



New Jersey Society for Environmental, Economic Development



**Presented to the New Jersey Congressional Delegation
April 29, 2009**

**The New Jersey Society for Environmental, Economic
Development
2009-2010 Congressional 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, business organizations and trade groups, construction trade groups and electrical workers unions, energy providers, environmental consultants, telecommunications firms, banks, residential and commercial development interests, insurance firms, educators, State Troopers 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.

NJ SEED is proud to present the 2009-2010 Congressional Briefing Book. This year marks our 22nd Congressional Briefing in Washington, and we thank the members of the New Jersey Congressional Delegation for their willingness to meet with us annually to discuss issues that are vital to business and labor leaders in the Garden State.

We are grateful to all of the NJ SEED members who contributed to this document and who serve on our Issues Committees. As always, NJ SEED's Officers and Trustees will be pleased to meet at any time to discuss these issues.

Joseph McNamara, President
NJ LECET

Charles Wowkanech, First Vice President
New Jersey State AFL-CIO

James Benton, 2nd Vice President
NJ Petroleum Council

Linda Doherty, Treasurer
New Jersey Food Council

John Torok, Secretary
The Torok Group, LLC

William Mullen, Member at Large - Labor
NJ Building and Construction Trades Council

Art Guida, Member at Large – Business
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NJ SEED POLICY COMMITTEES

NJ SEED Economic Development Issues Policy Committee

Chairman: John Maddocks, Somerset County Business Partnership

AT&T Charlene Brown	Associated General Contractors of NJ Brian Tobin	Building Contractors Association of NJ Darlene Regina
Donald Sico & Co. LLC Donald Sico	HealthCare Institute of NJ Bill Healey	NJ Business and Industry Association (NJBIA) Art Maurice
NJ Council of Carpenters George Laufenberg	NJ NAIOP Michael McGuinness	NJ LECET Joseph McNamara
PSE&G Art Guida		Steamfitters, Local 475 Thomas Manning

NJ SEED Energy Issues Policy Committee

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

Atlantic City Electric Robert Revelle Salmon Ventures, Ltd. Ed Salmon	NJ BIA Sara Bluhm	NJ Utilities Association Karen Alexander Steamfitters Local 475 Thomas Manning
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NJ SEED Environmental Issues Policy Committee

Chairman: Dick Dewling, Dewling Associates, Inc.

NJ Asphalt Pavement Association Carol Fulton	NJ NAIOP Michael McGuinness	NJ Petroleum Council Jim Benton
NJ State Chamber of Commerce Joan Verplanck		NJ State Chamber of Commerce Michael Egenton

NJ SEED Transportation Issues Policy Committee

Chairman: Roger Ellis, Local 472

Nation's Port David Stein	NJ Asphalt Pavement Carol Fulton	NJ LECET Steve Gardner
NJ Building & Construction Trades Council Jay Gaul	NJ State AFL-CIO Charlie Wowkanech	NJ State Troopers Fraternal Association David Jones
NJ State Troopers Fraternal Association Chris Burgos	Operating Engineers, Local 825 Mark Longo	Port Authority of NY & NJ Tina Lado
State Troopers NCO Association Dennis J. Hallion	United Transportation Union Daniel O'Connell	UTCA NJ Evan Piscitelli

EXECUTIVE SUMMARY & ECONOMIC OVERVIEW

The NJ SEED Economic Development Issues Committee recognizes that New Jersey competes in a global market place. We recognize our desirability as a location for businesses and employees spans the myriad evaluation criteria used by companies and individuals when considering relocation. The quality of our roads, bridges and mass transit systems, the appeal of our beaches, the costs of government and our educational system, our accessibility to other markets and the manner in which regulations and policies are enforced all can contribute to New Jersey's desirability as a location for business.

New Jersey is the most densely populated state in the nation, has an aging infrastructure consistent with its industrial era economy and faces special economic and environmental challenges as a gateway to world markets. New Jersey has successfully transformed itself into a technology, pharmaceutical and service economy, given our unique location and history. Numerous studies have shown that New Jersey gets back less than .70 cents for every dollar it sends to Washington. Yet it still remains a world-class economy.

We ask New Jersey's Congressional Delegation for special consideration and support of the critical challenges detailed below. All of these issues have been documented by our working committees on transportation, the environment and energy. This document reflects the views of our labor and business members. We would be pleased to provide additional background and support as may be necessary to further these critical objectives.

Transportation Related Priorities

NJ SEED urges the New Jersey congressional delegation to **continue to advocate for increased funding for New Jersey's critical transportation needs** as we finish the first decade of the 21st century. NJ SEED applauds the Obama Administration for its action in creating the Stimulus Package and the funding provided for transportation. This will not take the place of a major funding re-authorization (SAFE-TEA-LU) which is desperately required by September.

NJSEED supports action now to maintain or increase Federal Highway Funding to support needed transportation improvements in New Jersey. We stress the need to begin working immediately on the monumental task of renewing SAFE-TEA-LU.

NJ SEED **supports the ARC (tunnel project)** adding increased transit capacity between New Jersey and New York, **increased funding to address the Bayonne Bridge low draft issue**, and other necessary investments in our regional linkages. The numerous construction jobs and reduction of the carbon foot print created by traffic will have an immediate and direct effect on N.J. and its economy.

NJ SEED strongly supports a continued partnership with the state and federal governments to maintain and improve the nation's deep-draft navigation system

through the sound investment of federal funds for the accelerated, consolidated Harbor Navigation project. The deepening plan for the New York and New Jersey Harbor Navigation project must be completed. NJ SEED recognizes that lawsuits can halt the process and encourages the process to remain open so that problems are remediated quickly. **Financial resources are needed to continue the project** and see it through to completion. If the Bayonne Bridge height is not immediately and quickly adjusted or the river depth levels not maintained, it will become a choke point for the port and a choke point for the jobs, economic growth and tax revenue the port generates.

NJ SEED supports the Liberty Corridor proposal to address intermodal deficiencies as well as the expansion of its success in the Liberty Corridor II. The expansion of this corridor will **replicate the business successes witnessed** to points east and north such as Pennsylvania and New Haven CT.

NJ SEED supports the **continued beneficial use of dredged materials** for environmental conservation, economic development and revitalization purposes associated with remediation and reclamation projects. We additionally **support contaminant reduction/abatement** and the development of new technologies for such efforts.

NJ SEED strongly believes that **airspace redesign is needed** to accommodate growth and efficiency. It is important to maintain safety and mitigate delays while minimizing negative financial and operational effects on all carriers using Newark-Liberty Airport.

Environment Related Priorities

NJ SEED urges Congress to **pursue comprehensive Superfund reform legislation** that provides accountability and transparency, addresses the core root problems of the program and begins to refocus the EPA's efforts on providing the fastest and most cost-effective cleanup. NJ SEED supports state and federal voluntary cleanup programs that create more flexibility and provide more financial incentives for Brownfield Remediation.

The use of these blighted sites **provides job growth in construction and drives development to population centers.**

NJ SEED believes that sewer and water infrastructure in our state are extremely important to its economic and environmental health. **We recommend that Congress re-authorize the federal Wastewater and Safe Drinking Water SRF programs at increased funding levels.**

To the extent that one is needed, **NJ SEED supports a greenhouse gas emissions policy that affects all economic and geographic sectors equally. A national policy will keep all states on the same playing field** and have the greatest impact on our environment.

NJ SEED recognizes that air quality has improved in New Jersey under the existing requirements of the ozone standard. We urge careful, ongoing consideration by the New Jersey Congressional delegation of the effect such a new requirement will have on New Jersey as it continues to struggle with retention and **expansion of our state's manufacturing base** and the **well paying jobs** associated within the sector.

NJ SEED supports a **consistent definition of the federal government's jurisdiction over the waters of the U.S.**, and urges Congress to increase flexibility and expedite routine permitting for projects with negligible effects on the environment.

NJ SEED believes that Congress, in partnership with the new administration, has the unique opportunity to set a decisive new policy for the **management of our nation's spent nuclear fuel**. First, Congress should actively pursue **research into the viability and feasibility of a national recycling program**. Second, the repository at **Yucca Mountain needs to receive adequate funding for its completion** as no recycling technology can fully eliminate the spent fuel rods or negate the need for a federal repository.

NJ SEED recommends and urges the **EPA to ensure that the final Effluent Limitation Guidelines (ELG) fits within the existing construction storm water general permit framework**. This framework is critical to maintain standards that protect the environment and continue economic development.

Energy Related Priorities

NJ SEED supports the **expansion of energy exploration on the Outer Continental Shelf**. This exploration can generate well paying jobs and technology today has little to no impact on the environment.

NJ SEED serves as an active member of the New Jersey Affordable, Clean, Reliable Energy Coalition. Together, these coalitions work to **increase the public's awareness of the need to keep existing clean energy providers operational** and to promote and support the development of new affordable clean sources.

NJ SEED **supports tax incentives and loan guarantees to aid in the construction of additional nuclear power plants** approved by the Nuclear Regulatory Commission to maintain a diverse portfolio of generating resources.

NJ SEED urges the congressional delegation to ensure that Congress, the administration, and the **EPA provide regulatory certainty and a streamlined review process for the any federal permitting of new alternative and renewable energy in New Jersey, particularly in regard to the proposed offshore wind projects**.

NJ SEED supports the continued operation and license renewal of New Jersey's existing nuclear facilities.

NJ SEED supports initiatives that will **lower the depth of the Arthur Kill**, maintain an approximately 40-foot channel depth and return this waterway to improved safe navigational standards. This water way is a critical shipping channel for much of New Jersey's, and this region's, petroleum processing.

The power grid that supplies New Jersey consumers needs the ability to increase capacity to stay ahead of the demands of its consumer base. NJ SEED supports **approval for new energy production facilities** that will contribute to New Jersey's economic health and energy supply. **NJ SEED similarly supports the upgrade and expansion of our electric transmission and local distribution networks to meet the growing demand for electricity, to insure reliability and to provide the opportunity for new renewable sources of electric power to reach consumers.**

NJ SEED wishes to express **significant caution and concern to members of the New Jersey delegation before embracing a low Carbon Fuel Initiative** as it is an incomplete, technology forcing program which threatens the affordability and availability of fuels.

NJ SEED supports the **implementation of rate designs, regulatory structures and tax incentives that support energy efficiency as a viable business and encourage consumers to better manage their energy usage.** Specifically, NJ SEED urges Congress to enact legislation that permanently extends the Energy Efficient Commercial Building Deduction.

Security Related Priorities

NJ SEED believes that it is crucial that **Port Security grants are distributed based on risk.** We encourage our congressional delegation to fight for adequate and appropriate federal funding to protect the Port of New York and New Jersey.

NJ SEED supports efforts at every level to ensure **adequate federal funding for our State Police** efforts to fight terrorism and keep our markets safe to continue their mission under the Department of Homeland Security.

NJ SEED urges our congressional delegation to **seriously consider the New Jersey State Police model used during Hurricane Katrina** as one that could be utilized nationally.

Technology Related Priorities

NJ SEED supports proposals that would **promote development of new broadband lines** and more effective management of Internet traffic so that New Jersey remains a global leader in technology development. We oppose proposals that would limit broadband bandwidth and access.

Economic Growth Related Priorities

NJSEED understands that the high and rising costs of chronic diseases like diabetes and heart disease need to be addressed for any health care reform effort to be successful. Chronic diseases fuel demand for health care services and treatments and cause costs to rise. NJ SEED believes we can **reduce demand by preventing and better managing disease**, which would **reduce the catastrophic illnesses that unmanaged disease can cause**. Vigilance in this area can eliminate costs, not just postpone them or push them off.

NJ SEED encourages its congressional delegation to **continue policies that grow high-tech jobs in our state** and throughout our nation. The renewal of the Research and Development Tax Credit provided New Jersey's life sciences industries with opportunity to expand its research and development.

NJ SEED also urges Congress to **oppose efforts to reopen the now two-plus year old Medicare Part D legislation**. Price controls reduce capital for research and development which is a main stay of New Jersey's economy. This significant new benefit for our nation's seniors is being delivered effectively through private insurance plans.

NJ SEED also endorses **fair trade policies with foreign governments** to ensure that pharmaceuticals and medical technologies are priced in a fair manner. Restrictive regulatory processes and unfair trade practices harm pharmaceutical and medical technology products overseas and disproportionately impact jobs in New Jersey. NJ SEED urges the New Jersey congressional delegation to **support policies that expand access** to the latest pharmaceutical and medical technology products.

TRANSPORTATION

Statement from the NJ SEED Transportation Issues Committee

New Jersey's roads, bridges, rail lines and ports are the backbone of its economy, as well as a keystone for our nation's transportation infrastructure. The NJ SEED Transportation Issues Policy Committee recommends that we encourage Congress to take immediate action on the next renewal of the Federal Transportation Equity Act. While President Obama's stimulus plan included additional immediate funding for transportation infrastructure, our needs remain too great to delay the federal renewal of SAFE-TEA-LU.

We recognize that much of New Jersey's federal transportation funding is achieved through matching state funds. Therefore, we are also urging the New Jersey Legislature to immediately secure a stable and renewable funding source, exclusively for the depleted New Jersey Transportation Trust Fund.

Background on Federal Transportation Issues

New Jersey is a corridor state and the movement of goods, services and people depends on a well-maintained, non-congested transportation system. Each day, our roads and bridges accommodate more than 17 million vehicle trips, 324 million tons of New Jersey manufactured goods, and millions of rail and bus commuters. NJ SEED and its members continue to work diligently to keep transportation funding issues on the front burner of federal policy initiatives.

New Jersey is a gateway to world markets. Without a sound and efficient transportation network, we cannot compete with other regions of the country and are vulnerable to job and revenue losses. Therefore, investing in our infrastructure is vital.

Federal transportation funding is an economic issue and a public safety issue. For every \$1 billion invested in transportation infrastructure, 34,779 jobs are created and more than \$5 billion in related activity is generated. Every dollar spent on transportation equates to \$5.60 in economic development. According to a National Highway Traffic Safety Administration, a third of the 42,000 fatalities on our roadways each year are directly attributable to roadways that are inadequate for current traffic demands.

Increased funding for transportation will help to eliminate congestion, improve safety, create jobs and provide a better quality of life for all New Jersey citizens. NJ SEED's members pledge to continue to work cooperatively with our Congressional Delegation to keep federal transportation funding at the forefront of our public policy discussions.

NJ SEED urges the New Jersey Congressional Delegation to continue to advocate for increased funding for New Jersey's critical transportation needs as we finish the first decade of the 21st century. NJ SEED applauds the Obama Administration for its action in creating the Stimulus Package and the

funding provided for Transportation. However, this money is a temporary boost to jump start the economy, it should not replace a funding reauthorization.

SAFE-TEA-LU: A Quick Fix to a Long-Term Problem

On August 10, 2005, the Safe, Accountable, Flexible, Efficient Transportation Equity Act – a Legacy for Users (SAFE-TEA-LU) was put into law. The Act provides total guaranteed funding of \$286.5 billion from federal FY 2004 to federal FY 2009. While the funding from this legislation is helpful to America's transportation infrastructure, the allocated appropriations will not allow us to keep pace with our aging and expanding transportation system.

Even with a statutory guaranteed level, the past several budget cycles have witnessed the President and Congress disagreeing on the amount that should be spent on our nation's transportation infrastructure. With the expiration of SAFE-TEA-LU at end of FY 2009, there is more uncertainty in the process for FY 2010. It is important as we move towards renewal that the President and Congress are able to quickly find an acceptable funding level.

Both the House and Senate have already passed their nonbinding budget resolutions which provide the same level of funding for the highway and transit programs as FY 2009. However, for the second year in a row, the Highway Trust Fund is not expected to have sufficient revenues to meet those funding levels. Last year, Congress had to tap general tax revenue for \$8 billion to bail out the Highway Trust Fund. This points to a longer term problem of funding for future transportation needs.

Moving beyond the budget and into discussions about renewal is the real challenge this year. After President Obama's stimulus plan pumped about \$64 billion in additional money into infrastructure improvements (New Jersey received over \$1 billion), there does not appear to be any urgency to begin the next renewal. However, now that the Federal Highway Trust Fund can no longer meet its obligations, it is critical that a long-term solution be found to ensure we can continue to meet our transportation needs.

NJ SEED believes that \$100 billion in funding for each year over the next six years is required to keep our nation's transportation infrastructure strong mixed with good environmental protection components. The funding mechanism must also allow for the quick rate of inflation on construction. NJ SEED is willing to consider all funding mechanisms that are dedicated to transportation from transportation to accomplish this task.

NJSEED supports action now to maintain or increase Federal Highway Funding to support needed transportation improvements in New Jersey. We stress the need to begin working immediately on the monumental task of renewing SAFE-TEA-LU.

ARC (Access to the Region's Core) - Second Passenger Tunnel into New York

One of the most pressing regional transportation needs is a lack of rail and station capacity into New York City from New Jersey. Passenger demand is expected to double over the next 15-20 years. Existing capacity simply cannot meet the demand created by the increased ridership. Since the existing tunnel is close to 100 years old, it cannot be modified to meet these future demands. The only alternative is to build a two-track tunnel under the Hudson River with a new rail station adjacent to Penn Station. In addition to the new tunnel and rail station in New York, additional improvements to NJ Transit rail lines servicing Manhattan from New Jersey will be required.

Job Creation:

According to the U.S. Department of Transportation, 34,779 jobs are created, directly for every \$1 billion spent on public construction. During construction the ARC project is estimated to generate \$660 million in new Gross Regional Product annually, \$390 million in real personal income annually and 6,000 construction jobs every year. Once completed, ARC will facilitate the movement of people throughout the New Jersey and New York region. This is a critical for growing our economy and attracting and retaining business.

Environmentally Sound:

The traffic relief that this tunnel offers would decrease congestion and pollution. Recent spikes in the price of gasoline continue to drive commuters to look for alternatives to driving. This investment in our transportation infrastructure will enhance the economies of the region and lessen the environmental impact of traffic.

The first construction contracts are expected to be awarded by NJ Transit in spring of 2009. We must remain vigilant to ensure this project continues to receive all the necessary funding to complete the job.

NJ SEED recognizes the tremendous work our Congressional Delegation has done to secure the needed funding to start this project and NJ SEED will continue to stand behind our policy makers as we continue to obtain dollars required to finish the job.

Critical Port Issues

From ship to shore to store, the Port of New York and New Jersey is our most important gateway to international trade, and affords us easy access to affordable goods. Many of the products we use daily are available because the maritime industry operates in our backyard.

To ensure continued economic growth, our port must remain the North Atlantic's main ocean shipping hub by sustaining its competitiveness through deep draft, 50-foot navigation channels. Clear trends in commercial shipping and steamship design and construction will result in a larger percentage of the worldwide fleet of container ships that require channel depths of up to 50 feet. The vessels calling on our port have grown from 2,500-container ships in 1990 to 6,000-container mega

ships today, and they are getting larger. It is critical that our port be able to accommodate these deeper draft vessels.

The port's \$2 billion, 10-year Capital Plan, which includes significant funds to upgrade the on and off-port road network, will provide a more efficient way for trucks to enter and leave port terminals.

Deeper Draft, Higher Ships

The work to widen and deepen the is scheduled for completion in 2015. This will permit larger ships to travel directly to east coast ports. This may increase the number of ships that can not fit under the Bayonne Bridge, and could create a negative impact on cargo levels at the Port of New York and New Jersey. A long term and quick solution is needed to alleviate the Bayonne Bridge height issue. The Port is the center for job and economic development for our region and a hub for the movement of goods. If ships begin to by-pass our port, the results could be catastrophic for New Jersey and its economy.

Facts About the Port of New York and New Jersey:

- Third largest seaport in the U.S., the largest on the East Coast and the fifteenth largest in the world.
- Estimated regional economic input: \$29 billion annually.
- Largest automobile port in the U.S.
- Over 600,000 passengers board cruise ships.
- Over 250 miles of engineered waterways with depths ranging from 20-45 feet.
- Deepening project to 50-feet is underway to accommodate larger vessels and ensure navigation safety.
- Required annually: dredging of four to six million cubic yards.

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

It is critical that once dredging concludes in the harbor's channels that the federal government utilizes funding within the Harbor Maintenance Tax (HMT) to maintain the channels to their dredged levels. If maintenance dredging is not conducted on a consistent basis the federal and local cost sharing partners investments in the dredging program will be lost to rapid silt build up in the channels.

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

encourages that the process remain open and problems are remediate quickly.

Freight Mobility: Barge and Rail Initiatives

Complementing the channel navigation deepening and port infrastructure improvements is industry investment in environmentally sound alternatives to truck based container movement, such as short sea shipping initiatives featuring feeder barge services from the Port of New York and New Jersey to inland destinations. In addition, initiatives to increase rail movement of containers, both long-haul and short shuttle runs, must be a public policy priority. Development of economically sustainable Port Inland Distribution Networks (PIDN) supplements this overall effort.

A greater reliance on alternative modes of cargo movement around the port and through our region makes great economic and environmental sense. However, landside intermodal infrastructure improvements that promote modal balance and diversity and solve highway congestion must keep pace with the significant growth in cargo that will arrive here annually. Port cargo volumes doubled between 1996 and 2006. As cargo volumes grow, the pressure to increase terminal efficiency and throughput will place a great burden on the ability to move cargo from dock to final destination. Transportation infrastructure investments are vital to ensure continued freight mobility without imposing additional strain on local communities and roadways.

The Port Authority's ExpressRail on-dock rail system is expected to be completed by 2011. The system, when fully built, will have the capacity to handle 1.5 million cargo containers a year by rail, taking approximately 2.5 million trucks off the roads. The Port Authority recently completed Tracks 10 through 18 at the ExpressRail Elizabeth facility, and has begun construction of another lead track into the rail facility that will greatly improve the movement of trains on and off the property. Construction also will begin this year on rail track west of Corbin Street in Port Newark and Elizabeth that will provide support for the entire ExpressRail system and provide sufficient capacity for three additional 2 mile long arriving and departing trains.

ExpressRail set a new record in 2008, handling nearly 378,000 lifts, about 20,000 containers (5.5 percent) more than the 358,000 handled in 2007. In January 2009, ExpressRail handled 23,945 containers.

Rail systems help improve the carbon foot print that is densely imbedded in the port region. 80 percent of imported materials stay local to the Port, due to its easy access to over 100 million consumers within a one-day drive. There needs to be adequate rail space and road space. Funding is needed to help make our diesel equipment cleaner. We can only move so fast under a voluntary diesel conversion and remediation system. Health issues tied to diesel particulates are an important issue and NJ SEED supports programs that identify these health issues and attempts to mitigate them through voluntary programs and government-assisted programs.

The lack of a world-class international intermodal corridor will shut down the significant economic engine fueled by port users who move the millions of cargo containers that serve 80 million consumers and port-dependent businesses in our state and region. ExpressRail is just one solution to on port rail enhancements a possible solution to off port rail enhancements, proposed by Senator Bob Menendez, is the Liberty Corridor. It would create an International Intermodal Corridor to support the economic engine powered by freight mobility, economic development, research and development and export promotion sustaining and business attraction, retention and success in New Jersey and the region.

NJ SEED supports the Liberty Corridor Proposal that would address current intermodal deficiencies, such as:

- Lack of modal balance***
- Promotion of modal diversity, such as increased use of rail and waterborne freight movement***
- Removal of highway system constraints that threaten the efficiency and growth of our international intermodal service connections***
- Enhanced PIDN service and efforts to identify federal support that will be required to sustain the service beyond the initial two-year period***

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 that our transportation linkages are expanded.

Cross-Harbor Rail Freight Tunnel

New Jersey and New York Ports continue to see increased traffic and a larger volume of containers every year. Once off loaded, a ship's cargo needs to move with efficiency and ease. A cross-harbor rail freight tunnel would increase the flow of products to market while decreasing road and bridge congestion. New York is the only major port city in the U.S. 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.

If the bridge is not managed then a terminal may be needed on the other side of the bridge to accept these large boats.

World-Class New York and New Jersey Harbor Estuary

Continued federal funding is needed to clean up the Passaic, Newark Bay and Meadowlands tributaries. Such action will be key to mitigating contaminated silt collecting in the harbor. Years of dredging for maintenance and deepening

purposes has removed most of the contaminated sediment from the harbor bottom, and this has provided a cleaner marine environment and attracted new species of marine life. However, the natural flow of water and silt from upland waterways feeding into the harbor carry contaminated silt back into it.

NJ SEED recommends that our Congressional Delegation seek additional funding levels for the FY 2010 Civil Works budget in support of current feasibility studies underway by the U.S. Army Corps of Engineers in the New York District, which are critical to realizing the achievement of a world-class Hudson-Raritan Estuary. Also, the passage of a Water Resources Development Act is a key component to ensure that critical environmental projects within the region are authorized for consideration of federal appropriations.

Beneficial Use of Dredged Materials

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

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

Contaminant Assessment and Abatement

The Contaminant Assessment and Reduction Program is designed to track down and abate sources of contaminants to the New York/New Jersey Harbor. Approximately \$25 million has been committed to this project by New York and New Jersey. Decontamination technologies have the potential to clean harbor sediments. The states 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 for these efforts.

FAA Airspace Redesign

As the members of our congressional delegation participate in the important discussion regarding air traffic delays, we urge them to keep in mind the economic challenges currently facing every major airline in the U.S. Over half a million people

are directly employed by the airlines, and significantly more are employed in ancillary industries. The industry plays an important role in New Jersey's economy, and citizens throughout the nation depend on it for moving goods and people.

NJ SEED strongly believes that a healthy transportation system is critical to the economic stability of New Jersey. While we believe that changes to the existing air traffic control operation are needed to accommodate growth and efficiency while maintaining safety and mitigating delays, we are concerned that the ocean-routing option of the proposed Airspace Redesign Plan will have negative financial and operational effects on all carriers using Newark-Liberty International Airport.

NJ SEED strongly believes that capacity enhancements must be made to the current air traffic control system, but not at the sacrifice of passenger safety. The rushed implementation of the initial phase of the NY/NJ/PA Airspace Redesign Plan has caused unforeseen safety hazards at Newark Liberty Airport. Since it is of primary importance to maintain safety while reducing delays and minimizing negative financial and operational effects on all carriers using Newark-Liberty Airport, FAA should halt further implementation of the plan until a complete review all changes is accomplished and with input from all parties affected.

NJ SEED is aware of alternate capacity enhancing changes that can be affected at Newark Airport that will reduce delays by maximizing the use of its runways without drastically altering the existing airspace structure over New Jersey. NJ SEED recommends FAA include these alternative plans in the review of the airspace changes.

ENVIRONMENT

Statement from the NJ SEED Environmental Issues Committee

Balancing clean air and restoring natural resources with strong employment and economic growth benefits the health and standard of living of New Jersey residents. To achieve such balance, issues such as site cleanup for redevelopment and pollution controls must be carefully considered. The Environmental Issues Committee supports policies that enhance our environment while keeping our economy strong.

Superfund Cleanup Funding

Congress established the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) in 1980 which created the Superfund program. The Superfund program, which until 1995 was funded by a tax on petroleum and chemicals for the purpose of cleaning up contaminated sites around the country, is administered by the U.S. Environmental Protection Agency (USEPA) in cooperation with number of other federal agencies, such as the Justice Department, and individual states such as New Jersey.

Superfund has not come close to achieving its initial goals. Over the years, the Superfund program has had a history of being slow, inefficient, and very expensive. A large portion of the funds allocated each year, rather than being applied to actual remediation and clean-up of sites, have gone towards oversight, “administrative” and legal costs, which has substantially raised the average cost of the clean-up of individual sites. Since 1995, when the original tax expired, the program has been funded with “tax-payers-dollars” at an annual rate of approximately \$1.5 billion. Interestingly, of this total annual sum only approximately \$250 million annually has actually been directed to clean-up or remediation of sites that everyone agrees present an unacceptable risk to public health and the environment. On the other hand, the new stimulus package, offered by President Obama, targets \$600 million for this program, and limits, rightfully so, oversight and administrative costs to 3 percent of the total stimulus dollars, thus directing most of the money to actual cleanup and creating jobs.

NJ SEED urges Congress to **pursue comprehensive Superfund reform legislation that provides accountability and transparency**, addresses the core root problems of the program and begins to refocus EPA’s efforts on providing the fastest and most cost-effective cleanup. We oppose the reinstatement of the Superfund tax as originally established and, at a minimum, suggest that a new formula be developed that is equitably applied across the board, and which includes general revenue funds. **In these difficult times, simply asking for more funding from the business community to go towards a program that has a poor performance record, without revamping the Superfund program, is unacceptable.**

Brownfields Remediation and Tenant Improvements

Brownfields are abandoned or under-utilized commercial or industrial properties where expansion or redevelopment is hindered by real or perceived contamination. Cleaning up and reinvesting in these properties improves and protects the environment, increases local tax bases, facilitates economic growth and utilizes existing infrastructure for development.

Because of the threat of contamination, coupled with liability concerns, many developers and lenders have had a hands-off approach to brownfields. Redeveloping brownfields can become more expensive than unused "greenfields" and investors are sometimes reluctant to lend money for a site that can be greatly devalued, potentially very expensive to remediate and may open liability issues to new owners for previous environmental contamination.

The Emergency Economic Stabilization Act of 2008 renewed for the fifth time a brownfields tax incentive that allows developers to use the "expensing" method for reporting and deducting costs of remedial work at brownfields sites. Using that method, developers can fully deduct the costs of environmental cleanup in the year the costs were incurred. This tax incentive is set to expire at the end of 2009.

Brownfields projects are often redeveloped by Limited Liability Corporations that exist for a single project or property. These businesses have difficulty taking advantage of the tax incentive because they do not generate the taxable income in the year that it is incurred. In order to make this important incentive more usable, it should include a carryover provision that allows the deduction to be carried forward until taxable income from the redevelopment can be earned. Additionally, the tax deduction needs to be made permanent allowing developers to include it in their redevelopment plans.

There are estimated to be between 500,000 and one million brownfields sites in the United States that need to be redeveloped.

A recent report by the Northeast-Midwest Institute concluded that on average, \$1 of public investments in brownfields leverages \$8 in total investments. As much as \$2 trillion of real estate may be undervalued due to the presence of contamination.

NJ SEED recommends that State and Federal government encourage voluntary cleanup programs promote more flexibility and should provide more financial incentives.

Clean Water and Safe Drinking Water

The Clean Water Construction Coalition and Utility and Transportation Contractors Association have urged members of Congress to reauthorize the federal Wastewater and Safe Drinking Water SRF programs at increased funding levels. These programs have not been reauthorized by Congress in nearly 15 years and during that time, annual federal appropriations have diminished dramatically.

Representatives of the Coalition worked closely with Congressman Oberstar, Chairman of the House Committee on Transportation and Infrastructure, in the development of H.R. 1262 which includes \$13.8 billion for the Wastewater SRF program and \$2.5 billion for combined sewer overflow improvement (CSO) over five years. The bill was approved by a wide margin in the House vote.

We need similar action in the Senate. Discussions have begun with Senator Benjamin Cardin (MD) who is Chairman of the Senate subcommittee with jurisdiction for the wastewater and drinking water SRF program in the Senate. Words of support for this effort from Senators Lautenberg and Menendez will be helpful.

In the House, Drinking Water is within the jurisdiction of the House Committee on Energy and Commerce. The subcommittee with responsibility is the Energy and Environment Committee which is chaired by Congressman Markey (MA). Coalition representatives have discussed this matter with staff of the Congressman.

The proposed federal fiscal 2010 Budget includes \$2.4 billion for the Wastewater SRF program and \$1.5 billion for the Drinking Water SRF program.

NJ SEED urges members of the delegation to support these funding levels as New Jersey will receive approximately \$129.9 million.

Global Climate Change

NJ SEED applauds those who have employed voluntary measures to reduce greenhouse gas emissions. Regional initiatives such as Regional Greenhouse Gas Initiatives are significant as a catalyst for federal action, but ultimately what is needed is a consistent national approach to curb Green House Gas emissions. Need to recognize regional considerations. Development and deployment of new technologies should be done in parallel and inclusive with a national program. Additionally, NJ SEED encourages our policymakers to recognize that any global climate change mitigation requires global cooperation.

NJ SEED believes what ultimately will be needed is the enactment of legislation that addresses greenhouse gas emissions from all sectors of the economy, since all sectors contribute in one way or another to the climate problem. A national greenhouse gas program will keep New Jersey on a level playing field nationally and have a greater effect on our environment.

New Ozone Standard

The EPA lowering the ozone standard leads to additional higher costs throughout the economy with little health benefit for residents of New Jersey, a state that has struggled to complete its required attainment under the existing standard. Projected costs are too high and the benefits to additional regulation bear careful ongoing scrutiny. NJ SEED is concerned with preserving high-paying jobs in manufacturing and keeping a lid on energy prices.

Air quality is improving in New Jersey and across the U.S. Manufacturers and states have spent enormous resources developing plans to meet the existing ozone standard, which is still being implemented and would have been attained in many states by 2013. Changing the rules now is equivalent to moving the goalposts during the middle of the game.

Moving to a more stringent standard will have an effect on manufacturing employment. The new standard will make it much more difficult to build new and expand existing facilities in the New Jersey and throughout the United States.

Stricter environmental controls for companies in non-attainment areas, such as New Jersey, will require millions of dollars in compliance costs

NJ SEED recognizes that air quality has improved in New Jersey under the existing requirements of the ozone standard. We urge careful, ongoing consideration by the New Jersey Congressional delegation of the effect such a new requirement will have on New Jersey as it continues to struggle with retention and expansion of our state's manufacturing base and the well paying jobs associated within the sector.

Wetlands

Wetlands are an important part of our environment and our ecosystem and their declining acreage is a legitimate national concern. However, the way the federal government regulates the use of these wetlands is too bureaucratic, resulting in unnecessary increased costs and delays in real estate development.

NJ SEED would like to see a balanced approach to the federal wetlands permitting program (Section 404), one that provides simplification and efficiency toward the permitting process while protecting sensitive environmental areas.

NJ SEED strongly supports the concept of mitigation banking, which offsets destroyed or degraded wetlands in one area with newly created, enhanced or restored wetlands elsewhere, thereby balancing the needs of developers and the environment.

NJ SEED opposes attempts to increase the authority of the federal government to regulate wetlands and believes that states have a inherit right to protect and regulate state waters without the federal government imposing additional regulations that often do little to actually protect waterways.

Used Nuclear Fuel Management: Yucca Mountain

The Nuclear Waste Policy Act of 1982, and its 1987 amendments, assigned to the Department of Energy (DOE) the responsibility for managing used fuel from commercial nuclear power plants and nuclear waste from U.S. defense and research activities. The law levied a tax on electricity generated by nuclear power to pay for the federal government's waste program. Under contracts with electric companies, the DOE agreed to accept used fuel for management and eventual

disposal in an underground geologic repository, beginning in 1998. Consumers have committed more than \$24 billion to the Nuclear Waste Fund, including over \$900 million from electricity consumers in New Jersey. Presidential and congressional approvals of the Yucca Mountain, NV site in July 2002 were the most significant steps taken to date by the government toward meeting its obligation.

Despite years of scientific research that led Congress to conclude that the Yucca Mountain site would successfully serve as a repository, the DOE is years behind in meeting its commitment to electricity ratepayers. Significant work remains before the federal government can fulfill its promise.

Completing this project in a timely manner is a significant responsibility and should remain one of the federal government's highest priorities. America's 103 nuclear reactors are the nation's largest source of emission-free electricity. Approximately 50 reactors exhausted on-site pool storage capacity for used nuclear fuel at the end of 2005 and must consider other storage measures that will be costly to consumers.

The history of Yucca Mountain funding is evidence that the current funding approach must be modified. Consumer fees (including interest) committed to the Nuclear Waste Fund since its formation in 1983 total more than \$24 billion. Consumers are projected to pay \$750 million to \$800 million to the fund each year, based on electricity generated at the nation's 103 reactors. This is more than \$2 million per day. Although about \$8 billion has been used for the program, the balance in the fund is nearly \$17 billion.

Most recently, President Obama significantly cut funding for Yucca Mountain in his 2010 budget request to \$198 million, nearly \$100 million less than what the program is operating on for 2009. The funding reduction in essence has halted all further development of Yucca Mountain and removed the facility as an option for the disposal of our nation's nuclear waste. **NJ SEED strongly believes that too much time and money has been invested in this project for it to ever come to fruition.** This decision is not only a major disincentive to the ratepayers and industry leaders who have invested billions in the project, but it also has the potential to further delay the much-needed development of the nuclear industry.

The storage of spent nuclear fuel is one of the major unresolved issues that have undermined the potential of the nuclear industry since its inception. Opponents to nuclear power use the lack of clarity on the future of nuclear waste storage as a primary criticism of any nuclear facility's operation. **If long-term storage is no longer going to be the desired route under the current administration, then alternative options must be quickly developed.**

The reemergence of nuclear energy as a viable energy source has renewed interest in nuclear fuel recycling and advanced nuclear fuel-cycle technologies. These technologies include advanced reprocessing of used nuclear fuel, advanced fuel fabrication and development of new reactor designs that could further minimize byproducts of the uranium fuel cycle. These technologies, taken together, could reduce the volume, heat and radio toxicity of nuclear waste byproducts requiring

disposal, while recycling up to 95 percent of the used fuel that is being stored for disposal. And while recycling can significantly reduce size and volatility of our current nuclear spent fuel stockpile, the technology can not entirely eliminate it, which means a long-term federal repository like Yucca Mountain must still be part of the program.

Congress, in partnership with the new administration, has the unique opportunity to set a decisive new policy for the management of our nation's spent nuclear fuel. First, Congress should actively pursue research into the viability and feasibility of a national recycling program. Second, the repository at Yucca Mountain needs to receive adequate funding for its completion as no recycling technology can fully eliminate the spent fuel rods or negate the need for a federal repository.

Stormwater Management

On November 28, 2008, the U.S. Environmental Protection Agency (EPA) requested public comment on a proposed administrative rule to change Effluent Limitation Guidelines (ELGs) for the construction industry. ELGs are federal stormwater regulations that are developed by the EPA and are intended to represent the greatest pollutant reductions that are economically achievable for an industry.

The proposed rule "Effluent Limitation Guidelines and Standards for the Construction and Development Point Source Category" is intended to tighten controls on discharges from construction sites by establishing performance standards. The EPA is currently looking at three options to accomplish this goal:

- Option One relies primarily on existing techniques, as it includes erosion and sediment control requirements (i.e., best management practices) and mandates the use of sediment basins for certain sites.
- Option Two includes a numeric turbidity limit for sites more than 30 acres that have high rainfall and high clay content. The EPA has based its turbidity limit on the use of advanced treatment systems (ATS), which use polymer-assisted clarification followed by filtration. In order to meet the proposed numeric turbidity limit, sites would need to chemically treat and filter their storm water discharges.
- Option Three mirrors Option Two, but would apply broadly to any site that has 10 or more disturbed acres at one time.

The EPA is scheduled to finalize the federal rule by December 2009.

NJ SEED recommends Option One and urges the EPA to ensure that the final ELG fits within the existing construction storm water general permit framework. NJ SEED believes that additional standards for effluent guidelines are not warranted. Currently, states and counties have sufficient guidelines and standards that sometimes exceed federal protections. In order

to minimize the duplicity of regulations, NJ SEED believes that local controls should be maintained.

ENERGY

Statement from the NJ SEED Energy Issues Committee

To keep New Jersey's economic base strong, cost effective energy production and distribution is paramount. Expansion in production and capacity will help to keep energy costs down creating a competitive advantage for New Jersey consumers. It is critical that United States policies encourage independence from potentially unreliable sources of gas and oil. Pursuing environmentally friendly forms of energy is important to the economic and physical health of New Jersey residents.

Furthermore, the creation, delivery and safety of energy resources are of paramount importance to our state. The Energy Issues Policy Committee advocates legislation that supports these goals while recognizing the economic importance of the energy industry to our economy.

New Jersey's Energy Infrastructure

New Jersey is home to one of the nation's most comprehensive strategic market places for petroleum product supply and distribution. The Garden State serves the entire Northeast region through its refineries, storage, marine transportation, pipeline and infrastructure network. New Jersey is home to one of the four EIA Northeast heating oil reserve sites, is one of five states to require statewide federal reformulated gasoline, and has major pipelines and six petroleum refineries. Over 67 percent of New Jersey homes are heated by natural gas. New Jersey has the third lowest combined state and federal gasoline tax in the nation at .329 cents a gallon, and is surrounded by states with significantly higher gasoline tax rates. Notwithstanding conservation measures and increased energy efficiency, electric demand is expected to grow about 4,000 megawatts in the next 10 years.

New Nuclear

The growing concern about climate change and increasing energy demand is sparking a worldwide nuclear renaissance. Within the portfolio of technologies needed to significantly reduce climate impacts, nuclear power is the only large-scale source of electricity other than hydroelectric power that does not generate greenhouse gases. In 12 countries, plant construction activities are underway and plans for development in the U.S. are closer to commercialization than they've been in over 25 years. New reactor designs are readily available to support resurgence, but building new plants will require considerable work on legislative and regulatory issues, in addition to a renewal of a diminished nuclear manufacturing and construction infrastructure.

Currently, nuclear power plants provide 20 percent of the electricity consumed in the United States. Presently, there are 104 nuclear power plants in 31 states. The U.S. Department of Energy forecasts that by 2020, the U.S. will almost double its electric power consumption. Supplying that additional power will require 1,300 to 1,900 new U.S. power plants, many of which could be nuclear.

In New Jersey, PSEG is reviewing its options regarding the possibility of building an additional nuclear power plant to complement the three units that already exist in

Lower Alloways Creek. The construction of a new nuclear power plant over the next decade would help New Jersey to meet the growing demand for electricity with a reliable, carbon free source of energy.

Congressional Action

Due to the financial risk associated with the resurgence of a nuclear renaissance, Congress passed the Energy Policy Act of 2005 (H.R. 6), which incorporates a wide range of measures that supported today's operating nuclear plants and provided important incentives for building new nuclear plants. H.R. 6 includes several incentives to encourage construction of new nuclear plants, including production tax credits, loan guarantees and risk protection for companies pursuing new reactors. These incentives are critical in helping to mitigate the financial risk in building a new plant.

The legislation provides a production tax credit of 1.8 cents per kilowatt-hour for 6,000 megawatts (MW) of capacity from new nuclear power plants for the first eight years of operation. The loan guarantees support the development of innovative energy technologies "that avoid, reduce or sequester air pollutants or anthropogenic emissions of greenhouse gases." These technologies include nuclear energy facilities, renewable energy, coal gasification and hydrogen fuel-cell technology.

The loan guarantee can be up to 80 percent of the project cost. The bill offers new plant investment protection in the form of "standby support" to offset the financial impact of delays beyond industry's control that may occur during construction and during the initial phases of plant startup for the first six new reactors. The bill provides for 100 percent coverage of the cost of delays for the first two new plants, up to \$500 million each, and 50 percent of the cost of delays, up to \$250 million each, for plants three through six. In addition to supporting these incentives which are mostly targeted to the first wave of new nuclear power plants, we will continue to support Congressional efforts to extend these incentives to the second and third wave of new nuclear plants.

With the demand for electricity in the U.S. continuing to grow, NJ SEED supports tax incentives and loan guarantees to aid in the construction of additional nuclear power plants approved by the Nuclear Regulatory Commission to maintain a diverse portfolio of generating resources.

New Alternative Generation

While investment in new nuclear is fundamental to providing an adequate baseload electric supply, nuclear generation is only one of the many power sources that New Jersey must include in its overall energy portfolio. There is no single solution to meeting projected energy demand increases. Therefore, development of alternative and renewable forms of clean energy is just as important as the addition of new nuclear to our state and nation. In fulfilling the goals of the N.J. Energy Master Plan, our current administration has already begun the citing and permitting of a number offshore wind projects. At the end of March 2009, Governor Corzine also signed three pieces of legislation that will further promote and streamline the development of wind, solar and cogeneration in New Jersey.

NJ SEED urges the congressional delegation to ensure that Congress, the administration, and the EPA provide regulatory certainty and a streamlined review process for the any federal permitting of new alternative and renewable energy in New Jersey, particularly in regard the proposed offshore wind projects.

Maintaining Our Existing Electric Supply

In early April 2009, New Jersey took an encouraging step forward in the ongoing challenge to provide a stable energy future for our state when the Oyster Creek Generating Station received a twenty-year extension on its operating license from the Nuclear Regulatory Commission. NJ SEED would like to extend its most sincere thanks to the members of the congressional delegation whose advocacy contributed to this positive outcome. Oyster Creek produces 6 percent of New Jersey's electricity demand, and now supply of carbon-free baseload energy is secure for another two decades. Presently, New Jersey's four reactors provide our state with 51 percent of its power. Therefore existing nuclear generation not only plays a major role in our State's energy supply, but it also makes New Jersey a national leader in clean air initiatives. Even as more generation and renewable energy is developed, projected demand increases negate any surplus that new facilities would create. In order to have a stable and affordable energy infrastructure, existing energy providers must stay in operation. In the coming months, the three nuclear facilities in Salem County will begin the license renewal process with the Nuclear Regulatory Commission to operate for an additional twenty years.

NJ SEED supports the continued operation and license renewal of New Jersey's existing nuclear facilities.

Keeping Our Electric Power Supply Safe and Reliable

NJ SEED believes that restructuring the electric power industry has brought and will continue to bring substantial benefits to business and residential energy consumers in the form of lower costs, greater reliability, improved efficiency, new products and services and enhanced ability to compete and win in global markets.

New Jersey has in place one of the nation's most aggressive and comprehensive approaches for unleashing competitive forces for the benefit of consumers. A large portion of this benefit has been obtained by New Jersey's approach to procuring energy supplies and basic generation services through a competitive bidding/auction process to meet the energy and load demands of customers who have chosen to be served by the state's utilities. Consumers also have the ability to select their own provider. This approach has become a model for other states considering how to ensure the benefits of competition to all customers, regardless of size.

None of this would have been possible if not for the existence of a highly competitive electric wholesale market called PJM. PJM is an independently run regional transmission organization (RTO) that comprises a system of geographically and fuel diverse generation suppliers interconnected through a large transmission

grid that in turn is interconnected to geographically diverse load serving entities (e.g. utilities). PJM currently encompasses transmission, generation and load in a thirteen states and the District of Columbia region including New Jersey. Plans before the Federal Energy Regulatory Commission (FERC) are to expand PJM to include the Midwest (including states as far west as Illinois and Kentucky, and as far south as Virginia), and to make its operations seamless with the other large Midwest RTO called Midwest Independent System Operator (MISO). When these changes are completed, it is estimated that New Jersey consumers will benefit considerably from the increased competition and additional sources of supply, some of which will be from renewable sources.

Increasingly, however, these plans have run into roadblocks. States such as Virginia and Kentucky have initiated actions to prevent transmission owners in their states from turning over the operation of their grid to PJM for fear that their consumers will be hurt at the expense of benefiting consumers in the Northeast.

Economic studies show that the opposite is true. Moreover, the August 14, 2003 blackout demonstrated the problems of loose coordination between grid suppliers and how that can result in cascading problems from state to state. While portions of PJM were affected by the blackout, most parts of the system were able to avoid the problems associated with the Midwestern areas that had loose integration and coordination of the grid.

The federal government has an important role to play in ensuring that the electric supply in this country is both reliable and safe, and that interstate commerce in wholesale electricity markets can occur. Similarly, as these markets become increasingly larger, the federal government has to play an active role in adopting environmental policies that adequately protect state consumers from increased emissions, while recognizing the competitive nature of the markets.

NJ SEED urges New Jersey's congressional delegation to ensure that Congress, the administration and the FERC pursue policies consistent with these principles.

NJ SEED acknowledges that there is no quick fix for the energy challenges facing the nation today. It has been long understood that policies are needed that significantly reduce our dependence on potentially unreliable foreign sources of oil and gas. We cannot have a sound energy policy based only on production or solely on conservation. Furthermore, renewable energy sources such as wind, solar and biomass show strong potential as alternative fuel sources, but have not been sufficiently developed to be considered viable alternatives to imported oil and gas today.

NJ SEED urges continued discussion by the Obama administration and Congress in order to find common ground on this critically important issue. Recommendations should be balanced to protect jobs in the automobile, petroleum and other energy-intensive industries.

Electric Transmission and Distribution Infrastructure

Like bridges, tunnels, roadways and water systems, the electric transmission and local distribution network in the country requires constant maintenance and upgrade. Never, in the past has a President of the United States made reference to electric transmission upgrades in a State of the Union address. Earlier this year, President Obama did just that. The PJM Interconnection, LLC, the regional entity responsible for planning the transmission system in a 13 state region including New Jersey, has determined that by the year 2013 three power lines in the state are in need of upgrade to ensure network reliability. While often controversial at the local level, the Federal Energy Regulatory Commission has identified “national interest corridors” that are critical to maintaining and integrated transmission network so that electric power can flow from its point of generation to the point of demand.

NJ SEED believes that strong federal policy is needed to insure that inter/intrastate transmission lines are planned, sited and upgraded to meet the increasing demand for electricity in the years ahead.

California Fuels

Recently, California became the first state to implement a Low Carbon Fuel Standard. The standard attempts to achieve a reduction of greenhouse gas emissions from California's transportation fuels by ten percent by 2020. The Low Carbon Fuel Standard, as adopted by the California Air Resource Board, is an incomplete, technology forcing program which threatens the affordability and availability of fuels in California. NJ SEED recognizes initial efforts to address global climate change and recognizes that a wide variety of energy sources will be required to meet demand in the future. Yet, NJ SEED wishes to express caution to the N.J. Congressional delegation in supporting initiatives to allow the authorization of this fuel to other regions around the country.

California's Low Carbon Fuel Standard could have a negative impact on American consumers. The state's selection of specific biofuels and crude oils over others will likely result in significant fuel shuffling around the nation as suppliers comply with the California mandate, which could increase costs and fuel transportation emissions. At best, due to the local nature of the program and the likelihood of fuel shuffling, the standard will not likely have any impact on global climate change. Many of the fuels on which the program counts on are not yet commercially available, making it difficult, if not impossible, for fuel suppliers to meet the requirements of the program.

NJ SEED wishes to express significant caution and concern to members of the New Jersey delegation before embracing this low Carbon Fuel Initiative as it is an incomplete, technology forcing program which threatens the affordability and availability of fuels.

Energy Supply Line: Arthur Kill Channel Improvements

The Arthur Kill waterway is crucial to the petroleum supply line into New Jersey and the entire Northeast region. Marine transportation traffic to facilities located in New

Jersey and New York represents the single largest use of marine transportation traffic in the New York/New Jersey harbor. The lower Arthur Kill is a critical part of the international supply and distribution network for products such as asphalt, jet fuel, home heating oil and gasoline. The current Arthur Kill Channel is maintained at 35-foot channel with 2 - 3 feet over depth dredging. This shallow depth results in excessive lightering and associated transportation delays. Issues continue to arise from potential spills, navigation accidents and noncompetitive costs for onshore facilities. Security concerns remain at a very high level in this critical navigational channel.

NJ SEED supports initiatives that will lower the depth of the Arthur Kill, maintain an approximately 40-foot channel depth and return this waterway to improved safe navigational standards. Consistent with the requirements of the Army Corps of Engineers, this initiative is positive and essential. Security is also a critical component to this program.

Liquefied Natural Gas Facility Siting

The availability of energy production and capacity for our regional power grid affects the cost and availability of energy for our consumers. NJ SEED supports the expansion of low environmental impact energy production that will benefit all New Jersey consumers that comes with Liquefied Natural Gas facilities.

The power grid that supplies New Jersey consumers needs the ability to increase capacity to stay ahead of the demands of its consumer base. NJ SEED supports approval for this important project and similar initiatives that will contribute to New Jersey's economic health and energy supply.

Energy Exploration

Many of the best prospects for oil, wind, current and natural gas are officially, or unofficially, off limits today. For example, federal government policy forbids energy development in most parts of the Outer Continental Shelf. Even in areas that have been considered, governmental permitting delays and litigation can mean areas not producing the energy supplies our economy needs. Historically, New Jersey, working with the federal government, had developed one of the most progressive programs for consideration of offshore energy leasing in the United States.

However, efforts to move forward in this area have encountered difficulties. By renewing this partnership, the federal and state government and energy companies have the technology and know-how to protect the environment and work to produce very necessary and critical energy supplies for our state and our region.

NJ SEED supports the expansion of energy exploration on the Outer Continental Shelf (OCS).

SECURITY ISSUES

Port Security

NJ SEED believes that it is crucial to ensure that Port security grants are distributed based on risk. Agencies and facilities in the New Jersey and New York area have received just 7.5 percent of all of the port security grants (\$707 million) that have been awarded, while the Port Authority of New York and New Jersey ranks number two in overall risk. Therefore, it is imperative that additional port security funding from the federal government be allocated based on risk.

NJ SEED supports immediate implementation of the Transportation Workers Identification Credential (TWIC). This will enable port facilities to expeditiously and confidently grant entrance to restricted areas to employees and contractors. The security of all port facilities is jeopardized when there is no clear, uniform method of determining who is to be granted unescorted access to restricted areas.

Plans must be developed so that should an emergency arise leading to a shutdown of the ports, recovery and reopening of the ports will be clear and organized. In addition, the economic impact on ports and the working families of the port must be examined.

An increased focus must be paid to supply chain and cargo security. There are numerous federal initiatives underway that look at ways to increase the security of parts or all of the supply chain. Some of these programs are federally sponsored, while others are spearheaded by organizations in the private sector. In order to coordinate shared and overlapping goals, it is necessary for this effort to bring them together.

NJ SEED encourages the New Jersey Congressional Delegation to fight for adequate additional federal funding for the security initiative to protect the Port of New York and New Jersey.

The Role of the New Jersey State Police in Homeland Security and Disaster Response

New Jersey, the most densely populated state with one of the largest ports and arguably, the busiest transit system in the country, is at the front lines in homeland security and the war against terrorism. The New Jersey State Police (NJSP) work closely with other agencies at the local and federal level. It is of critical importance that our state police have adequate funding and the proper tools needed to thwart criminal activity across the spectrum.

Funds made available to date have enabled the NJSP to develop a state-of-the-art regional intelligence operations center with real-time information updates and interoperability with little or no delay. As one of the only State Police agencies with a full-time Marine law enforcement mission, the NJSP must play an ever-increasing role in the security of our ports and waterways. With the assistance of federal funds, new vessels have been purchased to help replace the aging fleet. Criminal

enterprises continue to adapt to changing times. With federal funding initiatives, we can stop them in their tracks by having adequate resources at the ready.

New Jersey State Police will not hire 150 new troopers in the coming budget year if federal funding isn't secured, Attorney General Anne Milgram told the Assembly Budget Committee on April 21.

Postponing the class would save \$3.5 million in state training dollars, Milgram said. However, a grant of \$45.8 million under the federal COPS Hiring Recovery Program would cover their salaries for three years, and then the state will have to dig up the money needed to train them, she said.

Unless a federal grant is secured, State Police may not be able to hire 150 recruits. The State Police currently has just under 3,000 troopers, with about 125 leaving the force every year. Although 106 cadets are set to graduate in June there is not enough new hires to stem attrition. Almost 1,000 troopers hired in the 1980s are becoming eligible for retirement.

If the state doesn't receive the federal funding, the State Police will push to recruit new troopers at the beginning of the next budget year, which starts July 2010.

NJ SEED supports efforts at every level to ensure adequate federal funding for our State Police efforts to fight terrorism and keep our markets safe.

Response to Hurricane Katrina:

On September 5, 2005, an authorized deployment of the Swiftwater Rescue element under the New Jersey Task Force One (Urban Search and Rescue) with members of the Passaic County Emergency Response personnel proceeded to the New Orleans area. Two days later, then Acting Governor Richard Codey assembled three task forces who were deployed to the City of New Orleans. The first in a series of three two-week deployments departed from State Police Troop "C" headquarters in central New Jersey with resources including law enforcement vehicles, firefighting apparatus, decontamination equipment and radio equipment.

Among their many activities, Operation LEAD (Louisiana Emergency Assistance Deployment) personnel searched 7,989 residences, rescued 67 stranded residents and assisted 174 residents who were sheltered in place. They assisted in the recovery of 117 bodies, rescued 274 animals, and carried out 2,050 humanitarian deliveries of food and water to those residents who chose to remain in their homes.

There were more than 4,300 decontaminations of emergency workers and vehicles. Patrols handled more than 4,400 telephone calls to 911 operators. The New Jersey State Troopers Fraternal Association and the New Jersey State Troopers Non-Commissioned Officers Association lent service to this mission by providing financial assistance, transportation of needed equipment and on-site cooperation and coordination.

The State of Louisiana has recognized the contributions of the New Jersey State Police in the aftermath of Hurricane Katrina by instituting a Resolution that was presented on the floor of the House of Representatives.

NJ SEED urges our Congressional Delegation to seriously consider the New Jersey State Police model that was used during the Hurricane Katrina exercise as one that could be utilized nationally. The NJSP has suggested to the Department of Homeland Security that it use this project as the national model in the event we ever have to face this tragic situation again.

NJ SEED urges our Congressional Delegation to continue to provide the New Jersey State Police with the necessary funding to continue its mission under the Department of Homeland Security - not only for New Jersey, but also for the nation itself, as evidenced by their valuable relief and recovery efforts in New Orleans.

OTHER CRITICAL ECONOMIC ISSUES

Technology-An Economic Engine

Enhancing Network Capacity to Prepare for Continued Growth

New Jersey is a national leader in technology and communications. According to the Information Technology and Innovation Foundation, New Jersey ranks third in the nation in the deployment of residential and business broadband lines, demonstrating that the state recognizes the importance of broadband access. To promote growth and innovation, New Jersey's leaders should support policies that enhance broadband deployment, ensure accessibility and bring 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 U.S. 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.

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 log jams 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. 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 Web sites such as YouTube to be transmitted alongside smaller data streams like e-mail.

NJ SEED supports an open Internet and supports greater choice for consumers.

Consumer choice includes encouraging more specialized services that some prefer. Proposals to impose restrictions on offering such services and regulate broadband Internet services - to impose what proponents euphemistically label "net neutrality" should be rejected. Such regulation poses a threat to the deployment of new broadband infrastructure that is needed to support the increasing variety of broadband services that consumer's demand, and which provide enormous benefits to the U.S. economy as a whole. With competition in the provision of broadband

services growing ever more intense, the prospect of problems demanding a regulatory cure grows more remote. Broadband regulation would also threaten competition for large enterprise customers who require customized service offerings and fast, reliable, and secure networks.

NJ SEED supports proposals that would promote development of new, more robust broadband lines and more effective management of Internet traffic. We oppose proposals that would limit broadband bandwidth and access.

Broadband Stimulus Funds Will Provide Short and Long-Term Benefits

The American Recovery and Reinvestment Act (ARRA) provides \$7.2 billion for Broadband Technology Opportunities Program grants. These grants will enable construction of broadband networks in both unserved and underserved areas across the country, while also setting aside funds for programs to encourage broadband adoption. Presently, the National Telecommunications and Information Administration is developing the rules through which these funds will be distributed.

In order to ensure the maximum benefit to the people of New Jersey, it is essential that these rules recognize the expertise of state and local leaders. These leaders and their constituents are best suited to identify unserved communities where grants can be provided for the development of new infrastructure.

On the demand side of the equation, the ARRA sets aside more than \$250 million for broadband adoption. This portion of the program should be focused on low-income communities, with the goal of educating citizens about the benefits of using broadband while providing them content that is both relevant and affordable.

The ARRA was designed to provide a near term stimulus to our nation's economy. The funding made available to further deploy broadband technology will help achieve that goal. Moreover, by making sure New Jersey has a powerful voice in the way our portion of those funds flow, there will also be a permanent economic benefit to our state and its citizens.

NJ SEED supports proposals that would promote broadband technology deployment and adoption. New Jersey's leaders will be key in identifying how broadband stimulus funds should be used to benefit the state's economy, residents and businesses.

New Jersey's Life Sciences Sector - Keeping It Strong

NJ SEED recognizes the long-standing importance of our life sciences industry (the biopharmaceutical, biotechnology and medical technology sectors) to New Jersey's economy and to the health of our nation and world.

In our state, the sector employs upwards of 70,000 persons, generating nearly \$30 billion in economic activity. There are more than 100,000 spin-off jobs in areas such as clinical trial activities, clinical research management, facilities management,

advertising, medical education, real estate, legal, advertising, construction and other health-related jobs. This industry contributes significantly to the economic development of New Jersey through more than \$1.45 billion in capital construction in 2008 alone. It is expected to total \$3.3 billion for 2009 and 2010.

Federal policy directed at the life sciences industry has a disproportionate impact on the economy of New Jersey. There is more employment in the industry concentrated in our state than in any other place on earth. New Jersey boasts more scientists per capita than anywhere else in the world.

New Jersey reaps the benefits of the fact that the U.S. is the only free market health care economy left in the world. As this debate goes on in our nation's capital, our New Jersey congressional delegation must be an ardent advocate for policies that help to bring about health care reform, while at the same time keeping the absolutely crucial incentive for innovation. This can be best accomplished through effective patent protection policies that recognize the massive upfront R&D investments of life sciences companies.

Over the past generation, as a result of price controls, formularies and other restrictive policies in places such as Canada, Japan, and countries of the European Union, research activities have gravitated to the U.S. from those countries. New Jersey has been the biggest beneficiary of those highly paid workers and a highly educated workforce.

There has been a noticeable expansion in the number of biotechnology firms in the state (to more than 225) because of the presence of large pharmaceutical and medical technology partners. Biotechnology companies now employ more than 10,000 persons.

The presence of these jobs (the second most highly paid sector in the state) is responsible for New Jersey having among the highest per capita incomes in the nation. Established foreign pharmaceutical and medical technology companies are calling New Jersey their new homes, and start-up companies are coming to the State in increasing numbers because of the presence of pharmaceutical and medical technology jobs and partner opportunities.

However, world-wide pressures leading to noteworthy industry mergers will also have a dramatic impact on the state, because of the presence of many headquarters.

The growth of the industry and its research and development focus has resulted in foreign entities investing in New Jersey. For example, in the past few years

- Danish drug maker Novo Nordisk completed a brand new headquarters building in mid-2008.
- Bayer Healthcare decided to make New Jersey its headquarters.
- Japan's Eisai opened its new North American headquarters in Woodcliff Lake early in 2007.
- Bausch & Lomb Pharma relocated to New Jersey in late 2008.

- Abbott's diagnostics division expanded and set up new headquarters in Plainsboro.

The actions of Congress and the new presidential administration beyond 2009 can and will have a dramatic impact on policy that governs the industry.

NJ SEED encourages its congressional delegation to continue policies that grow high-tech jobs in our state and throughout our nation. Patent protection and rewards for innovation must be at the top of this list.

NJ SEED also urges Congress to oppose efforts to reopen the now three year old Medicare Part D legislation. This significant benefit for our nation's seniors is being delivered effectively through private insurance plans. Changes to this law would in effect be "price controls", which would provide reduced capital for the industry to conduct its research and development activities, which are vital in New Jersey. More than a quarter of the industry's workforce is engaged in research and drug development activities on a daily basis.

NJ SEED also endorses fair trade policies with foreign governments to ensure that pharmaceuticals and medical technologies are priced in a fair manner. Restrictive regulatory processes and unfair trade practices harm pharmaceutical and medical technology products overseas and disproportionately impact jobs in New Jersey. This includes the recognition of the industry's intellectual property protections and recognition by other countries around the world. The importation of drugs from foreign nations is both dangerous to public health and fiscal policies. Increased counterfeiting of drugs in many foreign countries has also impacted this issue.

NJ SEED urges the New Jersey congressional delegation to support policies that expand access to the latest pharmaceutical and medical technology products. Every American deserves quality health care and NJ SEED encourages efforts to afford our citizens with comprehensive health care while preserving our innovation industries.

Chronic Diseases, Prevention and Economics

As a member of the Partnership to Fight Chronic Disease in New Jersey, NJSEED understands that the high and rising costs of chronic diseases like diabetes and heart disease need to be addressed for any health care reform effort to be successful. Chronic diseases fuel demand for health care services and treatments and cause costs to rise. PFCD believes we can reduce demand by preventing and better managing disease, which would reduce the catastrophic illnesses that unmanaged disease can cause. PFCD believes we can eliminate costs, not just postpone them or push them off.

Chronic diseases are responsible for seven out of 10 deaths and affect more than 130 million Americans. They represent 75 percent of the \$2.2 trillion spent on health care in the U.S. in 2007 - and are the primary driver of rising costs. In taxpayer-

funded programs such as Medicare and Medicaid, the proportions are even higher: 96 percent and 83 percent, respectively.

The annual economic impact on the U.S. of the seven most common chronic diseases is estimated to be \$1.3 trillion, which could balloon to nearly \$6 trillion by 2050.

A study by the Milken Institute found that seven chronic diseases—cancer, diabetes, hypertension, stroke, heart disease, pulmonary conditions and mental illness—have a total impact on New Jersey’s economy of nearly \$39 billion annually. Of this amount, \$31.5 billion represents the cost of lost productivity. The national numbers are \$1.3 trillion and \$1.1 trillion, respectively.

The study was the first of its kind to estimate the avoidable costs if a serious effort were made to improve Americans’ health. Assuming modest improvements in preventing and treating disease, Milken Institute researchers determined that by 2023 the nation could avoid 40 million cases of chronic disease and reduce the economic impact of chronic disease by 27 percent, or \$1.1 trillion annually. They report that the most important factor is obesity, which, if rates declined could lead to \$60 billion less in treatment costs and \$254 billion in increased productivity.

Looking even further ahead, the report measured the possible cost to future generations if escalating disease leads to lower investments in education and training. In a snowball effect, the report warns, this loss of human capital and skill building could reduce the nation’s economic output by as much as \$5.7 trillion in real GDP by the year 2050.

According to the study, on its current path, New Jersey will experience a dramatic increase in chronic disease in the next 20 years. But there is an alternative path. By making reasonable improvements in preventing and managing chronic disease, the state can avoid 1.1 million cases of chronic conditions in 2023. Reasonable improvements in preventing and managing chronic disease could reduce future economic costs of disease in New Jersey sharply, by 27% (\$31 billion) in 2023. \$26 billion of this would come from gains in productivity, and \$5 billion would come from reduced treatment spending.

The PFCD has developed “Principles for Meaningful Health Reform” to help guide members of Congress in their discussions. The principles follow:

1. Realign Health System Incentives to Prioritize Prevention and Chronic Care Management. (Modernize the health care infrastructure to align incentives to encourage and empower health care payers, employers, providers, and individuals to better prevent, detect, and treat chronic diseases—both physical and mental—before they become an acute problem.)

We can start by:

- Building capacity in the primary care and public health workforce to support health promotion and the prevention, detection, and treatment of chronic diseases.
- Facilitating and rewarding the provision of quality preventive care and coordinated care management for those with chronic conditions.
- Encouraging and empowering Americans to proactively improve their health through education and targeted incentives that support better self-management and adherence to preventive care and treatment recommendations.
- Supporting those with family care-giving responsibilities, improving the quality of acute, long-term and end of life care, and strengthening long-term care options.

2. Encourage Continuous Improvements in Health Care Delivery and Quality of Care. (Center health care reform efforts on generating continuous improvements in health care quality and outcomes, and innovations in clinical practices and technology, so Americans have the best chance of fighting chronic diseases today and tomorrow.)

We can start by:

- Rewarding evidence-based clinical practice to promote the delivery of high-quality care that improves health outcomes.
- Supporting greater emphasis on providing quality care to chronically ill patients in medical education programs.
- Funding and supporting research and innovation that increases our ability to readily prevent, aggressively manage, and ultimately cure costly chronic diseases.
- Accelerating improvements in the quality, accessibility, and interoperability of health information technology (HIT) throughout the health care system that facilitate care coordination, enhance the quality of care provided, assist patients in following recommended treatment, and improve health outcomes.
- Managing transitions between care settings and providers to promote care coordination, avoid gaps in care, and improve health outcomes.

3. Eliminate health disparities. Ensure that every American has access to quality health care, regardless of geographic location, race, age, gender or disability.

We can start by:

- Improving cultural competency in the provision of care and promoting health literacy so that all of us can find, understand, and evaluate health information to make informed health decisions.
- Investing in safety net health systems which provide high-quality care to vulnerable patients who suffer disproportionately from chronic illness.
- Investing in education for underrepresented minorities in health professional schools.
- Funding research into the causes of and solutions to health disparities.

- Employing community-based approaches to addressing health disparities.

4. Focus on Promoting Prevention Across Generations. Younger Americans are suffering from preventable chronic diseases at higher rates than their parents did at the same age. Although improving the health status of the current and future workforce in America is vital to the economy, Americans across generations — children, young adults, baby boomers and the elderly — can benefit substantially from preventive care and better management of chronic disease.

We can start by:

- Promoting healthy lifestyles, physical activity, and chronic disease promotion and management in every community across all settings.
- Increasing individual awareness of personal health status and empowering individuals to improve their health status and reduce risks by following preventive care and treatment recommendations.
- Supporting models of population health improvement shown to improve health among Americans of all backgrounds and situations.
- Building capacity in the primary care and public health workforce to promote wellness and help assure access to preventive care and chronic care management services.

5. Translate Knowledge Into Action. While there is still much to be learned about effectively promoting wellness and improving disease prevention and management, we must both act on the knowledge we already have about what works, and generate new evidence about effective practices in disease prevention and management.

We can start by:

- Accelerating the diffusion and adoption of improvements in clinical care and other research findings into clinical practice.
- Expanding public support for research to increase our knowledge about successful approaches to chronic disease prevention and management across conditions, settings, and populations.
- Capturing and using data to define and measure improvements in quality of services provided and health outcomes achieved.
- Collecting and sharing best practices in population health improvement across populations, settings, health risks, and conditions.

Only by addressing the crisis of chronic disease can we make meaningful changes and achieve true health reform. These common-sense principles for health reform describe the changes needed to inspire and sustain a culture of wellness in America, to improve the health status of all Americans, and to alleviate the burdens of avoidable costs, preventable disability, and premature death from chronic disease.

The PFCD has also developed a set of “CBO Guiding Concepts” which are intended to generate discussion about new approaches to scoring legislation in these areas. These Guiding Concepts follow:

The Congressional Budget Office (CBO) assists the U.S. House and Senate Budget Committees, and the Congress more generally, by preparing objective reports and impartial analyses of the spending or revenue effects of specific legislative proposals. Members of Congress depend upon the CBO’s analysis and reports in making important policy decisions. As health care reform becomes a major focus of Congress and the Administration, current CBO scoring processes leave out valuable information lawmakers should have when making critical decisions about health care reform proposals. There are three major areas in which more information is needed:

- **Timeframe of Analysis:** Current CBO scoring windows cannot sufficiently capture the long-term value of population health improvement programs aimed at wellness and prevention as these programs do not generate savings for the federal budget until many years after achieving the health improvement. Without an understanding of the long-term value legislation may provide, lawmakers are not able to distinguish between federal spending without expectation of a return and federal spending as an investment.
- **Transparency of Assumptions:** Without greater transparency about the underlying assumptions, it is difficult to determine how CBO’s analysis accounts for important influences on health and health care spending. Health care expenditure estimates depend critically on the assumptions made in the baseline, including projections of the current health status of the population and the estimated impact of health status trends. For example, it is not clear how the rise in obesity is factored into the baseline for current or projected spending, although research has shown that Medicare spending is directly affected by obesity status upon entry into the program.
- **Broader Perspective on Impact:** CBO scoring does not currently include analysis of the broader impact a policy change will have on health care and the economy. For example, Medicare’s role as the single largest payor for health care services means that changes to Medicare policy will likely impact the entire health care system. Yet, only the impact on federal Medicare spending is captured. Wellness and prevention programs that impact population health affect health care spending in the private sector and have overall effects on the economy. While not formally part of the federal budget, providing some analysis of the overall impact would provide lawmakers with critical information and would allow them to make more informed decisions.

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