be an ideal way to start. You could correlate how you want to fund it afterward, but it would be an ideal way to start. Half of \$600 million is \$300 million; that would take care of most of the programs I have heard about today.

SENATOR WEISS: I know you are joking.

MR. GILMARTIN: No, I am not joking. I think it is an ideal way to go.

SENATOR WEISS: Do you know of the demands on the surplus? Without going to my list, I could give you \$1.5 billion worth of spending against the \$600 million.

MR. GILMARTIN: I could, too, but I figured: What the heck, we're here, so why not go for the gusto?

SENATOR WEISS: I just thought it would be a good time to remind you.

MR. GILMARTIN: The money is there. They found \$600 million, so I figured this was the ideal time to utilize it. The shore could use it -- not only Monmouth County but also Atlantic City, which everyone is talking about. And if you take those four shore communities, there is a lot of revenue generated that is needed.

I want to reiterate that lives are in danger. In some of the shore communities -- Sea Bright, Monmouth Beach, and right below in Long Branch -- the people would be seriously inundated with water. The problem is that there are no beaches left in Monmouth County.

That is all I have to say.

SENATOR WEISS: Thank you very much, Mr. Gilmartin. I understand where you are coming from. I am familiar, as are most people here, with Sea Bright. I have one question. I don't want to prolong this meeting; Ms. Mollica would like to speak. You said something, however, about a 100-year storm and there is 10 feet of mean, high water and 34 feet--

MR. GILMARTIN: 14 feet of mean, high water with a 20-foot surge--

SENATOR WEISS: That brings up a 34-foot wave, if you will. How high a wall do you propose?

MR. GILMARTIN: A 20-foot-high wall.

SENATOR WEISS: What about the 14 feet of water that would come over it?

MR. GILMARTIN: That is what the State Police are predicting -- not me. And Dr. Neil Frank has been predicting hurricanes for 40 years.

SENATOR WEISS: All right. I just wanted to find out how high this castle was going to be. Nevertheless, it would help some. Thank you very much.

SENATOR EWING: Senator, excuse me. Has there been any effort made via Mount Laurel to least-cost housing along the the beach areas and so forth?

MR. GILMARTIN: I am not an environmentalist, per se. I am a layman. I work for the county. The way they are building houses, they have to build above the flood plain.

SENATOR EWING: But what about least-cost housing?

MR. GILMARTIN: I don't know what you mean.

SENATOR EWING: Well, have you heard of the Mount Laurel decision?

MR. GILMARTIN: Yes. There is no place, really, to build in the area I am from. Most of the resources along the seashore have been built on. There are only one or two communities that are now being looked into for Mount Laurel. Holmdel is one; and there are a few others.

SENATOR EWING: They are back from the shore, though.

MR. GILMARTIN: Right. The shore communities are built up; there is not much more on which you could build. And from what you are saying about Mount Laurel, most of the shore communities are fairly poor to begin with, so it really wouldn't involve them.

SENATOR EWING: What do they charge for a house down there in the summer? Are they that poor?

MR. GILMARTIN: It all depends on what you are looking for. I live in Keansburg. I'm just a poor boy from Keansburg. I don't live in one of the rich areas on the island; I live on the peninsula. (laughter)

SENATOR WEISS: He can go to Harvey Cedars or Loveladies.

SENATOR EWING: Is that 20-foot wall of water going to come through Keansburg?

MR. GILMARTIN: If it comes through Keansburg, I'm ready to punt. I'm back in Freehold, so I'm not--

SENATOR WEISS: (interrupting) Well, you come to Perth Amboy, will you? (more laughter)

SENATOR EWING: You'll be floating up here.

MR. GILMARTIN: I don't want to come up here, either. I'll be in Freehold where I can--

SENATOR EWING : (interrrupting) Be where you have to be: administering the coast.

MR. GILMARTIN: The towns that are renting now, mainly, are Belmar and Spring Lake. There are only a few towns left that allow homeowners to rent out their homes during the summer months. A lot of towns have passed ordinances which ban the summer rental of private homes in Monmouth County.

MR. GILMARTIN: Homeowners can't use their houses for summer rentals in Monmouth County. A lot of towns have those ordinances now. Spring Lake Heights--

SENATOR EWING: (interrupting) Can they deny them that privilege?

MR. GILMARTIN: They did in Spring Lake Heights. The ordinance was written about six or seven years ago. In Keansburg, there is no summer rental; the same applies to Union Beach and Middletown. In Sea Bright there is very little summer rental.

SENATOR EWING: Are you allowed to rent cars?

MR. GILMARTIN: I hope so. You would have to talk to the Mayor and Council. I am not the governing body, so I really can't tell you.

SENATOR EWING: I can't believe they can deny someone the right to rent their property.

MR. GILMARTIN: Here is a good example: A friend of mine bought a house in Spring Lake Heights with the assumption that he could rent it out during the summer. Afterwards, he was told he could not do so. He ran into problems with it—

SENATOR WEISS: (interrupting) And he took it to court.

MR. GILMARTIN: Yes. He took it to court, and he lost.

SENATOR EWING: He lost?

SENATOR WEISS: He lost. I know the case.

MR. GILMARTIN: Several towns have passed these ordinances which forbid private homeowners to rent their homes during the summer.

SENATOR WEISS: Thank you.

MR. GILMARTIN: Thank you.

SENATOR EWING: That's fascinating. That better not happen in Atlantic City or they can't rent those rooms.

SENATOR WEISS: Our last speaker is Ms. Sally Mollica, Chairperson of the Monmouth County Environmental Council.

**SALLY MOLLIKA:** Good afternoon, Senators. I am Sally Mollica, Councilwoman in Marlboro Township, Director of Monmouth County Consumer Affairs, Chairperson of the Burnt Fly Bog Advisory Committee, and Chairwoman of the Monmouth County Environmental Council.

The Environmental Council believes it is very important for Monmouth County to stay in the forefront of the fight to save our oceanfront. Our members try to take every available opportunity to speak at legislative hearings, as well as at public forums.

Monmouth is blessed with 27 miles of ocean coastline. We have well over 500,000 people. Our most valuable resource is the ocean. It is the basis of our touring and fishing industries. It is the basis of recreation, which is the bulk point for our citizens, not only of our particular area but also from all over the State of New Jersey, as well as its outlying areas.

I will not go into the sharing we receive from the preparation of Atlantic City, which helps our senior citizens and our schools. We have gone through quite a bit of hearing this morning. As a town councilmember, I will say that I have certain reservations about bonding to solve problems of the present and future. That, however, is personal; I have reservations about it.

SENATOR WEISS: You may find sympathizers here.

MS. MOLLICA: It is imperative that we look at alternative methods to help solve our economic problems. The sales diversion -- tax diversion -- seems to be the choice most favored by local officials. If the Monmouth County Environmental Council can offer an in-depth study to you in the environmental arena, we extend this service to you. It was certainly good to see a disposition, but I changed the word to "service."

We are a volunteer group; we have the staff and courtesy of the Monmouth County Board of Health and Planning Board. We do in-depth studies; we follow all the environmental issues in every facet; and if we can be of any service we certainly offer that to you. Thank you.

SENATOR EWING: It is interesting that the other gentleman brought up the fact that certain places do not let homeowners rent their houses during the summer. Why, then, should these vast sums of money be spent just to protect a few individual homeowners?

MS. MOLLICA: When you brought your question forth with regard to Mount Laurel, you brought in another facet. You are referring to what he--

SENATOR EWING: (interrupting) He said there are certain communities that do not permit summer rentals. Now, the people who own the homes in these communities use them all or part of the year; therefore, we are only protecting those particular homes that are owned. No one else ever uses them.

MS. MOLLICA: The established policy though, sir, is the community's policy that has been put into a local ordinance.

SENATOR EWING: I agree, but you people are asking for money to protect a few, individual, private homeowners.

MS. MOLLICA: No, no. I am not saying that, sir. What I am saying is that we are looking for alternative methods to enable the preservation of the beachfront all along the coast, which would be to the benefit of the entire State of New Jersey. I believe you are confusing what I am saying with something someone else said.

SENATOR FELDMAN: He is wrestling with a moral question. That's what he is wrestling with -- a moral question. Am I correct?

SENATOR EWING: Yes. I don't see why we should spend money to protect a few individuals who own homes.

MS. MOLLICA: I don't think we are protecting a few--

SENATOR EWING: (interrupting) If we were to protect Island Beach and Sandy Hook -- places like that -- that are completely open to the public, then, sure.

MS. MOLLICA: I don't believe that, sir. I was in the inlet, in the inner area. I was born and raised on the West Coast in the state of Washington, and that entire state -- as does New Jersey -- depends on its oceanfront. And you are going into other areas, not just homeowners that you feel are adjacent to the shore. You are going into much more. We are talking about industry: fishing, tourism. Somehow, I feel you are only looking at it from the point of helping one person on one particular beachfront, and I don't think we are looking at that.

I wasn't going to mention user fees at this point, but I must. I am very much in favor of them. It is a common-sense issue. If you are going to use something, then pay for it; perhaps, then, you will take better care of it. I wasn't going to bring everything up. I tried to shorten my testimony since I am the last speaker, but I am now raring to go. (laughter)

SENATOR WEISS: Thank you very much. I have another question for you from Senator Pallone.

MS. MOLLICA: I know he has another hearing to attend.

SENATOR PALLONE: I just wanted to mention, Senator Ewing, that most of the beachfront in Monmouth County is municipally operated. That is true in some of the towns that were mentioned that might have that kind of rental restriction. The beaches are public — and are run by the towns in most of those places — so even if there are certain restrictions regarding rentals, they do not prohibit anyone from using the beaches. Of course, there have been various court decisions that deal with that and which require public access. Even the Shore Protection Bond that we are now tapping requires public access before funds are used.

SENATOR WEISS: Thank you. My thanks to Senator Pallone, Senator Ewing, Senator Feldman, and to Senator Brown, even though she is no longer here. Ms. Mollica, thank you for being so patient. I know you have been here for a long time. I saw you here early this morning.

MS. MOLLICA: Did you think I was his secretary? (indicating man sitting next to her)

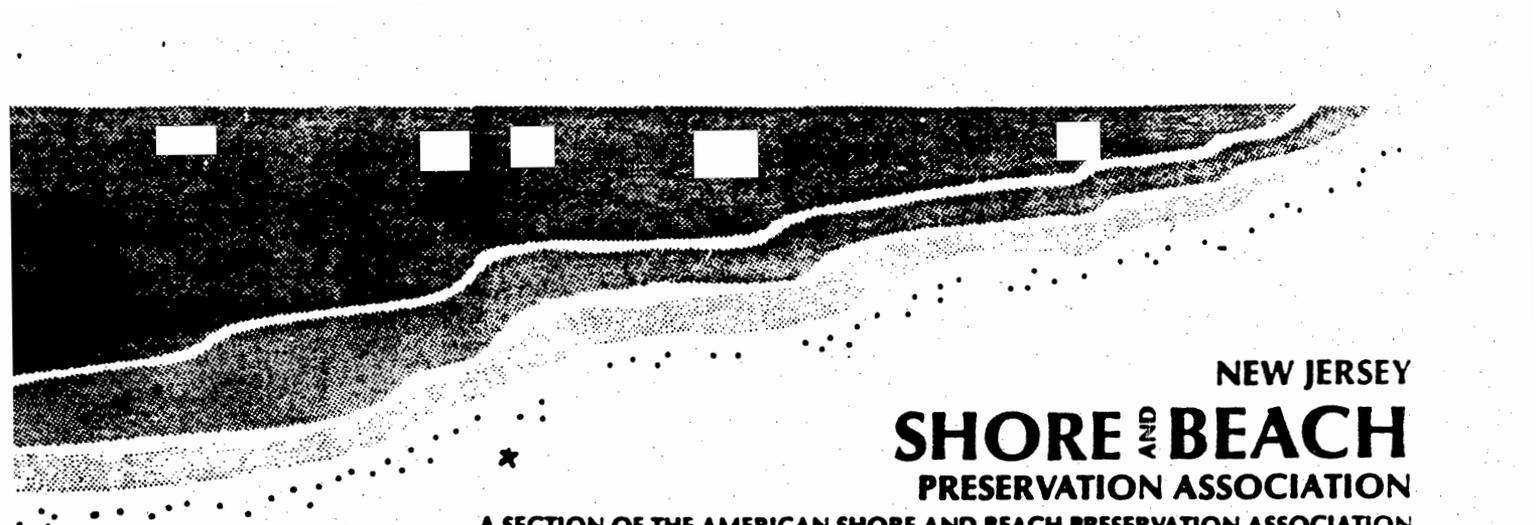
SENATOR WEISS: No. I really didn't give it a thought. I saw that Egyptian medallion you are wearing and thought it was something else. (laughter)

MS. MOLLICA: Thank you. Have a good day.

SENATOR WEISS: Since there is no one else to testify, I am going to adjourn this hearing. We have another one this afternoon. I thank everyone for participating. It was an enlightening discussion. Thank you.

**(HEARING CONCLUDED)**

**APPENDIX**



NEW JERSEY  
**SHORE AND BEACH**  
PRESERVATION ASSOCIATION

A SECTION OF THE AMERICAN SHORE AND BEACH PRESERVATION ASSOCIATION

NEW JERSEY'S APPROACH TO THE  
RISING COST OF SHORE PROTECTION

I very much appreciate the invitation to speak on New Jersey's approach to shore protection funding. First, to any transplanted New Jerseyans who may be here, greetings from the Garden State, a place where, when you're dealing with shore protection, it helps to be an eternal optimist. I hope to briefly cover the history of shore protection funding in our state, and to cover the different proposals which are currently being discussed.

The role of tourism and the concomitant development of New Jersey's coast have been predetermined by our location, which is adjacent to the New York and Philadelphia metropolitan areas and centrally situated along the almost continuous Washington to Boston urban belt. Within a 300 mile radius of Atlantic City lives 25% of the nation's population, and one has a feeling in the summer that all of those people are at the Jersey Shore. We are almost 100% developed with billions of dollars in real estate amounting to about one fifth of the state's total real estate value. Tourism is the second largest business in our state, and close to 90% of the tourist dollars are generated in the four coastal counties of Monmouth, Atlantic, Ocean and Cape May.

We account for an average seasonal employment increase of over 200,000 jobs, and the enormous benefit of our tourist economy has a major impact on businesses throughout our state.

From 1959 to 1980, a total of 56 million dollars were spent on shore protection in New Jersey. The breakdown was roughly \$17 million local; \$27 million state, and \$12 million in federal dollars. Most of the federal money was spent after the 1962 storm, one of the worst on record.

In the late seventies, state funds began to dry up, and in 1977 New Jersey spent a grand total of \$42,000 to protect 127 miles of coast. During this period the responsibility for shore protection was in the hands of the New Jersey Department of Environmental Protection, and it was there that we ran into trouble. The Corps of Engineers had updated a 20 year old proposal for a comprehensive restoration of the Jersey coast, with inlet stabilization, sand bypassing systems, and beach nourishment. The projects had been tabled due to the lack of a state commitment to the non-federal costs. Further, the D.E.P. at the turn of the decade was in the grip of some rather radical environmentalists who didn't think that development was the proper use of a barrier island. A bond issue in 1977 for \$20 million dollars was voted in, but the D.E.P. sat on the money while they launched another study of the coast. The culmination of that study was a Shore Protection Master Plan, a voluminous work that proposed relocation schemes and setback lines and dismissed engineering solutions as short term and expensive. In 1980 a Dune and Shorefront Protection Act was introduced which would have prohibited, without compensation, the rebuilding of any structure between the ocean and the first parallel paved road which was damaged more than 50% by a storm. Setbacks lines are

all right where there is no development, but where you have billions of dollars of existing homes, the effects can be disastrous. To make a long story short, the coastal residents went wild and the bill was hooted down after several stormy public hearings. It was a resounding defeat for the "let nature take its course" proponents, and with the election of Governor Kean in 1980 came a new commitment to shore protection.

Some projects are completed, some underway, and the state is now working with the corps to mesh their two plans. A Shore Protection Advisory Group has been invited to meet with the D.E.P. on a regular basis and our meetings have been productive.

But, with all the commitment, all the planning, and all the technical expertise, it all boils down to one thing: funding. Displays of coastal engineering, without funding mechanisms, are only displays.

We passed another Shore Protection Bond Issue last year, in the amount of \$50,000,000. The voters gave it a good majority, but we barely squeaked it through the legislative in time for the ballot. We also had a hell of a time trying to convince our Capital Budgeting Commission to approve it. We started with \$70,000,000 and were lucky to get \$50,000,000. As it stands, it is really just a drop in the bucket. While I supported the bond issue, knowing how badly we needed some new money, I had reservations about bonding as a major source of shore protection money. I think you are asking for trouble if you rely on long term bonding to finance projects which may last 10 years, or 5 years, or one season. There is a growing determination in our state government not to increase our bonded indebtedness, and I do not see it as a reliable factor in the planning process for future

shore protection.

The Corps of Engineers 1980 estimate for New Jersey's coast of \$324,000,000 will be approaching \$400,000,000 very soon, with a state share of at least half of that. A severe storm in March of this year caused us to dip into already earmarked funds, and another bad winter can leave us broke and vulnerable.

The budget constraints on the federal level are obvious, and we are hanging on by our fingernails for passage of a water projects bill now before Congress. At this Association's 1981 meeting in Wildwood Crest, General Heiberg, then Director of Civil Works for the Corps, stressed that federal funds for beach restoration would be hard to come by in 80's. At that meeting, Congressman William Hughes noted that he had heard the term "creative financing" used at the conference. He remarked "all that means is that we're throwing it back to you" to the locals. And he wasn't being facetious; he was being realistic.

In New Jersey the local communities have paid on the average 30% of all shore protection money spent. We have a cost-sharing arrangement which is 75% state - 25% local. We are further hindered by a spending caps law which prohibits us from budgeting more than 5% over the previous year's budget. All of this combines to put multimillion dollar beach restoration projects out of reach for most of our municipalities.

We charge beach fees, which average about \$6.00 to \$10.00 a season to handle the maintenance of our beaches. There was a proposal to take the surplus and dedicate it to a beach protection fund. But, after you total up the costs of lifeguards, beach maintenance, litter cleanup, auxiliary summer police, wages and benefits for summer employees and

minor storm damage repairs, forget it! There is no surplus. Even if there was, its contribution to major funding would be insignificant.

A proposal I personally favor is the dedication of 1/6 of the 6% sales tax collected in coastal counties to beach protection. However, I don't think it has a chance. Sales taxes in New Jersey go directly into the general fund, and the legislature has resisted any attempts to dedicate any part of them for any purpose. The argument against it is that once we dedicate sales taxes for shore protection, every special interest group will come out of the woodwork and demand their own dedication. I can understand that. We at the shore place a high priority on our economic and recreational worth. What many of us forget is that when you go inland, particularly to Camden and Newark, our priorities are rather low compared to their problems.

Last year, at our meeting in Florida, I spoke with Col. Denison about this nagging inability to find a good funding mechanism. He told me that his home county in North Carolina had just enacted a 2% resort tax, which is a levy on the gross receipts derived from the rental of any room, apartment, or similar lodging in the county. The proceeds are designated 80% for beach protection and 20% for tourism promotion. In subsequent conversations he told me the tax was working very well, so well in fact that other towns were instituting it. At his suggestion, I spoke with the finance director of Myrtle Beach. They recently enacted a 2% accommodations tax on top of a 4% sales tax and expect to generate 1.3 million dollars this year for shore protection.

Armed with several studies of New Jersey's tourist economy, which is over \$5 billion dollars a year, I came up with a conservative estimate of about \$30 million dollars a year which could be generated by a

2% tax on hotels, motels, single family and duplex rentals and meals in restaurants.

The advantages are:

1. It is a virtually direct user fee, mostly paid by tourists.
2. It is a fairly painless tax. The art of taxation is to make it as painless as possible. A \$10.00 tax on a \$500 a week rental shouldn't hurt, nor should an extra dollar on a \$50 dinner. Some public education is necessary, but most people I talked to said they wouldn't mind paying it to maintain our beaches.
3. It is well recommended by other areas that have tried it.
4. It would generate funds for major projects and help pay for annual maintenance. Further, it could be used as security to make bonding viable for the largest projects.
5. Most importantly, it would provide a somewhat stable source of funds which may accumulate each year to be spent as projects come up to bid. Its stability will remove uncertainty from the planning process and help us to plan more positively and accurately, because we know the funds will be there.

Whether it will be a resort tax, dedicated sales tax, general appropriation (highly unlikely) or a combination of several funding sources, our main thrust in New Jersey is to come up with a stable funding source for shore protection. We know from experience that we cannot rely on the federal and state governments to bail us out. We are also proposing the creation of a regional coastal authority to administer the funds. It would be staffed by coastal representa-

tives and would, hopefully, shield us from the occasionally unfavorable political winds that blow from time to time in our state capitol.

A bill was introduced this summer for a 2% resort tax on hotels, motels and campgrounds. In my view, it was rather hurriedly thrown together and did not include single family and duplex rentals. These types of rental properties make up the majority of rental units at the Jersey shore, and their exclusion robbed the bill of an equitable collection ratio, and I could not support it. For example, my home town, Long Beach Island, has about 10,000 rental units, of which 30 are motels. It's not fair to ask them to carry the load for everyone else.

The resort tax was not very favorably received but, hopefully, it started people thinking. My response was, "Well, what's your idea?" I've been to many meetings on shore protection, and many are quite depressing. There's a certain "why me" attitude when it comes to taxation, even though we all know what to do with taxes - we put them onto the consumer. Our only inconvenience is in the collection. The same rhetoric is tossed around at all these meetings, phrases like, "We need to get our act together," or "Something's gotta be done." The worst one is, "The state has to recognize the importance of the shore." Maybe so, but so far it hasn't. And all our pleading and platitudes have not put one grain of sand on our beach.

We are at a point in New Jersey that we have never been before. We are at last talking about specifics, the nuts and bolts of different funding mechanisms. With some patience and compromise, I think we'll pull it together.

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October 11, 1984

Hon. Frank Pallone  
576 Broadway  
Long Branch, New Jersey 07740

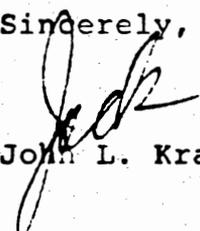
Re: Shore Protection

Dear Senator Pallone:

Dan Jacobson invited me to testify on a structure for providing a rational approach to long term beach erosion problems in New Jersey. I was pleased that you wanted me to testify, but I have a conflict on the 16th which I cannot rearrange. I discussed this with Dan.

I am enclosing a copy of my remarks which were delivered to the conference held earlier this year at Monmouth College on the subject of beach erosion. I hope you will find the comments useful, and I certainly would like to have them included in the record which is being made by the Committee. As I indicated to Dan, I would be glad to provide any further information or support for this project, and I look forward to discussing it with you in the future.

Sincerely,

  
John L. Kraft

JLK/sg  
encl.

## METHODS FOR FINANCING BEACH EROSION PROJECTS.

New Jersey beaches are among the State's most valuable recreational and economic resources. Methods for preventing beach erosion and preserving this natural resource require new and innovative financing methods. Presented below is a description of the traditional methods for financing beach erosion projects and the limitations that are inherent in these methods. Also discussed below are proposed methods for financing the improvements that contemplate financing on a multi-jurisdictional or regional basis. In our view, the regional approaches will provide for coordinated efforts throughout the shoreline areas most affected by beach erosion and will provide for the most efficient administration and allocation of the limited resources available for such purposes.

### I. Traditional methods for financing beach erosion projects.

The traditional methods for financing beach erosion projects include: a. grant and low-interest loan moneys made available to shoreline communities by the State of New Jersey from the proceeds of the issuance of State general obligation bonds; b. moneys appropriated by such communities and raised in current budgets or through the issuance of general obligation bonds.

Competition for state moneys is keen and the moneys to be allocated are extremely limited. Reliance only upon the State is not an effective method to provide for the full cost of beach erosion projects. The problem is exacerbated by virtue of a second level of competition for moneys appropriated by referendum specifically for tideland improvements.

The other traditional method for financing beach projects by a municipality is through the issuance of its general obligation bonds pursuant to the Local Bond Law, N.J.S.A. 40A:2-1 et seq. If the governing body of a municipality determines to bond for beach improvements, it may adopt a bond ordinance to finance the improvements. The bond ordinance will specify the period of usefulness of the improvement within the limitations contained in the Local Bond Law. Permanent bonds to finance beach erosion projects may be outstanding for a period not exceeding 15 years. The total time period for the issuance of general obligation bonds is extended by the temporary financing

periods that permit the municipality to issue bond anticipation notes. N.J.S.A. 40A:2-8. Generally, these notes may be issued for a period of not exceeding 1 year and renewed from time to time for an aggregate temporary financing period not to exceed 5 years.

There are drawbacks to financing beach erosion projects with the issuance of general obligation debt. By themselves, municipalities do not have sufficient borrowing power to provide funds necessary to correct or eliminate completely beach erosion problems. The financing of erosion projects on a municipal level does not allow for a coordinated regional effort to a problem that should be addressed on a multi-jurisdictional basis. The beach erosion plans developed by one community might be harmful or inconsistent with the beach erosion project of another. The causes of beach erosion are not limited to one particular area along the New Jersey shoreline. A regional approach to planning and financing a coordinated plan to control beach erosion is a solution worth exploring.

## II. New regional approaches for financing beach erosion projects.

An alternative to the traditional approaches for financing beach erosion projects is the financing of such projects on a multi-jurisdictional or regional basis. Such an approach would permit coordinated planning and financing and would eliminate the waste in resources resulting from individual municipal planning and financing efforts. Under existing law, all beach improvements including beach erosion projects could be undertaken on a county-wide level by a county improvement authority pursuant to the County Improvement Authorities Law (N.J.S.A. 40:37A-44 et seq.). On a broader regional basis these improvements could be undertaken through a newly created authority capable of overseeing all of the shoreline activities, including beach erosion projects, along the New Jersey coastline.

The concept of the development of a county or regional authority to oversee New Jersey beaches is consistent with the "Public Trust Doctrine." Essentially, this doctrine provides that the ownership, dominion and sovereignty over lands flowed by tidal waters is vested in the State, in trust for the people of the State. Under this doctrine the public has the right to use and to enjoy the the tidelands for recreational shore activities. Matthews v. Bayhead Improvement Association, 95 N.J. 306 (1984).

Arguably, the public's right to use and to enjoy the tidelands and the State's capacity as trustee for such purposes also places upon the State or another governmental entity some responsibility for overseeing such resources to assure that they are not squandered or depleted. A multi-jurisdictional approach to the beach erosion problem may be the most effective way to assure that the beaches can be preserved for the use and benefit of all of the citizens within the State of New Jersey.

Pursuant to the County Improvement Authorities Law, such authorities are authorized to undertake within the County various public facilities including facilities for the recreation and entertainment of the public. In order to finance beach erosion projects, the Improvement Authority may issue obligations secured by revenues derived from beach user fees and other revenues. Of course, it must be determined prior to the issuance of any obligations that the revenues will be sufficient to pay for the costs of operating and maintaining the projects, the cost of paying debt service on any obligations issued by the Authority and of funding any reserves established in connection with any issuance of the debt. In addition, the State and any municipality within the County may appropriate and donate funds to the Improvement Authority in order to aid the acquisition, construction or operation of the public facility.

The problem of financing beach erosion projects by separate County Improvement Authorities is similar to the problems encountered when each municipality attempts to correct its own beach erosion problem. Without coordinated efforts, it is quite possible that the projects undertaken by one Improvement Authority might jeopardize or negate the activities undertaken by a separate Improvement Authority along a different area of the coastline. It should be noted that County Improvement Authorities do not have the authority to undertake improvements or public facilities outside of the County boundaries, except in connection with the acquisition, construction and operation of garbage or solid waste public facilities. It is not possible for one Improvement Authority to assume jurisdiction over the beaches located within the boundaries of another County.

An alternative multi-jurisdictional approach to the beach erosion problem is the creation of a new regional authority to plan, implement, oversee and finance beach improvements including beach erosion projects. The new regional authority could be created on the order of the

Hackensack Meadowlands Development Commission (the "Commission") created by the New Jersey State Legislature in 1968. N.J.S.A. 13:17-1 et seq. The concept surrounding the creation of the Commission was to provide for the coordinated comprehensive planning and development of the Meadowlands area encompassing portions of Hudson and Bergen Counties. Presumably, any regional authority created for the purpose of coordinating beach improvements would include the counties of Atlantic, Cape May, Monmouth and Ocean.

The members of this regional authority would include representatives from each County comprising the jurisdictional boundaries of the Authority including certain ex officio members such as the Commissioner of the Department of Community Affairs, the Commissioner of the Department of Environmental Protection and a representative of the United States Army Corp of Engineers. These members will be responsible for developing the comprehensive master plan for beach operation and maintenance, including preserving the shoreline and the methods for implementing and financing the plan.

The regional authority would be authorized and empowered to undertake all actions necessary to plan, implement, finance and oversee beach improvement projects. These powers would include the power to enter into contracts, to undertake necessary investigations, examinations and surveys necessary to carry out the purposes of the Authority, to acquire land and other personal property including the authority to exercise the power of eminent domain, to accept grants or loans from any federal, state or other public agency or governmental entity, to mortgage, foreclose, sell or assign any interest in real or personal property and to issue obligations to finance any beach improvements.

The regional authority will develop a comprehensive regional master plan that will consider tidal flows along the entire New Jersey coastline and develop the most efficient problem identification and resource allocation procedures. The regional approach will avoid the problem of having one municipality or county undertake a project that might be damaging to another shoreline project. One drawback to the regional authority approach is that the municipalities might be required to divest themselves of beach property or at least the financial benefits from the collection of beach user fees. In our view, the benefits of the regional approach far outweighs any problems that would have to be overcome.