

2008 - 2009

**STATE ISSUES
BRIEFING BOOK**



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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 2008-2009 edition of our State Issues Briefing Book. The book is 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 is purer, and our soil is 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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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 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. The economic growth benefit that occurs as a result of efficiently moving goods and people is directly linked to investment of capital in our state's infrastructure. This development is a multiplier for job growth.

A study by the NJ Policy Research Organization revealed that when asked about the state's future business environment over the next five years, assuming that current policies remain in place, 42 percent of respondents believed that the New Jersey business climate will deteriorate. Only 23 percent of survey respondents felt the state was doing a good or excellent job of making the state affordable to live in. 28 percent rated the state good or excellent when it came to affordable health coverage, 30 percent felt the same about a favorable state tax structure, and 31 percent about affordable energy.

Outside researchers identified problems in the state's retention and attraction of employers, compared to how other states retain and attract firms, and recommended policies New Jersey can adopt to make its business environment friendlier.

Building the human environment-jobs, homes, places to shop and play is what fuels our economy. In order to position itself to prosper as the national economy recovers, New Jersey needs to implement policies now to attract new businesses, allow established businesses to expand, promote urban redevelopment, increase state revenues and keep New Jersey working.

NJ SEED's labor and business members call upon the Administration and Legislature to enact balanced policies that increase mobility, drive regulatory efficiency and create a competitive advantage for New Jersey.

Our recommendations listed below are an abbreviated extension of the detailed policy discussion found in the pages of this book.

Infrastructure and Economic Development

- 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; create jobs and consumer spending power; add flexibility to the rail

system to respond to security concerns; and support economic growth along New Jersey's rail corridors.

- Develop 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 will help to maintain 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 regional and national economy and environment.
- Continue to partner with the federal and state 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 and removal of choke points. The deepening plan for the New York and New Jersey Harbor Navigation project must be completed without interruption by lawsuits, if the Port of New Jersey and New York is to continue its economic contributions as the nation's third largest seaport.
- Continue to support programs that encourage work zone safety as this is a critical component of New Jersey's transportation infrastructure improvement.
- 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.
- Foster a diverse energy production portfolio that will meet the requirements of the NJ Energy Master Plan, reduce carbon emissions and promote efficiencies amongst the largest consumers.
- Work collaboratively with regulatory agencies to actively promote a balanced portfolio of electric generation options, including nuclear facilities.
- Recognize that fostering innovation can lead to greater energy efficiency. Support the siting of Liquefied Natural Gas (LNG) facilities in New Jersey and begin to consider the vast resources of energy production off shore in wind, oil and natural gas.
- There is no economic development without real estate development. Policymakers must consider initiatives to expedite and incentivize the redevelopment process and improve business location and expansion Incentives
- To remain a leader in the technological innovation, which underpins a strong economy, New Jersey must follow the national trend to deregulate, not over regulate, telecommunications services. Ensuring our nation's broadband and wireless infrastructure can keep up with development of Internet content is key to tapping its potential. New Jersey can maintain its status as a technology leader by continuing to promote fair and effective deployment of broadband and the regulatory and tax policies that make it possible.

- Support policies that encourage the growth of the life-sciences industry in New Jersey. Policy makers can never assume that its past and present leadership in this industry is an automatic guarantor of such future dominance.
- Employer-based healthcare reform is essential. Policy makers are encouraged to review the current system and act to limit cost increases, and make the current system more flexible and affordable.
- 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. Insurance fraud impacts everyone by straining resources universally.
- With a proven record, the New Jersey State Police deserve continued 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.

Environment and Economic Development

- 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 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.
- Policy makers are encouraged to consider regional influences to climate change. A national policy will have a broader impact and protect the competitive advantages that New Jersey enjoys.
- Support the ongoing reinvigorating recycling efforts by the Department of Environmental Protection 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.

- Support programs where government and industry can partner for the betterment of New Jersey's citizens and the environment in which they live and work.
- Consider the financial fallout associated with state agencies holding up monies tied to beach replenishment, as the tourism is one of New Jersey's leading industries.
- Continue the beneficial use of dredged materials for environmental conservation, economic development and revitalization purposes associated with remediation and reclamation projects.

TRANSPORTATION

Overview

NJ SEED recognizes that New Jersey continues to be in fiscal crisis. New Jersey faces an on-going structural deficit in its budget, as well as a diminished ability to continue funding its transportation capital program. The 2008 Department of Transportation (DOT) capital program is \$1.6 billion. However, a 2002 analysis of NJ's transportation needs found that over \$3 billion was required per year to maintain our roads, bridges, and highways and to make modest improvements in their efficiency. A recent report released by the New Jersey DOT states that \$13.8 billion is needed over the next ten years to bring New Jersey's deficient and obsolete bridges up to standard. If a funding solution is not implemented before FY 2011, New Jersey will not have the resources to address its growing transportation needs.

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 that there are no regions where economic and quality of life issues are as intertwined with transportation.

NJ SEED urges the New Jersey Legislature to remain open to the consideration of all funding proposals until the merits and deficiencies of each can be adequately assessed in a bipartisan fashion. NJ SEED believes in a balanced approach to policy creation and that, through good economic planning and environmental safeguards, a solution can be found to our transportation funding crisis.

New Jersey Transportation Trust Fund

New Jersey relies upon its Transportation Trust Fund (TTF) as the primary mechanism for investing in its transportation infrastructure. Yet, aside from some refinancing of existing TTF debt and some minor tinkering on the margins, the TTF has been allowed to teeter on the brink of insolvency.

The precarious position of the TTF can be directly linked to decisions made over the past decade to increase its reliance on bonding, to extend the terms of bonds, and to raise spending caps without additional revenues. Failure to find a long-term solution before FY2011 will leave New Jersey without any way to maintain or improve its transportation infrastructure. A short-term solution will keep the program solvent, but New Jersey will fall further behind in its abilities to meet its current and future transportation needs.

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, \$1 billion per year in new revenues will be needed to finance the capital program. Additionally, reforms must be implemented to ensure that the TTF remains financially solvent. These include:

- greater reliance on “pay as you go,” rather than bonding for projects
- diversion of revenue from capital to fund maintenance and operation costs has been capped; the goal is to eliminate this practice as soon as fiscally possible
- ensure full-revenue yield is achieved from existing sources
- continue independent oversight over financial plan with authority to ensure that acceptable practices are utilized
- a new revenue stream from non-conventional sources, including but not limited to public/private partnerships.

NJ SEED encourages 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. We urge the New Jersey Legislature to remain open to consideration of all funding proposals until the merits and deficiencies of each can be adequately assessed. This is critical to New Jersey’s economic future.

Fund Our Vital Transportation Infrastructure

New Jersey’s yearly cost of congestion exceeds \$7.3 billion (or \$1,255 per licensed driver). Longer travel times and higher costs for truck freight operations have a negative impact on the manufacturing industry and the service sector, which leads to increased costs to consumers and increases greenhouse gas emissions.

New Jersey is a vital transportation link for the movement of goods around the region. Our ability to attract and retain businesses and jobs is linked to our ability to transport people and goods safely and efficiently.

NJ SEED supports a permanent, stable and broad-based source of funding (e.g., an increase in the gas tax) for the maintenance, expansion and improvement of our aging transportation infrastructure.

Access to the Region’s Core (ARC)

New Jersey Transit’s (NJT) 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. The Port Authority of NY and NJ provided the initial \$3 billion in funding to make the project viable.

The existing trans-Hudson rail, bus, ferry and auto modes are taxed well beyond their functional limit during peak periods, often creating delays stretching well beyond 30 to 60 minutes. Without THE tunnel, the trans-Hudson transportation system would be unable to accommodate the impending demand and congestion would swell beyond today's existing delays.

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 nonexistent 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 some cost analysis are predicting an estimated \$10 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 and reduce greenhouse gases by 124,000 tons each year. Among the benefits generated will be:

- An investment of \$1 billion in transit-related services yields the creation of almost 20,000 jobs, according to a 2007 study by the Political Economy Research Institute. Essentially, with THE tunnel estimated at \$7.6 billion, our region has within its grasp the capacity to generate 150,000 new jobs at a time when our state's unemployment rate is rising. In addition, the American Public Transit Association calculates that every dollar spent on public transportation generates about \$6 in economic returns
- \$45 billion of new economic activity that will benefit our region's residents
- \$2 billion annually in additional real personal income
- 2,000 New Jersey construction jobs in each year of the eight-year project
- \$660 million in new gross regional product and \$390 in real personal income annually
- 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 the environmental review process.

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.

Port Development - New Jersey and New York

Throughout this nation's history the Port of New York & New Jersey (PANYNJ) has been the gateway through which the world traded with the United States. In the 1980's, the Pacific Rim's manufacturing power and exports, later to grow elsewhere in Asia, dominated global commerce. Major United States ports emerged on the Pacific, Gulf and Atlantic coasts and the NY/NJ port's market share declined. In response to the challenge, the New York New Jersey port community, with significant effort on the part of business and labor, developed a strategy to make the Port more price and service competitive.

International trade activity is projected to double by 2020, with some predictions calling for the region to develop the capacity to handle over 15 million containers by 2040 – nearly six times the volume of containers currently handled by the Port. The Port region is positioned to expand its role as a major national and international center for the logistics industry for this new century.

The Economics

The ships operating in and out of the Harbor of New York are a part of the supply chain that fuels the region's economy. In 2004, the ships carried nearly 4.45 million Twenty-foot Equivalent Units (TEUs), or \$114 billion in cargo; in 2005, the volume increased to nearly 4.8 million with a value of \$132 billion. The Port Authority of New York & New Jersey reported a 7 percent increase in container volumes alone, and a 10 percent increase in general cargo tonnage. The New York/New Jersey goods movement industry contributed nearly \$5.8 billion in local, state and federal taxes, moving 100 million tons of cargo.

Over 240,000 residents within the region are employed directly or indirectly as a result of goods moving through the Port of New York and New Jersey. Nearly 501,000 people are employed in goods movement in trucking operations, water transportation, rail freight, air cargo, warehousing and logistics services throughout the region. Home to the third largest port in the United States, the Port of New York and New Jersey serves over 35 percent of the nation's consuming public within a one day truck drive.

Over 8.6 million people in New Jersey (1134 per square mile or more than 14 times the national average) join the nearly 20 million others resident in New York, Connecticut, Pennsylvania, Maryland and Delaware in consuming over 80 percent of the cargo delivered to the Port of New York and New Jersey.

Assets

Location/Market: The Port of New York & New Jersey serves the tri-state region, the largest and most affluent consumer market in the country, as well as Boston and Philadelphia, and from the Wilmington Corridor west to Chicago.

Transportation: Transportation assets serving this market include port, airport, road, rail and waterway infrastructure.

Distribution Facilities: Existing warehousing and distribution facilities. Significant market demand exists for locations for distribution centers within the region. However

the high cost of land acquisition has driven up the cost of space leaving numerous vacancies.

Labor: Ready workforce, ranging from entry-level laborers to the highly skilled and educated, are here to serve in this trade and logistics industry.

Commitment: The Port Authority of New York & New Jersey and New Jersey have committed to port development.

Opportunities

Based on these assets, many already established or under construction, investing in the sustainability and efficiency needs of this industry will provide the following benefits:

- high-paying sustainable jobs will be created in the maritime, trucking, railroad, aviation and logistics industries for individuals with a high school education and technical skills.
- infrastructure development and construction jobs resulting from new investments will have a six-fold economic impact in the economy.
- consumers and businesses will benefit by competitively priced goods that enter the region at our port without the collateral “net negative” impacts on environment, transportation, infrastructure, and quality of life that results when those same goods, destined for our region, enter the country via another port and are trucked into our region.
- expanded transportation and distribution center development will occur, consistent with smart growth principles, to meet the existing demand — in North Jersey alone - for 20 million square feet of distribution center space. Investment in expanded transportation and distribution center development will provide significant urban employment while supporting the needs of international shippers.
- regional partnerships with South Jersey, Eastern Pennsylvania and Southern New York will be established where new distribution center clusters are developing.

Competition

Since the 1980s, the Port of New York & New Jersey has experienced tremendous competition for port growth.

Competition along the Atlantic coast for port and logistics jobs is especially acute in Norfolk, Charleston and Savannah where advantages can include, among other things, developable “greenfields,” lower business operating costs and less congestion.

The ports of Norfolk, Charleston and Savannah are making aggressive public/private efforts to market their respective gateways, transportation assets and available development sites to shippers. The strength of an achieved consensus on an overall

strategy between the public and private sectors in each of those ports has been an effective means to attract new commerce.

Those South Atlantic ports differ significantly from New York/New Jersey where the State (Port Authority) role is primarily as facilitator of private sector development and operation. Norfolk, Charleston and Savannah are the flagships of their respective state port authorities, which directly operate most of the marine terminals and are materially supported by their legislatures.

These three regions are investing in transportation infrastructure to connect the intermodal assets necessary to serve a larger market area, including the Midwest and our own New York/New Jersey market, particularly through Norfolk. One carrier coalition reports that nearly 19 percent of its New Jersey bound cargo is routed through the Norfolk port and is subsequently trucked to New Jersey on our roadways.

For years the towns of Savannah, Charleston and Norfolk, Virginia have been undertaking successful asset-specific marketing of existing and to-be-developed distribution centers and inland terminals.

The competing states have recognized the importance of the industry to their existing economic well-being and future growth and have taken significant actions to exploit the opportunities presented. The Port of New York & New Jersey's competitors are successful because:

- Savannah's explosive growth this decade to become one of the top East Coast container ports is founded on an innovative strategic plan centered on developing new distribution centers near the port
- Norfolk has 50-foot channels and in 2007 will have new private terminal capacity on line concurrently with its \$300 million "Heartland Corridor" double-stack rail project. This strategic corridor to the Midwest is funded with state, federal and private monies
- Charleston is developing a large rail terminal on the former Navy base to be linked to inland intermodal distribution parks via short haul rail (among other routes)

Challenges

While the Port of New York & New Jersey enjoys New Jersey's landside infrastructure, assets and advantages there are challenges that, if not addressed through a unified strategy, will preclude the region from being successful in sustaining or expanding its international trade-market share and corresponding employment base.

Nation'sPort is working to prepare such a unified strategy, covering both New York and New Jersey, and has partnered with both NJDOT and PANYNJ for parts of this effort.

New Jersey and the region have yet to fully embrace the economic and societal benefits — cost, convenience, employment, tax revenue and environmental "savings" — derived from consumer and industrial goods arriving directly to our region through the Port.

Although New Jersey and the region have made some important investments in critical infrastructure, there is a need to quickly undertake and promote the state's investment in goods movement-related projects to demonstrate New Jersey's commitment to industry.

Roadways lack sufficient capacity; travel lanes are too narrow; intermodal connections are lacking and rail clearances cannot handle high-cube freight. Shippers are changing their logistics practices and maximizing their returns by bringing international containerized goods to distribution centers close to ports, then sorting and reloading those goods into domestic containers for delivery to stores or other distribution centers.

While several transportation agencies have responsibility for freight-related infrastructure, there is limited collaboration on the development of a single approach to easing congestion, maximizing land use, and integrating the workforce resources necessary to make our gateway more competitive. To maintain our current market share and to move toward a greater share, New Jersey and the region need to adopt a marketable strategic plan that integrates transportation (both land and water), land use and development and workforce assets into a seamless high-speed system. The development and delivery of the plan will require a unified and steadfast public/private partnership that showcases that this region can achieve consensus between and among the public and private sectors.

Vision

The Port of New York & New Jersey is a significant economic engine that must remain the premier gateway on the Atlantic coast. Enhanced intermodal infrastructure and a strengthened logistics industry will make New Jersey and the region a model American transportation center for the new century. The environment will realize improvements through the greater use of rail and reduced-emission vehicles and equipment, more efficient freight handling practices and the smart-growth planning of new development.

Keys to the Vision - Governor Corzine's Economic Growth Strategy and dedicated funding streams like the Liberty Corridor program are keys to meeting the challenges and achieving the vision of a more competitive State and Port region. Major elements of the model transportation center will be:

Logistics Support Zone - The near-port zone, the area immediately around the port and airport in Southern Hudson, Eastern Essex, and Union Counties — must contain warehousing and distribution centers, maritime equipment maintenance and repair facilities, electrified and secure truck and refrigerated container parking facilities, and other port-related activities that do not need to be located on the piers. The Logistics Support Zone's near-port and airport support facilities will move freight efficiently from ship or plane to the end user.

Freight Villages - Regional Freight Villages will be built around existing and developed transportation infrastructure. Transportation investments can be focused on the roads and rails serving these locations.

Improved Infrastructure - Improvements to infrastructure, notably roads and rails, must be made to remove chokepoints, enhance system capacity and improve safety for passenger and freight vehicles. The emphasis will be on making existing roadways work

more efficiently and building on existing rail facilities and rights of way. In addition, the construction of the port's system of channels will be completed to the depth of 50 feet by approximately 2012. The widening of the Panama Canal will increase traffic of Super Tankers. The Tankers cannot pass through our waterway system unless identified choke points are mitigated. With a slowdown of federal funding, meeting the 2014 deadline is becoming a daunting task.

Improved Operations - The port and freight movement sectors will improve operational practices that will be more efficient and will serve to reduce congestion at the port and in the metro area.

Where to Start

In order to take advantage of these opportunities and address the region's competitive challenges to make this vision a reality, it is critical to take the first steps towards building the industry as a growth sector for the region's economy. It is these initial actions, including investments made to date that form the platform for future success.

A Unified Strategy - There are many entities, both public and private, that play major roles in the development of a unified strategy to build this business sector – especially in this bi-state region. The strategy must be the outcome of a committed partnership between the public and private sector entities who share a major stake in the success of growing this industry. Achieving consensus on both the content and the economic necessity of a significant investment in the logistics industry is the critical first step to building the momentum necessary to deliver the plan, the projects and the financial investment required to make New Jersey the center for logistics in the Eastern United States.

New Jersey's Departments of Transportation and Environmental Protection along with its major transportation authorities and the Port Authority of New York & New Jersey are the significant public agencies with responsibilities for the public portions of the freight system. Significant planning and analysis of specific freight movement related projects and their corresponding issues have been completed by the North Jersey Transportation Planning Authority. New Jersey's Department of Transportation is in the final editing stages of its state-wide freight rail plan, and has addressed a number of roadway improvements in its capital plan. The Port Authority of New York & New Jersey is undertaking the development of a significant capital plan developed, in part, in collaboration with other private and public sector partners.

Logistics Support Zone and Freight Villages - The identification and accumulation of existing and potential sites for distribution center development contained within a kind of "sweep" surrounding the port is the first step in attracting job producing facilities to the state and region. The Port Authority and the New Jersey Economic Development Authority, along with some local governmental units, have already begun to catalog and market sites for this type of development within the Support Zone in Hudson, Essex and Union Counties. The Port Authority/EDA's "Portfields" initiative should be expanded to include assembling additional sites for development including sites for port, airport and trucking support services that support the development of distribution centers.

Simultaneously, the state should facilitate focused, cost-effective development in line with smart growth principles by designating as Freight Villages those existing and proposed geographic clusters of distribution centers and complementary logistics support services that are located in close proximity to existing transportation infrastructure (both road and rail).

Finally, incentivizing appropriate development within the Logistics Support Zone and Freight Villages reduces the need for sprawl-related transportation investments and enables greater levels of investment in improving upon the state's existing assets. In addition, the creation of the Zone and Freight Villages: improves the operational efficiency of the logistics industry by strategically co-locating interdependent services, thus reducing the unrecoverable losses in time and productivity inherent in geographically disbursed logistics networks; diminishes the negative environmental impact of unnecessary vehicle miles traveled (VMT); and maximizes the value and subsequent increase in ratables resultant from appropriate re-use of industrial and commercial land.

Infrastructure Improvements - As a result of the federal appropriation of the \$100 million Liberty Corridor, New Jersey's transportation leadership team, including the Commissioner of New Jersey's Department of Transportation, the Chairman of the Port Authority of New York & New Jersey, representatives of the shipping and port terminal industry (New York Shipping Association), advocates of environmentally-beneficial transportation systems (Tri-State Transportation Campaign) and the federally designated metropolitan transportation planning authority for the region (North Jersey Transportation Planning Authority) have worked collaboratively to develop a critical priority project list and the requisite documentation necessary to move the Liberty Corridor money into the design and construction of necessary infrastructure improvements including expanded rail. While every investment afforded by the Liberty Corridor initiative will help to address New Jersey's congestion challenge, the following project investments that will most immediately and primarily serve the needs of the region's largest economic engine, the Port of New York and New Jersey.

North Avenue Corridor Improvement

Over one-third of all port truck traffic uses this corridor as it enters and exits Newark-Elizabeth Seaport, sharing the roadway with passenger vehicles as they seek access to large retail venues and the airport. Improvement of this service corridor will produce major positive mobility and economic benefits.

North Jersey Railroad Doublestack Clearance/National Docks

A critical component of the goods movement system supporting the PONYNJ, the National Dock improvements will increase the vertical clearance on the two rail tunnels linking New Jersey's port to the rest of the North American rail system. In addition, expanded rail capacity dramatically lessens the local emissions generated by trucking, thus improving the quality of life for New Jerseyans living in this critical freight corridor.

Tremley Point Connector Road

Tremley Point connector road will facilitate the development of over 2,000 new jobs and 6 million square feet of industrial space. There are significant security concerns that need to be considered while developing this project.

Route 7 Wittpenn Bridge Replacement

Needed to address a major choke point in the system, replacement of the Wittpenn Bridge over the Hackensack River will dramatically alleviate congestion and improve safety for both passenger cars and the trucks that move the region's economy. This investment, again, optimizes the existing transportation system and improves connectivity to significant brownfield properties including Koppers Coke, Standard Chlorine and Diamond Shamrock properties.

Port Reading Junction

This project will support continued growth at the PONYNJ by alleviating a structural chokepoint where New Jersey railways connect to the nation's rail system. Currently serving an average of 56 freight trains a day, the reconfiguration of the CP Port Reading Junction to provide double track train operations between the CSX-Trenton line and the NS-Lehigh line investment, optimizes the current Lehigh line double-tracking project.

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.

New Jersey provides only very limited coordination and management of traffic signals and operations, resulting in severe congestion on many routes. There is an urgent need to incorporate modern technology into the management of traffic on truck routes to minimize congestion and delay. This problem is exacerbated by the failure of the multiple jurisdictions along most routes (NJDOT, counties and municipalities) to provide coordinated signal operations, consistent through lanes (roads that do not significantly change capacity from town to town) and adequate truck capacity.

Modern computerization of control over multiple signals is relatively easy to install, inexpensive and effective. For instance, the ATISAC installation covering downtown Los Angeles is estimated to have added as much as 15% to the capacity of the street system.

Rail Expansion

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. Expanded freight rail is universally good for the environment and a priority for our port. Rail safety and improvement projects are critical to New Jersey as our need for product mobility grows and the amount of space on our highways diminishes.

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.

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 Hurricanes Katrina, Ike and others, 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.

NJ Leads in Work Zone Safety

During the mid 1990's the New Jersey Work Zone Safety Partnership was formed representing public and private sector members from labor, government, trade associations and highway contractors to support the New Jersey State Police Construction Unit in reducing work zone fatalities. The group of full-time state troopers specializes in work zone safety enforcement on New Jersey highways. New Jersey Department of Transportation and Occupational Safety and Health Administration (OSHA) representatives trained these troopers in worker safety compliance and work zone inspection. Additionally, the NJDOT has required a Traffic Control Coordinator be designated on each of their jobs. As a result of this collaborative effort, the number of work zone fatalities has continually decreased to one of the lowest national rates, which is an accomplishment for the most congested state.

The partnership has also teamed with the Rutgers Center for Advanced Infrastructure and Transportation (CAIT), New Jersey Local Technical Assistance Program (LTAP), the New Jersey Division of Highway Traffic Safety, and New Jersey Police Traffic Officers' Association (NJPTOA) to address work safety on local roadways. They sponsor the New Jersey Police Work Zone Safety Train-the Trainer Program for Municipal Police Officers.

Additionally, police officers and public works employees are kept informed of best practices in work zone safety when attending the Annual Work Zone Safety Conference an event that is scheduled during National Work Zone Safety Week. The partnership sponsors this program that attracts over 300 participants from enforcement, engineering, and the transportation industry who unite and renew their interest in saving lives through the promotion of work zone safety.

NJ SEED supports the New Jersey Work Zone Safety Partnership and its continued vigilance. Safe construction zones are a critical component of any transportation infrastructure improvement. New Jersey is a leader in this area and in keeping our roads safe means keeping them open.

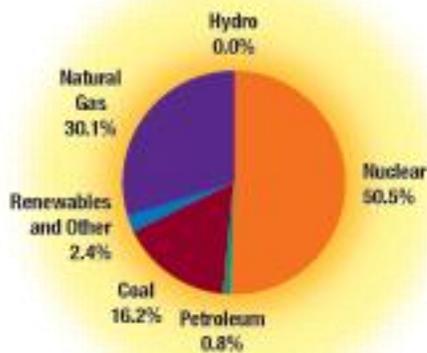
ENERGY

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.

NJ SEED wishes to engage in public policy that helps spur investment in our infrastructure in this state, increase its energy efficiency, remove obstacles to growth and expand the use of emerging energy technologies. NJ SEED also wants those that are the best and brightest to join our workforce and be attracted to a career in the energy industry.

Current NJ Generation



Facts About New Jersey's Energy

- New Jersey is home to the sixth largest state refining capacity in the nation, trailing nearby Pennsylvania by a small margin.
 - New Jersey is 47th in the nation in terms of geographic size, yet the state ranks 13th in its total energy use.
 - New Jersey has three nuclear power plants.
 - The largest of the four United States federal mandated heating oil reserves is located in New Jersey.
 - In Northern New Jersey, between New York and New Jersey, there are over 40 million barrels of refined product storage capacity, most of which is in New Jersey making it the largest petroleum product hub in the United States.
- The New Jersey refineries located along the Delaware River are part of the nation's largest petroleum refining complex on the East Coast.
 - New Jersey presently has four operating full refineries, 3,608 retail gasoline stations and two asphalt refining plants.
 - New Jersey is home to a sophisticated network of liquid pipelines. One, the Colonial Pipeline, comes from Houston, Texas to its northern terminus in Linden, New Jersey, and supplies product direct from the Gulf Coast.
 - New Jersey has the third-lowest motor fuel tax in the nation, at 14.5 cents per gallon, and nearby states such as New York and Connecticut rank among the highest in the nation.
 - Commercial and industrial users consume 64% of the electricity of the state.

- Overall, the energy industry employs more than 30,000 people in New Jersey.

New Jersey Energy Master Plan

Experts predict that the world will require almost 40 percent more energy in the year 2030 than it did this past year. Population and economic growth in developing countries will drive much of that increase, but energy demand is expected to increase in the United States as well. To meet this demand, a balanced portfolio of energy production including nuclear, coal, natural gas and renewable sources should be considered. Additionally, our leaders need to embrace sound policy in the area of energy exploration.

In April 2008, the Corzine administration released the Draft Energy Master Plan (EMP) for New Jersey. The EMP sets very aggressive goals in its blueprint for New Jersey's energy future.

The five major goals set out in the Draft Plan:

- maximize conservation and energy efficiency
- reduce peak electricity demand
- meet 22.5 percent of the state's energy needs through renewable sources
- developing new low carbon-emitting power plants; and
- investing in innovative, clean energy technologies to stimulate economic growth

Throughout the discussion we have heard a consistent message that there is no single approach, or silver bullet, to address these issues. That means all options must be considered – conservation, and efficiency and new supply – including renewable energy, traditional fossil and nuclear generation and transmission sources. All of these options have a place in the portfolio of energy sources at our disposal.

There are a few issues of critical importance to the NJ SEED as we evaluate the Energy Master Plan – a reliable supply of energy, at a reasonable price that can help foster a competitive stance for our state's businesses and citizens and meets New Jersey's tough environmental considerations and a level of certainty and predictability in policy and permitting.

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 Governor Corzine for this undertaking and fully appreciates the opportunity to participate 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.

There are five specific issues that NJ SEED believes needs to be stressed more clearly and adamantly than the language of the EMP currently offers.

1.) Agency Coordination

It is critical that the State include in the EMP measures for increased agency coordination and regulatory certainty for the development of new generation facilities. This would require collaboration between the legislature, BPU, and DEP in establishing

a standardized and integrated permitting process that includes a timeframe and cost of all review procedures. At present, the lack of regulatory certainty acts as a disincentive for energy investors. A standard timeline and cost for building new generation must be established, whether it applies to wind farms, cogeneration, or larger base load such as nuclear. In other words: a one-stop shop for new energy that simplifies and cuts-down the process. **Active cooperation of the approval agencies would provide regulatory certainty without adding more government.** Coordination would clarify the approval processes and timelines, both of which are fundamental to the planning process of developing new generation facilities. They are also most important to investors seeking to provide capital for significant investments within the timeframe established by the EMP.

2.) Continued Investment in Nuclear Energy

NJ SEED believes that the energy landscape in New Jersey will be achieved through a mixed basket of options. The EMP accounts for many of these solutions: developing renewable sources, increasing energy efficiency, decreasing peak demand and investing in new clean energy technologies. However, as clearly stated under goal four of the plan even if the state fulfills its goals for all of the aforementioned initiatives, projected demand increases leave 54,000 giga-watt hours of energy unaccounted for by 2020. This staggering figure can only be met with new baseload energy.

According to the United States Department of Energy, the nation will need 40 percent more electricity by 2030. The Mid-Atlantic region alone will need at least 13 percent more electricity by 2030. In fact, the draft EMP suggest that under a business as usual scenario, New Jersey's demand for electricity will increase by 25 percent by the year 2020 over the 2005 levels. New Jersey must find a way to meet this increasing demand in a smart and timely manner.

NJ SEED supports a balanced energy portfolio including all types of environmentally smart production types including nuclear energy.

With that in mind, ensuring that New Jersey's current nuclear power facilities remain in operation and that new nuclear generation is developed is an absolute necessity in achieving the goals of the EMP. Currently, nuclear power is the largest and most vital source of baseload electricity in the state, accounting for over 50 percent of our supply in 2006. **Most notably, nuclear power produces virtually zero carbon emissions.** This fact alone makes nuclear power the best contender to increase energy supply while simultaneously meeting Governor Corzine's Executive Order 54 to reduce carbon emissions by 2020. While investment in renewable energy is an exciting and crucial part in our clean energy future, it will never replace the need for a strong, baseline, reliable and constant energy supply.

As it stands in the current draft of the EMP, nuclear energy is only briefly mentioned as an option for new forms of mass generation. It is our recommendation that the state explicitly commit to the development of new nuclear generation facilities in the EMP. In addition, it is recommended that the EMP also account for the contribution that the current nuclear facilities make to our state and that a commitment is made to ensure that these facilities remain in operation for as long as regulations permit. In order to keep costs down, increase supply, and reduce our carbon footprint on the residential, commercial and statewide level, it is critical that existing nuclear sites stay in operation

and that the development and construction of new nuclear generation facilities is adamantly encouraged.

3.) Transmission

Upgrading the state's transmission infrastructure is a critical component to be highlighted in the NJ EMP. PJM, the regional transmission organization responsible for ensuring the reliability of the high voltage electric power system in our area, has determined that the reliability of our supply of electricity will be jeopardized over the next several years, unless steps are taken to address the state's electricity demand and supply. Since PJM is responsible for planning and operating the transmission grid reliably, it is in the process of directing upgrades to the grid that will enable New Jersey to import more electricity to enhance reliable supply. Some critics of increased transmission capability suggest that it will be a conduit for 'dirty coal'. In reality, it will ensure the reliability of the regional transmission grid and allow for additional capacity and access to out of state sources, including renewable as well as traditional sources. New Jersey currently imports about 25 percent of its electricity needs annually.

New transmission facilities will be required to support the transportation of proposed renewable energy resources in addition to new base load or nuclear energy in the state. However, it is equally important that New Jersey does not isolate itself, but collaborate with upgrades in surrounding states to maximize the stability of our region. The completion of the Mid-Atlantic Power Pathway (MAPP) will provide the additional infrastructure needed to support proposed clean energy projects in the mid Atlantic. It will also complement New Jersey's energy efficiency and demand-side management initiatives. MAPP will improve the flow of electricity, ensure a reliable, long-term supply, deliver lower cost power during periods of highest demand, reduce the cost of power by reducing congestion and create a bigger corridor for delivering new, clean energy solutions.

4.) Decoupling

The current decoupling pilot program that has been adopted by two NJ gas utilities is a good start, but we need wholesale decoupling in the utility industry in order to remove the disincentive to promote conservation efforts. In order to get gas and electric utilities on board with the EMP's energy efficiency goals, decoupling must be broadened into a more financially viable incentive than the current program provides. The gas pilot program establishes a surcharge for the utility to recover revenue lost due to conservation programs. However, the surcharge is limited in two areas. One, lost revenues are recoverable only to the extent that they are offset by long-term supply costs savings and two they are limited by an earnings cap. Recovery is uncertain since it depends upon whether the utility is earning above or below the earnings cap. There also may be unknown financial impacts due to factors that strongly influence the surcharge that are beyond the control of the utility. The established relationships that utilities maintain with their customers will be the most effective means of educating citizens on conservation practices. **Therefore, it is absolutely crucial that the state develop the decoupling program into something that works for every utility and generates their support for energy efficiency by removing the financial disincentives.**

5.) Liquefied Natural Gas

Under its goal of investing in low carbon-emitting power plants, the EMP calls for the development of more cogeneration natural gas fueled facilities. The value of natural gas is that it is cleaner than other fossil fuels, its worldwide supply is projected to peak later than other fossil fuels, and the efficient cogeneration plants that it has the potential to power can easily meet peak demand. Natural gas already plays a significant role in meeting energy needs and it is therefore important that a stable and cost-effective infrastructure is developed that will maintain current natural gas needs and support the addition of cogeneration facilities. **Investment in Liquid Natural Gas (LNG) facilities within the state must be included in this infrastructure to ensure stability in both the natural gas market and the supply.** The EMP does briefly comment on LNG as part of its proposed feasibility analysis of this fuel source, but it is the recommendation of our Energy Coalition that LNG be brought to the forefront of this issue and that the State adamantly pursue advancements in this technology as part of any and all developments in the natural gas infrastructure.

NJ SEED suggests that as the state moves forward with the final draft of the EMP and begins the ambitious task of advancing its goals. It is essential that the progress of the EMP is regularly assessed and benchmarked to assure that nothing is being left to fall to the wayside. The extent and breadth of this plan prove that there is no one solution to meeting the future energy needs of our state, but rather a mixed basket of solutions that must be met equally to guarantee overall success.

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 in production and particularly in the area of reliability and transportation.

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. Competing states' regulatory environment attracts investment. Regulatory predictability can help to expand investment in New Jersey with a timely approach to permitting.

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.

Nuclear Energy

The need to protect our fragile environment while providing New Jersey residents and business with affordable and reliable sources of energy is clearly a challenging but achievable goal. Clean and abundant sources of energy to light our lives, power our businesses, schools, and hospitals is a critical need. But so too is the need to halt environmentally damaging climate change.

The good news is that the two needs are not mutually exclusive.

When Congress passed the comprehensive energy bill, it 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 George W. 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.

The 2003 blackout that crippled the Northeast stands as a stark reminder of how dependent our lifestyle and security is on a reliable supply of electric power. Furthermore, while most people believe that global warming is threatening our quality of life, a vigorous debate exists on the best strategies to meet that threat.

We believe the nuclear plants in the state should be granted license extensions, the development of new technologies should be facilitated, new nuclear facilities should be

built, energy efficiency programs should be aggressively promoted and improvements to our electric infrastructure should be made where needed.

Nuclear power represents a proven technology. There are more than 100 nuclear power stations in the country. It is the commercially available carbon-free source of energy. Other countries, such as France produce 80 percent of their power from nuclear sources, but only about 20 percent in the United States. NJ SEED believes that any reasonable state energy plan should preserve the nuclear option.

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.

Diesel Fuel

Diesel fuel has recently undergone a major transformation by removing almost 90 percent of sulfur from the product that was sold most recently. This new product is called Ultra Low Sulfur diesel (ULSD) and is presently available for highway use. This product successfully debuted this past fall, and there are federal mandates to expand this product to off-road diesel, as well as locomotive and marine engines. It is important the New Jersey energy policy be respectful of the federal schedule for product introduction to avoid precipitation supply difficulties during this transition period. Looking forward, consideration of lowering sulfur levels in heating oil is underway with policy discussions within the industry and government regulators.

Liquefied Natural Gas (LNG)

Natural gas desperately needs a new infusion of supply, such as the proposed Liquefied Natural Gas (LNG) terminal in South Jersey. Our port system is expanding, yet our transportation and logistics system has not been upgraded. Traditionally, natural gas has not been transported in significant distance because of the difficulty of shipping a gas. Technology now allows us to store and ship the gas safely at extremely low temperatures in a liquid state. It will take ongoing public education and forward-looking policy makers to make this clean energy source accessible. LNG is the increasingly preferred mechanism for delivering ample supplies of clean burning natural gas to location in New Jersey. BP, Liberty Natural Gas and Blue Ocean Energy are leaders in developing LNG facilities in New Jersey.

NJ SEED believes that the NJ EMP policy should work to aggressively facilitate development of these proposed LNG plants.

Development of Domestic Recourses

A major component of any useful energy strategy entails the development of domestic US resources. NJ SEED agrees with many people that urge States to move forward with a safe and environmentally friendly method of tapping in to our US oil and natural gas supply. The US Outer Continental Shelf, (OCS) federally controlled lands off of the east and west coasts and in the Eastern Gulf, is estimate to hold 77 billion barrels of oil and 420 trillion cubic feet of natural gas. These resources would be enough to heat 100

million homes for 60 years. However, the vast majority of this land remains off limits to energy exploration. As the only developed country that substantially restricts access to known domestic energy resources, we must take a realistic look at the impending long-term effects of this circumstance. Increase dependence on foreign oil is one of these very real potential effects. US energy demand is not declining; and if not met by domestic sources, foreign sources will set in to fill that disparity.

NJ SEED believes that by developing more of our own oil and natural gas resources, we can provide more domestic fuel for consumers, add to well paying jobs and bring much needed revenue into state and federal coffers. At a minimum, we need to encourage initiation of an inventory of resources in the OCS using technology not available when previous resources estimate were made.

A Business Case on Energy

The largest consumer of power in New Jersey is business, approximately 64% of all electric consumption. Yet the greatest amount of incentives are directed at the private/home user. In the area of electricity, our state is already exceeding demand projections for 2010.

In 2007, the clean energy program spent \$678 million in actual rebates grants and incentives which resulted in 9943 metric tons of CO₂ reduction. The program spent 323 on C&I which resulted in 589 metric ton reduction in CO₂.

How many times have you sat in traffic? How many times has a truck sat next to you? This costs business in both cases. As the major consumer and ratepayer in this state, business has a vested interest in the supply, distribution and impact of congestion related to our energy.

This situation is also being aggravated by a pronounced shift in public policy. Governments used to focus on ensuring that the public had access to a plentiful supply of affordable energy. Today, however, the focus is on making energy generation and use more environmentally friendly regardless of cost.

Unfortunately, in New Jersey we are trying to apply the old regulation and enforcement model to the problem. This is a mistake, not only because it does not account for how we are going to meet our energy needs in the future, but also because it does not allow for new ideas that could dramatically improve our environment. For example, Thomas Edison invented the light bulb. For many years it didn't change. Then the compact fluorescent was introduced. Today, LED lights are available which are even smaller and more efficient. Yet government regulations and rebates do not always keep pace with the innovation and improvement by the business community.

The sense of urgency presented by the impacts of climate change will require a regulatory model that relies more on a public-private partnerships than the historical command and control approach. If New Jersey is serious about reducing CO₂ emissions and the state is also serious about investments that stretch across our state, including our cities and all economic strata, then we need to streamline our processes, set clear direction and get all sectors of the economy involved. Otherwise, these investments will not be made in a timeframe that is consistent with the Governor's leadership. There is

no 'silver bullet' here and the solution requires an 'all hands on deck' approach. The draft EMP reports there are 3.7 million buildings in New Jersey and cost effective efficiency upgrades in all existing building stock will get us approximately three-quarters of the way to the 20,000 Gwhr efficiency goal.

Business and public interest should not be pitted in competition as they are intertwined and linked together. The examples of the expanded use of solar power and wind power, the advances in green building, development of ethanol fuel etc are developments that occurred as a result to the market demands for alternative energy sources to lower consumption costs.

Stakeholders need to be considered partners in solution development as opposed to a traditional command and control model that does not encourage innovation or free-market development.

The Clean Energy Program spent over \$56 million on residential customers to achieve 27,978 MWh savings and reduce 19,032 metric tons of CO₂. While nearly \$22 million was spent on commercial and industrial programs to achieve 98,377 MWh savings and 67,969 metric tons of CO₂. Clearly, ratepayer dollars invested in business see a greater return on investment.

New Jersey needs an integrated approach that maximizes energy conservation and efficiency opportunities first. This represents the low-hanging fruit and considering that for every dollar invested in efficiency initiatives in the commercial and industrial sector returns about \$11 in savings; this is clearly an area that deserves more attention. Renewable technologies need to be deployed where they make sense. For New Jersey, that means primarily wind and solar. While New Jersey does not have the solar radiation intensity the likes of the Southwest US, we have a number of flat roofs that provide opportunities for solar. New Jersey's onshore wind potential appears to be the best in the extreme northwest and extreme southeast areas of the state. New Jersey's best wind sites are offshore. New Jersey needs new sources of low and no-carbon central station power, including nuclear.

One thing to keep in mind throughout the debate is that traditional electric -generating stations cannot simply be replaced by like-sized renewable sources as some would have you believe. For example, one issue that plagues wind and solar energy is the intermittent nature of their ability to produce energy. All power sources face maintenance and cost issues that impact their capacity factor – the ratio of the actual output of a power plant over a period of time and its output if it had operated at full nameplate capacity the entire time. Wind and solar face an added issue - their 'fuel' is not always available. Nuclear plants have average capacity factors in excess of 90 percent. Average wind capacity factors are around 30 percent and solar is in the 10-15 percent range. To replace the energy produced by all the nuclear power plants in the country with wind power would require an area the size of the state of West Virginia. In order to produce that level of energy from solar, every square inch of the state of New Jersey would have to be covered in solar panels.

NJ SEED requests that the state acknowledge the importance of increased funding for business incentives at a higher rate if it aims to meet efficiency goals as well as environmental goals.

Green Jobs

If New Jersey is to meet its EMP and climate change goals and transition to a green economy, it must begin to develop its green workforce today. Meeting this challenge will require careful analysis and planning, and close collaboration among industry, government, labor, non-profits and educational institutions.

While we are becoming familiar with the litany of consequences of failing to combat climate change, there are equally compelling and positive benefits to be realized if we meet this challenge. Chief among them is economic growth and the creation of well paying green jobs. NJ SEED is committed to working with partners across the state to develop our green workforce so that New Jersey can realize the full potential of the green economy.

DEP and BPU Work in a Regional Effort to Mitigate Climate Change

NJ SEED supports environmental initiatives that help to diminish green-house gases that may effect global climate change. Research based on sound science should be encouraged to continue without political bias.

NJ SEED commends Governor Corzine and the New Jersey Legislature for enacting the Global Warming Response Act. While this act charges the Department of Environmental Protection with measuring and developing a strategy to diminish greenhouse gases, it is critical that the next step in the policy creation process begin with the Legislature.

Policy makers are encouraged to consider regional influences to climate change. A national policy will have a broader impact and protect the competitive advantages that New Jersey enjoys. New Jersey businesses are taking the lead in efficiency programs that lower carbon emissions. These pioneers in energy conservation should be rewarded and funds available for energy efficiency should be made accessible by all business equally.

NJ SEED asks that a transparent process be considered that puts all components on the table for consideration. Currently in the area of carbon emissions, a tremendous amount of focus is being put on stationary sources, in the absence of good data on mobile sources. Policies should encourage new renewable energies and capture CO₂ emissions.

NJ SEED requests that the New Jersey Legislature review the DEP findings on Greenhouse gases and authorize an emissions program rather than any government regulating authority. NJ SEED encourages the New Jersey Legislature to generate polices grounded in economic strength that bring a balanced long term approach to implement strategies that effect climate change consistent with a national and international program.

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.

Site Remediation Program Reform

NJ SEED believes the current Site Remediation Program is in need of reform. While we support the intent of S-1897 (Smith) and A-2962 (McKeon) to create a licensed site professional (LSP) program which would allow certified professionals to proceed through the investigation and remediation of selected sites to help alleviate the 20,000 case backlogs, SEED believes the legislation needs to be amended to reflect the following in order to expedite cleanups in NJ:

- LSP's should be allowed to issue No Further Action (NFA) letters.
- DEP's role should be one of an auditor reviewing cases for adherence to the rules and regulations and to assure protectiveness of the public's health and environment.
- The definitions on how sites will be "tiered" are flawed and should be amended. All sites should be evaluated based on site specific conditions.
- Proposed revisions to the Remediation Funding Source mechanism would limit the use of the self guarantee, extend the 1 percent surcharge to parties that utilize the self guarantee, impose a new 5 percent surcharge on parties that utilize nonpermanent remedies. These changes amount to a new and unnecessary tax on businesses that perform cleanups in New Jersey, making these cleanups more costly, adding an additional layer of administration and generally discouraging participation in the voluntary cleanup program.
- Since response time delays at DEP contribute to a portion of the historic case backlog in the Site Remediation Program, institute real timeframes regarding DEP responses to submissions.
- The process by which a site is cleaned up needs to be improved. Cleanups are stalled because the process is too prescriptive and the standards are not attainable. The flexibility to select a protective remedy appropriate to the future use of the property in the overwhelming number of cases must be preserved.

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 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.

Plastic Bag Recycling Mandate

NJ SEED strongly opposes the myriad of bills mandating the recycling of plastic bags, banning plastic bags, taxing plastic bags or mandating the use of compostable bags. These proposals will add unnecessary burdens on business and ultimately increase costs for consumers at the register. Furthermore, by eliminating plastic bags and forcing retailers to use a more costly alternative such as paper, the state would be undermining any environmental benefit that it hoped to gain through any of these proposals.

Industry has taken initiatives through the Green Agenda by putting in place a voluntary plastic bag recycling program to assist retailers whose customers seek this option. The industry asks the Legislature to abandon costly mandates and support the industry's voluntary recycling and education efforts as the most effective ways to protect the environment in both a business-friendly and cost-effective manner.

Smart Container Act “Bottle Bill”

NJ SEED opposes the enactment of a bottle deposit bill in New Jersey. New Jersey currently has a mandatory, curbside recycling program in effect. This program works and brings in much needed revenue to counties and municipalities. By implementing a bottle bill, these funds will be depleted.

New Jersey has also recently passed into law the Recycling Enhancement Act, a \$3 per ton fee on solid waste, which is intended to reinvigorate recycling programs statewide. This program should be given the chance to work. NJ SEED members support the Clean Communities Program through the Litter Tax that provides money for local clean-up projects and anti-litter programs for children. Other concerns with a bottle deposit bill include sanitation issues, fraud from out of state containers that are passed off for redemption; over redemption of items, the high labor and operational costs associated with implementing a bottle bill; and, increased costs to the consumer, in the neighborhood of 30 cents per item.

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 United States 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.

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 its most fundamental environmental priorities - maintaining and improving the quality of its 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 New Jersey Department of Environmental Protection (NJDEP), 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.

Beach Replenishment

One of New Jersey's most successful industries is tourism. Our beaches attract visitors that drive our economic engine from the entire region. New Jersey is in danger of losing 65 percent of its federal beach replenishment money due to a DEP regulation. Currently, the DEP is suspending funds to any beach community that does not comply with their public parking and beach access requirement. It is virtually impossible for towns with hundreds of years of beach front development to meet public access, bathroom and parking requirements. If these towns are not given these needed dollars, they will not be able to meet the federal match required for their beach replenishment projects.

New Jersey's beach communities and our economy as a whole, are greatly effected by tourist activities on the New Jersey shore. NJ SEED encourages state policy makers to consider the fallout associated with holding up beach replenishment funding. A clean and accessible beach front is only valuable if there is a beach beyond it.

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.

OTHER NJ SEED ISSUES

Priority Policies to improve New Jersey's Economy

Burdensome regulations, high taxes, and spiraling health care costs were the top concerns cited in a new study of New Jersey's business climate entitled "Economic Policies and Solutions: Making New Jersey a Better Place for Business."

Based on how other states create friendly commercial environments, NJPRO made a series of recommendations in the study, including five high-priority policies to improve New Jersey's business climate:

- let businesses reduce their state tax burden by carrying their losses forward for the same number of years they can for federal taxes and base their tax liability in total on what they sell in New Jersey, not whether they have a headquarters or own property in the state
- give state businesses a quick, efficient system when it comes to permits and licensing. Upgrade the state's business website to help a firm understand, apply for, pay, track and ultimately obtain the licenses and permits it needs to legally operate
- fix the state's business liability laws. New Jersey has become the destination of choice for plaintiffs wanting to sue businesses
- do a better job of funding academic Research and Development and creating research partnerships between universities and businesses
- control the costs and improve the quality of the state's health care plans

To view the full study, go to the research area of the NJPRO website at www.njprofoundation.org/pages/respa.htm.

NJ SEED believes that a balanced approach to policy making will stimulate economic development. NJ SEED supports the priorities of the NJPRO study and request that New Jersey policymakers consider these priorities with all new laws and regulations.

Commercial Real Estate Industry Is Key to Economic Prosperity

The commercial real estate industry is the solution to New Jersey's loss of private-sector jobs and sinking economy. There is no economic development without real estate development. The commercial real estate industry:

- creates jobs and brings work places close to families
- contributes billions in local spending and infrastructure improvements, and increases the tax base
- cleans and reclaims blighted, disused and contaminated areas, returning properties to productive use and chasing crime
- is the key to unlocking the huge potential for growth in our Port Regions.

- includes the logistics industry, which accounts for nearly \$50 billion or 10.9 percent of the total state GDP
- creates healthy and accessible work environments that meet tenants' needs with green and sustainable methods and materials

Improve Business Location and Expansion Incentives

New Jersey ranks at or near the bottom on the majority of indicators of the Small Business Survival Index, including personal and corporate income tax rates, property taxes, energy costs, state and local government spending and highway cost effectiveness. Our tax policies, lengthy, costly and unpredictable permit process, unrelated impact fees, and aging and congested transportation infrastructure do not look like a welcome mat for business.

The transit hub tax credit incentive is an example of a good “smart growth” measure to attract business to targeted areas. We recommend expanding this program to include additional urban centers with high levels of mass-transit ridership, and to include light rail and ferry stations. Further refinements to better coordinate this program with the Business Employment Incentive Program (BEIP) and create incentive programs for the retention of existing tenants would serve as powerful economic development tools.

We also recommend expanding and customizing Business Relocation and Retention Assistance Grant (BRRAG) and BEIP grants for targeted growth regions, such as the Port Special Improvement region, transit-oriented developments, redevelopment areas and Planning Areas 1 and 2.

Expedite and Incentivize the Redevelopment Process

- Brownfields redevelopment is an integral component of economic growth in New Jersey's cities, port region and densely populated areas.
- For every acre of brownfields redevelopment, 4.5 acres of greenfields are saved from development.
- When we redevelop a blighted area, we clean up the environment, create new jobs and add to the municipal and state tax base.
- The NJ DEP reportedly has more than 18,000 contaminated sites in its database, and nowhere near the caseworkers needed to handle the load.

Nothing kills deals and projects more effectively than delays. To reinvigorate the redevelopment pipeline, we recommend:

1. Streamlining and prioritizing state permit reviews and the issuance of permits in areas targeted for growth: brownfields, urban redevelopment areas and planning areas 1 and 2.

2. Expanding (from 75 to 100 percent) grant funds in the Hazardous Discharge Remediation Fund for investigation and remediation of any contaminated site in smart growth areas.
3. Establishing a Licensed Site Professional (LSP) Program within the DEP. LSPs would be authorized to oversee the remediation of lower priority contaminated sites and certify that remediation was performed in accordance with applicable laws and regulations.
4. Amending the Revenue Allocation District (RAD) Financing Act to increase the revenue sources available for use in a RAD, and streamlining the procedures for the approval and implementation of a RAD.
5. Amending the Local Redevelopment and Housing Law (LRHL) to broaden the criteria for determining an area to be in need of rehabilitation, thus broadening the areas of the urban core and older suburban ring which are eligible to utilize revenue allocation district financing.
6. Creating “Port Special Improvement Regions ” in northern New Jersey and along the Delaware River to expand New Jersey’s access to and competitiveness in the global marketplace, and to ensure an integrated approach that simplifies and expedites the land development and redevelopment process by means of streamlined permit reviews, area-wide permitting, priority funding for clean-ups, and improve infrastructure including the prioritization of funding for improved rail access to existing and future industrial properties that can support and service the port regions.

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 public schools

throughout the state. This down payment was enhanced in 2008 with a \$3.9 billion infusion to continue the work. Yet, the need for schools is great and ongoing.

In many urban areas, new schools have not been built in over 50 years. To rebuild schools effectively, it is necessary that a full assessment be made of the statewide facility needs, so that a plan can be developed and implemented to carry it out in the most efficient manner. This plan should be routinely updated to ensure all children have access to modern and educationally adequate schools. New Jersey should create a revolving, non-lapsing fund to finance this plan.

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 - Enhancing Network Capacity and Promoting Continued Wireless Growth

New Jersey's role as a national leader in technology and communications is of core importance to New Jersey's economy and ongoing business development in the state. According to the Information Technology and Innovation Foundation, New Jersey ranks third in the nation in deployment of residential and business broadband telecommunications; thereby demonstrating that the state recognizes the importance of broadband access among all platforms.

To promote growth and innovation, New Jersey needs policies that enhance broadband deployment, ensure accessibility and maintain the rapid growth of the wireless industry — all with the goal of bringing reliable broadband service and lower prices to consumers.

The potential of the Internet is limitless. Its growth and development has changed virtually every aspect of our lives, from business to communications to entertainment. It brings the latest scientific advances and technological innovations into our homes and businesses, and more consumers than ever are taking advantage of these high-bandwidth applications. For example, according to emarketer.com, 157 million consumers in the United States will view online video in 2010 — a 47 percent increase over 2006. And the Phoenix Center for Advanced Legal & Economic Public Policy Studies estimates that downloading a single, one-hour high-definition television show takes 17,000 times the bandwidth of an average website, demonstrating a continued need for bandwidth.

Overall, Internet traffic has doubled every year and could begin increasing as much as six-fold annually over the next decade, according to some experts. To keep up with rapidly advancing Internet content and applications, it is absolutely essential that we address network capacity and keep broadband networks up-to-date with the latest technology. Without constant improvements, the networks that comprise the Internet could lead to logjams of data and consumers will not be able to get the products they need.

Preparing for the continued, exponential growth of the Internet involves all aspects of network management, from expanding broadband networks to using new technology for managing the flow of data traffic to ensuring Internet taxation remains fair. We need billions of dollars of investment to reach more people while developing cutting-edge management tools, such as “smart networks” that will allow bandwidth-intensive websites such as YouTube to be transmitted alongside smaller data streams like e-mail. We need to continue to support an Internet tax moratorium that promotes investment in broadband and helps give consumers more choices for high-quality service.

Moreover, consumers have greater access to Internet services than ever before through wireless applications. 90 percent of the public has a choice of at least four wireless providers, and new features brought about by the highly competitive wireless marketplace give consumers improved access to Internet services. Today, there are more than 243 million wireless subscribers and hundreds of thousands of jobs in the wireless industry. Capital spending has soared — more than \$24 billion in capital improvements in 2006 — while wireless rates have fallen and services have multiplied.

Thus, the existing open marketplace has brought demonstrated benefits to New Jersey and to the nation and should be maintained.

Ensuring our nation’s broadband and wireless infrastructure can keep up with development of Internet content is key to tapping the potential of the Internet. New Jersey can maintain its status as a technology leader by continuing to promote fair and effective deployment of broadband and the regulatory and tax policies that make it possible.

NJSEED supports proposals that would promote development of new, more robust broadband lines and more effective management of Internet traffic. Additionally, NJ SEED supports existing wireless regulations as a proven example of how competition can bring new products and services to consumers at decreasing prices.

Consumers and businesses continue to benefit from wireless technology

Wireless phones have saturated nearly every facet of our lives, becoming vital tools in connecting us to friends, family, the workplace and our community. In its wireless competition report released this year, the FCC estimates that more than 8.1 million people in New Jersey subscribe to wireless service — roughly 93 percent of the state’s total population, according to the U.S. Census. From the boardroom to the family room, New Jersey residents use wireless devices to talk, send e-mail, access the Internet and even play video games.

It’s hard to imagine that some 25 years ago, a wireless phone weighed almost 2 pounds and cost almost \$4,000. Today, pocket-sized wireless devices help users navigate a city with Global Positioning Satellite technology, access the Internet with broadband-like speeds, listen to music, share video with the people to whom they’re talking — even tune in to TV programs. Businesses find wireless devices vital as their employees become increasingly mobile, allowing them to check e-mail, teleconference, and view

presentations and other documents. CTIA, the Wireless Association, estimates that Americans send almost 75 billion text messages a month; little more than a decade ago, “texting” was a foreign concept to almost all phone users.

Further demonstrating the importance of the wireless industry to residents and businesses, a study recently released by the Pew Internet and American Life Project shows that more than half of respondents say their wireless phone “would be very hard to give up.” And the National Center for Health Statistics reports that almost 16 percent of households have cut the cord and are wireless only.

Underneath this blossoming technology lies a vital and flourishing industry. Wireless companies employ 268,000 workers and pay more than \$13 billion in payroll nationwide, according to CTIA, and they currently devote about \$21 billion in annualized capital investment. Increasingly, wireless technology is serving as a tool for banking, online shopping and other mainstays of economic development. This dependence on wireless technology — and the workers who build and maintain its infrastructure — is only expected to increase. The US Bureau of Labor Statistics projects that employment growth with wireless carriers will increase by more than 40 percent before 2016.

The wireless telecommunications market is a critical industry to New Jersey, but the state’s industry will only thrive if New Jersey maintains the open and inviting marketplace under which wireless services have proliferated. Unlike the original structure for landline phone service, Congress has established a national framework for wireless. Additionally, at its summer meeting, the National Association of Regulatory Utility Commissioners (NARUC) endorsed the national framework approach and the National Conference of State Legislatures (NCSL) adopted a policy position that advocates coordination among state and federal policymakers to ensure that any consumer protection proposals targeted at the wireless industry “apply within a national framework.”

The wireless market is competitive, and consumers are in control. In response to consumer demand and competitive market forces, the industry has spent billions on network upgrades, improved customer service, launched a host of consumer-friendly policies and now offers a variety of contract and no-contract service plans. Any move to establish single-state rules would take choices away from consumers and stifle the investment and innovation that has marked this booming industry. As this dynamic industry continues to grow, it is critical that New Jersey’s environmental landscape allow it to be in the forefront of this vibrant economic sector.

NJ SEED supports proposals that would promote wireless investment and jobs, as well as more innovation and lower prices for consumers. The current wireless market is a proven example of how competition can benefit consumers and the economy when allowed to flourish freely.

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 a 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 \$115,000 annually, which includes salary, bonus and benefits and other compensation), 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 2006 Economic Growth Strategy (expected to be updated shortly) recognizes the continued importance of the life sciences, and NJ SEED looks forward to working with the administration to protect this great sector of our economy.

NJ 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
- the establishment of the Stem Cell Research Institute through passage of the fall 2007 ballot question
- 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
- continued support of the Net Operating Loss (NOL) carry-forward provision
- strengthening of the patient awareness and notification policies concerning the reprocessing of single use medical devices. These were upgraded in regulations of the New Jersey Department of Health and Senior Services earlier in 2007
- opposition to unnecessary restrictions on medical research involving animals. NJ must not hinder the Research and Development activities in New Jersey's life sciences industry that already follow stringent FDA protocols
- 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 policies should also allow all universities to enhance curriculum that will train students for jobs in the life sciences.

The life sciences sector spends nearly \$5 billion annually on vendors, and more than \$4.6 billion on capital construction over 2007-2008 is expected, making it the largest private sector industry in construction activity.

Concern was 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 decline in the overall percentage of life sciences jobs nationally. New Jersey can never assume that its past and present leadership will deliver its future.

NJ SEED provides its support to the life sciences industry, its key support industries and for policies that will help each sector grow.

NJ SEED support efforts to improve workforce in the life sciences through strategies identified in the May 2007 Heldrich Report on workforce needs in the pharmaceutical and medical technology industry. We applaud the actions taken by Governor Corzine's administration of industry advisory groups established under the direction of Labor Commissioner Socolow and an Innovation Partnership Institute (designed to address curriculum needs for the jobs identified) being headed by Dean David Finegold of the Rutgers School of Labor and Management Relations.

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.

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 October, 2008, the NJSP have 2,950 sworn members, a difference of 450 bodies, while the responsibilities and duties of the NJSP have increased dramatically. With the impending retirement of senior troopers, including approximately 330 plus 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 9-11 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 med-evac 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 NJSP 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 9-11 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 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.

ADDENDUM 1

Legislative Initiatives that Encourage Economic Development

Amendments to Revenue Allocation District Financing Act-This bill amends the Revenue Allocation District Financing Act by increasing the revenue sources available for use in a Revenue Allocation District (RAD), clarifying and confirming that RAD financing is available in areas in need of rehabilitation and streamlining the procedures for the approval and implementation of a RAD. The bill also amends the Local Redevelopment and Housing Law to broaden the criteria for determining an area to be in need of rehabilitation, thus broadening the areas of urban core and older suburban rings that are eligible to utilize RAD financing.

Expansion of Brownfields Program to Smart Growth Areas-This bill expands the percentage of grant funds in the Hazardous Discharge Remediation Fund from 75 percent to 100 percent for investigation and remediation of any contaminated site in Smart Growth areas. The bill is consistent with *The Governor's Economic Growth Strategy for the State of New Jersey (2007)* that focuses on brown field development as an integral component to economic growth in cities and densely populated areas. It is also consistent with the State's Smart Growth agenda outlined in the *State Development and Redevelopment Plan*, supporting redevelopment in areas with existing infrastructure that serve the economy, the community and the environment.

Amendments to Urban Transit Hub tax Credit (UTHTC) Program-This bill expands eligibility under, and provides clarifications to, the Urban Transit Hub Credit Act (UTHCA), legislation passed in the 2006-2007 session. Under the original legislation a business making \$75,000,000 of capital investment and employing at least 250 people in a qualified business facility within an urban transit hub may qualify for a tax credit equal to the capital investment. The credit may be applied to corporate business tax, insurance premiums tax or gross income tax liability. The credit also extends to tenants of the facility under certain circumstances. This bill amends the eligibility of urban transit hubs by including any commuter rail station or water ferry terminal within certain metropolitan municipalities to help induce economic development. Furthermore, it lowers the eligibility standard to \$50,000,000 and further clarifies how tenant investment can be capitalized under generally accepted accounting principles. Additionally, the bill recommends revised forfeiture requirements and permits tax credit to be carried for five years.

Amendments to BEIP, BRRAG, and UEZ (A-2720)-This act amends the "Business Retention and Relocation Assistance Act (BRRAG)," the "Business Employment Incentive Program Act (BEIP)," and the "New Jersey Urban Enterprise Zones Act (UEZ)" to enhance the benefits of these laws to certain businesses. The bill amends the BRRAG to expand eligibility to businesses that pose a demonstrable flight risk due to lease expirations, competing proposals, a competitive cost advantage in favor of out-of-state locations or other factors, without requiring relocation to another facility in New Jersey as a prerequisite. It also will increase the one-time base tax credit amount of \$1,500 for projects located in designated urban centers involving a larger number of jobs by permitting them to earn the \$1,500 per year credit of up to five years and to allow "mega" projects that involve more than 2,000 retained jobs to be eligible for additional discretionary bonus as deemed competitively necessary. The bill amends the BEIP to eliminate the New Jersey Economic Development Authority's (NJEDA) ability to cap the amount of the BEIP grant for new and existing recipients if they are located in a

designated area, eliminates the maximum aggregate amount of the grant of \$50,000 for new employees at businesses in designated areas, includes “cooperative associations” (financial, stock or commodities exchanges) in the definition of businesses, allows the grant term to increase by half of the existing term at half of the award percentage, and permits grantees to count independent contractors that work on site. The bill amends the UEZ to exempt businesses that only have locations within the UEZ from obtaining that’s sales tax exemption for business purchases through a refund program and increases from \$3,000,000 to \$5,000,000 the previous year’s gross receipts that a business may have to be defined as a “small qualified business” and exempts from the requirements to take its exemptions as refunds. The bill also extends the eligibility of a sales and use tax exemption of energy and utility purchases within a UEZ from certain manufacturing intensive business to businesses other than those involved in manufacturing.

New Jersey Deal Closing Fund-The act will establish a deal closing fund that will provide financial resources to be used for economic development projects that stimulate economic activity in the State. Administered by an authority, the funds will be used to encourage and promote retention and expansion of existing businesses and industry. The funds available will total no more than \$50,000,000 in a fiscal year. The amount of the award will not exceed \$1 for every \$4 of private capital investment in the project. Funds may be used for job training; construction or infrastructure improvement; acquisition of land or buildings; or right-of-way; construction, improvement or repair; purchase, upgrade or repair of equipment; working capital; site preparation; environmental assessments; or remediation of hazardous materials.