
Public Hearing

before

SENATE ECONOMIC GROWTH,
AGRICULTURE, AND TOURISM COMMITTEE
and
SENATE BUDGET AND APPROPRIATIONS COMMITTEE

“Testimony concerning the existing financial condition of the New Jersey Sports and Exposition Authority”

LOCATION: Giants Stadium
East Rutherford, New Jersey

DATE: August 22, 2002
11:00 a.m.

MEMBERS OF COMMITTEES PRESENT:

Senator Robert E. Littell, Co-Chair
Senator Wayne R. Bryant, Co-Chair
Senator Martha W. Bark
Senator Anthony R. Bucco
Senator Barbara Buono
Senator Joseph Charles Jr.
Senator Walter J. Kavanaugh
Senator Bernard F. Kenny Jr.
Senator Leonard Lance

Senator Martha W. Bark, Co-Chair
Senator Raymond J. Lesniak, Co-Chair
Senator Leonard T. Connors Jr.
Senator Nia H. Gill



ALSO PRESENT:

Kevin J. Donahue
Donald S. Margeson
*Office of Legislative Services
Committee Aides*

Laurine Purola
Rosemary Pramuk
*Senate Republican
Committee Aides*

Yollette Ross
George LeBlanc
*Senate Democrat
Committee Aides*

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TABLE OF CONTENTS

	<u>Page</u>
George R. Zoffinger President and CEO New Jersey Sports and Exposition Authority	1
Carl J. Goldberg Commissioner New Jersey Sports and Exposition Authority	2
Anthony R. Coscia, Esq. Special Counsel New Jersey Sports and Exposition Authority	11
Assemblywoman Rose Marie Heck District 38	81
Raymond H. Bateman Former Senator New Jersey State Legislature	91
John V. Kelly Former Assemblyman New Jersey State Legislature	110
Albert L. Papp Jr. Director New Jersey Association of Railroad Passengers	111
Albert F. Cafiero Chairman Transit Committee of Bergen County	115
Kevin Settembrino Councilman East Rutherford	118
Bill Kane President New Jersey State Industrial Union Council	124

TABLE OF CONTENTS (continued)

	<u>Page</u>
Ray Stever Vice President Bergen County Labor Council, and Executive Vice President Passaic County Labor Council	126
APPENDIX:	
Summary submitted by George R. Zoffinger	1x
Statement submitted by Assemblywoman Rose Marie Heck	18x
Testimony submitted by Raymond H. Bateman	20x
Statement submitted by Albert L. Papp Jr.	28x
Testimony submitted by Bill Kane	30x
Statement submitted by Assemblywoman Loretta Weinberg 37th District	34x
rs: 1-132	

SENATOR MARTHA W. BARK (Co-Chair): This Joint meeting of the Senate Economic Growth Agriculture and Tourism and Budget Committee will now come to order.

SENATOR KAVANAUGH: Need more volume here.

SENATOR BARK: Need more volume. Maybe if I get closer-- Can everybody hear me now? (no response) Well, nobody's saying they can't hear me.

I do want to tell everyone that there are slips if you wish to testify. They're right at the front table here. Please sign them and bring them up to one of the staff members, and they will see that we get it.

First of all, we will have the people from the Sports Authority to testify and to permit the Senators -- anyone here on -- any Senator here to ask any questions that they want to ask. And after that, we will go to a shorter time for people to testify. We will go, probably, around five minutes. We'll see how many people we have to testify. If we don't have a lot, you can talk longer.

I'd like to have Senator Bryant make any opening remarks he'd like to make.

SENATOR WAYNE R. BRYANT (Co-Chair): I think the Joint panel is here, of both Committees, to hear and get information. I don't want to prolong it through any dialogue.

At this time, I think we have Tony Coscia, George Zoffinger, Anthony--

GEORGE R. ZOFFINGER: Right. We're here.

SENATOR BRYANT: The three of you can proceed. After that we will have, as she said, questions by our panel before the testimony.

MR. ZOFFINGER: Excellent.

Thank you very much, Senators.

On behalf of the employees and the board of the Sports Authority, welcome to Giants Stadium. We are very pleased that you were able to hold your Committee meeting here today. We will try to be succinct in our comments with regard to the progress and the questions that you had at our last meeting.

We're going to begin by having the Subcommittee Chairman for Development, Carl Goldberg, make a presentation with regard to where the RFP is. Then I will have a few comments with regard to, what I'll call, our five points of progress. And then Anthony Coscia will address the debt issue that we think is very important for this Committee to hear about today.

Carl.

C A R L J. G O L D B E R G: Thank you.

Thank you and good morning. At the July hearing of this Committee, several Senators asked that, in preparation for this hearing, I specifically report on the progress that we're making on the implementation of the RFP process. I'm prepared to do that this morning.

As background, we released the RFP document to more than 200 developers on June 30, soliciting their concepts for the redevelopment of the Continental Arena site. We had a number of subsequent inquiries, and the total number of RFP documents released now totals over 300.

Ultimately, in this process, we come back to one single issue. What is the highest and best use for this Continental Arena site, and what will be the most rewarding, economically, to the broadest array of constituent interest, including local institutions, businesses, and residents, and, most importantly, to ensure the highest economic benefit to the region as a whole?

The Sports Authority has a fiduciary obligation to find that answer. And we believe that the process that is currently underway will deliver that answer in a very, very definitive way. The program called on qualified developers to reveal their use proposals in a competitive format, each bringing a vision for the site and a perspective set of benefits that would result in the most positive redevelopment land-use mix possible.

We relied on the appeal of the site and the flexibility of our RFP to motivate developers to undertake the time and the cost of submitting suitable land-use proposals. Fortunately, I'm here to tell you we were correct.

The Continental Arena site is one of the most valuable parcels of land in the entire northeast. And the genuine enthusiasm that has been demonstrated by the development community throughout the nation is a clear demonstration of the value of this parcel.

Many of you have been following the process and the progress of the RFP in the press. I think you are aware of the success of the preproposal bidders conferences that took place in mid-July. A total of 68 development companies attended those preproposal conferences. This was a critical meeting, because it not only showed us we had generated genuine interest on a nationwide basis, but because it allowed us, as the Authority, to define the

guidelines and values that we would adhere to with the stakeholders' advisory group during the evaluation process to come.

Some of the things we emphasized were a thorough economic analysis as part of the response, including a very detailed description of job creation and tax revenue from the site through its redevelopment, with an overview and an emphasis on the economic benefits to the surrounding communities. We also emphasized that we wanted a plan that was not overly vehicular-dependent or retail-oriented. Most importantly, we ensured the development community that there were no preconceived notions of how this site should be developed and how that developer should be.

The due date for our responses, as most of you know, is September 17. We are cautiously optimistic that there will be a significant number and variety of qualified responses that the community will be confident -- deliver the economic promise that the redevelopment of the arena site can be.

At the July 11 hearing, we also discussed with you our intention to name and convene a stakeholders' advisory group whose members would reflect the political and professional diversity of the region and genuinely ensure a very thorough and comprehensive community input into this RFP process.

One of the things I would like to do this morning is to reiterate, for the record, the members of that stakeholders advisory group. They are: Senator Gary Furnari; House Minority Leader Paul DiGaetano; the Mayor of North Arlington, Leonard Kaiser; the Mayor of Little Ferry, Tom Quirico; the Chairman of the Meadowlands Chamber of Commerce, Dennis Marco; a local planner, Diana Fienberg; an environmental consultant, William Cahill; an

organized labor leader, Richard Dressel; and a transportation expert, James Redeker.

While we are three weeks in advance of even receiving our first submission, we have already met with the stakeholders' advisory group and have solicited from them and received an initial series of criteria that they think are critical to the community's embracement of the redevelopment of the Continental Arena site. I think it's important that I enumerate them for the Committee this morning.

They believe that it is essential that the winning respondent be aesthetically appealing and exciting land use. We're all here at the Meadowlands today, and this site has a cache. We want the redevelopment proposal to be equally exciting from a land-use perspective. They're also critical that it ensure the economic impact be reliable and rewarding to the entirety of the region and that we emphasize the importance of mass transportation and complete public access to the site through its redevelopment.

Over a series of scheduled meetings, between now and when we receive our first proposals, we will develop an evaluation criteria along with the stakeholders' advisory group to present to the redevelopers.

On October 10 and 11, we will begin oral presentations from the redevelopment respondents, and we will commence the most critical aspect of the RFP process, which is narrowing the field to a few quality respondents and ask them to come back with their latest and best offers so that this redevelopment process can be brought to conclusion well before the end of this calendar year.

In closing, let me reiterate that this process has an integrity, quality, and professionalism that will result in finally determining the highest and best use for this extraordinary asset. To this point, we are cautiously optimistic that our work has positioned us to deliver that, and that the end result will be the designation of a redeveloper and the creation of a redevelopment plan that is an economic engine for the entire region and can be embraced by all the residents of the adjacent communities.

Thank you.

SENATOR BARK: Thank you.

MR. ZOFFINGER: In terms of where we stand, vis-à-vis the responses that the Senators requested at our last meeting, we have prepared for all of you a detailed presentation with regard to the economics as they relate to the Meadowlands and the Meadowlands Arena specifically. We will also be able to provide for you, in testimony today, a discussion with regard to the debt level specifically attached to the arena. At that point, we'll have an opportunity for you to ask us questions. And then, if you needed further information, we'd be pleased to provide it.

What I want to do, before we get into that summary of the debt and the economics, is just outline to you, what I call, five points of progress, a lot of which are important to not only the operations of the arena and the Meadowlands complex completely, but also are extremely important to this Committee in its deliberations.

There was a lot of discussion at our last meeting with regard to whether or not the arena could make a profit without the Nets and the Devils.

We have provided you with information with regard to that, specifically. We will be pleased to answer any direct questions with regard to that issue.

The other is the question of the impact of the Newark arena bill on our deliberations here. I would just say, as Commissioner Goldberg outlined, it is our opinion that regardless of what happens with any additional arena in the state, it is extremely important for us to continue to move forward with regard to making important decisions with regard to the site here in Bergen County, because it represents an opportunity for us to be a worthwhile and strong impetus toward economic development of this region in the northern part of the state.

We have been working very hard at the Authority to improve the operations. Obviously, a lot of the questions that were brought up on July 11, and will continue to haunt us here, are operational questions. But I can just summarize what I think are the five points of progress, and then we'll get into the debt.

The first is, as Carl has outlined, we've held our bidders conferences. We've gotten significant interest in our RFP. This really reinforced what our original thinking was -- was that the piece of property is among the most valuable pieces of property in the State of New Jersey that is available for development. We think that we'll be able to make real progress in terms of making it the economic impetus that I discussed previously.

We continue to have discussions with developers. Our work during this process is significant. We, on almost a daily basis, are encouraging people to come to us with their most creative ideas. We have not put any limitations with regard to what kind of ideas we want from developers. We

think that this process is actually receiving extremely favorable discussions among the development community throughout the country, not only in New Jersey.

Carl mentioned about the stakeholders' committee. We had our first meeting of the stakeholders' committee. We think that we emphasize with our stakeholders' committee, and I want to re-emphasize it here today -- that the stakeholders' committee is not window-dressing. We want the stakeholders' committee to be involved with every part of the process. We expect that they will have real input into what the final awards and results are.

We have implemented, at the Authority, a significant reorganization plan. That reorganization plan reduces our overall expenditures, on an annual basis, by about \$10.7 million. This is in keeping with the Governor's mandate to reduce our operating deficit-- Our operating deficit, as you know, last year was \$11 million. We expect that, in this year's budget, the operating deficit-- We expect it to be below \$5 million. We are actually mandated to do that, because, in the Governor's budget, only \$5 million was allocated. We are managing the Authority's business to make sure that we live within that \$5 million number.

I expect that in Fiscal Year 2003, on an operating basis, the Authority will be profitable. We're going to do that in two ways. The one way that I discussed was the reduction in expenses. Those are real annualized savings that will deal with the operating deficit. And then we expect to increase revenue by marketing our products more effectively and by making sure that we do the right things in terms of customer service and other things that can build our business.

With regard to that, I'm pleased to tell you that since we last met, we've had some very successful events. I'll point out four of them, because they're significant in terms of this increase in revenue. In each one of the events, our operating profit was higher than it had been at any previous similar events. And we expect that that trend will continue, basically, out of a very diligent management system that has been introduced in terms of focusing our resources where they need to be focused.

But the Haskill-- I think everybody saw that we had a very successful Haskill -- second largest crowd in history. We had War Emblem, who came and actually won the race at Monmouth. I'm convinced we would have had a record crowd, had it not been for the storm that moved through that had a hundred thousand people out of electric service in the area during the day that the Haskill was run.

The Hambletonian was also not a record crowd, but it was a record handle. We had more bet on Hambletonian Day than on any day previously in our history.

We had a very successful Bruce Springsteen event where, I can tell you that, our operating profit from that event was above what it had been in previous concerts -- any previous concerts. So we were very pleased with that.

Finally, we had a very large crowd, 70,600 people, here for a soccer game between Rio, Madrid and Roma in a game that raised money for worldwide AIDS in conjunction with the United Nations.

I think we're doing what we need to do at the Authority to get our fiscal house in order. We are committed to having an operating profit and, therefore, no State subsidy on our operating deficit in Fiscal Year 2003. And

I'm convinced that we can do it. And I'm committed to doing it, as are the employees of the Authority.

The next area that will be handled by Anthony Coscia has to do with the overriding concern that, I think, this Committee and everybody in the State of New Jersey should have with regard to operations at the Sports Authority. And that is the extremely large burden of debt that has been built up over the years at both the -- at all of our facilities, really.

I'll just give you some brief numbers before Tony gets into the specifics with regard to how we intend to handle that debt. But the question was asked last time, "Well, how did you reach the number with regard to the debt on the arena?" The number at the time, which we've been able to fine-tune here, in terms of direct allocation to the arena, is \$147 million in debt, when the original cost of the building was approximately \$90 million.

The answer is, over the years, as items have been either added or improved, in other words, capital expenditures, that money was borrowed. The result is that, over those years, we've had an additional \$42 million worth of debt, in terms of improvements or cap X expenditures, on that arena that now exist in terms of debt.

We feel, going forward, that's an unacceptable way to manage this business, that the business should be managed in a way that any other real estate holding might be managed. That is that, as you go along, you should be reserving for your capital expenditures and making sure that the profit levels that you have from your events cover those capital expenditures. So that's kind of the burden that we have today. We think that we're doing the right things to deal with it.

I'd like to turn the discussion, now, over to Anthony Coscia, who will talk about the debt levels and what we see as the requirements to deal with them.

ANTHONY R. COSCIA, ESQ.: Thank you, George.

I'd like to thank the Committee for taking testimony today, particularly on one aspect of the SED discussion, which has not gone, I think, noticed quite as much as some other aspects of it have.

As the Legislature has deliberated various proposals that have been made relative to the creation of sports and entertainment districts in New Jersey, we've, on a number of occasions, recommended that a sports and entertainment district be created for the Meadowlands. And I'd like to address my comments exclusively to that this morning, to discuss with the Committee why we think the creation of a sports and entertainment district at the Meadowlands is important. Because, to a large degree, it differs dramatically from the reasons for creating a sports and entertainment district, or an SED, in other parts of the state, with respect to other projects.

Those other projects, which I know you're familiar with, relate to a specific project that's being created for which a sports and entertainment district would be established. Tax revenue would be deposited into that fund that would pay for that specific project.

Our proposal, or our suggestion, relative to the Meadowlands differs, because we feel there is a different project, if you will, that we'd like to accomplish here that is not quite the same as building an arena in Newark. It's not quite the same as building a soccer stadium in Harrison or any of the other projects that have been mentioned. We feel we have something that is as

urgent and as imminent and needs to be dealt with, which is the extremely substantial amount of debt that this facility, and the sports complex in general, is laden with.

So our proposal is to create a sports and entertainment district here at the Meadowlands, to make it exclusive to just the Meadowlands itself, the complex, the Giants Stadium, the racetrack, the Meadowlands Arena site, as well as the associate parking. The reason for making it that geographically-specific, and not including adjoining property that is privately owned, is because, as Mr. Zoffinger mentioned, our intent here is to try to make this place operate like a business. We would like to find a way to determine exactly how much revenue the taxpayers of New Jersey realize from this facility and try to match that revenue to the expense that those taxpayers are being asked to incur. As I'll explain in a moment, we think the SED mechanism is a very good way of accomplishing that.

Let me backtrack, for a second, to give you a little bit of background on the current financial picture here at the Sports Authority. As many of you know, for many years, the Sports Authority has had multiple bond issues which have resulted in nearly a billion dollars in debt outstanding for various facilities that this Authority operates.

A little over half of that, or \$500 million, is on the sports complex here in East Rutherford. Of that amount, over \$300 million of that amount is supported by what are called State contract bonds, which I'm sure all the Committee members are excruciatingly familiar with, particularly in the light of some more recent events.

Those State contract bonds, make no mistake, are totally supported by taxpayer money. They are no different than the money that this Committee and members of this Committee are asked to discuss when they approve the budgets each year. State taxpayer money pays the debt service, which is, today, about \$30 million a year on \$300 million in bonds that have been issued over time to build sports facilities at this complex.

Frankly, the directive that management has been given here at the Sports Authority is that's an unacceptable position. And our determination is to try to find a mechanism to deal with that debt, to try to make this facility more positive. If, in fact, sports venues in New Jersey are positive for the taxpayer, that ought to be proven financially or they are just not sustainable.

Now look at the arena in particular, which is the subject of most of these discussions. As George mentioned, the arena has a total outstanding debt of \$147 million. At the last Committee hearing, and George, I think, just passed out some information on it, a number of people recalled that in 1978, the bond issue -- that was at least entitled the bond issue that was going to support development of the arena -- was a \$76 million bond issue. And I think someone at the last hearing said, "Well, if the 1978 issue was \$78 million -- \$76 million, how, in the year 2002, can there be a \$147 million debt? We all have mortgages. We pay them down over time. How come yours went up?" And that's, frankly, a very legitimate question. And I'd like to go into it in a little more detail, because I think it illustrates the point we're trying to make about the repayment of debt -- in relieving New Jersey taxpayers from the responsibility for paying debt for the Sports Authority -- ought to be our central objective.

Actually, the original money for the arena came as part of a series of bond issues in 1974 and '76 and '77. And about \$6 million to \$7 million of proceeds from those bond issues, which, in aggregate themselves, were well over \$300 million, was used to initially seed some of the early money to build the Continental Airlines Arena. The 1978 bond issue that people talked about funded \$60 million into the construction costs. And as they were building it, those of you who I know were part of the process will recall that the Hartford Arena had a horrible situation where the roof collapsed. Fortunately, no one was in the facility when that occurred. But it caused the complete redesigning of the arena in mid-construction. So, in 1979, yet another bond issue was adopted in order to fund additional money into constructing the arena. Total cost of land acquisition and construction -- just over \$91 million. So, if you bear with me, we're still not at the \$147 million.

What happened from 1984, going forward, is a series of bond issues that, as George described, essentially covered capital expenditures. So, you had bond issues that, essentially, created an additional \$42 million in liabilities, during a time period from 1984 to the year 2000, that funded everything from improvements to the Winners Club, new sound systems, other facility improvements, an improved energy system. Anyone who owns a major capital asset like Continental Airlines Arena, understandably, has huge capital expenditures associated with making it stay current, in trying to keep it a competitive venue.

This arena has actually fallen way beyond in that issue and still has spent \$42 million in doing it. The point, that we think that illustrates, is that

you cannot finance a sports venue such as an arena and not match the revenue that it generates to the capital needs that it has.

And if the State is going to have ownership of it, then the State's going to have responsibility for it. If the State is going to take responsibility for capital improvements for something as complex and costly as maintaining an arena, then the taxpayer, unfortunately, is going to have a real problem at some place down the road.

Our proposal and our suggestion is to take this and to try to true up what should have been done many years ago. We're proposing that an SED be created in the Meadowlands to take tax revenue that is generated here -- tax revenue generated at the various facilities -- and to have the State Treasurer deposit it into a fund to be used to, ultimately, create a fund that would be available to defease, repay, or refund the existing contract bond indebtedness that exists here at the Sports Authority.

As I mentioned, there's over \$300 million of indebtedness on this facility that cost the Authority -- that cost the State taxpayers \$30 million a year in debt service that is not at all related to revenue generated here at the Sports Authority. We would like to reverse that by dedicating a revenue stream and, ultimately, allowing refinancing of those bonds to take place that would, essentially, substitute a general obligation of the State of New Jersey, or a contract bond obligation of the State of New Jersey, for a limited revenue bond obligation supported solely by revenue generated here at this facility.

The proposal that we're suggesting is one that has to give the State Treasurer the kind of flexibility to do the right thing, as it's required.

Unfortunately, the State Treasurer has actually subsidized this Authority in the past.

As you know, in the Fiscal 2002 budget, there was an \$11 million operating subsidy. So, beyond the \$30 million in debt service payments that Trenton makes to keep the bonds at this venue afloat, in Fiscal 2002, it paid another \$11 million to pay current operating bills as they come due. What we're saying is that that has to stop. As Mr. Zoffinger indicated, on an operating level, he's been given clear instructions that that number is going to zero, that this place is either going to pay its current bills or it's not going to be around.

On a debt service level, what we're suggesting is that we take tax revenue generated at this site, we give the Treasurer the responsibility to first compensate himself for any operating moneys that have been paid. Secondly, to the extent there are any other general tax revenues that have been used to finance this arena, that they be dedicated to that use so that, ultimately, if that payment stream -- and we believe with all that is going on at this facility, if that payment stream gets to a point where it is reliable as an investment vehicle, we will be able to refund the bonds that are here and substitute the contract bond obligation of the State of New Jersey, for that \$300 million, for a dedication of specific tax revenue from this facility. That will allow, ultimately, that contract bond indebtedness to be relieved.

We think it presents tremendous opportunity, in many ways, to begin a process here at the Sports Authority of taking advantage of opportunities that are there to repay debt and then, ultimately, put this facility on a sound footing.

You heard a great deal from Commissioner Goldberg and from Mr. Zoffinger about the RFP process. The RFP process represents enormous opportunity, because it represents an opportunity to substantially increase the amount of tax revenue generated on this site. The extent to which that increased tax revenue can, first and foremost, be used to get the taxpayer off the hook for indebtedness of this Authority, we think that's a very appropriate use of that incremental tax revenue. But, obviously, we have to maximize the smart, intelligent development of this site so that that revenue is ultimately realized.

We also think there's other opportunities that come out of the RFP. The RFP, from a financial standpoint, is going to create three separate forms of financial payments that, today, don't currently exist. First of all, we're talking about a valuable 100-acre site, to the extent that a private developer is given an opportunity to develop that, and we've structured it for a variety of legal reasons as a lease-hold interest as opposed to an outright conveyance of the fee -- but to the extent that a private developer is given the right to develop that and earn money from it, obviously, the Sports Authority is going to expect to be compensated for it. That's money that doesn't exist today that will exist. And that cash flow represents payment for that land that we believe is valuable.

Secondly, tax revenue, which is currently generated at the site, is generated at an arena that doesn't fill up, that is underutilized, that is inefficient for a whole variety of reasons. And I understand that some of the Committee members took a tour and understand that in a whole variety of different ways, an arena today, as sad as it might be to admit it -- but an arena

that was built in 1981 that, if anything, has not had the right amount of capital improvements to it, represents nowhere near the opportunity to maximize revenue that other uses of that site or a more modern arena might.

But those revenue enhancements will, ultimately, we think, create a second stream of payment, which is increased tax revenue, which we believe will, substantially, go beyond current levels that are there. And then there's a third opportunity that comes from it, which is that today there is a pilot payment made to East Rutherford, which is the municipality in which the entire property is located. But we think that an opportunity to develop that site, and generate additional payments or assessments from private developers who develop that site, creates an ability to generate revenue that will create a larger amount of money that could be shared in pilot-form payments with East Rutherford and with other municipalities who would be affected by what happens here at the Meadowlands. And, instead of viewing it as a negative, can view it as a positive in terms of providing for the financing of infrastructure within their downtown areas that would make them better in a position to take advantage of what the development and the progress that goes on here at the arena--

Those three forms of payment would exist under this proposal and don't exist today. And, at the same time, we are generating revenue throughout this process that, ultimately, will go first and foremost to repaying New Jersey taxpayers money that they are currently legally liable to pay under today's arrangement, which we find unacceptable.

Let me close by saying one further thing about the proposal that we're suggesting, which is that I know there's been discussion about creating

SEDs in other parts of the state. We believe that those SEDs, to the extent that revenue is generated beyond what's necessary to finance those projects-- And, obviously, the members of this Legislature will determine the wisdom of those projects in one way or another.

But, beyond what's necessary to finance those projects, we believe that revenue should also be dedicated to the repayment of contract bond indebtedness that the Sports Authority currently has.

Simply put, what we're suggesting is a proposal that allows us to do the job we think the State wants us to do, which is to alleviate the burden that sports franchises currently have on the State of New Jersey and, instead, replace it with a positive stream of cash flow that will allow other projects that are valuable around the state to proceed.

Thank you.

SENATOR BARK: Senator Lesniak.

SENATOR RAYMOND J. LESNIAK (Co-Chair): Thank you, Mr. Coscia. It sounds funny, me saying that, Tony.

MR. COSCIA: I was looking for my father, just now. (laughter)

SENATOR LESNIAK: There is a number four, is there not? And that is the enhanced economic development, increased tax rateables, and job creation to the surrounding communities as a result of the development of the Meadowlands site.

MR. COSCIA: I think it's safe to say that under almost all the proposals that have been considered, relative to development at this site, all of them represent a huge opportunity to increase the amount of rateables off the

site, and increase the amount of job opportunities and economic development off the site, than currently exists.

Deloitte and Touche did a study in 1998, which I think George provided some of that information in his package, that showed substantial increased economic activity. I have to tell you that these things, to the extent that they're projected, are always, obviously, speculative. But, based on other projects that have happened around the country and other things that have been done, we are extremely optimistic that there are underutilized commercial areas and other types of areas that we think would actually benefit by a particular development that could occur here.

So, generally, we see the entire complex, at this point, of underachieving what it could from a ratable standpoint and from an economic development standpoint, and that's what we're trying to turn around.

SENATOR BARK: Senator Lance.

SENATOR LESNIAK: Thank you, Madam Chairwoman.

Mr. Coscia, I will review the information I have received from you and Mr. Zoffinger, and I appreciate the fact that you have put this together for us.

Mr. Coscia, several times you indicated in your testimony that you favored dedication of specific tax revenues that might be generated from an SED, I gather here or in other parts of the state. Is that accurate?

MR. COSCIA: Actually, what I'm suggesting is specifically to the Meadowlands Complex.

SENATOR LANCE: Dedication of revenues that would be generated from--

MR. COSCIA: From tax revenue generated here at the Meadowlands, and specifically the complex here in East Rutherford, to debt repayment. Yes, sir.

SENATOR LANCE: My view of dedication of revenues is that that would require a vote of the people, because I do not believe we can dedicate State revenues without the permission of the people of New Jersey.

I have long been a critic of contract debt, and I'm pleased that you raised that this morning. I read the constitution to require a vote of the people anytime we dedicate revenues. That will be an issue I will be pursuing as this matter moves forward.

Is it your position that the McGreevey administration opposes contract debt?

MR. COSCIA: I can't comment on the McGreevey administration's position.

SENATOR LANCE: Does the McGreevey administration oppose contract debt here at the Meadowlands?

MR. COSCIA: I believe that-- Yes, I would say that the incurrence of contract debt here at the Meadowlands, in its existing form, is something that the administration would like to see relieved. Correct.

SENATOR LANCE: I'm pleased to hear that. We're on the road to Damascus, at least part way.

And you state that, regarding this complex, \$30 million a year in debt service is for contract bond. Did I hear your testimony accurately in that regard?

MR. COSCIA: That's correct.

SENATOR LANCE: The contract debt in this State is \$10 billion -- \$16 billion in debt. At least that was the figure released by the Supreme Court yesterday. And so the amortized payment by those of us on the Budget Committee, regarding contract debt in this State, is enormous. And, to the extent that that can be reduced and, indeed, eliminated, we're moving in the right direction.

Now, regarding SEDs in general, as I understand them, moneys received from SEDs, regardless of where they're located -- here, if this were to become an SED, or perhaps in Newark, and I know we're going to have further hearings regarding the Newark proposal, specifically tax revenues, I suppose it would be sales tax and income tax, usually -- would then go into a special fund based upon the SED location. Is that accurate as to my understanding of how SEDs work?

MR. COSCIA: Generally, yes, that's accurate.

SENATOR LANCE: And so moneys that would otherwise go into the State coffers, either the general fund in the sales tax or the property tax relief fund in the income tax, would be diverted when they are generated from an SED to the amortized debt of that SED.

MR. COSCIA: That's one way of doing it. Another way of doing it is to focus entirely on incremental taxes, which would not then be accurate. In other words, there's two ways of looking-- And again, we're dealing with, to some degree, a proposal in a vacuum. And as all of you know, the devil is always in the details. But there are--

SENATOR LANCE: I thought the Devils were in the Meadowlands. (laughter)

MR. COSCIA: We'd like to keep them in New Jersey.

The concept of using tax increment financing for sports venues has generally taken two forms, either the creation of a district where all tax revenue, regardless of what any baseline is, would go to supporting that financing, or an alternative--

SENATOR LANCE: Has that occurred anywhere in New Jersey?

MR. COSCIA: Excuse me?

SENATOR LANCE: Has that occurred anywhere in New Jersey, what you've just suggested?

MR. COSCIA: Tax increment financing? No, not in that form.

SENATOR LANCE: No, because in my judgment, the income tax, for example, is dedicated to the property tax relief fund.

MR. COSCIA: Senator, let me comment on that for a second, because I was intentional in referring to tax revenue, generally without referring to the specific components of tax revenue, that is generated here at the Meadowlands. And, as you know, there are use taxes and franchise taxes and sales taxes and income taxes, all of which generate a fairly significant amount of revenue. And our proposal is not to, specifically, determine which portions of that revenue stream should or should not be dedicated to a Meadowlands SED. And again, I limit my comments to the Meadowlands SEDs because debt service repayment, as an objective, is very different from trying to build a building somewhere. And so it has to be viewed differently.

We're simply comparing the situation we have now, about which we can do nothing-- We inherited it. It is what it is. There are \$300 million of bonds outstanding secured by this facility, but for which the taxpayer of

New Jersey is responsible for repayment of. We're looking at it as a way of creating a separate source of payment for those bondholders that will not create an obligation to the taxpayer of New Jersey and will shift the risk of revenue generation at this facility, declining away from the taxpayer in New Jersey, into bondholders.

So our proposal is not necessarily to take a specific form of taxation, but make a revenue stream that will replace that contract bond obligation.

Now, I'm familiar with the dispute over the ability to use income taxes, and, obviously, they're constitutionally prohibited from being mandated -- but using income taxes as a measure of dedicating it. And I'd rather not get into it now, because I don't think that's a discussion that, at this point, we even have a position on one way or another. But there is tax revenue generated here. Some of it is tax revenue which, statutorily and from a standpoint of its constitutional dedication, could be dedicated to a particular purpose that we feel as though -- the extent to which we could build up that fund to a point where it takes a taxpayer off the hook, we think it's worthwhile to explore.

SENATOR LANCE: I respect that. My point is larger than that. Without getting into the details of whether income tax or whatever be diverted-- And I know that's an argument and a discussion for another day, because all income tax proceeds are currently dedicated to the property tax relief fund.

There is a larger constitutional question whether any revenues, including the sales tax, can be dedicated to an SED, in my judgment, legally

without vote of the people, because we require dedication of any tax revenues to come from authority of the people themselves. That's a larger question, in my legal opinion and my legislative opinion, from the narrower question, which today's discussion should not be concentrated on, as to whether we should use income tax revenues. But, my larger point is that, whenever there is a dedication of revenues, be they income tax or sales tax or I suppose parking tax, whatever -- particularly the income tax and the sales tax-- In my judgment, that would require a vote of the people.

I'm pleased that the administration, at least here in the Meadowlands, is beginning to understand the fact that we have much too much contract debt in New Jersey.

Thank you, gentlemen.

SENATOR BARK: Senator Bryant.

SENATOR BRYANT: Thank you.

Let me start out by asking the question that-- Is it your suggestion that the arena, as it exists today -- the land that it's on is so underutilized -- if, in fact, we're looking to replace or get a stream of revenue, that could end up paying for what it costs us to run, from the Giants to the Jets and the rest of this area -- that we could get a better utilization, from maybe one of these proposals that are coming in, that will give us a higher use, provide us sales tax, income tax, as well as--

One of the things I want you to, also, key on is the notion that we pay pilot payment and that this land is only leased. Does that keep us in the pilot payment area, or are we in the lease arrangement -- at least in our view -- it would be fully taxed so that there would be a revenue stream for the towns

that now get it and, what you talked about, in terms of even improving their business districts?

MR. ZOFFINGER: I'll let you answer the pilot part of the program.

Let me just say, with regard to the current site the arena is on, today we operate the arena at an operating deficit. A large part of that operating deficit is, as we have pointed out to this Committee, due to the Nets and Devils licensing arrangements.

However, if you add in the cost of maintenance, the cost of capital improvements, and just staying on top of what is a 21-year-old building and you project that out, going forward, you will continue to have a significant drain in terms of the amount of operating revenue that's generated versus what it costs to maintain this building.

It is our position that the 104 acres -- 107 acres that this property encompasses could become a very viable economic engine for this region through its redevelopment. And that is the process that we're going forward with right now. We believe that we should be able, through this process, to generate a significant amount of incremental dollars that could be dedicated to debt reduction.

The answer with regard to the pilot payment I'll turn to Tony.

MR. COSCIA: Before I get to that, let me, sort of, re-emphasize what George just said. The whole point of this exercise is that we're at a certain level in terms of revenue that gets generated at this facility. New Jersey owns the sports complex. It generates a certain amount of tax revenue for the citizens of New Jersey. Right now, it happens to be a money loser. Rather

than throwing money to Trenton to provide benefit for other programs, it actually takes money away from Trenton to subsidize what goes on here.

What we're simply saying is that we want to take a look at all the assets that we have here and configure them in a better way than they are currently configured so that that position turns itself around. As George mentioned, some of the opportunities that are presented by doing the appropriate level of development at this site, we believe, creates a realistic ability to generate revenue here that will allow us to make headway in repaying the mountain of debt that's accumulated and, at a minimum, stop the need for anyone to subsidize the operations that are here.

Secondly, as it relates to Senator Bryant's question regarding pilot payments, we firmly believe that the communities here in Bergen County, who have supported this arena and supported this complex for so many years, ought to share in the upside if, in fact, we're successful in doing what we're doing. The RFP that was issued has a provision in it, relative to assessments, that the Authority would reserve the right to impose on successful bidders or developers here, in order to share revenue generated with the municipalities. We would prefer, and we believe we have a legal basis to do that, to do it under a pilot structure that would allow us the flexibility of structuring it that way. We don't believe that it would be subject to a normal assessment, although, frankly, our objective here isn't to alleviate anyone from real property taxes.

In fact, quite frankly, we would like to maximize the amount of revenue that we can generate from the private sector, to share it with those communities that we feel, not only, would it not negatively impact, but it

would, as I had mentioned, give them an opportunity to take positive advantage of what goes on here at the Meadowlands.

A number of the communities here in this area do have downtown areas which themselves are underutilized and which, with some financial assistance, could probably see greater rateables come out of it.

SENATOR BRYANT: Let me end by asking this question. As I understand these SEDs as we created it -- the SEDs if we created it -- that we would end up -- when we talk about putting it in, sort of, a trust fund-- These are just segregated funds by the Treasurer, by legislation that the funds would flow into, so that you would end up having a full accounting as to what you can do. But, because this is legislatively enacted, it can be legislatively disenacted, which is different than a constitutional dedication. So SEDS really are a creation of the Legislature, which can keep it or get rid of it, as I understand it.

MR. COSCIA: That's correct, Senator. The notion here-- And I believe that the legislation that was considered last spring -- I know in the Assembly and to a more limited degree in the Senate -- did provide a mechanism through which a special fund would be created; that the Treasurer would control that fund. It would be legislatively established and, obviously, to the extent that the Legislature determined that those funds needed to be reallocated, would be in a position to do so.

We also believe that that legislation should give the Treasurer the ability to, first and foremost, use that money for the repayment of any subsidies that are paid to this Authority.

SENATOR BRYANT: Let me ask this last question. Since we're now, I guess, \$30 million of contract bonds in debt -- approximately 11, or whatever we are, in operating -- what you're really proposing is to at least eliminate -- even if we -- I mean, because what I'm hearing -- folks ask me questions, basically, "Aren't you really taking revenues that ought to belong to the State and still paying for them?" And in essence that's true. But, if I'm able to generate \$40-some million more in revenues, then I've actually improved the State's standing. At least they now have revenues generated from this area to cover its own debt, as opposed to looking in terms of the State coffers every year of a growing debt. I don't think there's any genius to it, except that what you're trying to do is maximize the amount of revenues that you can produce in an area to pay for its own existence, basically. Is that my understanding?

MR. COSCIA: That is one of the two reasons to do that. It's clearly one of the two reasons. The other reason, frankly, is that right now, if you looked at the balance sheet of the State of New Jersey, it has a liability for hundreds of millions of dollars in contract bonds that funded this venue. We're simply saying, "Let's better financially engineer what we do so that we can alleviate that liability and send that liability to bondholders. Let's let someone else take the risk that, for some reason, tax revenue dips at this venue, as opposed to having the taxpayer of New Jersey--" I can't guarantee to you what the revenue stream in taxes will be at this site for the next 40 years. However, if tomorrow we were able to get rid of the contract bonds and replace them with revenue bonds, it would not be the taxpayers' problem. It

would be the bondholders' problem. That's the second objective we're trying to accomplish here.

SENATOR BRYANT: Thank you.

SENATOR BARK: Senator Kavanaugh.

SENATOR KAVANAUGH: Thank you very much, Madam Chairwoman.

Good afternoon, gentlemen.

The concern that I have here, and I think first of all-- What has ever happened to the proposed rail line that we've talked about for years into the Meadowlands?

MR. ZOFFINGER: In our RFP, we have asked the respondents to address both rail access, as well as the potential move of Route 120. With regard to rail access, we feel very strongly that we need rail access to this site. The best way to do that, we think, is through a spur off of the Bergen County line that hooks up with the Secaucus Transfer. We are engaged, as we speak, in discussions with both New Jersey Transit and with the Department of Transportation. And the issue really becomes whether or not the cost of that rail improvement is justified given the amount of economic activity that's present on the site.

We think that with the new RFP, the amount of economic activity can be substantially enhanced and that would further -- that would more readily justify the rather large capital expenditure to provide rail to the area.

SENATOR KAVANAUGH: Regarding the operating deficit last year of \$11 million, this year -- 2002, \$5 million deficit -- and then to be turned around to 2003 in a profit--

MR. ZOFFINGER: Yes, sir.

SENATOR KAVANAUGH: How do you do that magic?

MR. ZOFFINGER: We undertook a very extensive review of every aspect of the Authority's business. In that review, we identified specific areas where we could more focus the Authority's business and more focus, on more functional lines, the way that we accomplished our business.

Frankly, it's a management issue. We took the steps whereby we eliminated a total of 65 positions, or 22 percent of the positions, here at the Authority for an annualized net savings of \$4.2 million. We identified specific other areas of either overlapping or reductions that could be made that project, in our Fiscal Year 2003, additional savings of approximately \$5.7 million.

I'm very confident that we will be able to adhere to that. As a matter of fact, on the elimination-of-positions side, we've already achieved it. We will, in fact, see a significant amount of savings this year. And we will see the full \$4.2 million in annual savings next year.

With regard to the other aspects of our business, Senator, it's focus, it's management, and it's basically managing our business in a way that we increase our profitability.

I also feel that we're going to be able to do things that are far more advantageous to the Authority, from a profitability standpoint, on the revenue side. A good example is the recent soccer match. Historically, the Authority has entered into exclusive arrangements and has not, in my opinion, maximized their potential revenue with regard to soccer, specifically, but also other events.

In the soccer, to give you an idea, we had this game with Rio, Madrid versus Roma. We drew 70,000 people. Our profit on that game was substantially greater than on any previous soccer game ever held here, probably, with the exception, going back to the World Cup in '94.

I think that a more entrepreneurial spirit, and more functional management team, and a focus on how we make money in this business will result in us achieving those levels.

Frankly, I think this Committee can be very comfortable that, in 2003, this organization, this Authority, will not ask the State for a subsidy in its budget on the operating side.

SENATOR KAVANAUGH: How do you propose doing that with the present licensing arrangements that you have?

MR. ZOFFINGER: The ones that we already have we'll live with. We have no choice.

SENATOR KAVANAUGH: Well, you told me, the last time we met together in the meeting at the State House, that without the Nets and the Devils on your schedule, if you would remove them, you would have an annual profit in the arena of \$2 million to \$3 million.

MR. ZOFFINGER: You have to understand what we're talking about in terms of profit. From an operating cash-flow standpoint, that's correct. Today, the leases--

SENATOR KAVANAUGH: Cash flow-- You didn't say profit. It was cash flow.

MR. ZOFFINGER: Right. With the licensing arrangements that we have today with the Nets and the Devils, we have obligations that, in

essence, cost us in the neighborhood of \$7 million. We have an overall operating deficit at the arena of, approximately, \$3 million.

What you're not considering there, and any businessman would do this, is the requirements for the continual capital improvements, the overall overhead. Frankly, we have an administrative staff that works on a wide range of things, not only things at the arena. We have, obviously, things that we have to do with the parking areas that are both building specific and building nonspecific.

So it is reasonable to say, and I've tried to outline those on Page 2 of my memo to you, it is reasonable to say that when you put in the overhead the capital expenditures that you should do, etc., you're still going to end up with a deficit. And, more importantly, sir, if you project this out with a 21-year-old building the way it exists today -- if you project this out, those deficits will only become greater because your cap X and other requirements will become greater.

SENATOR KAVANAUGH: If we look as far as this meeting -- series of meetings -- was probably -- you'd have to say was generated because of the notion to move the arena to Newark.

Now, how would the Nets and Devils be profitable enough to exist alone in Newark, when you're saying it's not profitable here at the Meadowlands? I would much rather-- And if you poll the people in New Jersey -- if you ask them, would they rather drive to the Meadowlands if they had proper access, have a rail line, or would they want to go to Newark, it would be five to one for the Meadowlands.

MR. ZOFFINGER: Okay. The way I'll answer that question is by saying that an arena that's 21-years-old today, if you take a look and compare it to the new arenas and the way that the sports business is changing and has changed over that period -- is much more of a point-of-sale, retail operation that generates a good portion of its income outside of the normal ticket sales of the teams that play there. That's a very important consideration.

Our arena here is a single-concourse arena that has very limited point-of-sale opportunities for both the concessions, the vendors, etc. The more modern arenas have double concourses, have more of what they call amenity areas, which include things like club seating, which is seating that people pay a premium for because they're included in a place like this. This happens to be an amenity area for Giants Stadium.

People that come to this facility on game day pay a license fee for their individual seat, as well as, of course, the luxury boxes that are far greater in numbers at the new arenas around the country than they are at the current Continental Arena.

The question you asked, though--

SENATOR KAVANAUGH: Excuse me, George, just one second.

MR. ZOFFINGER: Yes.

SENATOR KAVANAUGH: Those luxury boxes and all these amenities-- How much do we, as far as the State, receive from those compared to what percentage do the owners receive?

MR. ZOFFINGER: Under the current lease arrangements with the Nets and Devils, we get very little.

SENATOR KAVANAUGH: That's right.

MR. ZOFFINGER: Very little.

That gets to your point. How can the Nets and Devils, if they have a new arena -- how can they make money when we can't. And there are a number of reasons for that, including what I just reiterated with regard to the amenities and the type of seats and what they can charge for the seats.

But the other point is that it's been our contention that we would be far better off if we didn't have that responsibility of the bottom line, vis-à-vis the facility itself. And we would like to pass that obligation on to the teams. They feel that with the right kind of seating, the right kind of concession availability, the right kind of points of sale on retail that a new arena does have, that they will be profitable.

In our discussions with them--

SENATOR KAVANAUGH: Who will be profitable?

MR. ZOFFINGER: That the teams--

SENATOR KAVANAUGH: The team or us?

MR. ZOFFINGER: The facility itself will be profitable. In a new facility, the facility itself will be profitable.

SENATOR KAVANAUGH: You're talking about the amenities if there was another concourse.

MR. ZOFFINGER: Right.

SENATOR KAVANAUGH: What do we, the State, receive if they have -- they're selling their wares out there? What percentage do we get of those sales?

MR. ZOFFINGER: Today?

SENATOR KAVANAUGH: Yes.

MR. ZOFFINGER: Very little. We get very little, because it's all been negotiated away from us over the years.

SENATOR KAVANAUGH: All right. How long has this negotiation-- The past negotiation is for how long?

MR. ZOFFINGER: Well, the Nets' lease expires in 2005.

MR. COSCIA: Two thousand four.

MR. ZOFFINGER: Four.

MR. COSCIA: And the Devils are in 2007.

MR. ZOFFINGER: And 2007 for the Devils.

But the point is-- I mean, I guess the real question becomes, if there is a new facility, how can they make money and we can't? It has to do with the configuration and the opportunities for sale at the facilities. It has to do with the premiums that they can get for the boxes and the club seating. And it has to do with the fact that, from an operating standpoint, they can control everything and therefore can make a better profit by controlling everything.

Today, we control very little. If we sell a box, they get most of the revenue. If we sell a hotdog, they get most of the revenue. It's not a very profitable business for us.

SENATOR KAVANAUGH: I reviewed some articles as far as the arenas throughout the country. Arenas are not profitable. They show it's not something you want to get into, that business. Yet we're looking here in New Jersey to continue and set up a new one.

MR. ZOFFINGER: We're not trying to do that. What I would suggest is, the right course of action is, for us to pass that obligation, pass that

requirement of operating the facility on to another entity, in this case being the teams, so that it's not our responsibility anymore. That's, I think, the way for us to do this.

SENATOR KAVANAUGH: Let me ask a question. Do you support a new arena in Newark?

MR. ZOFFINGER: I do support another arena in Newark. I think that an arena in Newark, frankly, can be built with this obligation being taken by the teams, and that the incremental amount of revenue that the State would get from what is today a vacant piece of -- well, an underutilized piece of -- property in Newark could pay for that facility, and that we would then have the availability of this underutilized piece of property in Bergen County that we could use to be this financial engine that I think it can be.

SENATOR KAVANAUGH: All right. Well, I have no more questions, Madam Chair. I think I'd like to hear from the person that has been one of the longest members of the Authority, and that's Former Senator Ray Bateman -- Former President -- or whatever your term is.

SENATOR BRYANT: We have some questions by other members first.

SENATOR KAVANAUGH: No, I'm just saying after.

SENATOR BARK: Certainly, Senator Bateman will be called, yes. Senator Kenny.

SENATOR KENNY: You had a question?

SENATOR BUONO: Yes.

SENATOR KENNY: Go ahead.

SENATOR BUONO: Just a point of--

Is this working? (referring to PA microphone)

Hi, gentlemen. How are you? Sorry I was a little late.

I just have a question regarding clarification of some of your remarks. You had stated that under the current contract under the current lease, which is a contract with the Nets and Devils, that the State of New Jersey receives nothing, no percentage whatsoever from amenities?

MR. ZOFFINGER: No, we receive some, but it's a very small percentage.

SENATOR BUONO: And then, is it reasonable then to conclude that the profitability of a new arena would, at least, be partially, in fact, to my mind, significantly dependent on the favorability of those contract terms, in terms of ensuring that the State of New Jersey receives a sizable percentage of those amenities.

MR. COSCIA: I think, Senator, the answer to your question is yes. In fact, it goes back to expanding on Senator Kavanaugh's question, which is that one of the fundamental problems that we've inherited here is a landlord-tenant relationship, between the Sports Authority and the professional teams that play at the Continental Airlines Arena, that happens to be bad for both sides. Or, at least if you ask both of them, they're both not happy with the financial circumstance.

From the Sports Authority's standpoint, we have expenses that are disproportionate to the revenue that we generate, and we have responsibility for capital improvements and other things that are disproportionate to the revenue that that facility generates for us. In a new facility, whether it was next door in Newark or 20 miles away, you would alter that relationship to

have a landlord-tenant relationship which, in about four or five other -- and I've reviewed some of the same material about arenas being built throughout the country -- you'd have a landlord-tenant relationship where you have revenue and risk match each other, as opposed to what we have here today, so that if you gave the teams a substantial portion of the revenue, they would also have responsibility for operations, for financial defaults, etc.

SENATOR BUONO: You anticipated my next question. Is profitability then not also partially dependent on passing the requirement of operating the facility on to the teams?

MR. COSCIA: Yes.

SENATOR BUONO: Yes, I think you said.

So, my last and final question, then, is, if that's the case, then is it reasonable to assume that we could negotiate contract terms that would guarantee New Jersey receive a larger percentage from amenities if, in fact, the teams-- They're going to want it quid pro quo. You're saying the risk has to match--

MR. COSCIA: I would say, Senator, that there is no reason not to believe that we could negotiate a fair deal in a new venue that would give New Jersey compensation for what it brings to the table in those transactions. So, yes, a new lease should fairly compensate us so that the State's investment doesn't result in a windfall to others.

But remember, we are talking about, at the Meadowlands, something that is purely privately financed in terms of the development at the Meadowlands. The lease structure that exists on the Continental Airlines

Arena today is something I don't think any of us want to recreate, in any form, anywhere in New Jersey.

SENATOR BUONO: Thank you.

SENATOR BARK: Senator Kenny, I had called on you. Are you ready?

SENATOR KENNY: Yes.

SENATOR BARK: Okay. Otherwise I'd have Senator Littell.

SENATOR BUONO: He was being very generous to me, letting me go first.

SENATOR KENNY: Thank you.

Thank you, Madam Chair.

First, I want to commend the President and the Commissioner and Mr. Coscia for the presentation today, as well as last month. I think it's been very educational. I see that you're moving forward very, very professionally. I commend all of you for that.

I was speaking to Senator Lesniak earlier and, just, trying to conceptualize how we're going forward. At a certain point in time, Mr. President, the Sports Authority will select a developer. Is that correct?

MR. ZOFFINGER: That's correct, the 17th of September.

MR. GOLDBERG: It's a two-fold process, Senator. The proposals are due back to the Authority on September 17. We will have oral presentations that involve the stakeholders' advisory group and the NJSEA selection committee in the beginning of October. By the end of October, we will narrow the field of respondents down to two or three of the best proposals. The one that captures the imagination of the stakeholders' advisory group,

both from an economic -- land-use perspective. And then we will go back out to those remaining two or three potential redevelopers and ask them for their final and best offer, with the thought of making a final selection of a redeveloper, with the final designation of a redeveloper plan sometime in the middle portion of December.

SENATOR KENNY: So a developer will be selected before the end of the year?

MR. GOLDBERG: Yes, sir.

SENATOR KENNY: Okay. And what is the -- I don't know what the correct word is -- but what is the status of your decision at that point? Is that a decision that is binding on the State of New Jersey, or is it a recommendation?

MR. GOLDBERG: It is an authorization to attempt to negotiate a redeveloper agreement with the designee. Subsequent to the designation and the choice of a land-use plan and a redeveloper, the Authority would then attempt to negotiate a redevelopment agreement that would memorialize all the details of the obligations of the respective parties, in order to implement the redevelopment plan.

SENATOR KENNY: And what is the role that the State plays, meaning the Governor and the Legislature? When you select, make a decision, you will need the State of New Jersey to enact legislation? Is that where--

MR. ZOFFINGER: I believe, and I'll have my esteemed legal counsel correct me if I'm wrong, but I believe that the statute provides the Authority, Sports and Exposition Authority, with the right to, within certain constraints, develop the property and that the board, the chairperson -- Carl

is the Chairman of the subcommittee that will recommend to our board an action, and our board would be the responsible party in terms of taking that action.

SENATOR KENNY: Okay.

MR. COSCIA: Senator, the RFP, as it's currently structured, provides for responses, that would ultimately be transactions, that the Authority is statutorily empowered to undertake. Its board would ultimately approve it, obviously, subject to the Governor vetoing its minutes.

The extent to which we receive a response to the RFP that provides for a use that goes outside of our enabling statute -- if, in fact, it's an attractive use that makes sense, obviously we would consider suggesting that there be a legislative change to take advantage of it. But, until that presents itself, there's no need to specifically discuss any legislative action relative to the RFP.

SENATOR KENNY: Okay. So, it's the Governor's vetoing of your minutes that's the check.

MR. COSCIA: Correct.

SENATOR KENNY: Now, what if you decide that location will not be used for an arena? You may come to that conclusion, correct?

MR. ZOFFINGER: Right.

MR. GOLDBERG: Yes.

SENATOR KENNY: And then you embark on the negotiations that you spoke about. Then comes a certain point in time that it's conceivable, then, that New Jersey will not have an arena if that's your decision. Is that correct?

MR. ZOFFINGER: You mean if we embark on a non-arena use of the site and there is no other arena.

SENATOR KENNY: Right.

MR. ZOFFINGER: That could conceivably happen.

SENATOR KENNY: You could also-- I assume some of these proposals include an arena. Is that also true?

MR. GOLDBERG: The RFP does not preclude a perspective redeveloper for suggesting a redevelopment plan that's inclusive of a new arena or the renovation and rehabilitation of the existing arena. The idea and the creation of the redevelopment document was to create as broad an opportunity as possible for potential respondents to look at this creatively. And, certainly, nothing in the redevelopment document precludes a respondents suggestion that the current arena continue.

SENATOR KENNY: Okay. I thought that the President made a very good -- and at least for me -- a good connection in a response to Senator Kavanaugh's question about the relationship between this site and the Newark site, and how this site is currently underperforming, and the Newark site is underperforming.

And presuming that the proposals come back that do the various -- accomplish the various objectives that the President and Mr. Coscia talked about -- those various benefits -- and then the arena goes to Newark where it is a profitable entity for those teams, then we win on both sites, we win on both locations where currently we're not winning on either. So, that's very helpful for me to understand those relationships.

When we met a month ago, in July, Mayor Schundler testified before our Committee, and we had some discussions about the use of tax revenues on site -- SEDs. And I just wanted to point out that we do this in a variety of ways, statutorily in the State of New Jersey, that have been the subject of bipartisan -- urban enterprise zones -- collect sales taxes and plow them back into the communities. And that's a statutory dedication.

Most significant is the business employment incentive programs where Mayor Schundler -- where he was formerly the Mayor in Jersey City-- Over \$330 million has been granted to businesses to relocate here. And that grant is based on a formula that's based on the income taxes that that business otherwise would have paid. And so 80 percent of the income taxes that those corporations would have paid to New Jersey are granted back to those corporations in order to move here. And that's \$330 million.

Now, that's not taking income taxes. It's really a play on words, how we define the BEEP. And so we use the income tax to create the amount of money that they're going to be granted. But it's really six of one, half a dozen of the other. It is still a diversion of what would have been State dollars back into, in that case, a corporate entity for them to relocate to New Jersey.

Senator Kyrillos and I were the sponsors of that legislation. It passed overwhelmingly in both houses. Of course, Governor Whitman signed it. So my point is, because I get really-- I keep hearing this notion that we're doing something here that's taking the people's money. We also use tax abatements, which Senator Lance's father was the sponsor of -- the Fox-Lance -- which is another way of taking what would have been property taxes and allowing municipalities to develop their areas. And we also use, in certain cities

like Newark, payroll and parking. So this is not at all new ground, these SEDs. And, in fact, it makes good sense, provided you can create the model that can make it work.

But I just think that the plan here that's unfolding is innovative, that it's a gain for the Meadowlands. And I look forward to September to see these proposals. And I hope that they will stimulate some excitement and interest in the people of this part of the state, because I know that we're not going to be able to move forward successfully unless there is a consensus. And that consensus can only happen if the proposals are attractive.

So, Mr. President, I thank you.

MR. ZOFFINGER: Thank you. We share that feeling, we hope, on September 17.

SENATOR BARK: I'm going to interject just a quickie question here.

If you become an SED, can you do that unilaterally or do you need legislative approval?

MR. COSCIA: Legislation would be needed for that.

SENATOR BARK: That's what I thought.

MR. COSCIA: That's correct.

SENATOR BARK: I want to just clarify that I did understand that.

Senator Connors.

SENATOR CONNORS: Thank you, Madam Chair.

I've been going through some of these documents. I just have a couple of questions here.

Is this the request for proposal you had issued?

MR. ZOFFINGER: Yes, sir.

SENATOR CONNORS: Under June 2002?

MR. ZOFFINGER: Yes, sir.

SENATOR CONNORS: I think Senator Kenny made a comment that might be cleared up here -- or a question.

This request for proposal talks about locating these teams in Newark, does it not? On Page 4.

MR. ZOFFINGER: Yes, it does.

SENATOR CONNORS: "The Authority has engaged in negotiations with the owner of these franchise teams to relocate them in a newly constructed arena to be built in the City of Newark."

MR. ZOFFINGER: Yes, sir.

SENATOR CONNORS: So this request for proposal does include the relocation of the two teams in the City of Newark.

MR. ZOFFINGER: Yes, I mean, from the standpoint of giving some factual information in terms of the background, the answer is yes.

SENATOR CONNORS: I think Senator Kenny didn't get the right answer the first--

MR. GOLDBERG: No. I think what the RFP does is it anticipates the development community's recognition of what was an ongoing dialogue. But the language of the RFP, if you read further, specifically indicates that the Authority is receptive to concepts that incorporate reuse of the current arena site. And that's memorialized in the RFP as well.

SENATOR CONNORS: Let me ask you this question. How far along in negotiations are you? Where are we with that?

MR. GOLDBERG: The negotiations for an RFP designation?

SENATOR CONNORS: Well, it says, "The Authority has engaged in negotiations with the owner of these franchise teams to relocate them in a newly constructed arena to be built in the City of Newark, New Jersey, by the start of respective 2005 seasons."

MR. ZOFFINGER: Yes.

MR. COSCIA: Senator, if I can--

SENATOR CONNORS: Where are we with the negotiations? How far along are you with the negotiations?

MR. COSCIA: Let me answer that in two pieces. One is that the reference in the RFP is a recognition of the fact that there have been, and I think this has been publicly discussed quite a bit, discussions between the Sports Authority, the administration, and the professional sports teams relative to their fairly clear, unequivocal statement that at the end of their current lease terms, they will leave the State of New Jersey unless they are resident in Newark.

The discussions with them, to answer the second part of your question, were discussions that were ongoing with various representatives of the Authority and the administration through, I'd say, the first week of May, when an announcement was made, at that time, of an interim agreement having been arrived at, on a preliminary level, subject to the Legislature considering legislation that would have financed a portion of the arena.

Since May, the deliberations, relative to that, have largely centered around whether or not a legislative package would have been put together to provide that financing. And, Senator, as you know, that legislative package was never moved forward since then.

So, to answer your question from a date standpoint, I would say those negotiations ended, probably, sometime in the beginning of May and have not gone beyond the fact of what has been reported in terms of the teams' willingness to participate in a transaction.

SENATOR CONNORS: Mr. Coscia, you've given me an answer with discussion. This says, "has engaged in negotiations with the owner of the franchise team." What were the negotiations that the Exposition Authority had negotiated with them? Where are we with the negotiation? Those are your words, not mine. It does not say discussions. It says negotiations.

MR. COSCIA: Well, negotiations--

SENATOR CONNORS: What has been negotiated, now, to date?

MR. COSCIA: There have been negotiations that--

SENATOR CONNORS: We know that.

MR. COSCIA: --ceased at the beginning of May, relative to a transaction that was not put to either the Sports Authority board or the YankeeNets board, because it was pending legislative approvals, which did not ultimately occur. And those negotiations were an outline of a transaction that has been widely reported relative to the development of an arena in Newark, with financial responsibility for that arena being provided for by the YankeeNets.

SENATOR CONNORS: You don't want to refresh my memory or your memory as to what the negotiations were?

MR. COSCIA: I'd be happy to. I didn't think that was the subject of this morning's hearing, but I'd be happy to go through that if that's what you'd like to discuss.

SENATOR CONNORS: I thought the discussion was about this RFP.

MR. COSCIA: The RFP, Senator, refers to the fact that there have been negotiations with the YankeeNets about relocating them to Newark, something that, frankly, most of the respondents, I think, probably knew already. But for the purpose of full disclosure, we wanted to make clear that if anyone was under the assumption that those discussions had either not taken place, or had actually reached a conclusion, or that there was an agreement, we wanted to, just, fully disclose what the nature of those discussions were.

SENATOR CONNORS: I won't accept that. You just don't want to answer what the negotiations were.

SENATOR BARK: Senator--

MR. COSCIA: It's a separate topic. I'd be happy to meet with you separately and go through it.

SENATOR BARK: Senator Connors, it seems to me that the question has been answered as well as it's going to be.

SENATOR CONNORS: Thank you, Madam Chairwoman. I will go on, if I may.

SENATOR BARK: Okay. Thank you.

SENATOR BRYANT: There's a proposed hearing just to deal with that issue anyway.

SENATOR BARK: There will be another--

SENATOR BRYANT: Hearing to deal with just the Newark issue.

SENATOR BARK: September 22.

SENATOR CONNORS: I thought it was a legitimate question in as much as the subject is the request for proposal. That's the one we're discussing today, the tearing down of the Meadowlands. Am I not right?

SENATOR BARK: Yes, that's right.

SENATOR CONNORS: Isn't that in this book?

MR. ZOFFINGER: You have to understand that this was sent out nationally, and that there are actually people around the country that might not have known about the YankeeNets situation. We had 300 development companies from around the country ask about this.

SENATOR CONNORS: Okay.

MR. ZOFFINGER: We thought that it was a matter of full disclosure, which is the reason that it's included.

SENATOR CONNORS: I'll just accept that you don't want to disclose what the negotiations were.

SENATOR LESNIAK: That's incorrect. That's not accurate.

MR. ZOFFINGER: I'd be pleased to do that.

SENATOR BRYANT: It's been reported in the papers, but we just don't want the discussion to be sidebarred, Senator, if we can. We want to, kind of-- I mean, that negotiation will be fully discussed. It's not like it's going to be hidden from the Committee. What we're trying to really talk

about -- what are the plans for this area, at this time, at this meeting. That's all. But that has been reported.

SENATOR CONNORS: All right. I'll move on.

There appear to be several significant obstacles to the proposal to replace the arena. One of the most significant is parking. At present, there are 27,000 spaces allocated to the stadium and the arena, 24,000 of which are guaranteed to the Giants and the Jets under their lease agreement. Is that not true?

MR. ZOFFINGER: Correct.

SENATOR CONNORS: Presently, events cannot be scheduled at the arena when the Giants and the Jets are playing, because there's not enough parking spaces to accommodate both venues.

MR. ZOFFINGER: That's right.

SENATOR CONNORS: If the arena site would be redeveloped to accommodate retail facilities, hotels, and other entertainment facilities, there would clearly not be enough sufficient parking.

MR. ZOFFINGER: It is up to the development community to make sure that they propose things that would make sure that there is adequate parking, because our license agreement with the Jets and the Giants requires us to have that amount of parking. We are committed to maintaining that.

SENATOR CONNORS: You don't think they'll come back to you and say, "It can't be done. We're going to go home." They're going to sell you whatever they can.

MR. GOLDBERG: Senator, in real life I actually am a real estate developer, and I've responded to a lot of RFPs of this nature. And I think this RFP attempts to create a level of new thought by the redevelopment community and still respect the franchise obligations. And that might include, for example, the redevelopment of the Meadowlands site with structured parking for certain kinds of facilities that would allow for incrementally additional spaces that take up less acreage.

So there are a lot of ways to approach the land uses for the redevelopment of the site that would accommodate the needs and obligations that the Authority has to the franchises and still allow for a very thoughtful land use mix with the economic benefits that I attempted to discuss.

SENATOR CONNORS: I knew they'd find a way.

MR. GOLDBERG: Developers are a creative lot.

SENATOR CONNORS: All right. I realize that. I don't think any of them are going to say, "It can't be done. We're not going to submit a proposal."

With Bergen County being the most densely populated county in the country, has anyone looked into the impact of additional retail development on the traffic in Bergen County?

MR. GOLDBERG: I think one of the things that I said during my remarks, which is really a critical part of the process, is the conversations that we had with perspective respondents during the preproposal bidders conference. And we made it very clear that the Authority was looking to minimize the retail component in the land-use mix, and was looking for a land-use mix coming back from the development community that would minimize

vehicular dependence. So we're very cognizant of the traffic issues that currently exist in Bergen County. And the RFP, I think, attempts to direct potential respondents to land-use proposals that recognize those issues: traffic, parking, and access.

SENATOR CONNORS: And I'm sure, like that request for proposal, everybody finds a place to park the cars. And I'm sure that the traffic, looking at it from both sides-- You're looking at it optimistically, and so would the RFP look at it optimistically. Let's look at it from transportation, per se. Has the Department of Transportation done any studies on it?

MR. GOLDBERG: Well, I think President Zoffinger answered that question very effectively. Clearly, we want mass transportation to be an integral part of the redevelopment of the Continental Arena site. That's what makes it as potentially valuable as it can be. But I think Mr. Zoffinger correctly pointed out that it's the quality of the land uses, and the quality of the redevelopment, and the demand that that redevelopment creates for mass transportation that incentivizes, and justifies, and rationalizes the expense of bringing mass transportation to the site. And I think they go very much hand in hand. They're a synergistic relationship that goes forward with the redevelopment of the site, and a recognition by the providers of mass transportation, that there's genuinely now, on site, a demand that justifies the capital expenditure.

SENATOR CONNORS: Has the Sports and Exposition Authority Commission done any traffic impact studies? Do you have a plan like your RFP? Like this? (indicating) "Here's our proposal for transportation. This is what's going to be the solution."

MR. GOLDBERG: The answer is, there have been thorough transportation studies. But I would also direct your attention to the formation and membership of the stakeholders' advisory group, and Mr. Redeker, who is an integral member of that stakeholders' advisory group, is a representative from New Jersey Transit, specifically to give transportation and traffic guidance to the stakeholders and the selection committee of the Authority during their consideration of the redevelopment proposals.

I think, if you look carefully at the content of the stakeholders' advisory group, we not only try to bring people on board that would recognize the transportation issues, but recognize the environmental issues, recognize the land-planning issues, and recognize the economic issues. The thought process that went behind the creation of the stakeholders' advisory group was a very lengthy one, and one that was undertaken in a way so that all areas of expertise would be brought to bear during the consideration of the redevelopment proposals, so that we could intelligently consider all the different land-use balances that have to be looked at in order to intelligently see how this site can be redeveloped.

SENATOR CONNORS: Is this a printed document?

MR. GOLDBERG: Is what a printed document?

MR. ZOFFINGER: You're talking about -- in terms of traffic studies?

SENATOR CONNORS: Yes.

MR. ZOFFINGER: We have numerous traffic studies. We can get you those.

SENATOR CONNORS: Do you have a printed document so we can read it -- or I can read it?

MR. ZOFFINGER: We have numerous documents that studied traffic over the years. We will engage additional reviews as the RFPs come in, to see what the impact is.

SENATOR CONNORS: Mr. Zoffinger, you have an RFP to tear down the Meadowlands and put in retails and so forth.

MR. ZOFFINGER: Right.

SENATOR CONNORS: My question is-- I'm not asking about what happened five years ago or two years ago or twenty years ago -- up-to-date to coincide with this RFP.

MR. ZOFFINGER: When would you do that, before you received the proposals or before? I mean, we're going to do it.

SENATOR CONNORS: Well, your transportation study should incorporate what's here now and then what is envisioned for the future.

MR. ZOFFINGER: We do have that.

SENATOR CONNORS: If you're envisioning--

MR. ZOFFINGER: We do have--

SENATOR CONNORS: Excuse me. If you're envisioning and requesting proposals for retail stores, hotels, etc. after this arena is gone, what are your plans to take care of that traffic?

MR. ZOFFINGER: When we do receive the proposals, we will then have an opportunity to make sure that the proper amount of due diligence is done with regard to its impact on all aspects, both traffic and environmental, etc. That is going to be part of the process.

I cannot tell you today that the proposal that we might accept or that we might even receive is going to be for a large amount of retail. We don't know what proposals we will receive until they're received. Once they are received, we will certainly--

SENATOR CONNORS: So you don't have them?

MR. ZOFFINGER: We will certainly do everything that is required and necessary to make sure that we understand the impact that it has on traffic, environment, and everything else.

SENATOR CONNORS: Just a simple answer. Yes or no? You don't have one.

SENATOR BARK: Not at this time.

SENATOR CONNORS: Do you have a traffic--

MR. ZOFFINGER: Do I have a traffic study with regard to what--

SENATOR CONNORS: Regard to this proposal.

MR. ZOFFINGER: We haven't received the proposals.

SENATOR CONNORS: Well, you're envisioning--

SENATOR BRYANT: Senator, they're asking for--

SENATOR CONNORS: They're asking for a plan.

SENATOR BRYANT: They're asking for various plans.

SENATOR CONNORS: Various.

SENATOR BRYANT: So they can't have a traffic study on any imaginable plan. That would be something you would ask the folks who will be short-listed to -- and they'll provide it for you -- traffic study on their particular plan.

MR. ZOFFINGER: We don't have one now.

SENATOR CONNORS: Certainly, in my view, if the request for proposal was to ask for one hotdog stand to be put up there, there would be no need for a traffic plan. There is envisioned here, in my view, with regard to this request for proposal, retail shops and hotels, etc. from builders. Is that not so?

MR. ZOFFINGER: It certainly may be. We will not know what we will receive until we receive it on the 17th. The answer is, we don't have-- We have not done anticipatory-- We do not have it.

SENATOR CONNORS: You don't have it.

MR. ZOFFINGER: Right.

SENATOR CONNORS: That's all I asked.

MR. ZOFFINGER: Right.

SENATOR CONNORS: And going back, the Department of Transportation has done no studies with regard to this either.

SENATOR BARK: No.

MR. ZOFFINGER: No.

SENATOR CONNORS: Have been consulted.

MR. ZOFFINGER: They've been consulted, yes. But they're not--

SENATOR CONNORS: Okay. All right.

MR. ZOFFINGER: I don't know they've done any studies.

SENATOR CONNORS: I need to ask some questions that went to the Sports and Exposition Authority regarding the New Jersey Nets and the New Jersey Devils.

MR. ZOFFINGER: Yes.

SENATOR CONNORS: Is that appropriate at this time?

MR. ZOFFINGER: Sure.

SENATOR CONNORS: Madam Chair, is that appropriate?

SENATOR BARK: It's appropriate. We still have several Senators who would like to ask questions, so--

SENATOR CONNORS: Well, then I'll yield.

SENATOR BARK: I would urge you, Senator--

SENATOR CONNORS: Well, then I'll yield.

SENATOR BARK: Thank you.

Senator Charles.

SENATOR CHARLES: Thank you, Madam Chairwoman.

Good afternoon, I guess, now.

I'd like to first commend the witnesses for the work you've done so far, in trying to bring before the public and this Legislature a comprehensive discussion of whether there should be redevelopment here, and if so, what that redevelopment should be. I think it's a logical and a very comprehensive strategy you have, to bring this before the public and to, for us as legislators and for the people in New Jersey, to determine whether and what should be done here in this Meadowlands complex.

I just have a very basic question, because much of what we're talking about here is predicated on the principle of tax increment financing. What, in the context of this Continental Arena area or the Meadowlands site, in its SED -- what does tax increment financing consist of? I mean, does it consist of the taxes or -- like hotel taxes and other types of taxes that may be incident to the new development -- or is it connected with any existing taxes that we have, with a baseline existing with the increment going to the SED

that's above a baseline? Just what exactly is the tax increment financing in this particular context?

MR. COSCIA: Senator, we're suggesting that this Joint Committee, the Senate and the Legislature, consider the creation of a sports and entertainment district at the Meadowlands and allocate either some portion, or certain specific taxes, to a fund to be used to repay contract bond indebtedness, in order to relieve the taxpayer from liability.

Whether that ends up including all of the taxes collected at this site, or only those portions of it that the Legislature ultimately determines, will simply decide how much of that debt we can repay and how quickly we can repay it.

What we're advocating is a concept that you take taxes generated at this site, including, hopefully, a larger amount of taxes that will be generated once redevelopment is initiated, and you use that tax revenue in order to repay contract bond indebtedness.

The Legislature and this Committee will ultimately determine which taxes. And I know there's debate over whether income taxes should be included in it, sales taxes, use taxes. Those are all just a matter of degree. Even if only a portion of them were used, we would still improve the current situation.

SENATOR CHARLES: Just for my information and my help, what is the spectrum of taxes that this Legislature has before it to consider? Would you just outline it for the record?

MR. COSCIA: Sure. It would be use taxes -- use and franchise taxes; income taxes, which generally fall into the same category; sales taxes would all be considered part of that.

SENATOR CHARLES: Is there any contemplation that additional taxes-- For example, I don't know what the status of hotel taxes or parking taxes and so on-- Is that within the realm of the taxes, that might become unique to this SED, that then could be the source of this fund that we're talking about to retire the contract debt?

MR. COSCIA: We are not now contemplating the adoption of any new taxes beyond those that currently exist.

SENATOR CHARLES: And do we have an authorization, statewide, covering this area now for hotel taxes and parking taxes and taxes of that sort?

MR. COSCIA: I'd say the answer to that question is yes.

SENATOR CHARLES: So that would also be within the category of taxes that we could consider when we're talking about a dedication and the creation of a fund.

MR. COSCIA: That's correct.

SENATOR CHARLES: Do we have, right now, existing, a baseline so that we then know what the increment is that we're talking about?

MR. COSCIA: Yes.

SENATOR CHARLES: And if so, what is that for, in terms of what we have existing, that may be subject to this dedicated fund, whose implement would be dedicated-- What's the total amount of revenue now that would operate as our baseline?

MR. COSCIA: That number fluctuates. Obviously, there is-- That allocation has never been done by the Division of Taxation because, obviously, taxpayers just simply make their payments to Trenton.

So, for the most part, I'll give you an answer relying largely upon information that outside auditors have provided to us on trying to track those tax revenues. But the number is somewhere between \$29 million to \$31 million a year, currently collected in tax revenue at this site under its present uses.

SENATOR CHARLES: So if we're talking about a \$30 million debt that currently exists through -- under the contract bond obligation, we would contemplate at least an additional \$31 million to be able to deal with that amount. So, we have 30 we're currently getting to deal with the contract bond issue on a very simplistic level. We're talking about an additional amount.

MR. COSCIA: Actually, no. I think the way to look at it is that today, in Fiscal 2002-- Let's put it that way, since those books are closed. Trenton paid about \$30 million to cover contract bond indebtedness. In addition to that, they sent up here another \$11 million to cover an operating subsidy. During that same time period, taxpayers who paid income taxes, sales taxes, franchise use taxes at this site sent about \$28 million to \$29 million to Trenton. So, in fact, the comparison is that \$28 million went to Trenton, and, I guess, \$41 million came back up here.

SENATOR CHARLES: In terms of just understanding the increment though, using those numbers -- the 29 or whatever it was-- The

increment that would then go to this dedicated fund would be what, the initial \$29 million or some amount above the \$29 million? Use that number.

MR. COSCIA: We would suggest that it would be the taxes -- the full amount of taxes collected at this site. However, even a portion of it would improve the current situation.

SENATOR CHARLES: Thank you.

SENATOR BARK: Is that all? (affirmative response)

I'm going to make a couple quickie questions on my own. One of them is really directed, I believe, to Mr. Goldberg, because I believe that the advisory committee that you listed--

MR. GOLDBERG: Stakeholders' advisory group.

SENATOR BARK: Yes. I did not hear that there was anyone from East Rutherford, although Mr. Zoffinger said, or someone said, that this facility is located in East Rutherford.

MR. GOLDBERG: Yes.

SENATOR BARK: And I wondered why there was no one representing the very town that you are in.

MR. GOLDBERG: There are two local mayors.

SENATOR BARK: The Mayor of East Rutherford?

MR. GOLDBERG: The Mayor of North Arlington and the Mayor of Little Ferry, not the Mayor of East Rutherford.

SENATOR BARK: But the facility is still in East Rutherford.

MR. GOLDBERG: Yes, it is.

SENATOR BARK: Okay. I just made my point. I'm not quite sure that I agree with that, but that's okay. You made your decision, and that's what it is.

I have one other one. Maybe the development says to keep this arena and build another one in Newark.

MR. GOLDBERG: The RFP doesn't preclude keeping this arena.

SENATOR BARK: Can two arenas exist, because, obviously, they're going to be in competition for the entertainment portion that happens here in this arena?

MR. ZOFFINGER: From a business standpoint, they cannot exist. They're 11 miles apart.

SENATOR BARK: Okay. That's all I wanted.

And I wanted one more question answered. What is the current life of an arena? I do not see the ability of the taxpayers that every time -- 10 years out, there's another way to build an arena that we can then say, "Oh, gee, we need to build another arena." That, to me, is just not a good premise.

MR. ZOFFINGER: Let me give you a quick answer to that. It's something that, obviously, back 21 years ago nobody could have envisioned, I don't think. You have had a very dramatic change in the way the sports business has evolved in this country.

SENATOR BARK: Okay. I do understand that. But what I'm saying is, what precludes that from happening again in 10 years? And can the State protect itself, once we get into the Newark situation? I would prefer that 10 or 15 years out, these people don't come back and knock on our doors and say, "Hey, we've got to do this again."

MR. ZOFFINGER: Well, I think the way we preclude it is by putting the burden of that operation onto the teams.

SENATOR BARK: Strictly on them.

MR. ZOFFINGER: On them.

SENATOR BARK: Okay. And no promise whatsoever.

MR. ZOFFINGER: Right.

SENATOR BARK: "Don't come knocking at our door."

MR. ZOFFINGER: And if we have the proper amount of guarantees, then we can-- And I think we can reach financial comfort.

SENATOR BARK: Okay. Those were really my questions.

At this point--

Where are we?

SENATOR BRYANT: I think we were at Senator Bucco.

Senator Bucco followed by Senator Gill.

SENATOR BUCCO: Good afternoon, gentlemen.

Senator Bark had just asked a question, and, Mr. Zoffinger, you answered that two arenas couldn't compete against each other.

MR. ZOFFINGER: That's correct.

SENATOR BUCCO: And I can understand that.

My question is, it appears that when Senator Connors was asking about the RFP that went out, it's an either/or type of situation, either you build a new arena in Newark or you remodel or build a new arena here at the Meadowlands.

MR. ZOFFINGER: What we have done in the RFP is to allow people to make their own judgments with regard to that.

SENATOR BUCCO: Okay. My question is this then, if your RFPs come back -- or your proposals come back as remodeling and/or building a new arena at the Meadowlands, is the YankeeNets organization receptive to staying in the Meadowlands then, or are they determined to move to Newark?

MR. ZOFFINGER: They've made it clear to everybody that will talk to them that they want their own facility in an urban area. I honestly couldn't tell you what their reaction would be if we took the exact same facility and put it here. I don't know. But they've made it clear to us that they're leaving here when their lease is up.

The unfortunate part of this whole equation, Senator, is that they are able to do that, given what other places will do to attract a professional sports team in both hockey and basketball.

SENATOR BUCCO: Okay. So then, even with your proposal then, there is no sense in having someone come back with a proposal to remodel or to build a new arena here if they're determined not to stay here.

MR. ZOFFINGER: Senator, realistically speaking, nobody is going to propose that, because you can't make money on it. It costs too much money. And the amortization you can get from the lease arrangements that will be offered all over the country to these teams is just not economically viable. That will never happen.

SENATOR BUCCO: Why is it economically viable in Newark then?

MR. ZOFFINGER: Well, because what we're taking there is-- It's an entirely different story. Number one, they're taking over the entire management of the facility.

SENATOR BUCCO: Could they do that here with a new facility, giving them a contract that way?

MR. ZOFFINGER: We could do that.

SENATOR BUCCO: So then it would make it economically viable to stay in the Meadowlands if you could negotiate that type of deal.

MR. COSCIA: Senator, I just want to interject this. The YankeeNets organization are a private company, and they're tenant of this facility, and the Sports Authority is their landlord. They've told us, unequivocally, without any equivocation at all, that they do not intend to seek renewal of their lease when their current lease expires. And, in fact, they've even explored, we know, opportunities to leave prior to the expiration of that lease. They have told us, and we can only take them as their word as a private business, that they do not make money at this facility and have no interest in staying here. And they believe one of the reasons why they don't make money here is its location. All the new arenas that have been built for the Lakers, for the Mavericks, for the Hawks have all been built in downtown urban areas. They think they can make money in a downtown urban area if it is in the right location and if they have the sufficient amount of control over the arena that's ultimately built.

Now, we can't tell them what to think. They think that. Whether it's accurate or not, if developers -- and we've tried to just be as open as possible with developers -- want to ignore what the two tenants here have said, I guess they'll submit a proposal that ignores that. But it probably isn't very wise. And, as George suggested, you can't make money as a landlord with a professional sports team as a pure tenant, because the deal they can get as a

tenant is much better than anything that creates financial return to the investment to build that building. So we just don't expect it from that standpoint.

SENATOR BUCCO: So then, basically, it's fait accompli that either we're going to put an arena in Newark or they're going to move out.

MR. COSCIA: That's what they've said. Frankly, they've been a lot more terse in the statement than I just was, and I apologize for taking your time.

SENATOR BUCCO: Okay.

Just one more question. I understand, in the Assembly, they've already passed a piece of legislation, that's now in Economic here in the Senate, creating a SED in Harrison for a soccer stadium. What's the Authority's position on that? Are you supportive?

MR. ZOFFINGER: We don't have a position right now.

SENATOR BUCCO: Well, will a soccer stadium in Harrison be competition for soccer here at the Meadowlands, because you talked about a soccer venue you had here that produced the best revenue ever in the history of the Meadowlands. And you'd like to expand on that. But will you have the competition out of Harrison?

MR. ZOFFINGER: For those types of games, we would not, because those types of games can draw crowds of 70,000, and the stadium in Harrison is only projected to be 28,000 or 30,000 seats. There are issues that we have, frankly, only begun to get into with regard to that. We'll make our position clear when the time is right.

SENATOR BUCCO: I think that's part of the equation of this whole thing, too.

MR. ZOFFINGER: You're absolutely right.

SENATOR BUCCO: Thank you.

Thank you very much, Mr. Chairman.

SENATOR BRYANT: Thank you, Senator.

Before I go to Senator Gill, let me ask one question for clarification.

There are successful places that have venues closer than 11 miles, but they're all owned by teams. I'm thinking about Spectacor and Comcast. They actually have the Spectrum and the First Union Center. They're both very profitable, but it's because it's the teams, and the whole buildings and everything are owned by the team. Going back, still, to your original premise, when they actually either own or dominate the whole facility, they can make a profit.

I don't want someone to say -- if, all of a sudden, the Devils and the Nets decide they want to be in Newark, and they want to buy this thing and do other things to it, and they had a minor league hockey team, they might make it successful.

MR. ZOFFINGER: I guess the answer is that, from an economic standpoint, things that we make money on-- We make a lot of money on things like the circus, the Ice Capades, family shows -- what they call family shows. Those are very profitable things. Frankly, they subsidize the YankeeNets license agreements.

So, to answer your question, I don't see the circus booking two weeks here and booking two weeks in Newark. They do Madison Square Garden and they do the Continental Arena, serving two market segments. I'm not sure that we could get them to do two weeks, two weeks, and two weeks. I just don't think it would happen. As a result, if you start to add up those incremental days, if you will, that you need to make a place profitable, you come short.

SENATOR BRYANT: Sure.

Senator Gill followed by Senator Littell.

SENATOR GILL: I have a question, gentlemen.

Conceptually, I like to know that the funding for the SEDs are not constitutionally dedicated but they're statutorily enacted. How can you project that it would be a steady stream of revenue for five or six years out?

MR. ZOFFINGER: Good question.

MR. COSCIA: You're absolutely right, in you can't. And what the Legislature needs to consider, in deciding whether or not to pursue this proposal, is the more clear-cut it allows tax revenue generated at this facility to be committed or dedicated for debt repayment, the more likely it is that that transaction will allow us to alleviate the liability that the taxpayer has and substitute it for that specific dedication. If there are holes in that, if, in fact, there are ways that it can be undone, it will be more difficult, obviously, to complete that financial transaction and less likely that we can eliminate more of the debt. So the more concrete that is, the more debt we'll be able to eliminate.

SENATOR GILL: My question goes to you, how concrete can it ever be if it's statutorily enacted and a new administration or a new Legislature could come in in two years and say, "We are going to resend the SED financial structure." Would it be in your best interest to have it constitutionally dedicated so that you would not be in a precarious position of the next administration saying, "Well, politically we don't think this is viable."

MR. COSCIA: Well, Senator, that gets to the whole issue of contract bonds, because, under the current situation, there is an agreement between the Treasurer and the Sports Authority that says, "I will make these debt service payments." But it's subject to appropriation. So the Legislature can determine every year to not fund that appropriation, and the Treasurer would have no option but to default on his contract to the Sports Authority.

So what we're proposing is no worse than what we currently have. But what you're suggesting, regarding a constitutional amendment, would clearly improve the credit quality of that payment stream. There's no question about that.

From a pure credit standpoint, the marketplace would give you much greater value to a constitutionally mandated stream of cash flow than one that is dedicated by the Legislature. But that's obviously a different process.

SENATOR GILL: Another question I have is, does a SED area envisioned for this facility-- Would it include the existing hotels that are now--

MR. COSCIA: No.

MR. ZOFFINGER: No.

MR. COSCIA: No. Literally, it's the property boundary that is owned by the Sports Authority.

SENATOR GILL: Okay.

SENATOR BRYANT: Senator Littell.

SENATOR ROBERT E. LITTELL (Co-Chair): Thank you, Chairman Bryant.

Good afternoon, at this point.

MR. ZOFFINGER: Yes, Senator.

SENATOR LITTELL: President Zoffinger, Chairman Goldberg, and Chairman Coscia, thank you for being here today to have an interaction with this Committee -- or these two Committees.

The information that you've given out is demonstrating what's gone on in the past, and what's presently going on, and what might go on in the future. There's been a lot of talk about dedicating taxes.

I consider myself to be one of the most strenuous advocates for dedicated taxes in the State of New Jersey. The '47 Constitutional Convention did away with all dedicated taxes with the exception of fish and game license fees.

Since then, the Legislature has put on the ballot dedicated taxes that are constitutionally dedicated, which differs from legislatively dedicated taxes. The lottery in '69, casino gambling, open space, gasoline and diesel, income tax, fish and wildlife, and so on-- That's a very important factor, because that means that those dollars have to be used for those purposes. The property tax relief fund is to reduce property taxes. I'm sure you don't want to take on the mantle of being the bad guy when it comes to taking the

peoples' money away from property tax relief. We've been through that once, haven't we.

MR. ZOFFINGER: We certainly have, Senator.

SENATOR LANCE: I'm taking notes.

SENATOR LITTELL: There is a better way than the SED, I believe, that is embodied in a constitutional amendment, which I've sponsored along with Senator James. It has 21 sponsors in the Senate. If I had more time, it probably would have been 40.

The idea is that you get the sports complex off the taxpayers' back and be self-sufficient, and you put a fee on so that the people who are going to the football games, or the hockey games, or the basketball games, or going to one of the three facilities in Atlantic and Cape May counties, Wildwood, and the two convention centers in Atlantic City, or the aquarium in Camden-- Let the people that use those facilities pay for the debt service. What's left over should be allocated to capital improvements, and renovations, and restorations that have to be done on our buildings.

We have a terrible record in the State of New Jersey of taking care of our property. I've said many times that we should stop buying property until we learn how to take care of it.

I give up going to the Capital Budget and Planning Commission meetings, because nothing ever happens. They come in and say they need \$30 million and end up getting \$3000. You can't have buildings and let the roofs leak, and the walls crumble, and the foundations dissipate.

The fees on all tickets and license arrangements would provide enough money to pay your debt service. It would put you on an independent

course that you ought to be on. And I believe that you need to think outside of the box. I sense that's what you're trying to do here today -- is to think outside of the box and come up with a new process.

In Canada, they have a royalty tax that goes on every ticket and every venue across the nation up there. There's no reason we can't do that here in the State of New Jersey.

I would appreciate it if you'd take that seriously, and consider it as part of your operation and get this operation off the backs of the taxpayers.

MR. ZOFFINGER: We are considering it. And I appreciate very much, Senator, your sending me that information. I'm in the process, as we speak, of trying to develop what that fee would have to be in order for us to service our debt.

Also, it's kind of interesting, because in the investigations that have begun since the last time that we spoke about this at the last meeting, we have found out that in some other places, they do, in fact, do that. I appreciate your sending me that stuff on Canada. We're going to look at that as a possibility.

SENATOR LITTELL: The best thing for the arena, whether it has any value at all, should be to consider that for video lottery and for slot machines, and to turn it over to the casinos that are operating in Atlantic City that have done a good job, because New York's going to be eating our lunch when they open up those casinos up in the Catskills.

MR. ZOFFINGER: And also Pennsylvania. Both gubernatorial candidates have said that they're in favor of them.

You're right, Senator.

SENATOR BRYANT: I have a first-strike bill that if, in fact, they approve it, we can end up doing them both on the Hudson and in the Delaware. It's been in for about five years just in case of that.

MR. ZOFFINGER: You're absolutely right, Senators.

SENATOR BRYANT: Senator Lance.

Are you finished Senator Littell?

SENATOR LITTELL: Yes, I'm done.

SENATOR BRYANT: Senator Lance, and then I'm going to ask the Senator from Union County to wrap up.

SENATOR LANCE: Thank you, Chairman Bryant.

SENATOR BRYANT: Fairly short, because we're on our second rounds now.

SENATOR LANCE: Thank you, Chairman Bryant.

I found the testimony this morning very interesting, President Zoffinger and Chairman Goldberg and Chairman Coscia.

I suspect that the RFP has been written, given the position of the Nets and the Devils, in a way that what you will receive in the middle of September are likely to be proposals that will not include a sports stadium here in the Meadowlands. Is that probable?

MR. ZOFFINGER: Very probable.

SENATOR LANCE: And I don't want to kid the public on that.

MR. ZOFFINGER: We aren't, either.

SENATOR LANCE: I don't think you gentlemen want to kid the public either.

MR. ZOFFINGER: We're not.

SENATOR LANCE: I believe this is more important than lunch at the moment. We're at a public hearing here all day, and I intend to take my time, because it's a very important matter to the people of New Jersey.

So, the proposals that you will get back are likely to be for venues other than a sports arena here in the Meadowlands.

MR. GOLDBERG: For land uses, yes.

SENATOR LANCE: And, from my perspective as a legislator, that is unfortunate, but not your fault, because you've been told by the Nets and the Devils that they're not going to stay here.

MR. GOLDBERG: That's correct.

SENATOR LANCE: And I would characterize that, without having reviewed the proposal fully, as, frankly, a form of blackmail by them. And I do not blame you. But I do not know enough about how this process works whether that blackmail on their part is real or imaginary.

I suspect it would be inappropriate for you to comment on that. It is my position that that is what is being attempted here. And they may very well have opportunities in other places. I suspect, because these teams are in the New York metropolitan region, it is unlikely that they would move from their region to another part of the country. Is that probable, that they would not move to another part of the country?

MR. ZOFFINGER: Anything that I would say in that regard would be speculative, you have to understand.

SENATOR LANCE: Yes.

MR. ZOFFINGER: But I think that, in the case of the Nets, we know that they have been given overtures in the region.

SENATOR LANCE: In the region.

MR. ZOFFINGER: In the case of the Devils, under its current ownership, I think that's probably correct. However, there's no guarantee that they will remain under their current ownership. And the hockey franchise, frankly, could probably move someplace else within the country.

SENATOR LANCE: Thank you, President.

And this is really a discussion that would have to occur between the Legislature and the owners, I suspect. But I am disturbed that they have given all of us in New Jersey, the 8.5 million people of this state, the ultimatum, apparently, that they're not going to stay here. I don't think anybody in the Legislature is amenable to such threats. And I think the public should recognize that, number one.

Number two, I think Senator Gill asked a very important series of questions. And it is my position, as a legislator, that we have an opportunity here to be transparent with the public. And if we dedicate revenues from the sales tax or, perhaps, the income tax to support an arena, wherever it is to be built, that we really ought to do it through a constitutional dedication.

For too long in New Jersey, we have relied on what you accurately described, Chairman Coscia, as contract debt. And as Nia has pointed out, a subsequent Legislature or a subsequent Governor could repudiate that. Is that accurate, Mr. Coscia?

MR. COSCIA: It's accurate. But, Senator, you mentioned that -- We're not talking about financing an arena. The discussion of the testimony that I presented earlier dealt entirely with the dedication of tax revenue for the repayment of debt for which the State is currently responsible.

SENATOR LANCE: Yes.

MR. COSCIA: I think the legal and financial issues that relate to those items differ than the legal and financial issues that might relate to the financing of an actual project. I would have to say that I differ with your view to the extent that they are very different things.

The analysis, from a constitutional and legal standpoint, of taking tax revenue and dedicating it toward the repayment of debt that the State has already, by contract, agreed to be obligated for, is a different analysis than the dedication of revenue for a specific project. Not to say better or worse, just different.

SENATOR LANCE: Well, I believe it's better to dedicate revenue for specific projects.

MR. COSCIA: Than the repayment of existing debt.

SENATOR LANCE: No, we certainly should repay existing debt through dedicated revenues. We also ought to fund new projects through dedication of revenues.

MR. COSCIA: That's your view. I'm simply telling you that the proposal we're talking about this morning has nothing to do with financing a specific project. It has to do with creating a revenue stream to alleviate the current liability that the taxpayer has.

SENATOR LANCE: And will we have a discussion, at some point, on how the Newark arena will be funded and whether there will be dedication of revenues?

MR. COSCIA: My understanding is that that's the September hearing -- is for that purpose.

SENATOR LANCE: Yes. So, we're going to have a fundamental discussion on that, if not today, at some point.

MR. COSCIA: That's my understanding. Yes, sir.

SENATOR LANCE: It's a very important component of this. And if we use revenues to be generated from the site at another venue -- for the sports site at another revenue -- then, in my judgment, it should be dedicated.

Mention was made of urban enterprise zones and BEEP grants. They do not involve bonded debt, do they, Mr. Coscia?

MR. COSCIA: No, they do not.

SENATOR LANCE: They do not. And so I believe the analogy to them is incomplete.

Regarding your enabling statute at the moment, President Zoffinger-- I don't know the answer to this question. Does your enabling statute here at the Meadowlands, at the moment, permit you to use the sports arena site for purposes other than a sports arena?

MR. ZOFFINGER: Yes.

SENATOR LANCE: Yes. And so the board, on its own -- and, of course, the Governor would have the power to veto the minutes, but we in the Legislature do not have that power-- You here at the Sports Authority -- the members of the Sports Authority could unilaterally get out of the business of the sports teams without any requirement for legislative approval of that?

MR. ZOFFINGER: There are specific things in the statute that we are allowed to do.

SENATOR LANCE: Yes. And does that include saying that there will no longer be hockey or basketball here?

MR. ZOFFINGER: Yes, that would-- We could, certainly--

SENATOR LANCE: I'm just asking. I really don't know the answer to that.

MR. COSCIA: If I could answer that question.

SENATOR BRYANT: The statute now doesn't require that you have basketball or--

MR. ZOFFINGER: No, that's what I--

MR. COSCIA: There's a distinction between what the statute enables the Authority to do and what it's required to do. The statute enumerates a whole series of things that this Authority's legally empowered to do when it was created.

SENATOR LANCE: Yes, sir.

MR. COSCIA: And among them are all the things that we have been doing at the Authority.

SENATOR LANCE: Yes.

MR. COSCIA: There's nothing in the statute that says that you are not permitted to relinquish an operation relative to a particular sports entertainment venue or something of that nature.

Obviously, we've got tenants who are saying they're going to leave. So we've got to look for ways to redeploy those assets. But, having said that, there's nothing in the statute that creates any kind of penalty or problem in the event that basketball were no longer played at this site.

SENATOR LANCE: Thank you. You've answered my question. Thank you.

MR. COSCIA: Can I just--

SENATOR BRYANT: Senator Lance, can we ask that you, kind of, wrap up? This is on the second term, and I have--

SENATOR LANCE: I'll do whatever the Chair says, because you're the Chair. I think this is a matter that concerns the people of the state. I'm sorry that time is of the essence. I thought we had all day. But I will end my questioning there, Chairman.

SENATOR BRYANT: Senator, if you have a couple-- I'm only asking that if you finish with a couple questions, and then I'm asking--

SENATOR LANCE: Well, my final question then, Mr. Chairman--

If we have mass transit or other improvements here at this site, who would pay for them?

MR. ZOFFINGER: Well, I mean the--

SENATOR LANCE: This is an unimportant, modest question.

MR. ZOFFINGER: No, it's an important question. It would be paid for the same way other transportation improvements are paid for, by the State of New Jersey or by, potentially, Federal money.

SENATOR LANCE: Thank you, President.

SENATOR BRYANT: Senator Lesniak with a short one, and then we'll be ending this panel.

SENATOR LESNIAK: Thank you, Chairman.

Senator Littell made, I think, a pretty good point directed to Chairman Coscia.

You're really not proposing a sports entertainment district here, because the incremental taxes to pay off the debt aren't necessarily, and

probably aren't, coming from sports and entertainment -- would be coming from many different potential uses. Is that correct?

MR. COSCIA: That is correct.

SENATOR LESNIAK: That's all.

SENATOR BRYANT: I know, on behalf of both of the Chairpersons, as well as all the Senators here, we really thank you for your enlightened information. I know there's going to be follow-up questions. I mean, it is something that, I think, is fully out there in the public. We need to discuss it. But I think we're on the right track in terms of exploring. If we don't explore the possibilities, we'll never know what can be done.

It's clear, at least from this Senator's point of view, that there are going to be changes made, whether we want them or not, based on private owners of sports teams who are going to make some changes. And we have to prepare ourselves for those changes in some way.

So we'd like to thank you.

If any of the members would like to speak to any of them on the side, they'll stay for five minutes.

Thank you very much.

MR. ZOFFINGER: Yes, we'll stay.

Thanks for the opportunity to come.

SENATOR BRYANT: Senator.

SENATOR BARK: Thank you.

Senator Lance, I feel like this panel has all day, but I'm not sure those who wish to testify have all day. So we're trying to, I guess, move this along so everybody has an opportunity to testify who would like to.

If you want to testify and have not signed a slip, I wish you would do so and be sure that we get it. And we will move on now.

Our next person to testify will be Assemblywoman Heck.

Good afternoon.

A S S E M B L Y W O M A N R O S E M A R I E H E C K: Good afternoon.

I'm very pleased to appear before you again. And I thank you for coming to Bergen County.

Before I proceed, I just want to mention that a couple of people had to go. They had business appointments. And the young man, Keith Zakheim, will be sending you his testimony.

SENATOR BARK: Zakheim?

ASSEMBLYWOMAN HECK: Yes.

SENATOR BARK: Okay.

ASSEMBLYWOMAN HECK: It's Z-A-K-H-E-I-M.

SENATOR BARK: Okay. Thank you.

ASSEMBLYWOMAN HECK: He will be sending it to you.

I know that this has been a very eventful day. I really am impressed that we're getting some really broad coverage. I agreed with Senator Connors's approach, and Senator Lance has made good points, as have most of the Senators.

I'm really very concerned. I know we're talking about the financial end, but my major priority has been, over the past five years, when there was a move to build a mega-mall here -- happens to be the environmental concerns and the mass transportation concerns.

As I said to you before, many years ago we were promised that public transportation would come into the area and that we would not have traffic congestion, that we would not have environmental problems such as flooding, which we have been experiencing.

I'm happy to say that we in the Legislature have begun, in concert with the Meadowlands commission, a piece of work incorporating the Army Corps of Engineers to relieve the flooding in the area from Hackensack through to Secaucus. So that's been in progress approximately three years. I'm happy about that.

The public transportation is another story. This complex, this area will not be financially secure until we have public transportation. It will bring in more money. It will move people and goods in and out of the complex in a much more efficient way and a cost-effective way. That's a major happening.

I will tell you that I looked at the advisory council that they put together. And their transportation is one that I have doubts about. He doesn't know the area. I've dealt with him over the years. I could recommend 10 other people to give you a better outlook on what's happening here in Bergen County.

I do want you to know that I've been working with people and holding my own hearings, and the people are concerned about this particular area. Again, two major points are always the environment and transportation. Certainly, they're very concerned about the loss of money here. And I think it's incumbent upon the Sports Authority to make sure that we're a viable and cost-effective project.

We also have concerns about the other projects that are losing money in the State, such as the Camden Aquarium. It's not focusing much attention. We don't have that much attention there. But I do want you to know that I was one of the supportive people in bringing the light rail into the Camden Aquarium. I think, once that's going, it will help to improve people coming in and out of Camden.

That's why I think we have to focus on the ways and means to get people in and out of here in an effective manner, without it adversely impacting the surrounding towns.

The other piece I did want to talk about, and they eluded to that fact in the RFP, was the fact that a mega-mall would be impossible for this region. Impossible. It would take away the economic revenue from other malls in the area. I have heard, and I'm happy to say, that some of the RFPs coming in have taken that into consideration and have been listening to the voice of the people.

I even heard from, believe it or not, people that I've been fighting with for four or five years, the Mills Corporation, that they're finally listening to the people not only in Bergen County, but the State of New Jersey. I'm impressed that we've had an impact on them because this affects all of us.

Quality of life issues cannot be sold out for dollars. They cannot. And when we look at a project such as this and the redevelopment of this area, we should look at it not 10 years ahead or 20 years ahead, but 50 to 100 years ahead, because time has a way of passing.

We were promised almost 30 years ago that we would have public transportation. And I think in the RFP there should be included some

mechanism to raise revenue to begin the transportation piece immediately, before the redevelopment of the Meadowlands piece. Why? Because I don't believe it will come after. I think it has to be before or done simultaneously. I will not agree to anything less, because we were taken down that road 25 years ago. We're not walking blindfolded down that path again.

I have forewarned Senator James about the same thing for Newark. Be careful of the promises made and the promises not kept. They have a number of prospects for Newark. And I certainly look to Newark's revitalization, but not at the expense of Bergen County. I think we have to have respect for each of our counties and build something that will be compatible, and not something that will take away from one, because 20 years from now, someone can come in again and take it away from Newark. So we have to have that kind of respectful treatment of each of our counties and look for economic revitalization.

I pointed, previously, to the job we did on the Hudson-Bergen piece. We looked at a revitalization during a deep recession, way back when in the early '90s. And that is absolutely an example of what we can do if we invest money properly. Not only did we invest properly and we saw, at that time, that we would get \$3 for every dollar invested on the Hudson-Bergen Light Rail, we're getting well over \$10 for each dollar invested.

I think the transportation piece is underplayed here. The transportation piece is the economic engine for any project in the State of New Jersey. If the people can't get there reasonably, they're not going to come en masse.

Oh, yes, maybe you'll get people who can afford to pay the parking fees, afford the ticket price, but you're not getting the public at large, who can benefit from a marvelous project here in the Meadowlands.

This is the jewel of Bergen County. This can be the jewel of the State of New Jersey. It can bring about jobs. The unions are crying that there's only one way to make money, and that is to get rid of the arena-- I don't believe that -- and put it in Newark. We can retain, and must retain, the arena here in the Meadowlands. We should not be thinking that we should tear something down in order to build something else, that there is no guarantees.

I heard Anthony Coscia say the risk should match the revenue. I disagree with that. I think that the revenue should exceed the risks to be taken. And they should be proven as much as possible before we go into this mega-million dollar or billion move.

Certainly, the developers must take and pay for a fair share of the transportation needs. I want to see that in the RFP. I want to make sure that there is sufficient moneys being allocated to allow the transportation HUB here at the Meadowlands.

And I have a plan. And you all know that I have bill in already for a rail piece. But I've been working on another piece for the past six months. And I'm almost ready to introduce that to you, not in the form of legislation, per se, because if you recall, my plan for Hudson-Bergen for the Light Rail was never done legislatively. It was done through the efforts of volunteer experts who put it together and developed the design, build, operate, maintain piece which allows it to operate today.

I hope to, at some point, go before the Transportation Committee to discuss what's happening and the mistakes being made over at Transit right now, because they've destroyed something we've put together called New Rail Construction, which allows our piece of transportation to be economically sound and on target as far as the building is concerned.

New Jersey Transit is an operation that needs to be improved. And I saw that years ago. So I don't count on New Jersey Transit's coming through with a good operational transportation plan. I have the same people who helped me put together the HBLRT putting this plan together for the Meadowlands and beyond.

Again, please, I beg this Committee, do not sell the transportation piece short. It is vital to making money here at the Meadowlands. Certainly, developers can come in and have a field day building, but again, what happens to all of us in the surrounding communities if you don't take care of the environmental issues?

And the environmental issues, by the way, connect with the transportation piece, because environmental issues include the air that we breathe and talk about the cars lined up out here with their exhaust just blowing into the towns surrounding here. That's very important. And talk about the noise. Noise pollution has to be considered, as well. All of these things come into play.

Again, think of the quality of life issues. Think of the revitalization of the area. But do not forget that a key piece is the transportation piece.

I have material that I will submit to you. It gives you the Meadowlands talking points and why I believe that the arena should stay, and the myths and facts about the Meadowlands and the Newark arena. I'm going to give it to you. Hopefully, you'll make copies of it. And include it in the testimony, please, because it is important.

But I do know that there are people here kind of getting tired and do want to speak.

SENATOR BRYANT: It will be copied and placed into testimony.

ASSEMBLYWOMAN HECK: Thank you.

SENATOR BRYANT: It is my expectation and my hope that I will be able to attend each and every one of your meetings, no matter where you have them.

SENATOR BARK: Thank you for coming.

SENATOR CONNORS: Madam Chairwoman.

SENATOR BARK: I certainly appreciate your comments.

There will be questions now.

SENATOR CONNORS: I wanted to compliment Assemblywoman Heck and also Assemblywoman Loretta Weinberg, who has sent us a communication today basically siding 100 percent with Assemblywoman Heck.

When I was talking before, I wanted to-- In the interest of brevity, I didn't want to continue it. But I would like to go back to the testimony of Assemblywoman Heck.

On Page 66, where she stated -- and she again stated the same thing -- "We were promised there would be no traffic congestion in Bergen

County. We were promised there would be no flooding in Bergen County because of all of the concrete being laid. We were promised mass transportation. We were promised an aquarium, which ended up in Camden. We were promised time and time again.” I think that kind of sums up one of the reasons why I have grave doubts. I live in the southern end of the state, but I wouldn’t want Bergen County to encounter -- in Ocean County what’s in, possibly -- that would be encountered in Bergen County. I side 100 percent with her.

I point to an article by Ronald Utt, an economist, and Herbert and Joyce Morgan, a senior research fellow with the Heritage Foundation. Just summing up some of the things that they found with regard to-- And the name of the article is, “Tax Me Out to the Ball Game.” It says these mega-projects that have been going on with ballparks and arenas, etc. throughout the country is slowly coming about to failure.

The fact of the matter is, they say in part, the bulk of the franchise payroll that has been espoused here as being supportive of the State of New Jersey -- the players will likely reside and spend it elsewhere. These are the findings. They go on further to say, “In other words, money spent at the ballpark is money that otherwise would have been spent at the movies or the golf course or some other retail outfit. In contrast to other existing studies, we find evidence that some professional sports franchisers reduced the level of per capita personal income in metropolitan areas and have no effect on the growth in per capita income, casting doubt on the ability of a new sports franchise or facility to spur economic growth.”

He goes on further, and she goes on further, to say that, “Steinbrenner once argued for a new publicly-funded stadium in midtown Manhattan, because the stadium’s current location in the battered Bronx neighborhood discouraged attendance. In effect, Steinbrenner was admitting what many economists have discovered analytically: that the Bronx managed to resist 70 years of Yankees Stadium’s economic stimulus. So has North Baltimore, which resisted 40 years of Memorial Stadium stimulus. North Philadelphia resisted Connie Mack Stadium. South Philadelphia resisted Veterans Stadium. And south Chicago resisted Comiskey Park. So too has Cleveland, whose population fell 5 percent during the 1990s, thereby inexplicably resisting the effects of the \$300 million Brown Stadium, the underperforming Rock and Roll Hall of Fame in Jacobs Field.”

He goes on further: “Sports fans continue to drift away to other entertainment and leisure-time options, leaving the costly stadiums underutilized and teams owners threatening to leave town unless further concessions are granted.”

And, finally, it says, “Television viewership has been on a downturn for the past decade. Hockey ratings have fallen off by half since 1995. And since 1990, baseball ratings are up by a third. Basketball and football are both down by about a quarter. Indeed, one network last year explored the option of not broadcasting some of the NBA’s games for which it had already purchased the rights, because it would lose less money by broadcasting reruns in the game’s place. ABC’s Monday Night Football also was down in ratings and is consistently beaten by televised wrestling, which draws a larger and younger audience.

“Early this year, the FOX Network parent news corporation wrote down the value of its professional baseball and football contracts by \$522 million to reflect declinings in revenues.”

I just wanted to get that into the record and express my satisfaction with the testimony that Assemblywoman Heck has given here today and in July when we met before. I think she’s right on target that the environmental and mass transportation issues really have to be addressed, as well as the economic issues, which are paramount to all of them.

ASSEMBLYWOMAN HECK: And, just adding to that -- and we’ll be talking about this at another time -- I’m very happy that Leonard brought up the ways and means of paying back, and the rights we have and the people’s right to speak when its money is being spent.

I also hope that, within any legislation that comes up in the future, there will be a checks and balances made by the entire Legislature and not by, simply, the minutes being approved or disapproved by the Governor.

Also, the fact that I would not want to see the Treasury being given carte blanche in any situation that could hurt the people of the State of New Jersey-- I think all of those little pieces within the structure of some of our bills must be dissected and thoroughly gone over before a vote is given.

I’m very concerned about the Harrison bill that moved out of the Assembly. There are some really big depth charges that are in there that can blow up in our faces in the future.

Thank you very much.

SENATOR BARK: Thank you.

Is there anyone else who would like to ask a question or a statement from Assemblywoman Heck? (no response)

If not, we want to thank you very, very much for being here.

ASSEMBLYWOMAN HECK: Thank you very much.

SENATOR BARK: Senator Bateman.

SENATOR RAYMOND H. BATEMAN: I'm stretching.
(laughter)

SENATOR BARK: I know how you feel. Good afternoon.

SENATOR BATEMAN: Senator Bark and Senator Bryant and members of the Senate Committees, I thank you for the opportunity to talk about the future of the Meadowlands.

A year ago, I finished six years as Chairman of the Sports Authority. Chairman -- that's the nonpaying, nonsalary job that kept me here three days a week for six years.

I have a history with the Meadowlands. As Senate President, I was one of the sponsors of the original enabling legislation. Thirty years ago next month, I stood on this site when it was a steaming, smelling dump filled with cars, tires, body parts, and everything else. It's come a long way.

I'm a Meadowlands partisan. I'm a Meadowlands junkie. I love the place and what it has done for New Jersey's image. It is, right now, today, the best sports and entertainment center in the U.S.

About a year ago, I resigned as Chairman because I could not support the Eisenberg plan to make the sports complex into a major shopping center, office building, and theme park complex. I thought then, and I think now, the plan, if implemented, would have done significant damage to New

Jersey's most exciting, most recognizable public project of the 20th century. And, practically, the plan simply would not fit on the 750-acre complex. And I'll use the word *fit* quite often. Frankly, I'm deeply concerned that whoever wins this RFP coming up will be with a project that just won't fit either. We'll see.

At the Sports Authority, we've had two master plan proposals in the last seven years and in addition to the Eisenberg plan, which was offered by Acting Governor Donnie DiFrancesco. Because of these plans, I do have some insights that might be helpful to the Legislature. We should all be looking for what fits, for what works, and for what makes financial sense to the arena site and, more importantly -- and we haven't talked much about this -- to the overall site.

The Meadowlands was created to bring the football Giants to New Jersey, with a financial plan to build a new race track, with the track profits to pay for the bonds to finance the two facilities. I'm amazed nobody's really talked at all about the centerpiece of this place, the New York Giants and Giants Stadium.

We opened both facilities in 1976 with instant success -- generated surplus revenues which went back to the State. The Byrne Arena came six years later. It was the first major expansion. It was also, at that moment, an instant financial success. Three major decisions have affected the Sports Authority bottom line. We haven't talked about those.

First, and most significant, was the advent of casinos in Atlantic City. Horse racing in New Jersey and all over the United States has been devastated by the nationwide casino growth. Bottom line, the Meadowlands

race track dropped from a high of a \$50 million-a-year profit to recent lows below \$20 million a year. That's how horse racing has been impacted.

Second was the legislative and gubernatorial decision in the last month of Governor Florio's term to have the Sports Authority build and operate the new Atlantic City Convention Center, to rebuild Rutgers's athletic facilities, and to do other capital projects. That was followed by a Governor Whitman-directed building of the Wildwood Convention Center and by a \$100 million rebuilding project at the old Atlantic City Convention Center.

These all were projects built when I was Chairman. All three were on or under budget, on time, and beautifully done. All three operated annual losses and have, collectively, nearly \$500 million in bond debt, which is carried by the Sports Authority.

The third tough fiscal decision, which we've heard about, was made by Governor Whitman in an effort to keep the New Jersey Devils from moving to Nashville. At the time, moving the Devils was a very strong possibility. And it cost us dearly in the bottom line at the Continental Arena.

Where should the Sports Authority go from here? If you believe, as I believe, Giants Stadium is the centerpiece, other uses have to fit. The absolute beauty of the Continental Arena is the flexibility it gives to all the events scheduled.

Let me explain. Next Thursday, the Giants play Baltimore here in the stadium. Next Friday, the Jets play the Philadelphia Eagles here in the stadium. Next Saturday, Notre Dame plays Maryland in the Kickoff Classic. For three straight days, all the parking lots will fill, and 1000 to 2000 or more cars will be parked on the outside around the roads. The Continental Arena

is scheduled closed, and absolutely nothing will move on this complex except cars to the events.

No other contemplated use for the arena site could do this. Gridlock here happens 40 to 50 times a year. The Giants and Jets each gridlock this place 14 or 15 times each. You have the Kickoff Classic. You have the Army/Navy Game, you have major soccer events, and George Zoffinger is going to have more major soccer events. You have big concerts. You have the Hambletonian. These are all gridlock activities.

Because of the gridlock days at Giants Stadium and the race track, I don't believe any convention center that has to close 40 to 50 prime-time days can succeed. It's going to be a big-time money loser. No major retail outlets can succeed losing most or all of the major sales dates.

The biggest retail sales day in the United States is usually the Saturday before Christmas. There's nearly always a pro football game at noontime on Saturday before Christmas. You couldn't even get to a hotel facility on the site during the gridlock days.

If NASCAR is in the Sports Authority future, and I would be one who is hopeful that they would be, we're talking about three more big weekends of gridlock.

For me, certain conclusions have come from the master plan. First, the movement of Route 120 to the eastern edge of the complex, which was recommended in our first master plan, is not worth the \$200 million it will cost. It would be opposed by the Giants. We haven't talked much about the Giants. Their contract, as you know, goes to 2026. They have veto power of

those kinds of activities. They have said they would oppose the movement of Route 120, mostly because of the years of dislocation during construction.

Second conclusion: a rail must come to the complex. You heard about that. All plans include light rail proposals; rail from southwest to northeast. It's several years away -- probably 10 years. It's going to cost a billion dollars to somebody -- significant cost. It will somewhat relieve the parking pressures I talk about, but not in this decade.

The KAJIMA master plan for a new arena adjacent to Giants Stadium right here, right next store, made the most sense. It has sports-related stops, activities in the KAJIMA plan that, I think, are real possibilities.

Structured parking, parking garages, cannot adequately handle the traffic for full-house gridlock events. The Giants have said that they will oppose a heavy reliance on parking decks or garages. The Eisenberg plan contemplated 15,000 garage parking spots. That would have cost \$200 million. And, normally, you can amortize garage parking by parking fees, but not here, because all the parking fees are already distributed to the franchises and to us. So, 15,000 parking garages at a gridlock day would be absolutely outrageous. First of all, you've got to finance it.

I think NASCAR racing does fit, because NASCAR is really looking at a maximum of three long weekends a year, which could be scheduled around other activities. Obviously, NASCAR would have to put up the money for the expanded race track facilities and work out the dual arrangement with the horse people.

The more I view the future, the more convinced I am that an arena is an absolute essential to the complex and for the surrounding Bergen County,

Hudson County area. It could be Continental as is, an expanded Continental, or an entirely new arena.

I believe an arena, quite to the contrary to George, can be successful with or without the Devils and Nets. Nobody has mentioned the fact that it would make money without them. But what we would get instantly is 80 prime-time days. And we have all kinds of applications around here for uses of those 80 days. I believe an arena can be successful with or without a Newark arena.

I believe the proposal made by the arena consultant, Sam Katz, to Governor Whitman for a North Jersey II arena solution still makes the best sense if the State continues to opt for a Newark arena.

There is one other way to successfully expand uses on this complex while protecting the integrity of all Giants Stadium and racetrack events. The Sports Authority owns 119 acres to the west of the complex. It's now called Berry's Creek. It's a mercury-contaminated area. It could be encapsulated and used for parking as many as 9000 cars. That would free up proposed usages that may come from an RFP. It's a tough decision. It needs EPA and DEP approvals. But it is worth a real study.

Finally, I don't get angry anymore, but I'm somewhat angry that much of the \$10 million spent by Newark and YankeeNets interest to get legislative approval of a Newark arena has really been aimed at putting the box to the Sports Authority Meadowlands. They've exaggerated our debts. They've deliberately maligned this place, which is still the best sports venue in the United States.

And it's been a hotbed of activity. Yes, there are some, both, capital and operating deficits. As a matter of fact, we had cut the operating deficit last December, before the Florio (*sic*) administration came in, to \$5 million. The Sports Authority did that.

But in the last six years, let me tell you what's happened here. We built and operate a \$275 million Atlantic City Convention Center. We built and operate the \$80 million Wildwood Center. We rebuilt and operate half of the old Atlantic City Convention Center. That's \$100 million. We built this magnificent suite complex right against the south side of Giants Stadium -- cost of \$50 million, which does not appear in our debt because it's been borrowed by the franchises. We share \$3 million in profits -- \$1 million each, Giants, Jets, Sports Authority -- from this suite complex. It's a beautiful thing.

If any of you had walked in the past from Continental Arena to Giants Stadium, you knew how bad the pedestrian bridge was. We built a new \$7 million pedestrian bridge across Route 120.

We put \$15 million in upgrading Continental Arena. It's much better than it was. We spent \$5 million to finally install a grass field which everybody wanted for so long for the professional sports, and we pumped major infrastructure dollars at the two racetracks, all in the last six years. This is an active place. It's not quite as active now. The bankers are in control now. (laughter)

On top of all that, the State of New Jersey gets a lot of money in sales and income taxes which goes to the State, and not a bit of it goes to the Sports-- They talked about that earlier. I think the figure is much higher than \$29 million, but we can argue about that.

East Rutherford -- hometown -- Martha's concerned about East Rutherford, and she should be. In lieu of taxes, we give East Rutherford \$3.5 million a year.

I have no clue as to what the RFP respondents will recommend for the Meadowlands. But believe me-- Think about this. Whatever the plan, it has to fit the dynamics of a stadium schedule that closes this whole facility down 50 prime-time days every year. That's what it's all about.

I'm concerned the RFP is a faulty document for reasons that, if you had read further, you would have seen. It concerns me. In the RFP, they tell the potential developers that if a Newark arena is developed, the Sports Authority will close Continental Arena. That's in the RFP.

Let me tell you, ladies and gentlemen, that was never approved by the Sports Authority board. Whoever wrote that document did it on their own. The Sports Authority has never, by resolution, discussion, or anything else, said that we will close Continental Arena if a Newark arena is built. That's a decision that may be made, but it has not been made. And it has been told to the people who are making these big proposals that it's going to happen.

It's a great place. If you have a banker's mentality, and that's all you have, it's different from what I think it is. I think the Sports Authority has been sensational to New Jersey. When the World Cup came, we had 15,000 people come from Ireland to see Ireland play Italy. Eighty-five percent of the television sets in Ireland were focused right on this place. We have never run a bad promotion. We have done better than most venues around the country -- major events. That's what we specialize in.

Let's not forget what this is and what it means to the State of New Jersey. You want to make it a shopping center? It would be the worst damn thing you could ever do to this facility. And I'm not sure some of the other proposals are going to work either. So, be careful. Sure, you've got to get the bottom lines close. But damn it all, don't destroy what has been a beacon for this state.

I don't know whether any of you were at the Women's World Cup soccer event -- 79,000 people. It was filled with people who had never been here before -- women from all over the United States.

The excitement of this place is for real. Don't diminish it, don't screw it up, and don't allow it to be developed into something you'll regret years to come.

SENATOR BRYANT: Thank you, Senator.

Any questions to the Senator?

Senator Lance.

SENATOR LANCE: Thank you, Mr. Chairman.

First of all, I want to commend Senator Bateman for his visionary leadership regarding the Meadowlands, both in the 1970s and, more recently, in the decade that has now just ended.

You elude, Senator, to the current RFP. And both Senator Connors and I questioned Mr. Zoffinger regarding that. I have not read the RFP as closely as you, sir. You indicate that the RFP states explicitly that if a Newark arena were to be built, there would not be an arena here in East Rutherford?

SENATOR BATEMAN: Yes. In language never approved by the Sports Authority board, the RFP states, "Should these negotiations and efforts prove successful, upon relocating to a Newark arena, the Authority will agree not to conduct any events or activities at the existing Continental Arena in competition with the Newark arena."

SENATOR LANCE: Thank you, Senator.

That, of course, is now made part of the record of this hearing. And I believe the Committees should examine that and, through the Chairs, should request further information on that from President Zoffinger and the other responsible authorities here at the Meadowlands.

Regarding a whole different area, Senator, there has been criticism -- and this has been criticism regardless of the party in power -- this isn't from Republicans when Democrats are in power or criticism from Democrats when the Republicans are in power -- that here at the Sports Authority, there are those employed who are political in nature and that this is merely some sort of patronage facility of whichever party is in power. I don't believe that's the case, but I would like to hear your views on that, based upon your expertise of 30 years.

SENATOR BATEMAN: Senator Lance, it goes back further than that. I've been around too long. I've been here--

SENATOR LANCE: Well, some people think you're only middle aged. And I'll give you their names, Senator.

SENATOR BATEMAN: You're dead.

I've been here under eight Governors, starting with Governor Driscoll when I went with Malcolm Forbes. I've seen all the agencies develop.

There's less patronage, less political interference at this agency than any major agency in New Jersey, and it's been consistently so. You could count the political people on one hand. Most of them are very qualified types. I've protected some Democrats, as well as Republicans.

The fact of the matter is, it's been a small coterie of professionals, most of whom were hired during Brendan Byrne's administration, who have been here 20, 22, 24, 25 years. A lot of those people were the people who have left under the new regime because they got a good deal. They got their retirement plus a three-year bonus. And so a number of very significant employees have left.

But when you think that this place is operated-- You heard all the projects that we ran in the last six years with 280 full-time employees, a \$200 million budget. You can understand that it is not a fat place. It has not been a patronage place. I don't believe in that. It hasn't been for my six years. I don't know about the rest of it. I can pretty well assure you that through Governors Byrne, Kean, Florio, Whitman, they have not loaded this place up with anybody except professionals.

That was a bad rap, but there have been a lot of bad raps out, Senator.

SENATOR LANCE: Thank you, Senator Bateman. I will review your testimony. I am very pleased that you point out, if I might submit, that whatever plan is developed at the Meadowlands has to fit consistent with Giants Stadium, which is, of course--

SENATOR BATEMAN: The centerpiece.

SENATOR LANCE: --the centerpiece of this facility.

Thank you, Madam Chairwoman.

SENATOR BARK: Thank you.

Senator Buono.

SENATOR BUONO: Good afternoon, Senator.

I certainly had known of you before this--

SENATOR BATEMAN: I feel like it's good evening, Senator.

SENATOR BUONO: Well, you are a little older than me, then.

I go to bed early, too.

I just want to welcome you and tell you that, while I didn't know you personally before today, and I certainly never heard you speak or testify, I can see why your reputation is so well-deserved and why, when you speak, people listen. And we certainly will not disregard your comments lightly.

SENATOR BATEMAN: I appreciate that.

SENATOR BUONO: Well, I really have gained an enormous amount from your testimony today. You've given me a breadth of knowledge which I really hadn't considered, and that is the point, which is a very simple point that you put to us that we-- Really, no one discussed the Giants and how that really was the centerpiece of this complex.

I had a question -- number of questions in that regard. But I did want to ask you that when the-- You mentioned the match between the Italians and the Irish and how 85 percent of the Irish TVs were on. What about the Italians? (laughter) You weren't paying attention?

SENATOR BATEMAN: I imagine it was pretty similar.

SENATOR BUONO: Okay. Good answer.

SENATOR BATEMAN: But they made quite a bit of the fact that 15,000 people flew over from Ireland just to see the event. But in the event itself--

Were you there?

SENATOR BUONO: No, absolutely not.

SENATOR BATEMAN: The Irish would, you know-- The Italians would-- Oh, it was wonderful.

SENATOR BUONO: Senator Lance had mentioned something in the RFP, the in-competition-with language. My question for you, since you brought up a scenario, which I, quite frankly, hadn't thought of -- that is that the stadium -- or that this arena could coexist -- this arena, with just the Giants, could coexist with the Newark arena.

SENATOR BATEMAN: I believe, honestly, Senator, that entertainment in North Jersey -- huge market -- can sustain two arenas. I really believe that. Obviously, the YankeeNets, or whomever, would like to have bought a monopoly, forever, on entertainment in North Jersey.

Interestingly enough, it was the guy who ran the YankeeNets when I was -- three or four years ago-- I'm trying to think of his name. He was the one who suggested it to me. The YankeeNets guy suggested that two arenas were possible. Obviously, as the efforts to win the legislative approval was going on-- And obviously, they would like to have the monopoly. You can't hate them for that. You never read about that. They didn't spend \$11 million for the kids in Newark. They spent it for a monopoly on entertainment in North Jersey. You can't hate them for that.

But, yes, I do believe that two arenas can be successful. No, I do not believe that-- I think, probably, they ought to be managed, in some fashion, by one entity so you can put the circus here and the Ice Capades here, and you can move activities around intelligently and efficiently. But, sure.

You pick up-- George didn't talk about it. You pick up 80 prime-time days if the Nets and the Devils move to Newark, let's say. You pick up 80 days. And we have had all kinds of interest. I don't know whether it's still on, because I'm not running it anymore, in hockey and ice events that would fill up at wintertime.

SENATOR BUONO: Just a few other questions on an issue you just raised about the prime-time days that you would be gaining if the Nets and Devils left.

You had mentioned that it would really be difficult to find anything that would survive, from what you're stating now, with the current parking situation and the fact that the complex is actually closed down a significant amount of days because of the Giants. How can you get around that?

SENATOR BATEMAN: That's why I come back to what fits. If you're going to run a sports and entertainment facility-- This is unique. I don't think you can put a lot of parking garage facilities and get passed the approvals of the Giants. I do think that some of these plans will work on the complex if you can pick up Berry's Creek and get 8000 or 9000 cars parked in there. It certainly would be very necessary if you brought NASCAR here, because NASCAR needs even more parking than the Giants and the Jets need. If you've been to NASCAR events, they come from everywhere. And they stay.

SENATOR BUONO: Too long sometimes, right? (laughter)

SENATOR BATEMAN: I'm not saying it can't be done, but I'm saying, in the context of the 750 acres, it can't be done.

SENATOR BUONO: But if the Devils and Nets left, that would ameliorate the problem somewhat because, as you said, you would gain a certain number of prime-time days. They would then become available.

SENATOR BATEMAN: No, actually we never schedule Nets or Devils on a day that we're scheduling a major event here. They do compete. They have competed. We do have times when we have three events. The horse racing is always going on. Soccer, for example, can coexist with the use of the Continental Arena because soccer is only drawing 10,000 people or so.

But that's the beauty of an arena. You close it down. You close it down next Thursday. You close it down next Friday. You close it down next Saturday. And even if you didn't close it down, nobody would get to it, as a practical matter.

SENATOR BUONO: Right. Okay. Thank you very much. That's all I have. Thank you, Senator.

SENATOR BARK: Thank you.

Senator Kavanaugh, did you have a question?

SENATOR KAVANAUGH: Just briefly, Madam Chair.

Good afternoon, Senator Bateman.

SENATOR BATEMAN: My leader.

SENATOR KAVANAUGH: How are you?

The situation that-- I'm wondering back at the time when you were involved formulating the Sports Authority. What power does the

Legislature-- What do we have, as members of the Legislature, to influence or guide or direct or mandate to the Sports Authority? Is there any?

SENATOR BATEMAN: Well, the Legislature has always been-- Every year at budget time, we're always talking to the Legislature. They always had opportunities, budget-wise. It's true. The Governor has veto power over our minutes, so the Governor is very much involved.

Basically, over the years, this has been a high-profile board. Governors have traditionally put people like Sonny Werblin and others, Bud Foley, in significant positions. So it's been a high profile operation for any Governor -- all the Governors. And they've all been real participants. Even Jim McGreevey got here before he ever got-- He was here twice, I think, before he was sworn in. So his interest has been peaked. Tom Kean never got near the place until he became Governor. And then he became very close and very interested. So it's a high-profile place from a gubernatorial point of view.

From a legislative point of view, it's a place that we interact all the time with legislators. Legislators want to go to see Bruce Springsteen and want to be able to buy tickets. Legislators want to get to Giants and Jets games. Legislators now love to go to the Nets. You couldn't give a Nets ticket away two years ago, but, today, they're fighting for them because they're good. Legislators go to Devils. And, of course, the Governor, as you know-- Governor Whitman was always -- prime time for her-- She was always there.

But there are a lot of opportunities to interact, Walt. And if we go to do other things, obviously, you need legislation. That's where we're at.

SENATOR KAVANAUGH: Well, the thing is, now, for example, with this RFP-- How about the decisions made by the Authority-- And it's

something that the Legislature doesn't feel good about. What can the Legislature, if the Authority mandates that they're going to do it, they're going to go to Newark, they're going to destroy the Arena-- What can we, as the Legislature, do?

SENATOR BATEMAN: Well, if the Legislature collectively raises any of these issues significantly, it plays. I mean, the Legislature, in its wisdom, decided not to move on the Newark arena. What can be more significant than that?

SENATOR KAVANAUGH: How can we prevent-- I mean, I just, using--

SENATOR BATEMAN: Well, I think these Committees' meetings -- the decisions about Newark and the decisions about here have now elevated the discussions of what we are and where we're going in the public and in the Legislature.

So, Walt, I think it's a very natural thing. No matter what comes out of all this, all of you not only have the right, but have the responsibility to interact. And you can do it by legislation. You can do it by resolution. You can do it by hearings. I mean, you've got all kinds of opportunities.

SENATOR KAVANAUGH: Well, I was surprised Mayor James -- Senator James-- One of the reasons we're having the three meetings-- He's not here today. I don't know. He must have a conflict of some sort, or maybe he's still shell-shocked by the news of what's happened to Newark Airport. You never know. (laughter)

I came up, as you came up, the same distance to be here today. All he had to do was come over the bridge, but I don't see him.

SENATOR BARK: If there are no further comments--
Oh, I'm sorry.

Senator Connors.

SENATOR CONNORS: Senator Bateman, you had mentioned that this request for proposal was done without the Authority's position.

SENATOR BATEMAN: No. The request for proposal was done by a committee of the board -- a three-member committee of the board. But the language -- and that's specific language--

SENATOR CONNORS: To close the Meadowlands.

SENATOR BATEMAN: --was not approved by the board. This was, as far as I can see, the decision of the three members who were the committee to draft the RFP. All three are experienced developers and know a lot about what they're talking about, but they went a little too far in committing the board to doing something, when we had never had a substance discussion on the subject.

SENATOR CONNORS: Am I to understand, then, that the Authority never voted on this?

SENATOR BATEMAN: We voted to have an RFP. We didn't vote on the RFP. That was before the RFP was developed.

SENATOR CONNORS: So nobody read it.

SENATOR BATEMAN: No, that was before the RFP was developed.

SENATOR CONNORS: You voted to have an RFP.

SENATOR BATEMAN: We voted to have an RFP, but we never voted on the substance of the RFP, no.

SENATOR BARK: No other questions by the Senators? (no response)

Thank you very, very much, Senator Bateman, for coming. I appreciate your being here.

SENATOR BATEMAN: Thank you for your patience.

SENATOR BARK: No problem.

Assemblyman Kelly.

ASSEMBLYMAN JOHN V. KELLY: Don't get excited. I'm not going to read all this.

I think I've served with most of you in the Assembly, except for Senator Connors. But I've served with every one of you. So you know, from where I come in, what I say. I'm going to be brief.

When I first heard about this last year at the Environmental Center, I thought it was a story like a fairytale, that it was a Pinocchio story. I believe that the plan for the arena is a plan, but all this nonsense about what they're going to do in here at the Meadowlands is a bunch of phony bologna.

And I mean that sincerely. There is no real plan. There never was. Even at that meeting, they didn't invite any of the Mayors. It's kind of peculiar. Not one mayor was invited except Lenny Kaiser. No mayor was informed of this meeting today. Why? I don't know, but it seems strange.

I don't want to get nasty. Sometimes I did on the floor, but I'm not going to do that this afternoon. I believe that this agenda to build an arena in Newark is a renaissance for Newark. There's no denying that. And I have supported legislation over my 18 years. Anything that dealt with jobs, I supported. And I used to give Chuck Haytaian fits, as you well know.

A job is a job, and I supported any legislation that dealt with jobs. This will create jobs in Newark, but it's the demise of jobs in Bergen County. And they'll never come back. I did my own survey of many restaurants in this district, around this arena. It was just a telephone conversation. I didn't ask them the amount. I asked them the percentage of their income that they derived from this arena. It went from 40 to 90 percent. If this arena is removed, those businesses will die. No hotel or no retail center is going to do anything for those businesses. I think it's a crime to destroy jobs in one area and bring them to another area. It's wrong, and you consider it very carefully.

With that, I'm going to shut up.

SENATOR BARK: Thank you.

Does anybody want to ask him any questions? (laughter)

ASSEMBLYMAN KELLY: Nia, you always ask me questions.

SENATOR GILL: No.

ASSEMBLYMAN KELLY: I'm the (indiscernible), remember that.

SENATOR GILL: That's right.

SENATOR BARK: Thank you very much for being here, Assemblyman.

Next, Albert Papp, who is the Director of the New Jersey Association of Railroad Passengers.

A L B E R T L. P A P P Jr.: Madam Chair, thank you for letting me address this panel this afternoon.

As our name implies, the New Jersey Association of Railroad Passengers certainly supports the extension and reinitiation of transit service,

be it rail, commuter rail, or light rail, to, certainly, this arena and the complex, as well as the proposed, if indeed it occurs, Newark arena.

I come before you this afternoon in my capacity as the chair of the Rights of Way Task Force for the New Jersey Association of Rail Passengers. They often say the devil is in the details. And, perhaps, from reading too many bond indentures as a ratings analyst at Moody's Investor Service, I have read the legislation, both the Senate version S-1401 and the companion Assembly Bill A-2352.

What we'd like to point out to you is certain language in the Assembly Bill 2352, which we hope -- at least not by our current reading -- exists in the Senate version of that bill. We certainly don't want it in the Senate Bill. And if it's in the Assembly Bill, we'd like to see it excised from that particular bill or, perhaps, modified.

Rights-of-way, especially rail rights-of-way, we regard as priceless 19th century assets that are going to be our lifeline of communication of transportation in the 21st. We're all aware of the hiccup that occurred in New Jersey traffic and congestion over 20 years ago. That hiccup has now become a very, very big cough. And at the rate our congestion is growing in this state, it has the ability to work its way into full-fledged pneumonia.

The particular paragraph in the Assembly Bill, which we find burdensome and onerous, is the following, and I'm going to quote from that bill as it now stands: "A developer, in undertaking a project pursuant to this bill, may make reasonable regulations for the installation, construction, maintenance, repair, renewal, relocation, and removal of tracks, pipes, mains, conduits, cables, wires, towers, poles, or any other equipment and appliances

of any public utility as defined in R.S. 48:2-13 in, on, along, over, or under any real property including public lands or waters.”

This particular language is offensive to us -- offending language was added to the Assembly version of the bill on June 6, 2002, by the Assembly Appropriations Committee.

Now, why are we concerned that this language doesn't, indeed, get incorporated into the Senate version? Hopefully, when the two bills are reconciled, the language is either removed or it is modified.

Frankly, if we've got a right-of-way in New Jersey now that's two tracks wide, whether or not it has any rails indebted upon it or not, and we find that an arena can take over that particular rail right-of-way as, we say, a utility-- It's quite possible that this rail right-of-way will be negatively impacted and, in the future, will not be able to be used for rail or other transportation purposes. Even if it's two tracks wide or is wide enough to contain two tracks, if one of these tracks, for example, is indeed taken away for sports purposes, you might well have that particular rail right-of-way out of service for the foreseeable future.

I say this as one who has testified before both Assembly and Senate Transportation Committees in Trenton with regard to the Middlesex-Ocean-Monmouth Line, which we are supporting during the EIS process, which New Jersey Transit is now undergoing.

We would call your attention to this particular clause in the Assembly Bill with the hope that it is not included in this Senate bill. Our close read of the Senate version does not show it in here now. But again, if this

bill moves to reconciliation, we certainly would hope that this particular clause -- again, relocation and removal of tracks -- is removed.

SENATOR BARK: Instead of reading that -- because I won't retain that by the time I get to my next meeting -- I wonder if you could leave that in writing so that all the members of this Committee could have written copies of it.

MR. PAPP: Senator, I certainly have one copy which I'd be happy to leave with you.

SENATOR BARK: I think we can find someone to copy it here for you.

MR. PAPP: All right. Just one last, unabashed plug before I leave this microphone. We are seeking sponsors in both the Assembly and the Senate for legislation to preserve rail rights-of-way in New Jersey. We're finding, increasingly, that real estate interests are getting very interested in these for their own purposes. And we see it in certain circumstances where the rights-of-way have already been encroached upon.

We'd also like to see imbedded in real estate contracts by New Jersey law that if a piece of property transfers hands, whether it's for commercial or residential purposes, that the existing of a rail right-of-way, whether it's used or unused, be acknowledged in the real estate contracts.

SENATOR BARK: And I appreciate your effort in that, for that. I've often wondered whoever got started on rails to trails. But that's a whole other issue that, at this point, does not belong in this hearing. However, if you want to talk to any of the Senators here privately about sponsorship, that's fine. But we really do need to move on.

MR. PAPP: All right. Thank you very much.

SENATOR BARK: Is there anyone who'd like to ask him any questions? (no response)

Thank you very much for being here.

Fred Kaimann from the TriState Transportation Campaign. Is he here? (no response)

Albert Cafiero, representing Senator Cardinale and the Transit Committee, Bergen County.

ALBERT F. CAFIERO: Thank you, Senator, for this opportunity to talk to you. I want to talk to you about transportation, also.

First of all, I'd like to answer a question that Senator Connors asked before. What are the traffic impacts on this area? Nobody seemed to have an answer.

I have an answer developed from the Mills Corporation press release. They said that their project will generate almost \$2 million worth of motor-fuel tax revenues. That was supposed to be a plug for them. I translated this. I know a little bit about it. At 11.5 cents a gallon, that means 16.5 million gallons of gasoline will be sold. At 20 miles a gallon average, it means one-third of a billion miles of added travel will be in this area. And if you had a subsidy of 5 cents a mile, which is my calculation, it means we will be subsidizing the Mills mall \$16.5 million a year, just in transportation. We can't ignore transportation. If we go ahead and build things in this area, traffic congestion will mean that we'll have to pay money to build traffic relief.

What we really need now is rail transportation. Incidentally, Rose Heck was one of my proteges. I got her into light rail.

New Jersey Transit had a meeting here with the North Jersey Transportation Planning Authority, six years ago, at which time they came up with the idea of having the West Shore coming from Dumont and Bergenfield -- Teaneck -- down across the Meadowlands -- the wetlands -- to serve the sports complex and then go to the Secaucus Transfer. And I always thought that was a dumb idea.

When I found out they wanted to use that as an excuse to move Route 120 -- they were going to put up a station there. But they didn't tell us they were going to build a development there of an amusement park. We fought it. Eventually, the West Shore idea -- it seems to be dead.

Now, they're coming back. New Jersey Transit has a habit of carve-it-in-stone mentality. Once somebody has an idea there, they don't change their minds. You don't know how stupid it is. Now they want to build -- make a connection, according to what I heard this morning, to the Bergen County line across Berry's Creek into Secaucus Transfer. But Secaucus Transfer doesn't have the capacity to handle a shuttle over here. And also, if you have regular rail here, you need -- you can have trains, half-an-hour at the most, but, an hour apart. Whatever you want, you want continuous flow of people. So, we should have light rail.

Now, what light rail can we have here? The Kingsland Line goes from just a couple miles south of here to Newark. What we could do is extend the Newark subway north two ways: one, over the bridge in Newark in Passaic to the Kingsland Line, right directly to here, and/or also connect -- extend the Newark subway from where it is now in Branchville onto the Boonton Line to the Kingsland Line to here. That would give us a transportation system that

could be 15 minutes headway -- 10 minutes headway, whatever you need -- continue to flow. Big flows only happen at the end of a game. You don't want to have trains coming in all at one time to a game, because you'd have a big rush at the gates.

Light rail gives you continuous flow. Also, the light rail can go to the different venues -- go to the arena, it can go to here, and it can go to the race track -- as where the action is.

There's another thing for this. If you come here by the Turnpike, there's a ramp connecting us to the Turnpike. We can use that ramp to bring the light rail north to Lombardi where you have a parking area. So, people, instead of coming down here, can park down at the Lombardi and take the light rail to the venue that they want. And, in the future, you can also extend, using the shoulders of the Turnpike to Teaneck and Leonia, and connect to the Northern Branch Light Rail of the Hudson-Bergen Light Rail, which is going to be constructed in the near future. So you'll have a connection between the state line and Northvale, going across the whole county down into Newark, where people can transfer to other lines.

SENATOR BARK: It seems like you have a very comprehensive plan. It almost seems to me that it would be better for this Committee and, perhaps, for the Sports Authority if we could see that in writing.

I'm sorry. I will not retain half of what you're telling me in detail once I leave here, probably. It would be better to have that in writing. If you could do that for the Committee, I think that would be wonderful. Is that a possibility?

MR. CAFIERO: Yes, I would. That's a possibility. It will take a little while.

SENATOR BARK: That would be fine. I don't think we're going to need it right away. But if you could do it in the next two or three months, that would be great.

MR. CAFIERO: One thing I would like to emphasize: that New Jersey Transit is too much stuck in the mud. We have to get out of the box. We have to get people to look at things, to do it right.

SENATOR BARK: And I appreciate that.

New Jersey Transit is not the subject of this hearing.

MR. CAFIERO: I know.

SENATOR BARK: If you send it to us in writing, we can send the whole plan to New Jersey Transit and say, "Hey, take a good look at this. You better come up with some good ideas." That would be great.

MR. CAFIERO: Good. Thank you.

SENATOR BARK: Thank you very much.

Regina O'Neil. Is she still here? (no response)

Regina O'Neil was with Assemblywoman Weinberg. However, we do have that written statement.

Kevin Settembrino.

C O U N C I L M A N K E V I N S E T T E M B R I N O: Good afternoon, Senator and Senators. Thank you for your time.

As you had mentioned earlier, we were looking for representatives. As Assemblyman Kelly mentioned earlier, we were looking for representatives from East Rutherford. It's strange to me that none of the local towns were

represented. I found out about this hearing this morning. I'm one of the Councilmen in the Borough of East Rutherford, and have been there for eight years.

The question becomes -- if the notification had gone out to all the local mayors and local council, I'm sure some people could have taken it out of their schedules to make it here for such an important hearing.

The question I would have is that, the economic engine and the compatibility that the Sports Authority speaks of with the local municipalities-- Has there been any analysis between what is the engine for each of the downtowns and what the economic engine will be for the redeveloped Sports Authority? I think that's important to understand, because if the Sports Authority uses a draw from the local municipalities, we don't want to create vacuums in the local municipalities with the Sports Authority. That's important to understand.

Just from the fact that none of the local mayors or none of the local council were notified of this hearing, until an article in this morning's paper, is not a good sign to me that the Sports Authority, speaking of an economic engine for the area, does not involve the local elected officials. That's a great concern to me.

The second is with regard to the quality of life impact for the municipalities surrounding the areas. Once again, although there is a stakeholders' committee, it's interesting to me that the Mayor of East Rutherford, which is the host town of the Sports Authority, is not on the committee. I think it should be imperative that the Mayor sit on that committee, or anyone on the council sit there, so that we, as the municipality,

understand what the impacts are directly to us and to the neighboring regions, which hasn't been spoken of.

Although there are two area mayors on the stakeholders' committee, one is the Mayor of Secaucus and one is the Mayor of North Arlington. All the other towns that touch the Sports Authority area aren't on that committee. That's kind of surprising to me, as someone with modifications -- someone whose municipality is directly affected with modifications to the Sports Authority.

The third item that I have is that the taxes-- An SED was spoken of. The taxes for the Borough of East Rutherford were spoken of as a pilot payment, which is interesting to me. When the Sports Authority began, the Borough of East Rutherford was given, in lieu of tax payment for the many acres that the Sports Authority takes up, approximately \$900,000 as a flat payment fee. That was done in excess of 20 years ago.

Today, our agreement with the Sports Authority is such that the Borough of East Rutherford receives approximately 21 percent of the amount we raise by taxation, or about \$3.7 million. Now, that may sound like a lot of money, but if this were developed by private entities, the Borough of East Rutherford, as the municipality that receives the ratables from here, would get at least double what that is. And I see the SED as simply another way to usurp any taxes that the Borough of East Rutherford is due, based on development and the impact of the Sports Authority, back to the municipality and the regions.

That's a great concern to me, because there was or has been an impact fee legislation that was spoken of that would directly affect our

municipalities, and I'd like to see that move ahead, as well. But, as I said, the SED seems to me -- simply a way to remove those taxes from the municipality.

It's also important to understand that our current agreement with the Sports Authority says that if the area were redeveloped, by either a private or a public-private partnership, the municipality is entitled to the ratable base -- the ratables that that generates. Again, it concerns me that a proposal of an SED would remove this.

That's all I have for this afternoon.

SENATOR BARK: Senator Lance.

SENATOR LANCE: Thank you, Chairwoman.

You state, Councilman, that East Rutherford now gets roughly 21 percent of it's local taxes from the pilot.

COUNCILMAN SETTEMBRINO: Twenty-one percent of the amount we have to raise by taxation is delivered to us in lieu of tax payment.

SENATOR LANCE: That would include not only a municipal tax burden, but the school tax burden, and the county tax burden, and the library burden.

COUNCILMAN SETTEMBRINO: Total taxes, sir.

SENATOR LANCE: Total taxes.

What was the percentage when this began a generation--

COUNCILMAN SETTEMBRINO: That I'm not certain. The current ratable base is about \$830 million. About 20 years ago, the flat payment, and it was a flat payment, was about \$888,000.

SENATOR LANCE: So it's increased from roughly \$900,000 to \$3.7 million, or whatever Senator Bateman stated.

I don't charge you with this knowledge, but if you would get back to the Chairs of the Committee as to what the percentage is in relationship to what the percentage was a generation ago--

COUNCILMAN SETTEMBRINO: I'd be more than happy to do that for you.

SENATOR LANCE: That would be very helpful to me.

I live in a county where we have more State facilities than any county in the state. We don't get any pilot money. Round Valley Reservoir, Spruce Run Reservoir, prisons, etc., etc. And so I seek your advice to try to get pilot money for those facilities.

If this were to become a shopping mall, I understood Mr. Zoffinger to say that there would be some sort of lease arrangement and not a fee simple absolute transfer. Is that your understanding of the testimony this morning?

COUNCILMAN SETTEMBRINO: That's what I heard, Senator, yes.

SENATOR LANCE: I will be pursuing. I'm philosophically opposed to having government accumulate property through eminent domain, which was done here, and then having that property used for what is, indisputably, a private-purpose shopping mall.

A sports complex is a mixed purpose and, as Senator Bateman has indicated, certainly, a public purpose, in relationship to the reputation of New Jersey as a whole. And this facility, accumulated by eminent domain a generation ago, has been, for a generation, based on what is a public matter. And as I understand what is likely to result from the RFP, there will be an attempt to make a significant portion of this site the venue for what is,

arguably, private enterprise. Is that your understanding of what is probable, based upon the RFP now outstanding?

COUNCILMAN SETTEMBRINO: That's correct. Again, our concern is that the municipality would again be side-stepped for any tax revenue.

SENATOR LANCE: I'm of mixed emotion regarding where East Rutherford fits into all this. East Rutherford itself probably would not have been able to accumulate this fast track. I suppose that's debatable. I think it would have been much more difficult. This was done under State legislation involving this whole region.

But I recognize your concerns. I don't think this has been a portion of the discussion to date, yet. It does concern me, legislatively, that if we were to move in the direction of what is a private endeavor, that private endeavor could not have accumulated the property, because it does not have the power of eminent domain, and where local municipalities, in this case East Rutherford, fit into the picture.

Thank you, Madam Chair.

SENATOR BARK: Thank you.

Does anyone else have any questions? (no response)

Thank you so much for being here. I'm delighted that you were able to make your way here. I'm sorry you were not notified of this hearing in an appropriate fashion. Thank you for bringing that to our attention.

COUNCILMAN SETTEMBRINO: Thank you, Senators.

SENATOR BARK: In case you are wondering, we have two more people to testify.

Bill Kane, New Jersey Industrial Union Council.

BILL KANE: I brought up with me Ray Stever, whose name is also on that list, to try and save us some time here.

SENATOR BARK: Yes, he is. Absolutely. That's great.

MR. KEAN: I have some copies of a very brief testimony, if you'd like.

Thank you.

Good afternoon, Senators. Thank you for hanging in. It's always a pleasure to see those that stay to listen.

My name is Bill Kean. I'm President of the New Jersey State Industrial Union Council. Our Council is made up of affiliate unions in the state, representing over 300,000 working men and women. Our affiliates include hotel, the retail service and transportation sector, as well as the manufacturing and the public sector. I appreciate the opportunity to speak to you today, and also want to thank you for giving this issue the attention it deserves.

In our minds, the future of the Meadowlands is something that must be considered thoughtfully and with great care, as we'll not have the opportunity to make revisions once the selected use of the area is approved.

I hope to be brief and concise in putting before you a concept that would benefit our affiliate unions and their members, as well as the future employers of the complex and, most importantly, the citizens of the state.

Because the State has a proprietary interest in making sure that whatever plan is chosen to be constructed in the Meadowlands complex, and

whatever businesses are chosen to operate here, are operated in a well-run and efficient manner--

A labor relations system needs to be in place to guarantee a peaceful and cooperative business atmosphere. To this end, we would strongly recommend that any plan approved for the Meadowlands include provisions for the end-users of the businesses to operate here -- agree to a neutrality in union organizing efforts, and recognition of a union based on a simple card check by a third party, neutral, to assure major representation.

This policy would allow the workers at these businesses the ability to profess their desire to be represented by a union, without the contentious battles that are common in many union organizing drives.

The State is currently losing \$5 million a year on this complex. An environment of conflict and adversarial contention in labor relations would only serve to exacerbate that problem and lead to higher costs and less efficiencies for the State.

The future of the Meadowlands is at a time when we can create a safe, secure location where citizens can feel comfortable and secure bringing their families. It cannot be a place where picket lines and demonstrations are common because an employer chose to hire a union-busting law firm to deny the rights of the workers to chose in their own constitutional right of association.

I'd like to apologize for some of the typos in this thing, because I didn't know about this meeting until I read about it in the paper. And I did this without the expert clerical help that I have at my office. I did this at home

myself. I apologize for it's construction. I usually have people that set me straight once I do the initial draft.

This concept is one whose time is here. It's time for the State of New Jersey to take a position whereby we tell employers and we tell the unions that we need a peaceful, cooperative effort in labor relations that will ensure the Meadowlands complex is a world-class operation, open to all and efficiently operated by all who work here.

Just briefly, what I'm talking about here is that we can have a process where, whoever is going to operate here, whoever is going to work here-- Because the State is, in fact-- Because what we're doing here in the Meadowlands is in the interest, both economically and any way you want to look at it, of the citizens of the State of New Jersey, the State has the ability to put certain provisions in place on how it's going to be operated. And when one of them can be a card check recognition system that will allow for peaceful labor relations and allow, as I said, people to make their choice on freedom of association without a lot of conflict--

I'm urging you to consider this possibility and any legislation that will come down the road once these proposals are put forward.

SENATOR BARK: Thank you.

MR. KANE: Thank you.

SENATOR BARK: Mr. Stever, do you have any additional comments?

RAY STEVER: I'm a resident of Bergen County. I live on the other side of 17 in the town of Woodridge. I'm also the Vice President of the Bergen

County Labor Council. I'm also the Executive Vice President of the Passaic County Labor Council and a legislative committee member of the IUC.

Unions played an important role in the construction of this Meadowlands area. As far as the hotels and products -- should be union. I also speak on behalf, today, of Robert McDevitt, who is the President of the Hotel Restaurant Union, HERE 54. And he's also an international vice president.

The construction of the Meadowlands being union is extremely important. The end product of the Meadowlands is extremely important. And the rail links to the Meadowlands is extremely important.

There's much to be had as far as how the rail links will grow. Rail links can bring much to the economy of this area. It can bring many jobs. It can also add to the economy, as far as bringing people from New York City over here for events. It can also bring people home. In fact, it can even, probably, save a lot of people from going to Newark -- catch a train here, then run down to Washington, even to bring people over to the city to go to work. Transportation doesn't just have to be limited to the bus system and to the cars -- where we know how Route 3 can be quite crowded around 5:00.

I also believe that the unions that are currently involved in the Meadowlands -- a few of them being HERE and IATSE, and the laborers, and my other union brothers and sisters -- is a concern that the jobs need to stay here. I would hate to see them leave. But, at the same time, with the Meadowlands and the potential growth that it will have, as far as the entertainment center and rebuilding all the way around will add to the jobs in the area -- will also add to the union jobs that are currently in place.

So I just want to say that I do echo the sentiments of my President, Bill Kean. I speak on behalf of the Bergen Labor Council to make sure that the unions and the working people in this area, and the economy of this area, gets stronger.

On a personal note, as a resident on the other side, with an entertainment center being here, it would be nice to bring my family over, to be able to take care of them, whether it's got to do with a theater, whether it's got to do with a sporting event, or anything else that may be contained.

SENATOR BARK: Thank you for you comments.

Does anyone have any questions?

SENATOR GILL: I have a question.

SENATOR BARK: Yes.

SENATOR GILL: Could you kindly explain what the card check recognition system is?

MR. KEAN: What that basically means is when a union -- when employees of a particular employer decide that they want to be in a union, they sign an authorization card. When the union gets a majority of the employees signing those cards, they will present them to the employer and say, "We represent a majority of your employees." And the employer then -- and this is in any situation -- can then recognize that union and begin that bargaining process.

What happens, too many times, is the employer will not recognize the union, go to the national labor relations board, force the thing to be in an election, which is basically a stalling tactic to prolong the process while the employer, many times, can hire professional union-busting law firms to come

in and work on the employees with various threats and, quite frankly, numerous violations of the law and of their constitutional right, to intimidate them against voting for the union.

So you'll see many unions won't even ask for recognition until they have 70 or 75 percent of the cards, because they know that an employer will try to erode that support.

What we're saying here is that, because the State has a proprietary interest -- and I use the proprietary specifically because the National Labor Relations Act pre-emption issue, which is raised many times-- In the research that I've seen done by a lot of unions, the proprietary interest of the State will allow legislation of that type to be passed and meet the constitutional question of the National Labor Relations Act.

Basically, what we're saying is, the State should take a position that, whatever's built here, we want to be run economically and smoothly with good labor relations, because it's important for the efficiency of the place to operate that way.

SENATOR GILL: Thank you.

SENATOR BARK: Thank you.

Anybody else?

SENATOR LANCE: Yes, Madam Chairwoman.

SENATOR BARK: Yes.

SENATOR LANCE: I Chair the Senate Labor Committee with my colleague Senator Charles, who is also a member of the Budget Committee. There is, in our Committee, I believe, a bill regarding the issue you have raised. I personally have concerns with that legislation, but I want you to know, as a

matter of record, that I believe our Committee has a bill regarding the issue of recognition that would be based upon the handing in of cards as opposed to an election sanctioned by the NLRB. The bill, I suspect, would be statewide, and not exclusive to any activity here at the Meadowlands.

MR. KANE: That would be great.

SENATOR LANCE: I do have concerns with that bill.

MR. KANE: I hope you vote for it, Senator.

SENATOR LANCE: I have concerns with that because, I believe, the NLRB has, in the past, conducted elections.

But regardless of that, I merely inform you that there is a bill in the hopper on that issue.

MR. KANE: I'm aware of that.

SENATOR LANCE: I don't recall seeing you at our Committee meeting.

MR. KANE: I wasn't. But the reason I'm specifically here talking about the Meadowlands is that, if you want to look at an argument that will be raised, I'm sure -- perhaps, even by you or some of your friends, on the constitutionality of that process -- this place, the Meadowlands, is, in my estimation, no-- There is no place better in the State of New Jersey than the Meadowlands to clearly define the State's proprietary interest in making sure that what we're doing here is successful.

Just to take another second-- I know we all want to get out of here. I come from the Auto Workers Union. And in the '70s, we were making junk. And in the '80s, we've got the so-called Japanese invasion that made the auto worker employers and the auto worker unions understand that

we were making junk and losing market share. And we put in place in our union, with the major auto companies, systems of cooperation. I call them love-ins. That has completely turned around the quality and the efficiency of the auto industry.

What we've shown is that employers and unions, with the proper initiative, can get along, and studies approve. And it makes the operation much more efficient. I think the State is in-- It's in the State Constitution that the State promotes labor relations that are cooperative. It's written right in the Constitution. I don't know the exact words.

What I'm saying is, this is the perfect opportunity for the Legislature to exercise that initiative and tell the union workers and the employers that are going to be here that they ought to get along and do things easily. Every time you see a picket line or a demonstration, when it involves an organizing drive, 99 percent of the time it is because someone's constitutional rights have been violated by that employer.

SENATOR BARK: And I appreciate very much your being here and stating your case.

However, you're absolutely right. I think we're very concerned about getting out of here. I hope to miss a lot of traffic on my way home.

So, if you don't mind, I think you've stated your case well.

Unless somebody truly wants to ask a question of them, I'm going to ask Senator Littell for a short closing statement.

Thank you.

SENATOR LITTELL: Thank you, Senator Bark.

I just want to say thank you to everybody that participated in this hearing today. I think it was an excellent hearing -- to the public, representatives from the New Jersey Sports and Exposition Authority, and, of course, our wonderful staff in both the Senate Committees and the OLS staff that are here.

The next hearing will be September 22. I don't have the time or place, but we will let you know.

Have a safe trip home.

SENATOR BARK: Thank you.

This meeting is adjourned.

(HEARING CONCLUDED)