



New Jersey Society for Environmental, Economic Development

2006-2007
STATE
ISSUES
BRIEFING
BOOK



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2006 - 2007 NJ SEED State Issues Briefing Book

Table of Contents

INTRODUCTION	5
NJ SEED POLICY COMMITTEES	6
ECONOMIC DEVELOPMENT OVERVIEW	7
A Challenge to the Administration and the Legislature	7
Transportation	7
Environment	8
Energy	8
Taxes	9
Telecommunications	9
Other NJ SEED Issues	9
TRANSPORTATION	11
New Jersey Transportation Trust Fund	11
Regional Transportation Linkages	12
Access to the Region's Core	12
Cross-Harbor Rail Freight Tunnel	13
THE PORT OF NEW YORK AND NEW JERSEY	14
The Arthur Kill-Channel Improvements	16
Beneficial Use of Dredged Materials	16
Contaminant Assessment and Abatement	16
ENVIRONMENT	17
Regulatory and Managerial Efficiency	17
Natural Resource Damages	18
Solid Waste Management	18
Green Building Technology	19

Timed Growth Ordinances	19
Brownfields Cleanup and Development	20
A Proposal to Establish Stable Funding for Our State Parks System	20
The New Jersey Environmental Infrastructure Trust	21
ENERGY	23
Our Economy and the Utility Infrastructure	23
New Jersey Energy Master Plan	23
Fuel Issues	23
Liquefied Natural Gas Facility Siting	24
Nuclear Energy	25
DEP and BPU Work In A Regional Effort To Combat Global Warming	25
TAXES	27
Preservation of the New Jersey State Constitution’s “Uniformity” or Fairness	27
Clause for Property Taxpayers	27
Tax Policy Revisions: A Level Playing Field	27
Property Tax Reform and Education	28
Rebuilding Our Educational Facilities	28
TELECOMMUNICATIONS	30
OTHER NJ SEED ISSUES	32
The Life Sciences: New Jersey’s Leadership Industry	32
Critical Staffing and Equipment Needs Within The New Jersey State Police	33
Health Insurance Costs Are Exploding	34
The Economic Costs of Insurance Fraud	35
APPENDIX A	36
APPENDIX B	37

Introduction

The New Jersey Society for Environmental, Economic Development (NJ SEED) is a unique coalition of New Jersey's most prominent labor and business leaders. Our diverse membership includes labor advocates, construction and electrical workers unions, energy providers, environmental consultants, telecommunications firms, banks, residential and commercial development interests, insurance firms, educators, law enforcement and firefighters, food manufacturers and retailers, water utilities, chemical industries, pharmaceutical companies and health care interests. What we all have in common is our belief that economic growth and environmental protection are not mutually exclusive. For more than thirty years, NJ SEED has supported balanced public policies that create private sector jobs, bolster our economy and enhance our environment.

Good things happen when labor and business leaders sit down together. We are proud to present this 2006-2007 edition of our State Issues Briefing Book, a companion to our Congressional Briefing Book published each spring. We thank all of the NJ SEED members and staff who contributed to this document.

This Briefing Book is being shared with the Governor, members of the Legislature, the New Jersey Congressional Delegation and other policy leaders.

Since NJ SEED was founded, New Jersey has realized many significant environmental gains. Our air is cleaner, our water purer, our soil less contaminated. New Jersey has often led the nation in environmental enforcement. On occasion, environmental zeal has led to exceedingly burdensome regulation on business, thereby impeding economic and job growth. Although there are many problems yet to be solved, New Jersey remains a great place to live, to work and to run a business.

The issues presented on the following pages represent a challenge to the Governor and Legislature to address many important areas of our state's economy particularly with respect to its transportation infrastructure, the environment, telecommunications and energy. We look forward to working with them.

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NJ SEED Policy Committees

NJ SEED Economic Development Issues Policy Committee

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Bill Healely

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Union County Alliance
Ed Zarnock

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Paul Kaywork

NJ SEED Energy Issues Policy Committee

Chairmen: Art Guida, PSE&G and Jim Benton, NJ Petroleum Council

Atlantic City Electric
Robert Revelle

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Steamfitters Local 475
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NJ SEED Environmental Issues Policy Committee

Chairman: Dick Dewling, Dewling Associates, Inc.

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NJ SEED Transportation Policy Committee

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Economic Development Overview

A Challenge to the Administration and the Legislature

New Jersey is an economic engine for the nation and especially for the east coast. Our well-educated work force has helped our service-driven economy become a national leader. Also, our ports are the entry point for a very substantial amount of the commodities coming to the United States, as well as the point of export for many products. It is imperative that New Jersey's economy continues to grow.

NJ SEED's labor and business members call upon the administration and legislature to enact balanced policies that improve our transportation infrastructure, keep our ports viable, support the education of our workers, protect our standard of living and natural resources, and promote job growth. Our recommendations include:

Transportation

- Establish a long term financial solution that prioritizes infrastructure investment and secures a dedicated source of funding for transportation capital investments. This is critical to New Jersey's economic future.
- Support the Access to The Region's Core project because it will: double commuter rail capacity; provide more one-seat ride opportunities for more commuters and reduce environmental pressures caused by single-occupancy vehicles; add flexibility to the rail system to respond to security concerns; and support economic growth along New Jersey's rail corridors.
- Continue to partner with state and federal governments to maintain and improve the nation's deep-draft navigation system through the sound investment of federal funds for the accelerated, consolidated Harbor Navigation project. The deepening plan for the New York and New Jersey Harbor Navigation project must be completed without interruption by lawsuits, if the Port is to continue its economic contributions as the Nation's third largest seaport.
- Lower the depth of the Arthur Kill waterway, from Morses Creek to Perth Amboy, to an approved ship channel depth.
- Continue the beneficial use of dredged materials for environmental conservation, economic development and revitalization purposes associated with remediation and reclamation projects.
- Take initiatives that strengthen New Jersey's ports and economy. Supporting the port and the network of businesses and jobs operating therein, along with the many businesses, consumer markets and regions that are beneficiaries, is about maintaining the quality of life for our citizens across the country who benefit directly or indirectly from this industry. It makes good fiscal sense to continue to wisely invest public funds in our region and nation's economy and environment.

Environment

- Require the development and use of streamlined management systems by all government agencies that eliminate waste and provide for an efficient regulatory process. These changes should improve government's responsiveness and minimize the cost of regulatory compliance to allow more funds for job creation, research, training, wages, and employee benefits while helping to ensure the global competitiveness of New Jersey's business community.
- Consider the potential negative environmental and economic impacts of Natural Resource Damages assessments, and mitigate these impacts through appropriate legislative initiatives, including forgiveness and assessment limitations. The DEP should fashion its program in a way that is closer to the national mainstream, and consistent with recent federal case law keeping New Jersey competitive with neighboring states.
- Support the ongoing Reinvigorating Recycling effort by the DEP and various stakeholders by encouraging education and informing students, businesses, and the average citizen that the ultimate goal of improving New Jersey's recycling rates can be achieved.
- Enact legislation and regulatory revisions that encourage the voluntary use of green building technology to: promote water efficiency, optimize energy usage, reduce and manage the amount of materials used in construction and waste, ensure good indoor air quality, and encourage market-driven innovation.
- Support government policies that allow the free market to operate within a sound planning and zoning framework, while providing incentives to encourage growth in priority areas.
- Enact legislative and regulatory revisions that further remove barriers to the development of contaminated brownfields sites so that these properties can once again contribute to New Jersey's economic growth while mitigating public health concerns. Streamline and accelerate the local and state permit review process, clarify and reduce the potential for legal liability (including natural resource damages claims), add financial and tax incentives to encourage the cleanup and redevelopment of brownfields, and simplify regulatory and oversight processes during cleanup.
- Provide urgently required funds for the maintenance and preservation of our state parks through a stable funding source.
- Support programs where government and industry can partner for the betterment of New Jersey citizens and the environment in which they live and work.

Energy

- Enact policies that encourage the development of a long term energy efficiency plan. This plan should reduce overall consumption through while ensuring a reliable, affordable supply of energy for the citizens and businesses of New Jersey.

- Continue to adhere to federal schedules for fuel requirements and introductions. This is most important in the transition to ultra low-sulfur diesel fuel for on-road vehicles. Attempting to stretch and increase ultra low-sulfur diesel to off-road markets, such as marine, construction, rail and farm vehicles, may prompt supply concerns.
- Approve the siting of a liquefied natural gas terminal in Logan Township, because this facility will add jobs and tax revenue. Most importantly, it will provide a stable supply of natural gas to the region.
- The New Jersey Legislature is encouraged to work collaboratively with regulatory agencies and to actively promote a balanced portfolio of electric generation options, including nuclear facilities.
- Support reasonable programs that limit air pollution in our region through research based on sound science without political bias.

Taxes

- Enact tax reform policies to:
 - Control government rather than shift the tax burden. With property taxes rising by seven percent a year since 2001, it's clear that real reform will require reducing government budgets at every level.
 - Encourage economic growth by replacing New Jersey's gross income tax law with the federal tax code model regarding offset of carry forward losses and classification.
 - Place New Jersey's overall tax policies at a competitive advantage with neighboring states.
 - Reduce dependency on property taxes for school funding, without compromising quality.
 - Properly fund capital improvements in our educational facilities at all levels.

Telecommunications

- In order for New Jersey to be a leader in the technological innovation that underpins a strong economy, it must follow the national trend to deregulate, not over-regulate, telecommunications services.

Other NJ SEED Issues

- Support policies that encourage the growth of the life sciences industry in NJ. Policy makers can never assume that its past and present leadership in this industry is an automatic guarantor of such future dominance.
- The New Jersey State Police deserve support from policy makers in any and every way possible. The administration and legislature are encouraged to ensure that New Jersey

receives an appropriate share of funding for Homeland Security and anti-terrorism activities.

- The New Jersey State Police must have its staffing needs addressed through short- and long-range plans and budget commitments so that New Jersey's troopers will be equipped to achieve success in their law enforcement mission as currently defined, including the prevention of domestic terror.
- Employer based healthcare reform is essential. Policy makers are encouraged to review the current system and act to limit cost increases, make the current system more flexible and affordable.
- NJ SEED urges the New Jersey Legislature to continue to support the insurance industry and New Jersey's law enforcement community in their combined efforts to aggressively confront the serious problem of insurance fraud in our state.

Transportation

New Jersey Transportation Trust Fund

A solid infrastructure is the key to success in the future. It provides new opportunities for international trade, improves quality of life for people, and fosters successful economies. There is a crucial link between investments in transportation and our state's ability to compete nationally and globally. No state or nation can thrive without a highly advanced transportation infrastructure to support the many complex activities that characterize modern society. Without continuous investment in its transportation infrastructure, a modern economy fails to grow. Delays in funding, needed maintenance, and repairs are the most expensive form of under-investment.

There are few other regions in the country where the intermodal mix of highways, bridges, mass transit, airports and marine facilities are as critical or as prevalent as here in the Northeast. It is fair to say there are no regions where economic and quality of life issues are as intertwined with transportation.

New Jersey relies upon its Transportation Trust Fund (TTF) as the primary mechanism for investing in its transportation infrastructure. Over the last several years, the TTF has teetered on the brink of insolvency. Over the same period a number, the legislature could not agree on a long-term solution and took no action.

Finally, in February of this year, Governor Jon S. Corzine took the first step to reforming and refunding the TTF. His administration proposed and the legislature adopted a short-term fix to keep the TTF afloat while they look for a long-term solution. The short-term solution includes dedicating the remaining penny and a half from the gas tax that was going into the general fund rather than the TTF, as well as refinancing and extending the maturities of existing TTF debt. These measures, combined with an increased program size will leave the TTF insolvent again in less than five years.

The precarious position the TTF was in, and will be in again, can be directly linked to decisions made over the past 10 years to increase reliance on bonding, to extend the terms of bonds, and to raise spending caps without additional revenues. In addition, due to inadequate general fund appropriations, the application of TTF funds has been expanded to cover many maintenance operations at a cost to the capital programs of both the New Jersey Department of Transportation and NJ Transit. Governor Corzine's solution begins to address some of these issues, but more steps are required if New Jersey is going to keep up with its ever increasing transportation needs.

According to recent studies, some of New Jersey's most pressing infrastructure needs are:

- \$1 billion annually for the next 10 years to rehabilitate 15,289 lane miles of highway.
- \$7 billion to eliminate the backlog of structurally deficient bridges.
- \$6 billion over the next 10 years to restore NJ Transit infrastructure to a state of good repair.
- \$9 billion over the next 10 years to increase capacity on NJ Transit services.
- \$5.5 billion over the next 10 years to alleviate heavy traffic.
- \$360 million over the next 10 years for rail freight infrastructure improvements to maintain the State's economic advantage in the goods movement industry.

- \$340 million over the next 10 years to acquire and preserve the State's core airport system.

It is estimated that New Jersey must invest over \$3 billion annually in its transportation infrastructure to make the improvements necessary to maintain a strong economy and improved quality of life. To do so, one billion dollars per year in new revenues will be needed to finance the capital program. In addition, reforms must be implemented to ensure that the TTF remains financially solvent. They include:

- greater reliance on "pay as you go," rather than on bonding for projects
- cap diversion of revenue from capital to fund maintenance and operations costs, with the goal of eliminating this practice as soon as fiscally possible
- constitutionally dedicate all originally intended resources to the TTF; ensure full revenue yield is achieved from existing sources
- provide independent oversight over financial plan with authority to ensure that acceptable practices are utilized

NJ SEED applauds the actions of Governor Corzine and New Jersey Department of Transportation Commissioner Kolluri, for their immediate financial patch of the TTF. We encourage New Jersey policy makers to find a long term financial solution that prioritizes infrastructure investment and secures a dedicated source of funding for transportation capital investments. This is critical to New Jersey's economic future.

Regional Transportation Linkages

Northern New Jersey's economic viability is linked to the efficiency of the area's transportation infrastructure. As traffic volume between New Jersey and New York City continues to increase and commerce from our ports grows, it is critical to the economic future of this region that our transportation linkages are expanded.

Access to the Region's Core

NJ Transit's Access to the Region's Core project, also known as the Trans-Hudson Express Tunnel or THE Tunnel, is the foundation for future expansion of rail service to New York City and within New Jersey.

With the current 23 trains per hour capacity completely absorbed by NJ Transit and Amtrak trains into Penn Station, there is no room to handle the projected increases in passengers. The Northeast Corridor, with its two almost 100-year-old single-track tunnels under the Hudson River accessing Penn Station, is functioning at its limit. To address this capacity shortfall, NJ Transit is proposing to build two new single-track tunnels under the Hudson River and additional station capacity in midtown Manhattan. These major improvements, plus additional mainline and yard capacity for storing trains in New Jersey, will allow the number of trains to increase to 48 trains per hour to accommodate the projected future passenger demand.

The proposed plan addresses security concerns and offers a redundancy that is non-existent today. This plan is also flexible: it leaves open options to increase train capacity further and extend the rail line in New York City beyond the proposed 34th Street station.

This mammoth undertaking, which will cost an estimated \$6 billion, has far-reaching positive economic implications. It will accommodate twice as many New Jersey residents seeking access to New York City, generate 44,000 new jobs in New Jersey, and the region over a 10-year period following completion, enhance property values and economic development opportunities along the seven existing NJ Transit rail services, and potentially along six others that are in planning stages. The environmental benefits are also substantial. The removal of more than 1.5 million auto trips into New York City will contribute to improved air quality. Among the benefits generated will be:

- 16,000 new jobs in New Jersey over the 10-year period following completion
- \$4.3 billion added annually to New Jersey's gross regional product
- \$2 billion annually in additional real personal income
- 2,000 New Jersey construction jobs in each year of the eight-year project
- The ability to handle over 87,000 peak period commuters into New York City by rail, will more than double the number handled today
- Improved intra-New Jersey rail transit services and increased ridership system wide
- Enhanced ridership on the proposed six new rail corridors now in the planning process

NJ Transit is currently undertaking preliminary design and engineering for the tunnel project. So far, New Jersey has committed \$500 million and the Port Authority of New York and New Jersey has committed up to \$2 billion for this project.

NJ SEED supports the THE Tunnel project because it will make a tremendous improvement in regional mobility, create jobs, and improve air quality. This is a unique opportunity to shape our future to benefit everyone.

Cross-Harbor Rail Freight Tunnel

New Jersey and New York ports continue to experience increased traffic and process a larger volume of containers every year. Once off loaded, a ship's cargo needs to be able to move with the same efficiency and ease that it experienced when it was transported in. A cross-harbor rail freight tunnel would increase the flow of products into market, while decreasing road and bridge congestion.

New York is the only major port city in the United States that has never built a rail freight connection across its harbor or river. Most products entering or passing through the port on rail are either detoured 280 miles to a bridge in Selkirk, or loaded onto trucks and transported over the roads. The impact on New Jersey's roads and traffic congestion is stifling to our transportation infrastructure and economy. The tunnel would remove at least one million tractor-trailer trucks per year from our roads, and would result in cleaner air, reduced congestion, lower-cost consumer goods and a generally reduced cost of doing business.

NJ SEED will continue to monitor possible tunnel expansion and supports these investments in our regional transportation linkages.

The Port of New York and New Jersey

Moving our Economy and Environment Forward

From ship to shore to store, the Port of New York and New Jersey is our most important gateway to international trade, and affords each of us easy access to affordable goods. Almost all of the products we consume and rely upon each day are made available to us because of the maritime industry operating in our backyard.

To ensure that this economic growth continues, our port must remain the North Atlantic's main ocean shipping hub by sustaining its competitiveness through deep draft, 50 feet navigation channels. Clear trends in commercial shipping and steamship design and construction will result in a larger percentage of the worldwide fleet of container ships that require channel depths of up to 50 feet. The ocean-going container vessels calling on our port have grown from 2,500-container ships in 1990 to 6,000-container mega ships today. And they are only getting larger. It is critical that the Port has the required depth to accommodate these deeper draft vessels.

PORT FACTS:

- The Port of NY/NJ is the third largest seaport in the U.S., the largest on the East Coast, 14th largest in the world.
- The estimated regional economic input is \$29 billion annually.
- The port is the largest petroleum distribution point and automobile port in the U.S.
- Over 600,000 passengers board cruise ships that dock in our harbor.
- There are over 250 miles of engineered waterways in the Port District, with depths ranging from 20-45 feet.
- A necessary deepening project to 50 feet is currently underway to accommodate larger container vessels and ensure navigation safety.
- Maintenance and improvement of these engineered waterways requires the dredging of 4-6 million cubic yards (CY) of material annually.

Without the environmentally friendly and cost-effective ocean movement of goods, the alternative would be thousands of additional trucks on the roadways for each vessel that did not call on our port, creating additional congestion, motor vehicle exhaust emissions, and diminished air quality.

A recent study by the Bloustein School of Planning and Public Policy reported that the Port of New York and New Jersey annually contributes over \$12.5 million for port region workers, paying out \$12.6 billion in personal income throughout the New York / New Jersey region, and, in 2005, supporting 239,000 full-time New York and New Jersey jobs and contributing over \$5.8 billion in federal, state, and local taxes. It is the third largest US port, and the 14th largest in the world. It also provides the most efficient, economical and environmentally sound means of distributing internationally traded goods. The Port of New York and New Jersey serves 80 million customers and 35 percent of the entire United States population.

The Port of Camden saw the passage of nearly 3.14 million tons of cargo in 2004 and leads the East Coast in break bulk cargo. This record business has been attributed to growth in key

commodities including steel, cement, and wood products. Exports are the fastest growing component of the state's gross product.

In 2004, the cargo volumes in the Port of New York and New Jersey were up 27.2 percent over the 2000 level. Experts believe the amount of cargo handled by the Port of New York and New Jersey could double in the next 20 years.

Key to meeting the ever-increasing cargo volume demand is the close proximity, availability, and accessibility to warehousing, value-added services, and maintenance and storage facilities to support port-related activities. The scarcity of land is a critical issue in the port areas where brownfields redevelopment for industrial and port-related facilities is of paramount importance. An abundant labor supply nearby is a major reason to encourage this redevelopment. Coordinated state efforts to market these sites and assemble properties, (i.e., Portfields Initiative), involving the NJ Economic Development Authority and the PANY&NJ, are vitally important to this region.

Policies and programs must be developed and implemented to ensure a reliable stream of federal and state funding for dredging programs to accommodate post-panamax class vessels; expansion of shipping piers and berths; storage and warehouse capacity and availability; and adequate roadway infrastructure including secondary roads, truck and railway access and interconnections. Innovative policies could result in the establishment of short-haul intermodal shuttle trains as well as the additional double-tracking of existing rail freight lines, the immediate start of phase 2 of the Portway heavy-duty container corridor, an expansion of the Port Inland Distribution Network and a commitment to intermodal (water and rail) alternatives for goods movement.

Secondary, but no less important, benefits to areas near the port result from rail and barge access, by reducing reliance on long-haul trucking, highway congestion, and improved air quality. Critical too are additional upland development and redevelopment brownfields projects that provide beneficial use for dredged material and the increased use of tax increment financing through the Redevelopment Bond Financing Act.

Political leaders and the business community must remain focused and fully committed to making the investments necessary to keep our port economically competitive and a world premier port destination.

Quality of life in the New Jersey region is directly attributable to the efforts of the port, which serves almost one-third of the nation's population. Goods handled here supply the Northeast and Midwest markets, provide export opportunities for goods produced here and facilitate the import of raw material used in domestic manufacturing. The channel deepening project will continue to provide greater transportation efficiencies to these markets with less environmental impacts locally and, as necessary, provide for better military deployment to augment our national defense.

NJ SEED strongly supports a continued partnership with the state and federal governments to maintain and improve the nation's deep-draft navigation system through the sound investment of federal funds for the accelerated, consolidated Harbor Navigation project. The consolidated, accelerated deepening plan for the New York and New Jersey Harbor Navigation project must be completed without interruption by lawsuits.

NJ SEED supports integrated, aggressive efforts by all levels of government in coordination with the private sector to accelerate dredging, simplify and expedite the land development and redevelopment process, and improve infrastructure and the growth of the international ports in North Jersey and along the Delaware River to expand New Jersey's access to, and competitiveness in, the global marketplace.

The Arthur Kill-Channel Improvements

The Arthur Kill waterway is a crucial petroleum supply line into New Jersey as well as the entire Northeast region. Without this waterway, New Jersey remains at higher risk from supply disruptions and possible terrorist impact. Recent events, such as the tragedy of Hurricane Katrina, demonstrate the need for maintaining vital waterway access into the supply distribution network.

NJ SEED supports initiatives that will lower the depth of the Arthur Kill waterway, from Morses Creek to Perth Amboy, to an approved ship channel depth.

Beneficial Use of Dredged Materials

With such significant economic and environmental benefits provided by the maritime industry operating in the Port of New York and New Jersey, dredging and deepening the harbor is essential to keeping our port open for business. Since 1995, considerable resources have been allocated to the identification, evaluation and implementation of alternative management strategies for dredged materials in the Port of New York and New Jersey. Successful strategies include brownfield and landfill remediation, sediment decontamination and environmental manufacturing, abandoned mine reclamation, and confined aquatic disposal. Beneficial uses have made possible the reduction in landside contamination while providing much needed construction materials and developable real estate.

NJ SEED supports the continued beneficial use of dredged materials for environmental conservation, economic development, and revitalization purposes associated with remediation and reclamation projects.

Contaminant Assessment and Abatement

The Contaminant Assessment and Reduction Program (CARP) is designed to track down sources of contaminants to the New York/New Jersey Harbor and abate them. Approximately \$25 million has been committed by the states of New York and New Jersey to this project.

Decontamination technologies have the potential to clean harbor sediments. The state and the federal government have committed approximately \$40 million to test the feasibility of such technologies. Stringent water quality standards set by state and federal regulations have resulted in a cleaner harbor over the past several years.

NJ SEED supports contaminant reduction/abatement, and the development of new technologies.

Environment

Regulatory and Managerial Efficiency

State regulatory agencies have made substantial progress to be more accountable. The Regulatory Reform Act, enacted in January 2001, provides for more reasonable time frames on rule-making procedures, mandates the publication of regulatory actions on the Internet, strengthens the regulatory impact analysis and codifies the provision to sunset all rules after five years, unless readopted in a formal rule-making procedure. A great deal of work remains to be done. To the extent possible under the law, each government agency should incorporate into its operating procedures adherence to regulatory reform guiding principles that assure fairness, timeliness, equitability, predictability and cost-effectiveness to permit applicants. These principles include:

- Base fee and penalty schedules on work performed or the demonstrated impact
- Establish objectives, information needs and time constraints early in the project review process to promote understanding and certainty.
- Promote innovative technology or performance options that allow for cost-efficient alternatives.
- Establish integrated information management systems and practices that simplify and reduce information for use by multiple agencies, and allow for on-line submittal of permit applications.
- Eliminate redundant requirements and promote consistency.
- Establish project and permit review processes with milestones and time intervals.
- Promote the creation of research and development activities through incentives.
- Develop criteria to simplify requirements to lower operating costs of targeted manufacturers and small businesses.
- Formalize a process for legislative and regulatory bodies to periodically review and, where appropriate, revise or eliminate provisions that are outdated or ineffective.
- Subject all new rules and policies to a regulatory impact analysis prior to their implementation to ensure less costly processes, more predictable and better defined standards, and consistency with legislative intent.

NJ SEED believes the enactment of these reform measures represents sound public policy that demonstrates government's responsiveness to the many constituencies that it serves without sacrificing the environment, health, safety, or economic vitality of the state.

NJ SEED supports the development and use of streamlined management systems by all government agencies that eliminate waste and provide for an efficient regulatory process. These changes should improve the government's responsiveness and minimize the cost of regulatory compliance to allow more funds for job creation, research, training, wages and employee benefits while helping to ensure the global competitiveness of New Jersey's business community.

Natural Resource Damages

For several years, the United States Environmental Protection Agency has sought to force those persons it believed to have damaged natural resources to pay for their restoration, and for the presumed loss of use of those resources by the public. The EPA developed a policy, after a combination of public comment, trial and error and litigation, that was understood, if not loved, by those governed by its terms. Sensing an opportunity to secure increased funds, some states (including New Jersey), sought to adopt similar programs. However, New Jersey's calculation for damage assessment changed often, with no advance public notice, and it announced that it was entering into agreements with plaintiff's law firms to act as private attorneys general to sue on behalf of the state.

NJ SEED and others sued to force the program to go through a public rulemaking process, and to subject the private attorney general scheme to a full judicial review. Last fall, Superior Court Judge Jack Sabatino, ruled on the private attorney program, subjecting any fee awards to strict judicial review and the private attorneys themselves to operate under the direction of state attorneys. He transferred the rulemaking request to the Appellate Division as the proper venue to decide that issue. Although both parties appealed, settlement discussions between the parties took shape, and the Commissioner agreed to put the Natural Resource Damage calculation process through a public rulemaking in the fall of 2005.

NJ SEED urges the DEP to fashion its program in a way that is closer to the national mainstream, and consistent with recent federal case law keeping New Jersey competitive with neighboring states. We also encourage the legislature to seriously consider the potential environmental and economic consequences of NRD assessments, and mitigate these impacts through appropriate legislative initiatives, including forgiveness and assessment limitations.

Solid Waste Management

Recycling provides many benefits, both environmental and economic. For example, recycling in New Jersey alone saves over three million tons of iron, ore, coal and limestone were saved by recycling scrap metal; nearly 10 million trees by recycling various paper grades, and nearly 700 million gallons of gas used in the primary production process of converting virgin raw materials to product. Additionally, nearly 135,000 tons of air and water pollutants are eliminated in that same initial production process. Recycling plastics reduces this nation's demands for petroleum, which is a raw material used in production. Every ton of plastic that is recycled reduces greenhouse gas emissions by nearly one and a half tons. The energy used in primary plastic production is nearly eliminated when producing a product from recycled feedstock. NJ SEED recognizes the importance in meeting the challenge to boost New Jersey's municipal trash recycling rate from 33 percent to 50 percent. We also recognize the need to jump-start recycling and our organization is committed to working with DEP and other stakeholders towards education and outreach to meet this important goal.

NJ SEED supports the ongoing Reinvigorating Recycling effort by the DEP and various stakeholders. We support the need to educate and inform students, businesses, and the

average citizen so that the ultimate goal of improving New Jersey's recycling rates may be achieved.

Green Building Technology

New Jersey's densely structured landscape and preciously guarded open spaces present unique opportunities and challenges in the construction of new commercial development. Given these site constraints, the development community is called upon to better integrate energy efficient design and conservation practices. It is equally important that business community employers provide employees with a comfortable, safe, and healthy work environment that enhances productivity. The U.S. Green Building Council (USGBC) has been instrumental in stimulating green competition, raising consumer awareness, and facilitating positive environmental results through their internationally recognized LEED (Leadership in Energy and Environmental Design) rating system guideline. These guidelines provide the definitive green building standards for the design of sustainable buildings. Together, these elements will ultimately transform the marketplace as our need to conserve energy and resources grows, which in turn will increase the value of commercial property.

While some federal funding is available to help jump-start commercial green building initiatives, state incentives are necessary to help offset the first costs of energy-efficient equipment. To meet this challenge, government should work closely with the commercial real estate community to develop creative incentives including expedited permitting, increased densities, tax credits, and subsidies for buildings that voluntarily pursue performance based standards or LEED certification focusing on energy efficient building practices.

Government leadership in green building technology, innovative thinking in the search for new ways in which to conserve energy, reduce operating costs, enhance occupant health and productivity, and protect the environment are a necessary initiative that will continue to be pursued in meeting these increasing future challenges. The need for raising awareness and training of professionals in green building practices is essential in facilitating the transformation of the commercial market.

NJ SEED supports the voluntary use of green building technology to: promote water efficiency, optimize energy usage, reduce and manage the amount of materials used in construction and waste, ensure good indoor air quality, and encourage market-driven innovation. We also support educational programs and the use of incentives, including expedited permitting, increased densities, tax credits, and subsidies for the use of green building technology.

Timed Growth Ordinances

Legislative initiatives to slow or stop growth are not currently authorized under New Jersey's Municipal Land Use Law, except for a public health emergency. Enactment of Timed Growth Ordinance (TGO) legislation (that could permit moratoria of up to 10 years) has already resulted in litigation and is likely to see constitutional challenges at both the state and federal levels. Additionally, the adoption of TGOs will encourage tax appeals based on the ensuing devaluation of property.

Growth management policy should be based on sound plan analyses that are reflected in a municipality's master plan and zoning ordinances. TGO's represent an artificial intervention that would preclude the ability of the economic development community to respond to the business cycle. Preventing property owners from taking advantage of positive market conditions will result in lost opportunities-not orderly growth. The concept of timed growth is an artificial means and a politically expedient tool for local governments to stop economic development activity. This heavy-handed approach should not compensate for the lack of good planning and zoning.

NJ SEED considers the concept of timed growth to be short-sighted public policy that will only focus resources to local legal challenges rather than goal-directed planning. We support government policies that allow the free market to operate within a sound planning and zoning framework, while providing incentives to encourage growth in priority areas.

Brownfields Cleanup and Development

Brownfields are abandoned, idled, or underutilized industrial and commercial properties in areas where expansion or redevelopment is complicated by real or perceived environmental contamination. Brownfields sites can be restored to economic productivity, provided owners and developers are given appropriate protections and incentives for cleanup.

Needed is a centralized "one-stop shopping" brownfields office to coordinate and oversee both permits and financial incentives, and create an on-line brownfields inventory by lot and block numbers that includes information on available incentive programs, the site's marketability, environmental contamination and permits.

NJ SEED believes that brownfields sites are the future of New Jersey's communities, port facilities and overall economic vitality. We support simplifying the cleanup process by: making funding more available; streamlining and accelerating the local and state permit review process; promoting existing and new incentives to encourage the cleanup of complex sites; and continuing the education of communities and stakeholders about available resources.

A Proposal to Establish Stable Funding for Our State Parks System

New Jersey is a state rich in parks and recreational resources. We have 42 parks, 11 forests, three recreation areas and numerous historical sites. Tourists and residents alike enjoy our state parks such as Island Beach High Point, Cape May Point and Liberty State Park among others. These lands, which contain some of the most significant natural landscapes and historic sites in the state, account for more than 397,000 acres.

New Jersey's Sierra Club states that budget cuts and inadequate funding for our state parks has resulted in a steady decline in services and maintenance, including a \$250 million backlog in repairs, fewer conservation officers, closure of park facilities, and lost educational opportunities. The Department of Environmental Protection (DEP) reports that the inventory of projects needing attention ranges from a \$2 million bulkhead repair project at Liberty State Park, where a section of the waterfront walkway has collapsed, to \$1.5 million for structural repairs and restoration work at the Batsto Mansion in Wharton State Forest. In Warren County, the

Hackettstown State Fish Hatchery has been closed to the public since 1985 because deferred maintenance has created safety concerns. In Belleplain State Forest, capital funds are needed to extend water lines to guarantee the future safety of the park's water supply.

The 2006 state budget provided a down payment of \$9 million to address the most egregious problems. Additionally, the legislature authorized a constitutional amendment for ballot consideration this November. If passed, the amendment will provide a dedicated source of funds for maintenance and capital needs. The amendment would rededicate environmental funds generated by the Corporate Business Tax and provide \$15 million a year until 2015 and \$32 million annually beginning in 2016.

NJ SEED recognizes the need to provide urgently required funds for the maintenance and preservation of our state parks. While NJ SEED would prefer another source of funding, it appears that there is presently no viable alternative to the proposed rededication of environmental funds from the Corporate Business Tax that will provide the continuing stable funding necessary to maintain and preserve our prized recreational resources.

The New Jersey Environmental Infrastructure Trust

The New Jersey Environmental Infrastructure Trust (NJEIT) provides low-cost financing for the construction of environmental infrastructure projects that enhance and protect ground and surface water resources, ensure the safety of drinking water supplies, and make possible responsible and sustainable economic development.

The first program of its kind in the nation, the NJEIT was created in 1985. It has played a major role in helping New Jersey meet one of our most fundamental environmental priorities - maintaining and improving the quality of our water resources.

New Jersey is blessed with a diversity of natural resources in its lakes, rivers, coastline, bays, wetlands etc. Yet at the same time, it is home to a great deal of industrial development, as well as some of the most densely populated land areas to be found anywhere in the world. This presents a special challenge as we work to foster personal and economic growth without allowing the inevitable waste products of a growing state to degrade the quality of our ground and surface waters.

Controlling pollution and providing safe, abundant drinking water requires heavy capital investment. Environmental infrastructure is costly to build and that expense is ultimately borne by the individual ratepayer and taxpayer. Keeping costs to the public as low as possible has been the role of the NJEIT since its inception.

Working in partnership with the NJ Department of Environmental Protection, the NJEIT has devised a system to leverage the funds available from the federal government to make more money available at the lowest possible cost. Since 1985, the financing program has provided more than \$1.5 billion to local and county government units, and some private water companies to finance wastewater systems, combined sewer overflow abatement, non-point source pollution control, safe drinking water supplies and open space acquisition.

(source: njeit.org)

NJ SEED believes that the NJEIT is a critical tool in keeping New Jersey's natural resources clean and economic development strong. NJEIT is a shining example of how government and industry can work together for the betterment of New Jersey, its businesses, workers and citizens and NJ SEED supports it efforts.

Energy

Our Economy and the Utility Infrastructure

The barriers to investment in our electric, natural gas, telecommunications, and water infrastructure are, by very definition, barriers to our economic future. Unless we keep investing in that infrastructure, continue to modernize it, and enable it to meet the increasing demand for reliable and essential services, our future economic development will be put into serious question. Infrastructure improvement not only supplies energy, water and communications, but provides thousands of construction and permanent jobs, and millions of dollars in new tax revenues.

New Jersey Energy Master Plan

Governor Corzine recently initiated what is to be a year-long effort to develop an energy master plan for the State of New Jersey.

The main proposed goals of reducing New Jersey's projected energy use by 20 percent by the year 2020 and meeting 20 percent of the State's electricity needs with Class I renewable energy sources by 2020, represent formidable challenges. As pointed out in the draft plan, achievement of this goal will require aggressive and concerted efforts by a wide range of constituencies.

This strategy must also balance the supply, economic development, and environmental impacts as well as the associated costs and benefits of these choices.

NJ SEED applauds the Governor Corzine for this undertaking and looks forward to participating in this effort. NJ SEED encourages the development of a long term strategy that will ensure a reliable, affordable supply of energy for the citizens and businesses of New Jersey.

Our utility companies have been making millions of dollars of investments in our utility infrastructure to improve reliability and security in the face of new concerns about terrorism. Working in partnership with industry and other stakeholders, legislators and other policy makers must find and support more effective ways to attract and encourage this investment. The goal should be to open earnest discussion on such issues as tax and regulatory incentives, devise more rational and more streamlined permitting procedures, ensure timely and adequate returns on the investments that must be undertaken, and eliminate outdated rules and other barriers that stand in the way of genuine progress.

NJ SEED acknowledges that there is no quick fix for the energy challenges facing New Jersey today. However, it has been long understood that policies need to be debated and adopted that significantly reduce our dependence on potentially unreliable foreign sources of oil and gas.

Fuel Issues

While the patchwork of localized "boutique motor fuels" is not principally responsible for the recent higher gasoline prices, the proliferation of these fuels in recent years has presented

significant challenges, and resulted in an inflexible fuels system. A classic example of the disadvantages of boutique fuels is right here in the New York/New Jersey area where gasoline intended for use in Bayonne cannot be used across the river in New York City to address any supply shortage. Refiners and suppliers have made the refinery and distribution system investments to handle both of these gasolines with minimal problems to date. However, if a serious infrastructure problem occurs in the refineries, the pipelines or the terminals that supply these areas with gasoline, the boutique fuels involved could lead to serious supply disruptions. We urge policymakers to take particular care in addressing boutique fuels, as there are many factors that affect this complex issue.

The most recent energy bill repealed the oxygen content requirement for reformulated gasoline in the Clean Air Act, a major driver of boutique fuels. It also requires the EPA to consult with the Department of Energy (DOE) on the supply and distribution impacts of new state requests for specialized fuels, and the EPA and DOE would need to conduct a comprehensive study of the impacts of boutique fuels and make recommendations to Congress for addressing them within 18 months of enactment.

Given these significant changes and the benefit of the study recommendations, NJ SEED urges continued adherence to federal schedules for fuel requirements and introductions. This is most important in the transition to ultra low sulfur diesel fuel for on-road vehicles. Attempting to stretch and increase ultra-low sulfur diesel to off-road markets, such as marine, construction, rail and farm vehicles, may prompt supply concerns.

Liquefied Natural Gas Facility Siting

In 2003, Beyond Petroleum announced its plan to build a liquefied natural gas (LNG) terminal in Logan Township. Known as Crown Landing LNG, it represents a more than \$500 million investment by BP. It will add jobs and taxes, and will provide a stable supply of natural gas to the region. This increased access to natural gas supplies will provide a much needed source of cleaner-burning energy for industrial and residential markets.

Numerous proposals are in the works to build LNG terminals in the United States, but very few of these will have the kind of immediate benefits to the Mid-Atlantic region offered by the Crown Landing terminal. The facility will receive natural gas in liquid form on ships, convert it back to its gaseous state, and then inject it into the region's gas distribution networks. This LNG storage site will bring significant new supplies of natural gas to the region (enough to supply more than five million homes per day), and should help stabilize natural gas prices.

The Federal Energy Regulatory Commission has issued a draft environmental impact statement for the project. This report, which finds that the project will have minimal impact to the area, represents a key step toward approval. The report covers environmental, safety and security issues. If the project continues on its current course and receives all federal, state and local approvals, Crown Landing could be operational in late 2008.

NJ SEED supports approval for this important project and similar initiatives that will contribute to New Jersey's economic health and energy supply.

Nuclear Energy

When Congress passed the comprehensive energy bill, they included many measures aimed at expanding and diversifying the country's fuel supplies. Perhaps no fuel source received more attention from policymakers than nuclear power.

In developing the details of the final bill, Congress hoped to respond to President Bush's call for the enactment of policies that will lead to the construction of new nuclear power plants by the end of this decade. Among the key initiatives and incentives contained in the bill are:

- A 20-year reauthorization of the so-called Price-Anderson Act. This legislation provides the framework for the industry's self-funded, no-fault liability insurance program.
- An authorization for the Secretary of Energy to provide loan guarantees for up to 80 percent of the cost of "innovative technologies" that avoid, reduce or sequester air pollutants or emissions of greenhouse gases. Congress specifically directed the Secretary to ensure that new nuclear power plants are included in this program.
- A new "standby support" risk insurance program that will cover losses due to unanticipated delays that might occur during construction and at the start of operations for new nuclear plants licensed under so-far untested procedures enacted by Congress in the 1992 energy policy act. The program will provide up to \$500 million in coverage for the first two new reactors and up to \$250 million for reactors three through six.
- A production tax credit of 1.8 cents per kilowatt-hour for the first 6,000 megawatt-hours from new plants for the first eight years of their operation. The credit is capped at \$125 million annually.

In addition to these direct commercial benefits, the bill contained a plethora of other provisions addressing the need for additional research and development on advanced reactor technologies, including a \$1.25 billion authorization to fund a prototype "next generation nuclear plant" project at the Idaho National Laboratory for the production of both electricity and hydrogen. Other measures included in the sweeping reach of the energy bill bolster university nuclear science programs, foster additional work on advanced fuel cycle technologies and implement changes in the tax code that allow merchant and rate-regulated nuclear plants to treat their decommissioning funds in a similar manner.

NJ SEED encourages the New Jersey Legislature to work collaboratively with regulatory agencies and to actively promote a balanced portfolio of electric generation options, including nuclear facilities.

DEP and BPU Work in a Regional Effort to Combat Global Warming

New Jersey Department of Environmental Commissioner, Lisa P. Jackson, and New Jersey Board of Public Utilities President, Jeanne M. Fox, announced that New Jersey and six other states have released a set of model regulations aimed at reducing carbon dioxide (CO₂) emissions from power plants. New Jersey is a participant in the Regional Greenhouse Gas Initiative, a cooperative effort by Northeastern states to reduce carbon dioxide emissions - a greenhouse gas that causes global warming.

The regulations establish a mandatory cap-and-trade program to reduce CO2 emissions from power plants, the first such program of its kind in United States history. The unique program relies on a market-based approach to curb power plant emissions, while at the same time promoting energy efficiency.

While NJ SEED has historically not opposed reasonable programs to limit air pollution in our region, we do caution against accepting without question, the dire claims of human-caused global warming. Many responsible scientists have serious reservations about the claims of global warming alarmists. Research based on sound science should be encouraged to continue without political bias.

Taxes

Preservation of the New Jersey State Constitution's "Uniformity" or Fairness Clause for Property Taxpayers

The Constitution's Property Tax Fairness Clause requires that commercial, industrial and residential properties be taxed at the same rate, thereby preventing the imposition of higher property tax burdens on businesses. This important provision has been in New Jersey's Constitution since 1875. The 2006 special legislative session on property tax reform has targeted the Fairness Clause for possible amendment or elimination.

The Fairness Clause simply states that taxing districts (counties, municipalities, school districts) must treat all property taxpayers equally. This means that there can only be one tax rate for all property taxpayers and that the assessment standard must be the same for all taxpayers. In other words, a local government cannot decide to tax business property at a rate of \$2.50 but residential property at a rate of \$2.00 (called a "split-rate"), nor can a local government determine to tax residential property at 60 percent of assessed value, but tax business property at 100 percent of assessed value (called a "classification" system). The Constitution provides exceptions for veterans, certain senior citizens, disabled residents, farmers, and certain owners of blighted property.

Some states do not guarantee uniform tax treatment across all property owners. However, the vast majority of these states rely much less heavily on property taxes. For example, states like Arizona, Colorado, Louisiana, Minnesota, Mississippi, Missouri, North Dakota, Tennessee and Utah have classification systems, but all have per-capita property tax burdens that are one-quarter to one-half of New Jersey's burden. In Massachusetts, local governments have the option of taxing businesses at up to twice the residential rate.

New Jersey property owners – including employers – already pay the highest property taxes in the nation. New Jersey's businesses also already pay a disproportionate share of property taxes – only six percent of all properties are commercial and industrial, yet these business owners pay approximately 30 percent of all property taxes. New Jersey needs real property tax reform, not merely a shifting of tax burdens from one over-taxed group to another (see appendix A for 2005 property tax results).

NJ SEED believes that controlling government spending is the real key to property tax reform rather than shifting the tax burden. With property taxes rising by seven percent a year since 2001, it's clear that real reform will require reducing government budgets at every level.

Tax Policy Revisions: A Level Playing Field

New Jersey taxpayers are at a competitive disadvantage compared to the rest of the country regarding the tax treatment of current year losses and loss carry forwards. This includes not allowing the carry forward of prior year real estate losses to offset current year gains and limits the amount of money (and potential economic multiplier effect) that could be reinvested back into the state economy.

Other states, such as neighboring New York, follow the federal tax code and allow for the offset of carry forward losses against current year gains. Real estate investments often produce tax losses in the early years due to up-front capital investments and high vacancy rates. In turn, taxable income usually occurs in later years or in the year of sale. New Jersey's tax law inequity contributes to lower property values as a result of artificially reducing an investor's net cash return (see Appendix B).

In addition, federal tax laws permit complete deductibility of loss carry forwards upon the termination of the entity. New Jersey tax laws only permit the use of real estate losses against real estate income within the same calendar year. New Jersey should follow other states in adopting the federal tax code model in order to spur economic development.

Case law, such as *Sidney & Dorothy Koch v. Director Division of Taxation*, has afforded New Jersey taxpayers some relief, but that relief has limitations, particularly when property is sold by a partnership and the taxpayer does not sell or dispose of his or her interest in the partnership itself.

Finally, federal tax laws classify all types of partnership income in the same manner as if they flowed through to the taxpayer directly. For example, capital gains that result from the disposition of appreciated real estate can be used to offset capital losses from the sale of securities. New York has a similar rule. On the contrary, New Jersey aggregates all income and loss amounts flowing through a partnership to a partner and only allows income to be offset by other partnership losses. In addition, partnership losses and S-Corporation gains do not offset. New Jersey tax law prevents the appropriate classifications of income and causes distortions of income and loss.

NJ SEED supports tax policy changes that will encourage economic growth. While there has been much discussion of the provisions of the New Jersey tax code related to net operating loss, NJ SEED members support replacing New Jersey's gross income tax law with the federal tax code model regarding offset of carry forward losses and classification of income, putting New Jersey's Partnership, LLC and S-Corporation owners on equal footing with those in neighboring states.

Property Tax Reform and Education

There is a direct relationship between the funding of education and an educated workforce, and stable and increased property values in New Jersey. However, it is time for policy makers to evaluate the current tax revenue plan, which relies too heavily on property taxes. Nationally, 42.9 percent of local property taxes are used for school spending. New Jersey gets 58.1 percent of its school spending from local property taxes.

NJ SEED calls on New Jersey's elected officials to develop solutions to the dilemma of over reliance on property taxes for school funding. A fair plan must be established that balances tax revenues, meets state spending needs, and allows New Jersey to maintain excellence in its public schools.

Rebuilding Our Educational Facilities

New Jersey's educational facilities are an integral part of its infrastructure. State-of-the-art schools, from pre-school to college, provide a better environment for learning and preparing our

children for the future. Capital investment in the state's infrastructure, whether for roads, ports or schools, also provides the foundation for a sound economy.

In 2000, the legislature passed the Education Facilities Construction and Financing Act, which authorized \$8.6 billion for the rehabilitation/reconstruction of schools throughout the state. Six billion was allocated for special needs school districts (those receiving 55 percent or more in state aid). This included the 30 Abbott districts that were provided special consideration by the courts. In addition, every other school district was guaranteed a grant of at least 40 percent toward the eligible costs for any school project undertaken.

In July of 2005, the New Jersey Schools Construction Corporation (SCC, created in 2003 to undertake the state's largest capital program), announced that there remained only enough funds to complete roughly half of the school projects needed to meet the goals of the State's lawmakers and courts. Funds for non-special needs districts would also be expended by the end of the year. The SCC noted that the original estimate for this program was insufficient. When the law was passed, not all school facility plans had been finalized and no funds for land acquisition, environmental remediation, computers, etc. were included. The cost estimate per square foot was based on outdated figures.

It is important that New Jersey continue its program to rebuild its schools. In many urban areas, no new schools have been built in over 50 years. To do this effectively, it is necessary that a full assessment be made of the costs to undertake this program so that a plan can be developed and implemented to carry it out in the most efficient manner.

In addition, capital improvements are necessary to modernize our higher educational facilities. This is needed to ensure that New Jersey remains a center for quality education and provides the facilities required for our students' success.

NJ SEED supports needed capital improvements in New Jersey's educational facilities at all levels and recommends that a coordinated plan be developed to carry out this program effectively.

Telecommunications

In the past few years, New Jersey has lost a number of jobs in the high-technology industry. In fact, in *An Economy at Risk: The Imperatives for a Science and Technology Policy for New Jersey*, Dean James Hughes and Professor Joseph Seneca of the Edward J. Bloustein School of Planning and Public Policy report the numbers behind the steady decline. According to Hughes Seneca, New Jersey's high-technology share of total employment in 2004 was 6.9 percent, down from 8.1 percent in 2000. Some of this erosion can be attributed to archaic policy, inefficient rules, and costly constraints. The state cannot afford to continue in this manner.

If New Jersey is committed to stimulating its economy, it must create a regulatory landscape that promotes technological innovation and industry growth. With regulated wireline telecommunication corporations competing with non-regulated cable companies, wireless, and other alternative service providers, the New Jersey Board of Public Utilities must re-think and adjust its proposed telecommunications rules. It must set a policy agenda that levels the playing field for all firms competing to serve New Jersey's consumers.

Other states serious about attracting and retaining telecommunications business have recognized that antiquated, onerous regulation hinders competition and communications growth and have eliminated rules that assume that markets are still monopolized. For example, in August, the California Public Utilities Commission abolished much of its outdated regulatory framework, which it said was "no longer relevant to today's competitive communications marketplace" and failed to take into account "the addition of multiple wireless industry players, the rise of the Internet and its revolutionary VoIP technologies." This action came a few days before the state's legislature passed video-franchise legislation designed to accelerate the introduction of competition between cable and telecommunications companies.

Most recently, New York Governor George Pataki signed legislation eliminating restrictions which kept traditional telephone companies from offering price incentives to its customers. In his September 27, 2006, press release, Governor Pataki said, "The emergence of new telecommunications technologies has led to a greater range of options for consumers, and they will truly benefit if all providers are able to offer services at competitive rates. ... By allowing traditional telephone corporations to offer price incentives to consumers for non-basic services such as caller I.D. and call-waiting, we will create a more competitive marketplace and provide additional choices and benefits to consumers."

Without the shackles of unnecessary regulation, the cable companies reap the benefits of regulatory freedom. *Cable Digital News* recently published an article on the staggering level of growth in the North American cable companies' VoIP business. At the end of last year, there were some 2.7 million VoIP customers; by the end of the first quarter, there were some 3.7 million; and, by the end of June, the cable industry had some 4.8 million VoIP subscribers.

In the Economic Growth Strategy for the State of New Jersey, Governor Jon Corzine outlines a goal "to increase the number of well-paying jobs throughout the state by building on the strategic advantages and addressing the challenges facing the state's economy. To accomplish this, New Jersey will focus first on helping all of its current businesses grow and succeed. New Jersey will also focus on attracting new businesses in its fastest growing industries."

By seeking to impose more stringent and punitive requirements, the New Jersey Board of Public Utilities proposed action is utterly inconsistent with the Governor's Economic Growth strategy.

New Jersey cannot afford to ignore the steady decline of jobs in the highly-regulated wired telecommunications and the impact it has on the state's economy. According to the Hughes/Seneca paper, "wired telecommunications employment in New Jersey declined 51 percent between 1990 and 2004, while wireless telecommunications employment grew by almost 200 percent."

In Racing to the Bottom: How Antiquated Public Policy Is Destroying the Best Jobs in Telecommunications, Rutgers University Professor Jeffrey H. Keefe wrote, "State regulation and taxation of the incumbent carriers have tilted the competitive advantage toward cable TV and wireless carriers ... This tilt is not based on productivity, service quality, or underlying access costs, but arises primarily from the higher government-mandated costs imposed on the long-established, incumbent carriers, particularly the former Bell companies."

NJ SEED believes that in order for New Jersey to be a leader in the technological innovation that underpins a strong economy, it must follow the national trend to deregulate, not over-regulate, telecommunications services.

Other NJ SEED Issues

The Life Sciences: New Jersey's Leadership Industry

300,000 jobs from what is one of our state's economic engines.

New Jersey is home to more than 80,000 employees in the various life sciences sectors of pharmaceuticals, medical technology, diagnostics and biotechnology. According to the 2004 study of the Milken Institute, the life sciences industry also supports more than 218,000 other jobs from service vendors, research institutions, and others.

The sector is the second highest paying of all job categories in the state (well over \$100,000 annually), exceeded only by stock and securities brokers.

The growth in this well-paying sector is in the field of research and development, and investing in these employees who help discover new medicines and new technologies. Governor Corzine's recently announced Economic Growth Strategy recognizes the continued importance of the life sciences, and NJ SEED looks forward to working with the administration to protect this great resource.

New Jersey SEED is an ardent supporter of policies on the state level that will allow the life sciences industry to continue to grow:

NJ SEED advocates:

- State incentive policies, such as the BEIP and BRRAG programs, public/private venture capital funds that will effectively allow New Jersey to compete with other states for new life science jobs and programs.
- Moving forward in the establishment of the Stem Cell Research Institute collaboration between Robert Wood Johnson Hospital and the University of Medicine and Dentistry of New Jersey.
- Opposing attempts to place price controls, restrict drug access to patients in government programs through preferred drug lists or bulk purchasing agreements. If such programs were to be adopted in the "Medicine Chest of the World" that is New Jersey, other states would soon move to quickly adopt them as well.
- Especially important to the sometimes capital-starved emerging biotech industry, continuation and nor further interruption of the Net Operating Loss (NOL) carry-forward.
- Establishment of patient awareness and notification policies concerning the reprocessing of single use medical devices.
- State educational policies that will allow our research universities to further collaborate with the life sciences industry in clinical trials, clinical research and basic research. These polices should also allow all universities to enhance curriculum that will train students for jobs in the life sciences.

The life sciences sector spends in excess of \$4.5 billion annually on vendors, and more than \$4.3 billion on capital construction over the years 2006 and 2007 is expected, making it the largest private sector industry in construction activity.

NJ SEED provides its support to the life sciences industry, its key support industries and for policies that will help each sector grow. Concern has been rightfully expressed –

through a late 2005 report done for the Commission on Science and Technology by Drs. James Hughes and Joseph Seneca, at New Jersey's State's decline in the overall percentage of life sciences jobs nationally. New Jersey can never assume that its past and present leadership in the life sciences is an automatic guarantor of such future dominance.

Critical Staffing and Equipment Needs Within the New Jersey State Police

Chronic understaffing places the New Jersey State Police (NJSP) in an increasingly untenable position to protect the health and safety of the citizens of New Jersey. In 1989, the NJSP had 3,035 sworn and enlisted personnel. As of January 3, 2005, the NJSP have 2,609 sworn members, a difference of 426 bodies, while the responsibilities and duties of the NJSP have increased dramatically. With the impending retirement of senior troopers, including approximately 330 troopers not eligible to receive full pension benefits because they will not reach 25 years of service, personnel issues are at the forefront of critical issues for the NJSP. Equipment issues are not far behind. Aging and antiquated equipment issues (aging vehicle fleet, helicopters, marine vessels, etc.) have been addressed and it is important that we remain vigilant in an effort to see these efforts come to fruition. With 70 percent of the National Guard deployed overseas, the NJSP is at the forefront of New Jersey's defense efforts.

The NJSP Aviation Bureau consists of two separate operations: the police mission side of the house and the med-evac side. Today, in the post-September 11th world, the unit is increasingly being utilized to protect the citizens of New Jersey from terrorism, as well as maintaining its medevac responsibilities. Colonel Rick Fuentes, Superintendent of the NJSP, has been working on an expansion plan, which would involve the creation of three medevac bases, with a patrol helicopter and crew also assigned to these locations. Homeland security patrol flights are currently high on the list of law enforcement priorities, and New Jersey has no shortage of bridges, tunnels, transportation hubs and other sensitive locations. A beleaguered Aviation Bureau is actively looking among its ranks for troopers with flight experience to bolster its staffing.

The New Jersey State Police Marine Division's post September 11th duties include round-the-clock patrols of ports of entry in the Newark and Delaware Bay regions and other sensitive areas. Within the last decade, the unit has been drastically depleted by over 50 percent. Because of added homeland security duties, many boaters have expressed concerns that the marine unit would be ineffective at addressing safety issues during the recreational boating season. Our congressional delegation continues to label the Newark/Jersey City port areas as the "two most dangerous miles" in the nation.

The NJSP continue to receive glowing reports from the federal monitors regarding the mandated consent decree. In fact, the NJSP have become a model for other law enforcement agencies in the country. Police Chief William Bratton, LAPD, wants digital recording cameras for the department's 1,260 patrol vehicles. "New Jersey State Police found that when they put their camera system in as part of their consent decree that they were able to much more thoroughly investigate citizen complaints against their troopers, and they found the vast majority of the citizen complaints against troopers were unfounded based on the evidence these cameras provide," he said.

The NJSP continue to do more with less. It is imperative that they be given the resources needed to continue their critical mission.

NJ SEED urges New Jersey policy makers to support the New Jersey State Police in any and every way possible, and to ensure that New Jersey receives an appropriate share of funding for homeland security and anti-terrorism activities.

NJ SEED believes that the New Jersey State Police must have its staffing needs addressed through short- and long-range plans and budget commitments so that New Jersey's Troopers will be equipped to achieve success in their law enforcement mission as currently defined, including the prevention of domestic terror. The safety that is provided by the State Police is critical in keeping New Jerseyans working and businesses in New Jersey open and vibrant.

Health Insurance Costs Are Exploding

Achieving affordable, quality health coverage concerns everyone since costs are out of control for both employers and employees. In particular, the cost of health insurance is one of the biggest challenges facing New Jersey businesses. Its skyrocketing cost hurts employers' ability to compete in the world economy and create new jobs.

New Jersey's health insurance system has identifiable flaws that can be fixed. The goal should be to build on the successes of the employer-based system to expand coverage while improving the affordability, quality, and value of coverage for all.

State lawmakers can act to limit cost increases, making health insurance more affordable for small employers and increasing the total number of insured New Jerseyans. Lawmakers can do much to accomplish these goals by:

- **Provide Direct State Tax Incentives-** One way to assist individuals and businesses is to provide refundable tax credits to equal to their full insurance costs to help defray soaring health insurance costs.
- **Improve the Quality of Healthcare in New Jersey-** System-wide changes have the potential to reduce healthcare costs by promoting quality and efficiency. The Legislature should act to promote Health IT, greater use of report cards, value based reimbursement, and reduced medical errors.
- **Solve Charity Care Funding and Reduce the Number of Uninsured-** One thing is clear: the number of the uninsured is rising. But, the reasons for the increase are complex and include the economy, the cost of healthcare and the labor market. This leads to a greater reliance on charity care and results in higher hospital charges for those with insurance. Reforms are needed to expand the pool of New Jerseyans who enjoy insurance coverage by allowing access to affordable coverage.
- **Expand Access and Choice: Reform of the Individual and Small Employer Markets-** The state's health insurance system should be revamped to ensure access to affordable coverage. Components of reform could include more flexibility in designing affordable health benefits plans and exploring the use of a Reinsurance Program and/or Insurance Exchange.

NJ SEED supports healthcare reform. In a time of annual double digit cost increases for employer based health care, NJ SEED encourages our policy makers to review the current system and act to limit cost increase, make the current system more flexible and affordable for all New Jerseyans.

The Economic Costs of Insurance Fraud

Insurance fraud, one of the largest criminal industries in the United States, is perpetrated against the insurance industry and honest citizens every day in every state. This is not a victimless crime. Insurance companies and their policyholders pay a hefty price. In fact, the Coalition Against Insurance Fraud estimates that fraud costs Americans at least \$80 billion a year, or nearly \$950 for each family. Additionally, studies have shown that fraud adds \$200 to \$300 in insurance premiums to every family's automobile insurance policy.

Even the seemingly harmless act of "fudging claims" costs insurers and their policyholders' money. It is estimated that 11 to 30 cents of every claim dollar is lost to soft fraud, or smalltime cheating by normally honest individuals. Insurance fraud also threatens governmental programs that provide various forms of social insurance, including health, unemployment and disability insurance and workers' compensation, among others. Losses caused by those who cheat these programs deplete resources and diminish benefits to those who truly need and rely on them.

New Jersey has the toughest anti-fraud laws in the country. In 2004, criminal prosecutions by the Office of the Insurance Fraud Prosecutor resulted in the imposition of jail sentences totaling 199 years of incarceration. In addition, restitution ordered for victims totaled more than \$16 million.

Effectively combating fraud and abuse can only be accomplished through a strong partnership among the public, state, government, law enforcement and insurance companies. The high level of activity at the state Office of the Insurance Fraud Prosecutor and the dramatic increase in actions against those who defraud honest policyholders demonstrate the strong level of cooperation within New Jersey's insurance fraud prevention, detection and enforcement community.

It is widely believed that the financial investments made by insurers to fund the Office of the Insurance Fraud Prosecutor are reaping notable dividends by increasing public awareness and eliminating significant fraud operations from the New Jersey landscape.

NJ SEED urges the New Jersey Legislature to continue to support the insurance industry and New Jersey's law enforcement community in their combined efforts to aggressively confront the serious problem of insurance fraud in our state.

Appendix A

2005 Property Tax Information

ISSUE: Are New Jersey businesses paying their “fair share” of property taxes?

As you can see below, commercial/ business/apartment properties account for approximately 6% of the total assessed properties in the state in 2005. However, business properties contribute 26% of the total 19.5 billion dollars collected in property taxes.

Property Type	Class	Number of Properties	Total Assessed Value	% of Properties
Vacant Land	1	246,842	14,737,399,657	8.5%
Residential	2	2,430,373	498,194,325,841	84%
Farm A	3A	18,764	5,500,891,062	.6%
Farm B	3B	38,227	416,024,247	1.3%
Commercial	4A	123,448	98,452,962,834	4.7%
Industrial	4B	17,300	30,392,964,762	.6%
Apartments	4C	16,772	18,523,292,756	.6%
Total		2,891,726	666,217,861,159	

Total amount of revenue collected in property taxes

\$19.5 Billion

Total amount paid by residential owners

\$14.5 Billion or apx. 74%

Total amount paid by commercial/ industrial/apartments/
land investor owners

\$5.1 Billion or apx. 26%

(source: NJ Division of Taxation)

Appendix B

A simplified example of this inequity follows:

Assumptions:	Property purchased by Partnership/LLC in January 1991 for	\$1,000,000
	Ordinary Loss from Depreciation deductions	(50,000)
	Adjusted Basis after 5 years of depreciation	750,000
	Property sold January 1996 for	1,100,000
	Gain on sale of property (\$1,100,000 minus \$750,000)	350,000
	Taxpayer has no other income producing activities	

Computation:	New York Taxpayer	New Jersey Taxpayer
Gain	\$350,000	\$350,000
Loss carry forward available	(250,000)	Not applicable
Net taxable gain	100,000	350,000
Maximum state tax rate	<u>x 7.125%</u>	<u>x 6.37%</u>
Tax	\$ 7,125	\$ 22,295

Additional New Jersey tax burden: \$15,170 cannot be reinvested into New Jersey economy

New Jersey Society for Environmental, Economic Development

308 West State Street, Trenton, NJ 08618
609/394-7726 FAX 609/394-2795 www.njseed.org

For more than 30 years, our coalition has worked to bolster New Jersey's economy enhance our environment and encourage public policies that produce private-sector jobs.

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