
Committee Meeting

of

SENATE LEGISLATIVE OVERSIGHT COMMITTEE

“Testimony concerning New Jersey’s efforts to promote a healthy business environment, particularly with respect to assisting the manufacturing sector of the State’s economy”

LOCATION: Committee Room 1
State House Annex
Trenton, New Jersey

DATE: March 14, 2005
10:00 a.m.

MEMBERS OF COMMITTEE PRESENT:

Senator Paul A. Sarlo, Chair
Senator Raymond J. Lesniak, Vice Chair
Senator Nia H. Gill
Senator Gerald Cardinale
Senator Joseph M. Kyrillos Jr.



ALSO PRESENT:

Carrie Anne Calvo-Hahn
Office of Legislative Services
Committee Aide

Timothy P. Lydon
Senate Majority
Committee Aide

Christopher Emigholz
Senate Republican
Committee Aide

Meeting Recorded and Transcribed by
The Office of Legislative Services, Public Information Office,
Hearing Unit, State House Annex, PO 068, Trenton, New Jersey

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SENATOR PAUL A. SARLO (Chair): Good morning, everyone.

I'd like to welcome everybody to the renewal of the Senate Legislative Oversight Committee. And I welcome my colleagues: Senator Lesniak, the Vice Chair of the Committee; Senator Gill; Senator Kyrillos; and my colleague from Bergen County, Senator Cardinale.

We have a lot of people who have signed up to testify today. So we're going to begin with our four commissioners. We'll start off with our four commissioners, and then we'll proceed with the New Jersey Business and Industry Association. And they have a panel of four that will be joining with them. And then there's numerous other leaders, and people from the private sector and the business community, that have asked to sign up.

I would ask everybody, if you have any cell phones, to please, at this point in time -- or any other electronic devices -- turn them to quiet or vibrate mode out of respect to not only the legislators, but those who will be speaking.

We're going to try to limit the presentations, as we get into the people at large from the private sector, to approximately 10 minutes. The senators do have a caucus today at 12:00, so we are pressed for time. So we'll do the best we can to get to everybody. And we want to give our commissioners ample opportunity to talk about what they're doing here for manufacturing, and to create a better, friendly business environment here in the State of New Jersey.

In a way of background, November 3, 1992, the voters of the State of New Jersey approved an amendment to the Constitution that stated, "The Legislature may review any rule or regulation to determine if the rule or

regulation is consistent with the intent of the Legislature, as expressed in the language of the statute which the rule or regulation is intended to implement.” The first concurrent resolution to have passed both Houses under this new rule was filed with the Secretary of State on October 20, 1995. And how ironic. It actually dealt with minimizing adverse impacts of proposed rules in the insurance industry on small businesses.

Following that amendment to the Constitution, the Senate and Assembly Regulatory Oversight Committees have been established. And at times, under different leaderships on both sides of the aisle, they’ve been utilized; and at times they’ve been put on the shelf. And I want to thank Senate President Codey for giving us the opportunity to convene here today.

Today we’re talking about promoting a healthy business environment, with an emphasis on the manufacturing sector of our economy. It is important to recognize that there are many macro-economic factors that affect our economy that are completely, literally, out of the hands of us here in New Jersey. And how evident it was during this last presidential debate, as both President Bush and Senator Kerry debated the manufacturing here, and the effects it’s having on the global economy throughout the Midwest.

However, there are many macro-economic factors -- such as growth incentives, energy tax credits, regulatory reform, and elimination of unnecessary bureaucratic burdens that we all tend to create here in government -- that we could work with the business community and our commissioners to help create a better atmosphere for business sectors in here, in New Jersey.

We must also realize, in order to create a more friendly business climate, we must not jeopardize the environmental protections that have already

been put in place. Environmental protection and business growth do not have to be two mutually exclusive concepts.

With that being said, I would like to welcome our first speaker -- and that is Susan Bass Levin, the Commissioner of the Department of Community Affairs -- up, and she will kick off our Committee.

Welcome, Commissioner.

COMMISSIONER SUSAN BASS LEVIN: Good morning.
It's on? (referring to PA microphone)

SENATOR SARLO: We have the fancy microphones in this room now, with the red lights here. (referring to PA microphone)

COMMISSIONER BASS LEVIN: Good morning, Mr. Chairman, and Senate members of the Committee, and to the public who is here today. I thank you for the opportunity to speak to the Committee about New Jersey's efforts to promote a healthy business environment.

The Department of Community Affairs offers both regulatory assistance, as well as technical and economic assistance, through programs that are of particular importance to the business and manufacturing sectors of New Jersey's economy.

I'd like to speak first about our Uniform Construction Code, and the regulatory assistance that we provide through our Division of Codes and Standards. I'm pleased to report that 2004 was a record-setting year for construction in New Jersey. In 2004, the estimated value of construction, as authorized by building permits, was more than \$13.5 billion. That's an increase of \$1.4 billion from the year before.

Warehouse and storage space authorized in 2004 was more than 19 million square feet. And almost 2.5 million square feet of factory space has been authorized in the last two years. This unprecedented level of activity is a reflection of the expansion of the business sector in our state and the health of New Jersey's economy.

New Jersey's Uniform Construction Code enforcement system has continued to meet the demands in this state. We operate the most efficient and effective code enforcement system in the country. We comply with health and safety standards, which are the very highest standards, without duplication, delays, or unnecessary bureaucracy. Our Office of Regulatory Affairs is charged with the oversight of local enforcement agencies to enforce the Uniform Construction Code, and we work directly with the business communities who have problems with local code enforcement.

While our regulations are usually enforced at the local level by inspectors, they are all subject to the Department's oversight. We investigate complaints about any failure of the local officials to enforce the code properly, and we continue with routine oversight on our own initiative. In the last 18 months, we have specifically increased our staff so that we can better monitor local code enforcement agencies, in response to some of the concerns that have come to us from the business community.

We ensure that local code enforcement agencies are properly staffed and that the fees charged are proper and cover just the cost of code enforcement. We monitor the ability of local code enforcement agencies to meet the review and inspection deadlines. We help towns in enforcing the code, also, with respect to specific projects. For example, Xanadu in the Meadowlands; the

Walk, in Atlantic City; the redevelopment area in Asbury Park; the redevelopment area in Camden. Our department has stepped in to ensure that there are no delays.

Our code includes strict time frames for the review of projects and avoids long delays at the local levels. Under the code, every project, no matter how complex, must have a completed construction plan review in 20 business days. The progress of work inspections must be made within three business days of a request.

We also have other unique features in our construction code that help the business community. We have a provision that would enable a business, whether it be a large corporation or a small business, a small manufacturing concern to the very largest manufacturing concern, to get an annual permit to cover construction and maintenance activities within their building for the entire year. Using trained staff, they are able to complete work within their buildings without having to get a permit for each and every job.

We're also working to make administrative aspects of the enforcement even more user-friendly. We are launching Permits New Jersey, which is a Web-based system for the tracking of construction code enforcement activity at the local level. We will be online by September and accepting permit applications online. Businesses will be able to apply for a permit, and anyone will be able to check the status of that permit application, request inspections online, and conduct all of the business online.

We believe that the Office of Regulatory Affairs is an office that ensures the health and safety of New Jersey's residents, and at the same time

works to make sure that smart projects are able to move quickly through the enforcement system.

This office also enforces our Rehabilitation Subcode, which is an award-winning subcode that encourages work in existing buildings that are in need of rehabilitation. This subcode eliminates regulatory barriers to the adaptive reuse and upgrading of buildings, and enables manufacturers to expand, relocate, or reuse existing structures in our state, recognizing the need to preserve our buildings as best we can.

We also provide technical and funding assistance -- through programs and resources that help businesses expand, run efficiently, and create new jobs -- through our Office of Smart Growth, our Community Resources Office, and our Division of Women.

We recognize that revitalization of downtown areas is linked directly to the economic well-being of a community. And the amount of private investment that goes into these areas is significant for ensuring that our communities work. Employers and their resulting number of jobs created in an area are the main concerns as we work with communities about the feasibility of redevelopment projects.

The trend in New Jersey is certainly towards redevelopment. We recognize that we need to work directly with our business community in order to ensure that our redevelopment initiatives make sense. The Office of Smart Growth has area planners who provide technical assistance to New Jersey's towns, in order to ensure that we work together and cooperatively on redevelopment initiatives. Just one example: in Wrightstown, we're working with the town to promote economic development and redevelopment. The EP

Henry company will soon be opening a new 120,000-square-foot manufacturing facility on a 57-acre site that's in both Wrightstown and neighboring Springfield Township.

We're working with the towns and an interlocal agreement between both municipalities that will result in 100 new jobs in 2004. Along with this is the redesigning of a town center that will work directly with promoting the manufacturing opportunities.

We have interagency teams, and you'll hear from some of my colleagues who are here today. We have a brownfields reinvestment interagency team and an interagency implementation team, where staff members from Commerce, Department of Environmental Protection, Transportation, New Jersey Transit, Economic Development Authority offer municipalities and private investors assistance in their development needs. Our brownfields team brings together representatives from over 20 State programs to provide easy-to-use technical assistance in redeveloping brownfields.

Our interagency teams meet on a regular basis to talk through projects and permits so that we can make sure that we expedite projects that will bring more jobs that are environmentally sound, that will promote a healthy economy. One example is the McConnell Energy Solutions project in Carneys Point, in Salem County. The project will create a renewable energy plant on a former DuPont plant site. McConnell Energy is a renewable energy company that specializes in solar, wind, and fuel cell energy production.

Our brownfields team has been involved with the DuPont site remediation, and our interagency teams have been working on making sure that the permits for this company proceed in as expeditious a fashion as possible.

Let me also mention several programs that this Legislature has authorized. The Neighborhood Revitalization Tax Credit Program, which will provide tax credits to businesses working directly with nonprofit companies to help revitalize an area. Also, the funds for the remediation program, which I'm sure Commissioner Campbell will talk more about. Our Small Cities Community Development Block Grant programs provide a million dollars a year for towns that are working on projects to develop new industry and employers.

One example of this program is the investment made with the Egg Harbor Yacht Company, a world-renown manufacturer of luxury sport fishing vehicles that have employed several hundred people. As a result of changes in the Federal tax law, this company fell upon hard times. The manufacturing building needed upgrading and renovation, and needed capital to make that happen. The city applied for and received a Community Development Block Grant that provided tax abatement equivalents to provide incentives for the company to restore and expand its manufacturing operation. The company today has a 100 employees and is doing well.

We know that making sure that we have a strong economy and a strong manufacturing base in this state is important. And we know that it requires a team effort.

I appreciate the opportunity to speak with you today and to reflect with you about the partnerships that we see in this State Government. We work together -- Commerce, EDA, DOT, DEP, and all of the other agencies -- in order to make sure that we provide opportunities for the business community to grow and expand in a way that makes sense for New Jersey. We are certainly always

open to suggestions for ways to make our operations more efficient, and we look forward to working with you, the Legislature, and with the private sector, in order to make sure that we keep New Jersey strong.

Thank you very much for giving me this opportunity. If you have any questions, I'll be happy to answer them.

SENATOR SARLO: Thank you, Commissioner.

Questions from--

Senator Lesniak.

SENATOR LESNIAK: Thank you, Mr. Chairman.

I actually don't have a question. First, I want to let you know -- and I don't say this lightly -- in my 28 years in the Legislature, you're the most proactive, competent, and diligent Commissioner we've had in that office. And I want to thank you for your service.

COMMISSIONER BASS LEVIN: Well, thank you very much. Thank you. I appreciate that.

SENATOR LESNIAK: I believe it very much.

Thank you.

SENATOR SARLO: Thank you.

SENATOR LESNIAK: There can't be any questions after that.

(laughter)

SENATOR KYRILLOS: You'd better go while you can. (laughter)

COMMISSIONER BASS LEVIN: I'm getting out of here.

SENATOR SARLO: Senator Gill, any questions?

SENATOR GILL: No, I have no questions.

SENATOR SARLO: Senator Cardinale?

SENATOR CARDINALE: Yes.

Your whole presentation was, sort of, based around the thought that the Department is going to be a facilitator of getting things done. And I appreciate that. And I haven't had an awful lot of contact with you directly. I guess Senator Lesniak has had more. So he has given you a wonderful compliment, and he doesn't compliment lightly. (laughter)

SENATOR LESNIAK: That's true. We all know that.

SENATOR GILL: Nor often. (laughter)

COMMISSIONER BASS LEVIN: I'm writing it down. (laughter)

SENATOR LESNIAK: We have a stenographer there, so--

SENATOR CARDINALE: It has struck me, both from what I get from constituents and from-- Most of your presentation -- let me back up a second -- has been directed toward large projects. Your specific examples were large projects. One of the things that comes to me as a legislator are numerous complaints about local bureaucrats and mostly involved with small projects. And I get the flavor that there's a lot of folks out there who are sort of under your control, but who are operating pretty independently, who have a different view of their role. Do you have any kinds of educational programs that they must comply with to give them a little bit more of the flavor that you've presented to us today?

COMMISSIONER BASS LEVIN: Yes, Senator.

The Uniform Construction Code is enforced on the local level. It is a State statute, but enforced on the local level in all but about 100 towns, where -- mainly smaller towns actually -- where DCA inspectors do the enforcement. In addition, on certain large projects -- hospitals, casinos -- DCA

has the enforcement role. So you're absolutely right that in the majority of towns the enforcement of a State code is being handled by employees of the local government. It is an interesting dichotomy.

I often tell the story that in the 14 years I was mayor, whenever I'd have a disagreement with my building inspector, he would tell me that he didn't really report to me, he reported to DCA. So you can imagine the joy I had when I got nominated to be DCA Commissioner (laughter), and I called him, and I said, "Tony, I'm finally your boss." (laughter)

But on a more serious note, we do have, through our Office of Regulatory Affairs, an opportunity for people who are having trouble on the local level to report that, and we will intervene and monitor. We monitor both on a routine level, and that's in part why we hired additional staff for that particular role. We also will respond to a complaint, so that if a local inspector is taking too long, is not complying with the time frames that are in our code, we will contact the local inspector and deal directly with that local inspector. And I would encourage you or your staff to either call that office, call my office directly and we will follow up, or provide that number to people so that they can follow up.

As to the issue of training, we do provide and, in fact, require training on an ongoing basis for license building inspectors.

SENATOR CARDINALE: Must they take this ongoing training? Is there a requirement that they take this ongoing training, particularly with respect to the sort of overall attitude? A lot of what happens is dependent more on attitude, I think, than on strict interpretation of what is written down in your construction code.

COMMISSIONER BASS LEVIN: Right. Well, that's certainly true. And attitude is, of course, the hardest thing to change. (laughter)

SENATOR CARDINALE: That's the nature of the complaints that I get. It's attitude. And once the inspector has been, by your Department -- it's been indicated to the inspector that they're wrong-- I can even cite you a case. I don't want to go into the details here. It's an individual case. The inspector, yes, approved that one particular thing that was complained of to your Department, after having to meet with a deputy commissioner, but subsequently went back to his old ways. And it was reported to me again about a year later that for everyone but that one individual the law was what the inspector wanted it to be, not what the Department said the law was.

COMMISSIONER BASS LEVIN: Well--

SENATOR CARDINALE: How do you deal with these people? Do you get rid of any of them?

COMMISSIONER BASS LEVIN: We don't have the ability to get rid of them unless they have-- Well, actually, we as the State do not have the ability to get rid of them. We can revoke peoples' licenses, and that is our ability. In terms of removing someone from their position, the local governing body has the authority to remove people from their position. So they do -- they're actually on the local payroll.

Again, I'm assuming you're talking about a local inspector. If you're talking about a DCA inspector, we have a much more immediate ability to oversee and correct the situation.

SENATOR CARDINALE: Well, I'm aware of one in my district many years ago where the Department actually revoked a license and that person then no longer qualified for the job.

COMMISSIONER BASS LEVIN: And we do frequently revoke licenses.

SENATOR CARDINALE: You do?

COMMISSIONER BASS LEVIN: That is certainly something that we do.

SENATOR CARDINALE: Thank you.

Where is it that we report this? You've mentioned it, and I didn't catch it.

COMMISSIONER BASS LEVIN: It's the Office of Regulatory Affairs, and I don't have the number off the top of my head, Senator, but I will make sure to get your office that information.

SENATOR CARDINALE: Thank you.

COMMISSIONER BASS LEVIN: My pleasure.

And let me say, too, that that Office of Regulatory Affairs is available to any member of the public. We frequently get calls directly from businesses or individuals seeking to get building permits that are having difficulty at the local level.

SENATOR CARDINALE: Thank you very much.

SENATOR SARLO: Thank you.

Senator Kyrillos.

SENATOR KYRILLOS: Thank you.

Just one brief question, or brief comment, before we let you leave. You correctly noted that in 1990 we had approximately 550,000 manufacturing jobs here in the state. Now, in 2005, we're down to approximately 350,000. And of course, we want to -- the first thing is to maintain those 350,000 manufacturing jobs, and hopefully be able to expand upon them. And you talked about redevelopment in some of our industrialized areas, some of our urban areas, and you talked about-- And a lot of these coming under the Smart Growth initiatives and principles that have been adopted by your office, as well as Commissioner Campbell. But do you see around the State -- and I know you're familiar with many of the projects -- do you see as a lot of these sites are being redeveloped, that there's always a push to go more towards office or retail, or even residential, components than to make it a -- potentially revitalize it for a manufacturing plant, which will put people to work in some of those industrialized areas?

COMMISSIONER BASS LEVIN: Senator, you raise a very good point. I think that many towns don't realize that manufacturing today is very different than it was 25 years ago. And so they have an image of manufacturing in their minds--

SENATOR KYRILLOS: As smokey stacks.

COMMISSIONER BASS LEVIN: --that really doesn't match what manufacturing is today. Manufacturing today is clean, is high-tech, provides jobs, and actually causes much less in the way of traffic and congestion than a retail operation would create. And I think, with many of the towns that we've worked with on the redevelopment initiatives, that our teams have worked with, we have been working with them to have them understand the new type of

industry, of what manufacturing really is today. And particularly in towns where they are interested in jobs as well, manufacturing is going to provide the jobs in greater numbers than retail operation, which is often providing just part-time jobs.

So it's certainly something that we work on in terms of our discussions with municipalities, both through our Office of Smart Growth and in conjunction with the League of Municipalities. But I do think that it is an area -- and perhaps we can all work directly with the League on this, to help educate towns about the new look of the manufacturing industry today.

SENATOR KYRILLOS: Thank you.

And I agree wholeheartedly with you on that aspect of it.

SENATOR SARLO: If there's no other further questions from the senators? (no response)

Thank you, Commissioner.

COMMISSIONER BASS LEVIN: Thank you all very much.

SENATOR SARLO: Thank you for being here on a Monday morning.

I now invite up the Commissioner of the Department of Environmental Protection, Brad Campbell.

Welcome, Commissioner.

COMMISSIONER BRADLEY M. CAMPBELL: Thank you.

SENATOR SARLO: You got some fancy charts here for us?

COMMISSIONER CAMPBELL: Yes. We had to sell the easel in the budget cuts, but other than that we're in good shape.

Good morning, Mr. Chairman, members of the Committee. Thank you for convening this hearing, because I think it's an opportunity to highlight what has been a somewhat unsung success story at the Department of Environmental Protection over the past few years. There's been much attention to tougher standards, tougher enforcement to protect our environment, but consistent with the principle that a clean environment and a strong economy must go hand in hand.

We at the Department -- as we have held our regulated community to higher standards to protect the environment -- have also sought to hold ourselves to higher standards, in terms of the service we deliver and in terms of eliminating the delays, the costs, the uncertainty that, in many cases, contribute nothing to protecting the environment; but very critically and adversely can affect our competitive climate, our regulatory climate, the climate that affects decisions as to when and whether a firm locates in New Jersey, it expands its operations and adds jobs. And I think here we have a number of successes to trumpet.

But first, I want to take you back a few years ago, roughly three years ago, a little more than three years ago. When I started at the Department, we did not have that balance in mind. In too many cases there were programs that had literally hundreds of permits backlogged. And so recognizing that time is money -- and that every dollar wasted in delays and process is a dollar that could be spent either improving the environment or contributing to our economy -- one of my first goals was, over the course of four years, to have the Department be a backlog-free Department. And in many cases, as I mentioned, we started-- And this chart roughly spans from the start of my tenure.

(indicating) We started at a point where there were literally hundreds of permits backlogged. This is an example from our Water Allocation Program where, over the course of the past several years, we've reduced the backlog by two-thirds, on track to, by the end of this year, being backlog free in that program.

Staying in our air preconstruction program, we've gone-- If you look at the number of permits: from roughly 900 permits in hand, roughly more than half of them backlogged, to a point where, by the end of this year, none of them will be backlogged. A reduction of 100 percent in air preconstruction, where we're about the 80 percent mark.

Similarly, in air operating permits, which are the comprehensive permits that guide facilities, we're now at a point where we've reduced the backlog by 80 percent and we're on track to being virtually backlog free by the end of the year. This, in spite of the fact that for many programs the actual universe of permits, number of applications is increasing. And obviously, in this budget climate the resources available for staffing, and so forth, are not increasing. So what we've had to do is not merely process things more quickly. We had to fundamentally change the way business is done at the Department, in order to reduce that backlog, without the new resources or new staffing that typically would be used to reduce that kind of backlog.

And I'm proud to say that we have incorporated new ways of doing business in just about every program in the Department. For example, Senator Cardinale mentioned the smaller permits, not the big, large facilities or large actors, but the smaller players that often can be addressed through a general permit, which will have clear terms, clear conditions, but won't require as much time and money to get through the process. And we have more than 100 general

permits in the Department. More than a third of those have been developed over the past three years as a way of looking at short-form ways to make sure that firms are meeting standards, protecting the environment, but not spending too much time or too much money in the regulatory pipeline.

We've moved to electronic permitting, particularly in our air programs, for the larger entities that can do their permitting electronically to reduce time and expense. We developed a write-your-own permit program where consultants using an electronic database can essentially draft the permit rather than file an application, and then get a head start in the process that way. And that has been a significant success for us.

And across the board, looking for ways -- whether it's electronic permitting, general permits -- ways to tailor the process to particular applicants and minimize the cost in delay that can occur when every program, as has been the case in the past, uses a one-size-fits-all approach.

A similar set of reforms have been present in our brownfields program. And here, as in a number of areas, I want to highlight the partnership we have had not just with other departments, with Secretary Bauer, with the Treasurer, but also with our business organizations in the State, particularly the Business and Industry Association -- represented here today by Jim Sinclair, and the State Chamber. From the start of my tenure, we've had quarterly meetings. They have been at the table to identify the areas of potential reform, and they have been partners in working through how to shape those reforms across a range of programs. They include, in particular, reforms for our Site Remediation program, where we, in cooperation, have developed a top 10 set of reforms that are moving forward. They are critical partners in developing our Cleanup Stars

approach, in which private consultants can do the oversight work that otherwise would await an overburdened DEP staff member. They initiated the idea of technical review panels to -- where there are cleanup decisions that have reached an impasse with a particular staff member, and where a quick dispute resolution can get the cleanup moving and ensure consistency among different DEP staffers. These have been critical to our efforts to facilitate brownfields redevelopment, as have some very particular regulatory reforms to speed up the process, particularly our triad approach to site characterization, which the regulated community has associated with cost reductions of as much as 20 percent or more.

These regulatory changes have been coupled in turn by ensuring that our regulatory reforms, wherever possible, are reinforced with economic incentives, new financing incentives. And here our critical partner has been the EDA, led by Caren Franzini, who you'll hear from shortly. But, in essence, what we have sought to do is expand the range and type of brownfields projects that are eligible to public funding, and particularly the low-interest loan program, to expand the sources of funding by including our Environmental Infrastructure Trust and broadening their involvement in brownfields redevelopment. And ensuring that, where we can broaden the eligibility for brownfields cleanup reimbursements, we're doing so. And the Legislature has been an important partner in that, over the past several years, not only through the initiative reflected in Public Question No. 2 on the last ballot, establishing what, from New Jersey, is now the only state with a dedicated brownfields funding stream, but also recognizing that the range and types of projects that should be funded can be expanded. We're hoping to see further expansion of

that funding for brownfields in Senator Adler's bill, S-277, which we're hoping will see floor consideration very soon.

Those are some of the wholesale ways in which the Department is changing the way it does business, recognizing that eliminating the backlog is critical to our competitive and regulatory climate. But there are also, at the retail end of the spectrum, in addition to broad reform of the Department, areas where -- through targeted, focused effort -- we're able to give concrete expression to some of these reforms. Through a partnership with the Department of Transportation, we are accelerating needed infrastructure across the state. Perhaps the stellar success story here is the acceleration of the harbor deepening to 50 feet that's so vital to maintaining the competitiveness of the Port of New York and New Jersey, which is an engine of the regional economy.

Our partnership with DOT also, in Commissioner Lettiere's Hyper-Build program, recognizing that critical transportation infrastructure needs to be accelerated, can be done quicker. And in many cases, by shortening and compressing the approval time, we can actually have less impacts on the environment. First, because emissions reductions from congestion easing will arrive sooner, and second, because the construction process itself, when it's protracted, leads to additional environmental impacts that can be avoided. And we've undertaken this process successfully across a range of projects. And obviously, Governor Codey's goal of accelerating the Turnpike widening from 8A to 6 will be next on our agenda, in terms of demonstrating accelerated work on transportation infrastructure.

We've also, obviously, had a strong focus on redevelopment and some critical projects in Asbury Park where, consistent with our approach on

general permits, we've had a general permit for the entire redevelopment that was completed in less time than many single-project permits have taken in the past. Similar partnerships are in place in Camden, in South Amboy, for the peninsula at Bayonne; where there are vital redevelopment projects, where focused regulatory attention can make sure environmental standards are met. Or, as in the case of the Xanadu project, existing standards are far exceeded at the same time that we're shortening and compressing the time frames to provide needed predictability and certainty.

Our work is not done in this reform effort. It will take additional measures, additional focus, additional support from the Legislature to make sure that that progress in eliminating the backlog, of getting to that backlog-free Department by the end of this year, is achieved. It will take additional attention from the Department and the Legislature to ensure that some of the infrastructure we need beyond transportation is in place and the investments are being made. We will come to the Legislature soon with some significant additional investments in water supply infrastructure that are needed to support growth and development, particularly in both the northern and southern parts of the state, to ensure that our ability to support new growth and development is not constricted by limitations on our water supply infrastructure.

There's still much to be done in our site remediation and clean-up process. Too many sites take too long. And in many cases, we are caught between municipalities anxious for redevelopment and owners unwilling to get the cleanup process moving quickly enough to facilitate that redevelopment. And here again, I think we may turn to the Legislature for additional authority to ensure that when those owners -- additional authority and incentives for those

owners who have made the calculation that it's cheaper to hold on and mothball a property rather than clean it up and get it into the redevelopment cycle. I think there needs to be additional solutions there, and ones that we look forward to working with this Committee and the Legislature on.

And with that, and recognizing that I've covered a large amount of ground, let me stop and invite the questions of the Committee.

SENATOR SARLO: Thank you, Commissioner.

Senator Lesniak.

SENATOR LESNIAK: Thank you, Mr. Chairman.

Commissioner, you have done a wonderful job. It's a difficult job. I think throughout my almost-30 years here, the Commissioner of DEP has been the most severely criticized commissioner, regardless whether it's the Republican or Democratic administration. But I do have a few questions. Is it possible that your concentration on these major issues -- which you have done a very good job on -- and because of your limited staff requirements, has taken away from -- some or, of course, additional delay in the smaller projects, similar to what Senator Cardinale was talking about? And is there, similar to DC, a number where not only legislators, but more importantly even members of the public can call with regard to just an issue of delay? The biggest complaints I get are not that you're interpreting the statute too restrictively or incorrectly, but that nothing is happening. I see other members of the Committee nodding on that. What are your thoughts on that?

COMMISSIONER CAMPBELL: We have established in my office a customer service representative, Marybeth Brenner, who directly tracks and responds to individual complaints from our constituents -- the people who are

waiting for the permits, who are waiting for action. There is no shorter path, I think, to reducing those complaints than to eliminating the backlogs that caused them. I will say without embarrassment that it's a significant challenge. It's been a daunting challenge. We're almost there. We're not quite there yet. And in many cases, it does require, as Senator Cardinale pointed out earlier with respect to Commissioner Levin, changes in attitude, changes of institutional culture. But I think as we work through the backlog, and particularly as we try to tailor and, in some cases, either take out of the system or put on to a more rational track some of the smaller projects that don't require a full-blown regulatory review, that barometer of complaints will continue to go down.

SENATOR LESNIAK: Thank you.

SENATOR SARLO: Thank you.

Senator Kyrillos.

SENATOR KYRILLOS: Thank you, Mr. Chairman.

Very quickly, I just want to underscore how important Senator Lesniak's point is about delays and about uncertainty. And Commissioner, I'm happy to hear you talk about changing the culture and changing the mind-set of the employees. I know you have and they have a very, very tough job. But it's essential for the health of this economy and for job creation and for the prosperity of this State that you make strides in that battle. This is not a hearing about environmental protection, and we ought to have many hearings on that subject per se. But it is with our twin goal of enhancing prosperity and creating jobs. It's about economic development, that's why we're here today. And when we all talk to our constituents and business leaders and people that drive the society through employing our constituents and our neighbors, we hear

about taxes, we hear about regulation, we hear about the climate, in general. And a lot of it has to do with how things happen over at your Department. So I hope that you can encourage, and win this battle, and let us know how we can help you change this culture over at the Department that has gone on for as long as I have been here and before that still, and predates your arrival to the Department of Environmental Protection. But it's important to the health and the future success of this State.

COMMISSIONER CAMPBELL: Thank you, Senator.

I think it's been one of the long-standing myths propagated by the opponents of strong environmental protection -- has been that each advance in environmental protection has a -- exacts a cost on our economy, on our job base. And I think disproving that myth is part of my job every single day. And I think we've shown, particularly through our backlog reduction, that you really can have a win-win. That you can raise the bar for the environment, but also improve the climate in terms of our competitiveness in our economy.

SENATOR KYRILLOS: Mr. Chairman, through you, if I could, I obviously agree. And if we could find a success story or an array of stories about expedition, about speed, about protecting the environment, but creating jobs and doing it faster than we have been in the past, so we can get the signal out there and change the perceptions about the State, internally and externally.

COMMISSIONER CAMPBELL: I'm happy to provide that document to this Committee.

SENATOR SARLO: Thank you, Senator.

Senator Cardinale.

SENATOR CARDINALE: First, I think it's a very worthy goal. I want you to just underscore that you're cleaning up the backlogs. I think that will go a long way toward making us a more competitive state. I need to preface my first question -- I have, I think, three questions -- but I want to preface my first question with why I'm asking it.

Several years ago, there was a meeting of an Assembly committee dealing with aquaculture and facilitating the development of aquaculture in the State of New Jersey. The Department of Agriculture was represented by the Commissioner and one other individual. The DEP was represented by -- I don't think the Commissioner was there -- but there were a number of deputy commissioners, and a total of about 18 people. And at one point, in the course of the discussion on the proposed bill, a suggestion was made that permits be approved within the 30 days. And the Agriculture Department was okay with that. The DEP representative who spoke on that question said, "We can't approve anything in 30 days." Sometimes I get a little feisty and a little direct and a little candid and I said, pointed out to them that if they didn't have 18 people at the meeting, maybe that some of them could be doing some work.

Now, this is my question.

SENATOR LESNIAK: How many do you have here, Commissioner?

Excuse me, Senator.

COMMISSIONER CAMPBELL: I think I just have one here today.

SENATOR CARDINALE: This is my question. Have you done any comparison on the ratio between DEP staff and the population in New Jersey, as it compares to other states?

COMMISSIONER CAMPBELL: It's a comparison that has been done. And I've often tried the BIA, because they do it differently in different states. Different states typically -- because our Department includes the parks, fish and wildlife, which in some other states are separated out, we have a larger staff, arguably, for the permit load. But the reality is, if you look at regulatory programs, we're actually quite thinly staffed. And the other stark reality is that, since 1994, the regulatory staff, the people who actually are available to process permits, has been reduced over that period by roughly 20 percent. In some programs, more than 20 percent. And yet, at that same time frame, the actual number of permit applications, number of activities that are regulated, has gone up. Roughly, over that same period, the Legislature enacted 75 different additional regulatory mandates on the Department, roughly two dozen of them being major program additions or expansions.

So what you've seen is a real significant increase on the workload of individual staff members, and one of the reasons for my emphasis that we're not going to do business better simply by trying to do the same thing the same way a little bit faster. It's going to take significant reforms across a range of areas. And no one solution is going to be a silver bullet. It's going to require using the information technology and electronic permitting. It's required more attention to general permits. It's required setting priorities.

For example, while the components of the so-called *fast track bill* have largely been in abeyance by Executive Order, we are restructuring our

program to give higher priority to projects that are in Smart Growth areas. All of these things have to be done together. Because in this budget climate, and particularly given Governor Codey's commitments to a truly austere and honest and gimmick-free budget, I can't come to the Legislature or to the Governor's Office and expect additional staff to process those permits. We have to make better use of the resources we have.

But also some appreciation on the part of the Legislature that different decisions do take different time frames. It may be that some can occur more quickly. If you're trying, in the interest of protecting public health and safety, to determine which direction a contaminated groundwater plume is moving in a complicated geologic structure, that's not something you're going to do in 30 days, probably not in 90 days. There has to be an appreciation of some of the nuances that are involved in the regulatory process. And as we try to do better on the areas where the needless delay and red tape can be reduced, we also need the legislators understanding that certain decisions do take time and that we are working within a limited resource base, in terms of DEP staff resources.

SENATOR CARDINALE: Thank you.

I certainly appreciate that there are some decisions that your folks make that will take a great deal of time. The complaint is that much seems to be subjective, rather than objective, and subjective things take much more time. If more can be reduced through being made on an objective basis, I think -- and perhaps you're doing that -- that's the way to go.

I'd like to ask a little bit about the fast-track legislation, and how you see the impact of the fast-track legislation that we passed. I guess it was

about a year ago. There have been calls for repeal of that, calls for changes of it. And is it working well, badly?

COMMISSIONER CAMPBELL: Well, at this point it's not working at all, in the sense that prior to his effective resignation, Governor McGreevey issued an Executive Order largely suspending the program. And we have issued sort of a first cut at approaches to the certified professional program, and we've provided input to the Legislature in terms of the area where the law would need to be reformed. I expect, over the coming year, that you'll see a couple of different developments on that.

First, consistent with the spirit of the law, but separate and apart from it to some extent, is really an effort to restructure DEP to ensure that projects in Smart Growth areas receive higher priority, faster turnaround, regardless of whether they're paying the additional fees that are anticipated in the fast-track law.

Second, we have a process -- I think there are a number of areas of the fast-track law that likely will not be implemented, because of the constraints of the Federal programs under which -- that are delegated to the Department of Environmental Protection. Because I think there are certain provisions of that law where they'll be -- that are simply incompatible with the way the Federal programs are structured. And we're currently in a dialogue with EPA about what those constraints and limitations might be.

And third, I think you'll see an effort on our part to demonstrate, through incremental implementation of the law, assuming it remains in place, that there are some programs, which there are significant demands, where an expediting permitting process can be made to work in accordance with the law.

But that, obviously, given the speed and process by which the law was enacted, we continue to have significant concerns about the substance and scope of the law; about the time frames that, in many cases, are unrealistic if they truly were to apply as broadly as some have read the law to apply. And that's going to be an ongoing process with the Legislature as it wrestles with the issue. And we've had an active dialogue with the Environment Committee of both the Assembly and the Senate on those issues.

SENATOR CARDINALE: It strikes me to ask this question. It was not one I intended to ask. But can a governor do that? Can a governor just-- We passed a law. We have a statute on the books. Can a governor just come to you and say, "Don't enforce that statute?"

COMMISSIONER CAMPBELL: Well, that's a question that I think is mooted by the fact that the governor at the time did it. (laughter)

SENATOR CARDINALE: No, that doesn't mute it at all.

I'm asking your response to that.

COMMISSIONER CAMPBELL: Given that it's a--

SENATOR CARDINALE: If the governor orders you to disobey the law, as a Commissioner, do you do that?

COMMISSIONER CAMPBELL: Well, I--

SENATOR SARLO: Senator, if we could just-- We want to stay on business-friendly manufacturing. (laughter) Can we wrap up?

COMMISSIONER CAMPBELL: Well, I think we're acting in accordance with the law. The law directed us to develop a program. The significant deadline of the law is to develop a program, and I think we have acted in good faith to begin that process, but also acted to respect the

Legislature's interest in continuing to examine this law. And I'll have to say, in terms of delays in implementation, the period between the enactment of the fast-track law and today, Senator, is a much shorter delay than some of the issues that truly affect our regulatory climate much more directly.

For example, it's 10 years ago that this Legislature directed the Department to promulgate soil remediation standards, soil cleanup standards. To this date, that mandate has not been honored. We are now in a process where we'll propose the rule shortly. But in terms of your earlier point about subjective versus objective, and making the standards objective wherever we can, the 10-year delay in meeting this Legislature's mandate has had a far more significant impact in creating delays than any delay contemplated over the fast-track law.

If you look at the grace period rules, which were required to provide some greater predictability to the regulated community on what are -- and frankly, to individual DEP staff members exercising discretion -- about what's minor, what's not minor, those have been more than five years in the waiting since the Legislature directed the Department to do them. And we are honoring that mandate with much criticism and input from environmental groups. But we're implementing. We're going through the process. We're taking the criticism to try to get those rules done and get them right. And I think that in terms of the delays that adversely affect our business climate, there are many that we are addressing successfully. I think the time-out called by the Executive Order on fast-track has helped the dialogue with the Legislature on this issue and with the public. And I think, ultimately, it will lead to changes, whether

administered or statutory, that will enable the Department to enact the law, perhaps a more limited law, more effectively.

SENATOR SARLO: Thank you.

SENATOR CARDINALE: Thank you.

Just an observation. You see, this is really right on track of -- because if you are a business person -- and I think you can appreciate this -- who needs to rely on the law to make a business decision, and you cannot rely on the law, I think we-- That's a significant impediment to businesses going forward with redevelopment or establishing expansions in New Jersey.

SENATOR SARLO: Thank you, Senator.

Thank you, Commissioner. And I appreciate your willingness to tackle a culture and an attitude, sometimes, in the bureaucracy that we tend to create. I know we can't legislate attitude up here. And I appreciate your willingness and continued willingness to tackle that.

Just a brief response before you leave. Many times -- and I've been a legislator now for three years -- and we talk about exceeding Federal standards, environmental regulations, laws that we pass that exceed Federal standards. And I know you have also experience in Washington as well. Does that place us at a competitively disadvantage to some of our neighboring states, when we start to exceed Federal standards and our neighboring states are not?

COMMISSIONER CAMPBELL: I think it's really a question that has to be answered in context. For example, our tougher standards for water quality and water supply. In one sense, one could argue that they raised the bar. They create additional cost. In another sense, they ensure that we're going to have the water supply that we're going to need to support critical businesses in

the state in the future. And just last week I met with, or two weeks ago, with Anheuser-Busch, and a focused discussion with them about how we increased their reliability of water supply to their plant in the north, in Newark. So I think what we've demonstrated time and time again is that we've actually positioned New Jersey better competitively when we've gotten ahead of the curve in protecting our environment.

A similar challenge occurs in the air quality arena today. New Jersey, for at least part of the year, every New Jerseyan breathes unhealthy air. We've got tough, new standards for soot and smog that are coming into effect at the same time that the Federal Government is actually making it easier for some upwind power plants that contribute, roughly, a third of New Jersey's dirty air to get off the hook for installing controls. And I think here, again, by getting ahead of that compliance curve -- looking at more cost-effective ways, as we are with our diesel soot reduction program; looking at common sense ways when you get low-cost reductions early, so that we're in compliance -- we can avoid the adverse impacts that occur from not meeting air quality standards. And then having new business come to us and say, having our response as a regulator be, "Well, because we're not in attainment with those Federal standards yet, we can't give you a permit until you find offsets." That's going to create, I think, an adverse impact on our regulatory climate, unless we act today to actually go beyond what the minimum that we're required to do under Federal law.

SENATOR SARLO: Thank you.

SENATOR LESNIAK: Mr. Chairman, as a former Chairman of an environmental committee, I just would like to also point out that, for instance, ECRA, which was enacted 25 years ago -- we're the only state in the nation that

ever had ECRA. And it had universal complaints from the business industry, from Realtors, from the business community, from lenders. But we could safely say that if ECRA hadn't been in place, ever since then, this State has -- the economy has run ahead of the nation's economy. And if we didn't have that cleanup program in place, we wouldn't be in that position. Also, businesses do take into consideration quality of life, in terms of their decision-making process. And if we don't have a clean environment, those quality of life of this State of New Jersey is just not going to be there. So I would concur with the Commissioner's statement.

SENATOR SARLO: Thank you, Senator.

And thank you, Commissioner, for joining us this morning. We appreciate it.

COMMISSIONER CAMPBELL: Thank you, Senator.

SENATOR SARLO: At this point in time, I would ask Virginia Bauer, the CEO and Secretary of Commerce, Economic Growth and Tourism, to join us.

Welcome, Commissioner.

COMMISSIONER VIRGINIA S. BAUER: Thank you. Good morning.

SENATOR SARLO: We thank you for your patience this morning.

COMMISSIONER BAUER: My pleasure.

Good morning. Thank you, Chairman. Thank you, members of the Committee. It's truly my pleasure to be here with all of you this morning.

I view the invitation as a very positive sign, because we all know about the gloomy news we hear about manufacturing and the manufacturing

industry. But the fact that we're here to speak about it today, I think, addresses the first concern.

We also know that manufacturing, as Commissioner Levin mentioned, is never going to be what it was 30 years ago. But manufacturing can and should be a vital part of New Jersey's economy. And the challenges that we have in today's world are to help businesses, help manufacturers adapt with the changing world. And no department, I think, has a bigger responsibility in that than mine, which is the Department of Commerce, which is truly the business advocate. Our role is to speak on behalf of the business community.

And I want to address, first, some of the concerns of the challenges we have, and then I'd like to talk a little bit about how I intend to deal with them and how I am dealing with them. The first is, we must be vigilant in knowing about the problems. We have to hear what they are. And we can only help do that by being out there and talking to businesses and helping them again adapt to the changing community. We have to look to change our existing programs. And where possible help -- and we have -- make adjustments specifically to the manufacturing industry. We have to help manufacturers make the adjustment on future markets, finding different venues for them to sell their products. And fourthly, we need to be the catalyst for change, especially small manufacturers. So many of them are just working vigilantly to survive. They need someone. They need State Government to speak on their behalf.

So I want to talk about, in my short period at Commerce, some of the positive, proactive steps we've taken. As usual, and as most of us know, I'm also aware of the State budget climate. I do respect Governor Codey's adherent

to our fiscal concerns, as well as Treasurer McCormac. So it is sort of a battle for us to try to find avenues to help in this fiscal climate. But I think we can do that. There is a right balance.

And I want to talk, specifically, about the glass industry, because I think that industry, in particular, helps focus on the four issues that I mentioned. We have helped them in different ways, and I think it can show how we can continue to help the manufacturing industry. I don't want to downplay how we have helped other areas of manufacturing, from chemical manufacturers to boat builders to medical instruments. And for that, too, I would like to bring up Commissioner Campbell's willingness, because a lot of that is permitting and regulatory problems. And I must say, he has been a willing partner to speak and address the concerns that we've had in those specific industries.

But let me get back a little bit to the glass industry. Because, as I said, they're sort of a perfect illustration of how all four parts of our missions have come together. The glass industry is one of New Jersey's most historic and oldest industries in the sector. But like other manufacturing sectors, the glass industry has fallen victim to low-cost competitors from around the world, and in particular New Jersey's high labor and high energy costs meant that our glass manufacturers were simply having difficulty competing. Quite honestly, their products could be made somewhere else around the world much more cheaply. And there's two major reasons for that. New Jersey's electricity prices are 50 percent higher than the national average. That's not so great. And NJBIA reports that our manufacturers pay their workers an annual wage that is \$8,600 higher than the national average.

But we still need to save this industry. Their products support our pharmaceutical industry and researchers in the life science, which is a major, major industry in New Jersey. And both of them would suffer if we did not have specialized products which can be made right here. And that's the key. It's to help glass manufacturers cut costs. But we also must need to help them figure out ways that we can make things here instead of somewhere else in the world.

So how are we going to do that? Well, one of the first things I did when I came on board at Commerce, which was in July of 2004, was to put this agency back on the map. First of all, once I got our fiscal house in order, I got the account executives out in the field. They used to be sitting in Trenton waiting for the phone to ring. That didn't make sense. They're now in the field in industries that they know and in geographic areas that they're comfortable with. So we have a better finger on the pulse of what's going on. Not only have they been out, I've been out. And manufacturers, especially, have received a lot of attention from my Department. We've made over 42 site visits in a short period of time.

I've made early trips, especially to Salem County and to Millville. And that's why, for example, Commerce got an early word last year about problems facing the Glass Group Company, Inc., which employs about 680 people. And Commerce's early intervention, and especially our partnership with Millville's UEZ zone, gave the company breathing room it needed to help its labor force stay on track, and to help develop the new product lines and save jobs. And specifically, we were able to tap a brand new energy sales tax exemption that has just passed the Legislature. It's a loan package that helped the Glass Group save and upgrade its equipment. And you may have read that

the Glass Group is now into Chapter 11; and this is simply a reorganization. But so far, we've been able to save 680 jobs, which brings me to the second part of my mission.

As with EDA, the major tools at Commerce, including BRAG, which is our Business Retention Assistance Grant, which is a program we have to retain businesses in this State. We have lowered the qualifying benchmarks for manufacturing. For example, BRAG tax credits normally are only awarded when we can save 500 jobs, because we have to be careful to maintain the balance of only providing programs where we have companies in dire need and dire concerns of leaving. But in the manufacturing sector, we have reduced that limit to 250. And the energy sales tax exemption, which is administered through UEZ, has helped trim the cost at Durand Glass, which is Millville's largest employer. That has saved over 920 jobs. So these manufacturing companies are able to get an energy sales tax exemption if they're in a UEZ zone.

Our third strategy involves helping manufacturers find new markets for their products, while attracting foreign direct investments. And this comes under the umbrella of my International Trade and Protocol Office. What we are doing are looking for avenues for manufacturers, ways for businesses not only to get investments from foreign countries here, but obviously to look for opportunities to export their products out. We've launched an aggressive schedule of meetings and match-making opportunities so that New Jersey companies have an opportunity to meet one-on-one with some of these foreign companies.

For instance, in December, we held a conference with Mexico and Brazil, and we were able to match 80 specific companies with these foreign

offices. And one meeting, we know, has already resulted in a \$100,000 contract for World Glass Company in Brazil.

Our export news is very, very encouraging. I don't know if you heard? It was just announced last week. New Jersey's exports were up over 14 percent, and that included an 11 percent increase in the glass exports. So it shows that our hard work is starting to pay off. But we can do more, and we can do better.

We're strengthening our ties with the Mid-Atlantic Trade Adjustment Assistance Center, or TAA, and this is a Federal program that can help defer some of the cost for manufacturing, in terms of consulting and industry-specific exporting projects. We're also looking to hold a glass summit with Rowan University on April 6. Actually, it will be right here in Trenton. The purpose of the summit will be twofold. We're going to work with Barry Kramer, of Rowan Management Institute, to help engage key regulatory personnel from several State agencies, specifically with Labor and Environmental Protection, as well as BPU. And we're going to really sit down and examine ways that State Government can produce and help change effective policies and programs. The products that will be explored represent the future of New Jersey's manufacturing -- things that cannot be made anywhere else.

We also have a strong community college system that enjoys a great relationship with the Department of Labor and Workforce. Our studies show that our workers are better educated, they're more embracing of change, and more motivated than other parts of the world. So we have to be able to use this workforce and help them adapt to a changing environment.

If I could make one recommendation, I think we need to know -- and it's something that I've already heard you address -- State Government needs to react more quickly. We do have good programs; many of them could be improved. But a lot of the programs we have just get held up in delay. There's too much paperwork. It takes too long. And we've said it many times: time is money. So we are looking for more effective ways -- and I think Commerce has made steps. We still have a long stride to go in helping to alleviate the paperwork, alleviate the regulatory issues that make it an unfriendly business environment in the state.

But I feel confident that the partnerships I have, specifically with Caren Franzini, at EDA; Tom Carver, Department of Labor; Department of Treasury; Commissioner Campbell, with the Department of Environmental Protection -- I think we recognize that we have a common goal and we have to strike a balance. I feel very confident that we have started to work more closely together and that the future will be more promising.

Thank you for allowing me to speak, and I welcome any questions you may have at this time.

SENATOR SARLO: Thank you, Commissioner.

And just, Senators, if we can be brief on the questions, because we have to get to Caren Franzini, and then to the BIA.

Senator Kyrillos, do you have a question?

SENATOR KYRILLOS: Quickly, Mr. Chairman.

Madam Secretary, good to see you.

COMMISSIONER BAUER: Thank you.

SENATOR KYRILLOS: We're all fairly familiar with the BEIP program--

COMMISSIONER BAUER: Yes.

SENATOR KYRILLOS: --which has been very successful here in New Jersey, and I was proud to have sponsored it a long time ago, along with the Business Relocation Program, the BRAG program--

COMMISSIONER BAUER: Right.

SENATOR KYRILLOS: --which was dormant for a long time.

COMMISSIONER BAUER: Yes.

SENATOR KYRILLOS: But you've resurrected it. And can you just refresh my memory and the members' memory, quickly, how it's working. Maybe you want to defer to Caren Franzini when she comes up.

COMMISSIONER BAUER: Sure. Well, no, I think Caren will probably talk about our BEIP program, which is more of an attraction program. The BRAG program is a retention program, and it really is set up into four specific areas. It has a tax credit transfer program, a sales and use tax exemption, and the energy sales tax exemption. So basically, what it will do, it will help retain jobs in the state. If we have a fear that a business, and a true concern that a business, is ready to leave, if they're willing to stay or relocate in New Jersey we will provide them with a tax credit for that. And specifically, Senator, with manufacturing, we have a sales tax exemption if they're in a UEZ. That is so significant because, as I mentioned, the energy costs are so exorbitant for all of us, but especially for the manufacturing industry, that if they're in a UEZ zone and they're a manufacturer and they apply for our BRAG program, they can now get an energy tax exemption in that zone. And that has proven to

be very significant already. We just had this BRAG program pass in December.

SENATOR KYRILLOS: What's the trip line that companies have to meet the threshold? Do they have to demonstrate to you that they might leave, but for these incentives?

COMMISSIONER BAUER: Exactly.

SENATOR KYRILLOS: Is there a job creation threshold, or just--

COMMISSIONER BAUER: Well, yes. They have to retain, as I said -- outside of manufacturing it's 500 jobs. In the manufacturing industry, and this is where we are showing that we really have specific concerns about the manufacturing industry, it's 250 jobs.

SENATOR KYRILLOS: And convince you that they might leave otherwise.

COMMISSIONER BAUER: Like, for instance, Pfizer was one of the first programs that we had, one of the first -- first program that we administered; and that saved over 2,600 jobs and it brought in investment of about \$500 million into the state. And we were at major risk of losing them.

SENATOR KYRILLOS: Very quickly, I want to close out. And I agree with you and applaud you for what you did with Pfizer. But to the critics who say they don't need it, you were convinced that Pfizer had options and alternatives and would have exercised them.

COMMISSIONER BAUER: Oh, absolutely. Absolutely.

Yes. This is a program that is carefully scrutinized. As I mentioned earlier, we are well aware of the budget restraints in this State, and we simply are not handing out tax credit or tax grants to any business. But we are concerned

about saving the businesses that are here in the state. And the reality is, other states also offer comparable incentives and comparable programs. So New Jersey has to maintain its competitive edge to keep these businesses. And if we're able to be convinced that keeping, for instance, 2,500 jobs in the state and a \$500 million investment-- I think that's a perfect example of keeping that business here.

SENATOR KYRILLOS: Thank you.

SENATOR SARLO: Senator Cardinale.

SENATOR CARDINALE: Thank you. I will be brief.

About five or six years ago, the Legislature passed a bill that created the New Jersey Federal Foreign Trade Commission. It sort of ran into a stumbling block in that the Department -- and long before you were there -- interfered with them being -- continued to be funded. They did establish some things which I saw. I attended a few of the seminars. It facilitated small New Jersey manufacturers being able to export their products. Would you be interested in helping that kind of thing or at least exploring--

COMMISSIONER BAUER: Absolutely.

SENATOR CARDINALE: --helping that kind of organization? The organization still exists. They operate on the basis of some little fees that they can get from a few people. They have a wonderful Web site, which is very useful. But if I put you in touch with them, would you like to meet with--

COMMISSIONER BAUER: Yes, I would, Senator. Yes.

SENATOR CARDINALE: Thank you.

I will put you in touch with them.

COMMISSIONER BAUER: Great. Thank you.

SENATOR SARLO: Thank you, Senator.

And thank you, Commissioner--

COMMISSIONER BAUER: Thank you. It's been my pleasure.

SENATOR SARLO: --for participating, and I know you've done a lot in a short time in getting that Department back on its feet.

COMMISSIONER BAUER: Thank you.

SENATOR SARLO: Caren Franzini, Executive Director of Economic Development Authority.

C A R E N S. F R A N Z I N I: Good morning.

Thank you, Chairman. Thank you, Committee, for having me here today.

I will just echo what the other speakers have said so far about how important the manufacturing industry is to New Jersey. And EDA was formed around 30 years ago, and has been a critical part of our mission since we were formed.

I want to talk about three components of our strategy to try to assist the manufacturing industry. First is, we want to lower the cost of capital. What EDA is all about is providing financing and incentives to companies in New Jersey. We want to lower the cost of capital. Second, we want to identify trends and hear opportunities on how we can work with them better. We don't have all the answers, and we need to understand how we can work different. And third is to work with our State partners. You heard from them this morning. Secretary Bauer and I work very closely together, as well as the Department of Labor, DEP, and Treasury, to work collaboratively, because one agency alone can't do it.

One of the things EDA does is -- one of the programs we offer is a federally authorized program that we can issue taxes and bonds. What taxes and bonds does is lower the cost of capital to manufacturing companies. The problem with this program -- it's a Federal program -- is that the amount of bonds we can issue under the program has not changed since Jimmy Carter was President. That threshold was set at \$10 million. It has not been changed at all. We formed a partnership with BIA called the Bonds For Business Coalition to increase that level from 10 million to 20 million for manufacturing companies, because the cost of buying equipment and space has increased tremendously.

We had some success, that in 2009, which is still four years away, that cap will increase from \$10 to \$20 million, but that's too long to wait. And any encouragement or assistance we can get from the Legislature to work with our Federal partners to recognize the importance of manufacturing as a national issue, we welcome your involvement and input.

In addition to issuing taxes and bonds, the EDA also offers a host of loan programs to lower the cost of capital. And as Commissioner Campbell mentioned, we have a \$80 million fund under the Hazardous Discharge Site Remediation Fund to cleanup brownfield sites, which manufacturing companies particularly have to deal with. In the past three years alone, we have assisted over 100 manufacturing companies with \$175 million of assistance. The important part of this is that we helped maintain 1,500 jobs and helped create over 1,300 new ones.

And I just want to give an example. At our last board meeting, there were two companies that I thought were very interesting -- our meeting we

had last Monday. One was a company that had operations in Bridgeton, in South Carolina. They decided, based on a host of incentives, to move that company from South Carolina, that operation, to Bridgeton, rather than the opposite way of going, which is great news for our state.

The second, I heard the Committee members this morning talk about the small manufacturers, and how important, and we need to work with them. We worked with this company in Lakewood called Giselle (phonetic spelling), and they make custom, for NASCAR race drivers, engines. They needed to buy some new equipment to create two new jobs. And we provided a loan to them with some bank financing, but our loan was \$250,000, (indiscernible) to create new jobs and to maintain the ones they have here in the state.

The second strategy is, how do we ensure what we're doing works, and how do we do better at our job. And we recently engaged Rutgers University to look at our Business Employment Incentive Program that we operate cooperatively with Commerce and Treasury. As Senator Kyrillos and other members of the Legislature know, this BEIP program is very critical to employing new job opportunities, to keep companies in New Jersey, expand, as well as to create new ones. And since the program began, we have executed -- we have approved a lot, but we actually executed 211 BEIP agreements. And what Professors Hughes and Seneca determined -- that since the inception, 67 projects, or 32 percent, the largest amount went to manufacturing. And to be honest, we were quite pleasantly surprised to see that they were the largest recipient of this program.

Some examples, just to note to the members, is-- In Carlstadt, Tribeca Oven is creating 100 new jobs. Durabag Manufacturer received a grant of \$355,000, over 10 years, to create 180 new jobs in Elizabeth. And in Norwood, the BEIP grant encouraged Refcon -- they're a manufacturer of refrigerated display cases -- to relocate from New York to Norwood. So these are some examples of manufacturing companies not only expanding in New Jersey, but also coming into our state, which is great news.

Our third area is how can we work closely with our partners. As I mentioned earlier, our partners of commerce, Secretary Bauer -- she's such a breath of fresh air, as I'm sure all of you will realize, for the business community. She's been fantastic to work with. And we've also reached out to our business partners. Recently we met with the Business and Industry Association, and we're going to form, actually, an internal little feedback operation with them, to meet with some of their members to understand what kind of assistance do they need in the areas -- in financing, in job training, in UEZ benefits -- so we can sit and understand from them, firsthand. What are we doing now that works and doesn't work, and how can we enhance our programs.

Another partnership that I just want to mention is with PNC Bank, one of our major banks in New Jersey. They just created with us a \$100 million fund for New Jersey businesses -- these are businesses currently in New Jersey -- and to allow loans at below-market interest rates. Fantastic rates. Actually, if you know of any business, you should let them know about it. They can get a fixed rate that's equivalent to the five-year Treasury rate, which is terrific.

We have a requirement that for any company requiring assistance they have to create new jobs, except for manufacturing. We made a carve-out in this program that manufacturing companies only have to maintain jobs, not create any new ones. And of the 16 projects approved so far, four of them are in the manufacturing area.

The last partnership I want to mention is with the Port Authority of New York and New Jersey. They are so critical, as Commissioner Campbell mentioned earlier, of the dredging program. But we're entering into a relationship with them -- is to identify sites. One of the biggest issues in the port area is there's no sites for light assembly, light manufacturing to occur. A lot of reasons why -- there are environmental issues, there are title issues. So we're working with the Port Authority to develop a list of the issues, a list of the sites, and a strategy for taking away some of the barriers for development.

So finally, by lowering our cost of financing, determining the effective use of our efforts, working collaboratively with our State partners -- as well as the BIA, the State Chamber, the Commerce and Industry Association, and the Chamber of South Jersey -- we continue to work to assist the manufacturing companies.

We welcome any suggestions the Committee has, that we can do our job better to help this vital part of the economy.

Thank you very much for having me here this morning.

SENATOR SARLO: Thank you, Caren.

I'm glad to see the BEIP program is working well. I know last year, under the leadership of Senator Kenny during the Senator Budget

Appropriations Committee, we were able to reinstate that program. So I thank Senator Kenny for his leadership on that matter.

Questions from the legislators, from the Senators? (no response)

Okay. Thank you, Caren.

COMMISSIONER BAUER: Thank you.

SENATOR KYRILLOS: Good job, Caren. Thank you.

COMMISSIONER BAUER: Thank you.

SENATOR SARLO: Thank you.

Okay. At this point in time, I see Phil Kirschner is here. Phil Kirschner, NJBIA President, along with Jim Sinclair, First Vice President; I'd ask you to come up. Then I think, after you two gentlemen speak, there's a panel of three manufacturers.

JIM SINCLAIR: We're going to be brief to make sure that we get to the manufacturers.

PHILIP KIRSCHNER: Thank you very much, Mr. Chairman. I'm Phil Kirschner. I'm President of New Jersey Business and Industry Association. And first, I really want to thank this Committee for having the first hearing, in what I think is over 20 years, on the issue of manufacturing and keeping and retaining these great jobs here in our state. We really could use the attention.

NJBIA has spent the past year highlighting the contributions that manufacturers make to New Jersey's economy and some of the challenges that they face in remaining a strong contributor to New Jersey's economy. We call the campaign *Manufacturing Counts* or the *Campaign for Manufacturing Renewal*. And we feel very strongly that manufacturing, which has a very long history here

in our state, has not received the attention or the resources that it deserves, and perhaps that high-tech has received in the last few years.

We know that some people think that manufacturing is the old economy. There are even people out there who think it's not worth saving. But when we researched the issue, talked with our manufacturers, brought them all together for a summit, we found out a few things -- Mr. Chairman and members of the Committee -- I'd just like to relate. We have more than half a million people -- 550,000 people in this state depend on manufacturing for their livelihood. And that livelihood, on average, pays about \$53,000 a job. It's about 21 percent more than average. And these are good, well-paying jobs that you can make a living at without necessarily having an advanced degree. If you work hard, if you have a good attitude, if you learn a skill, you can do very well by your family in working in manufacturing.

By and large, these facilities are located in either our urban or older suburban areas -- the very area that we want businesses to be located in. In our work forces, immigrant and minority populations are well represented. Twelve percent of the gross State product is from manufacturers. And finally, 90 percent of the exports that flow through this state through our ports are from New Jersey manufacturers. So if that's not worth saving, we don't know what is.

So the attention that you bring today to the businesses that are here, and that have been here, in many cases 50, 60, 70 years, is very welcome and well done. We also would not be here if we didn't think that you, as a body, could make a difference. We really think that you do. You hear a lot of talk about -- can manufacturers be competitive? Well, our manufacturers are

doing amazing things every day in a very competitive environment. And not only can we compete overseas, but we certainly can compete with our neighbors in Pennsylvania and New York, Ohio. There's no reason to lose manufacturing jobs to those areas. In fact, we should be able to take our share from that, because we're every bit as good, and I think our infrastructure is every bit as good.

So today we'll have a lot of manufacturers before you to tell you their story, where we need help in the environmental area and the tax area, and health care and the like. And again, we want to thank you very much for the attention you're bringing to this issue.

Thank you, Mr. Chairman.

SENATOR SARLO: Thank you, Mr. Kirschner.

Jim Sinclair.

MR. SINCLAIR: I'm going to be very brief, so that we can bring these manufacturers up. The people that come before you-- When we looked at the 31 items in your packet there (indicating) -- the 31 good ideas that we have that can help manufacturing, that evolved out of a study of manufacturers in New Jersey -- it's not-- These are not the global issues. This is not China and Wal-Mart and a variety of other things. These are things that New Jersey can deal with and can help. And this whole campaign that we have is in the spirit of working together with government and with the administration.

Thanks to you, Mr. Chairman, you have been the leader not only in the Senate, but in the Legislature on this issue, and gathering bipartisan support for working with manufacturers. The Governor has lent his approval to this campaign, and we appreciate that. There has been a change. We have

the Commerce Commissioner, who is our advocate in the cabinet now. This is an opportunity for us to work together.

We're going to ask people to come up, and based on your instructions, we didn't take everything. I know that this Committee evolves out of looking at regulations -- this is laws that are on the books. So we're going to look at some issues of laws on the books. We have bills -- and you have the list of bills that have already been proposed. That's in your packet there. I've put some briefs in there also. We're not going to cover all of that. What we'll do -- invite the manufacturers to come up and tell their problems. We're going to look at energy, the cost of health care, and taxation. Taxation that comes out of nowhere, but can destroy a business. And it was put in there for a good reason. The good reason was to fill a budget hole, but actually we know that numbers of industries will actually be put out of business by this. And all of these things have had proposals to move forward.

So enough said. Let me introduce the three people who are going to come up and speak. Sandy McWilliams, who is the President of McWilliams Forge. Sandy is also the past president of the New Jersey Business and Industry Association and New Jersey -- or the Chairman of the Business -- I didn't take your job away -- the Chairman of the Business and Industry Association and New Jersey Manufacturers Insurance Company.

Scott Ernst, who is the Director of Human Resources for Air Cruisers Company; he's going to talk about the cost of health care. And Bob Staudinger, who is the President and CEO of National Manufacturing -- he's going to talk about the air toxic tax. There's about 10 minutes worth of testimony there between them.

Thank you.

And then we'll come back with a couple mop-up things that will -- things that you can do.

MR. KIRSCHNER: And in the agenda, I also want to thank the Committee. I think every single one of you have either sponsored or cosponsored some of the bills in that agenda, and we appreciate that.

SENATOR SARLO: That is correct.

SANDY McWILLIAMS: Good morning.

My name is Sandy McWilliams. I am the President of McWilliams Forge Company, which is located in Rockaway, New Jersey, in Morris County. We employ 109 people. We are in the jet engine and aerospace structural business, so we forge products. We take metal, heat it up, and forge it into components. We might be the first brownfields success, in that our company bought our factory in 1941, 64 years ago, for the back taxes since 1916.

We support international customers, such as Rolls-Royce, Honeywell, United Technologies, Boeing, Cessna, and Raytheon, with their aerospace needs. Energy is a crucial component. You cannot make a forging without heating metal and forging it into a die or a shape. Sixty-six percent of our revenue comes from the jet engine business for regional jets and smaller, and the other portion comes from structural components for airplanes.

Since 2000, our energy costs have risen 58 percent. They have gone from 3 percent of our sales dollar, to 5.2 percent of our sales dollar is now related to energy. This includes hedging of natural gas. So we buy two years forward and hedge that product. It's still up 58 percent.

In 1998, we began to pay sales tax for the gas and electric that we bought. And this past summer we began to pay societal benefits charges. What I'd really like to do is convince the Legislature that business is not deep pockets. We invested \$15 million in 1999, which is 52 percent of our revenue, in order to stay in business. In order to compete in New Jersey, we have to eliminate labor costs, and we've tried to do that.

Societal benefits and the sales tax on fuel represents \$120,000 of outflow from our business, or more than 10 percent of our yearly profits. It's a critical factor in our well-being. We put this new facility in, in 1999, in order to remain competitive. It is 100 percent green, environmentally -- every discharge is recycled and is close-looped. We are good citizens. Our average hourly rate is almost \$18.00 an hour. But in 2004, we achieved record revenues -- the biggest revenue year we had ever had. And our gross profit, before taxes, was less than 3.5 percent. Put another way, we are investing \$100 dollars for \$103 return. So when legislation adds to those costs, we are impacted.

And I just wanted to tell that story. Thank you.

SENATOR SARLO: Thank you, Mr. McWilliams.

I'll let all three speak, and then if there are any questions from the senators--

S C O T T E R N S T: Good morning. I'm Scott Ernst, Director of Human Resources for Air Cruisers Company, located in Monmouth County. We are the designers and manufacturers of inflatable aircraft evacuation slides, life vests, and emergency rafts. We employ 249 people in New Jersey, and are now growing after several years of slow recovery in the aviation industry.

My company renews with our provider of a fully insured medical plan every April. In 2003, our provider requested an increase of 22.3 percent and settled at 8.6. In 2004, they requested 20.9 percent increase and settled for 7.5. This year they are requesting a 45.1 percent increase and have moved very little from this number during negotiations. Our provider has given us the following reasons for this significant increase: Our group was getting smaller; we're down 20 contracts from last year. Our group is getting older. The average amount paid plan for a prescription has risen from approximately \$50 to \$72 this past year. And most importantly, we had several claims that exceeded \$100,000 and several exceeding \$30,000. Upon hearing this last reason, one of our employees made the following observations: "You mean to tell me that we get penalized for using our benefits when absolutely necessary?"

This current proposed increase represents a \$660,000 problem on an annual basis or, per employee, an additional \$2,650 each. We have several traditional ways to address this problem. We can pass the increases along to the employees, which would make their contributions an increase of \$20 to \$50 more a week, which is a real loss of income. We can go out to other carriers and look for lower costs. When you do this, you ask your employees to change doctors, to change their providers. And over my years in human resources, I can tell you this is the most traumatic to ask the employees to do. Finally, you can change your coverage plan design. You can give less out in coverage, have the employee pay more, and in the end, you basically ask them to pay more to get less.

I want to add a word of caution in doing this -- passing more costs along to the employees. A study in Harvard University this year indicated that

50 percent of all personal bankruptcies are caused by the cost of medical premiums that people have to pay along with the services. And this is usually with people who have health-coverage benefits.

We also considered one traditional approach. For the first time in my career as a human resource professional, I investigated giving our employees the money the business contributes to these benefits in an hourly increase, and ask the employees to go on their own to find their health-care coverage. Studies are beginning to show that fewer employers each year are offering medical benefits. From a socially responsible position, we quickly ruled this out as a possible solution. It is highly probable that some of our employees would have taken that extra income and not put it toward the purchase of health benefits. This would add to the rolls of New Jersey residents suffering from a worse fate -- having no health coverage at all.

In closing, here are a few suggestions that I could make that might be considered. Consider legislation that would create gross income tax deduction for contributions made by employees towards their medical benefits. Consider creating tax incentives for employers willing to contribute more than 50 percent of the cost towards medical health premiums. Create legislation that would not allow health insurance providers to hold back actual claims dollars paid during the plan year from the sponsoring employee. In our case, we have asked our provider on numerous occasions for this data and have been refused. We only see our claims dollars once per year, when the provider is justifying the rate increase.

Consider legislation that would force health insured providers to refund a portion of premiums that are not used to pay claims during a year, only

when premiums exceed claims. Review all existing health coverage mandates passed in recent years. To date, no review has been conducted to determine their impacts. Policy makers should utilize the State's newly created Mandated Health Benefits Commission (*sic*) to review all proposed mandates to assess the impact on the cost of purchasing health insurance coverage for both employer and employee. Move forward with Bill A-3440 that would amend New Jersey law to permit health savings accounts. These accounts are a promising option for some employers and individuals to manage the costs of purchasing health insurance. The money in these accounts can be rolled over year-to-year and does not suffer the use-it or lose-it fate of the medical flex spending accounts. Move forward with Bill A-3379, Senate Bill 1912, that would remove unfair barriers to the small group market.

Although Air Cruisers is not in this market, many of our employee spouses would have access to pursue other alternatives for less expensive health-care coverage.

At this time, I would like to thank the Committee and NJBIA for allowing me the time to share the Air Cruisers' story.

SENATOR SARLO: Thank you, Scott.

And finally, Robert Staudinger.

ROBERT J. STAUDINGER: Staudinger, yes.

SENATOR SARLO: President and CEO of National Manufacturing Company.

MR. STAUDINGER: Good morning.

National has 60 years of history in Chatham, New Jersey, a privately owned company. At National, we form metal parts that go into a

variety of products in industries such as medical, aerospace, electronic, and industrial. And I'm speaking today with interest to the air toxic tax signed into law just nine months ago, and the Bill 3836 drawn to repeal this law.

At National, we use a degreasing agent to clean the metal parts during the manufacturing process, similar to other companies in manufacturing and metal manufacturing. The base chemical is now included in the list of category of chemicals being taxed on emissions. As written, this bill has created a tax liability, retroactively alone, of almost \$300,000, based on our operations for the year 2002, '03, and '04. This is a serious financial burden for our company that weakens our position against our domestic and international competitors who do not have the burden of this tax.

With all respect, we at National are also members of the community, we're citizens of the State, and we want manufacturing growth. We want employment growth, a cleaner environment, and the elimination of State budget deficits. We believe all those can be achieved. It's a myth, however, that as cost increases, such as this new tax, that these can be regularly passed along to our customers. Indeed, many of our customers, if not all, are requiring year-over-year cost reductions to be passed along to them. Of course, without such a tax burden, our competitors have a tangible pricing advantage and an advantage to invest in their process efficiencies and the opportunity to take business away from us.

We're proud of our 61 years of business here in New Jersey. Our employees and their families, and a lot of our suppliers are here. Yet, such action by the Legislature in the last year has made us pause and to evaluate the viability of continuing operations here in New Jersey. You may think that,

because of my presence here today, that National Manufacturing's tax is the worst problem in the state. But that's not the case. There are other companies whose tax bill far exceeds mine, some by a factor of 10. I'm here, of course, on behalf of my company, and the BIA on the behalf of those others, as well.

I fully understand the budget responsibilities that are in front of you and the collective interest in continuous improvements in our environment. I would far prefer that your Legislature take a different perspective to achieve their goals. Instead of a punitive tax, particularly a retroactive tax, consider developing an incentive-based program to reduce emissions, supported by accelerated tax credits on the investments we need to make. This would indicate a supportive Legislature, stimulate business growth, assist employment growth, and improve our environment at the same time.

This concept has been successfully used in other areas, such as an incentive to use more efficient lighting in Massachusetts and an incentive to reduce power consumption to capital equipment spending in New York City. Senator Martin supports a tax repeal, as does Assemblyman Pennacchio. I ask you and your colleagues to support this tax repeal, as well, and to support generating a more supportive business legislation in the state.

Thank you for the opportunity to speak with you.

SENATOR SARLO: Thank you, Robert.

And just with regards to the air toxic fee reduction and surcharges, there has been discussions in the Senate Budget Committee already with the Treasurer, and I believe you will see some action on that because of some problems with that going forward. So the Treasurer has begun discussing that with us, so good news for you.

MR. STAUDINGER: We certainly appreciate it.

SENATOR SARLO: Any questions from the Senators?

SENATOR KYRILLOS: Very quickly, Mr. Chairman, I'd like to ask one of the representatives of the panel, there, their views on this NJBIA agenda for manufacturing renewal that has been put together. It seems fairly comprehensive to me and we've been somewhat briefed about it. It would seem to me that if we did a number of these bills we would improve things significantly. Do you share that view, and is this going to make life better for you and for my constituents who work for you?

MR. STAUDINGER: From my perspective, absolutely, Senator. The agenda--

SENATOR LESNIAK: What a softball. (laughter)

SENATOR KYRILLOS: Well, we've got to move on these bills.

SENATOR LESNIAK: I just said, what a softball. (laughter)

SENATOR KYRILLOS: Because there's an agenda, but I'm not sure anybody said anything about it per se. We've got to work on it.

SENATOR SARLO: Well, just to comment. Many of the legislators sitting up here are sponsors of the bills, and there's many legislators on both sides of the aisle, both in the Senate and the Assembly, as well, who are sponsors of these bills. And one of the goals of this Committee is to try to streamline them, realizing that the budget deficit that we're in and the budget crisis, and everybody willing to chip in. I mean, the goal is to pick and choose some of these that could help a long way. And we do have a lot of support from many of the Commissioners that spoke here earlier. So, working with

leadership, hopefully we'll be able to streamline and get some of these items moved forward. And that's really the goal here today.

MR. STAUDINGER: My comment was that they certainly do support manufacturing. They're tangible. They're results-oriented. And the BIA Manufacturing Council is tangible and the results enter themselves. So it absolutely is a wonderful program.

SENATOR KYRILLOS: I'm going to give him a hardball next time, Senator Lesniak. (laughter)

Thank you.

SENATOR LESNIAK: Just as long as it's not a curve ball. (laughter)

SENATOR SARLO: Thank you.

And Jim--

MR. SINCLAIR: Senator, we'll cut off our testimony. We have so much more to tell you. We'll write to you. We'll cut this up. We know you have time frames.

SENATOR SARLO: Thank you.

MR. STAUDINGER: Thank you.

MR. SINCLAIR: Thank you.

SENATOR SARLO: I'm sorry. We just have -- we're really pressed for time. I know Hal Bozarth is here, he's from the Chemistry Council of New Jersey; and Jeanette Issenman is here from the New Jersey Commerce and Industry Association. Do you guys just want to come up briefly? The senators have to get to caucus. We apologize. And they're a final two.

Thank you.

HAL BOZARTH: Thank you.

And I know for myself, I'll be as quick as I can. We also appreciate the activity of the Business and Industry Association for bringing this Committee together to listen to the plight of manufacturers. I happen to represent about 80-82 members in the business of chemistry throughout New Jersey. We have about 78,000 folks employed. For each and every one of those jobs, there's a concomitant downstream effect of other jobs of about three-and-a-half. So for every one job in the business of chemistry, there are an additional three-and-a-half ones. The average salary for the folks who work in the business of chemistry -- it's about \$76,000 a year -- clearly, well above the average for all manufacturers and clearly well above the cost of other folks in the service industry.

Along with Senator Lesniak, who has been a consistent supporter of manufacturers for a long time, we've seen a diminution in the business of chemistry and new plants, new investment. There are many reasons for that. We're in a global economy. We've just come out of a horrendous recession that has been -- affected the chemical companies across the nation, and things have not been good. There is an impact on those manufacturing jobs as a direct evidence of what government sometimes does.

I give Commissioner Campbell an awful lot of credit for bringing those slides in here and showing what he's trying to do to lower the burden on the permits -- an extraordinary interesting thing and very positive.

I also give him credit because he has one of the best lines I have ever heard when he came into office. He said, with regard to the site cleanup program, that one of his goals by the end of his term of four years was to

eliminate what he classified as the teenagers. I said, what could the teenagers be? And the teenagers were literally hundreds of companies who had been in the site cleanup process for 12, 13, 14 years, waiting to get out, waiting to do their cleanup, waiting to spend the money on environmental protection. They couldn't do that for some reason or other. I know it's very difficult, and I give the Commissioner credit for attempting that in his next area of activities. It's really needed.

If we're in a global economy and if we're competing with places like China, what we have to remember in New Jersey is that there's still going to be a marketplace in America. And so those manufacturers who are left in New Jersey need to be able to be on a competitive footing with manufacturers in other states. Because there's still going to be the battleground there. There's absolutely no way, if the State does not bring some help, that we won't see that number of 78,000 people in the business of chemistry slide even further. A long time ago, there was 130,000 employees in the business of chemistry in New Jersey. The world's changed, the industry has changed, there's been consolidations, rough economic times.

And yet, I wanted to leave you with this final thing, and I do have a position paper that I'll leave for you.

I want to talk on one specific issue and then generally. The first issue is energy. I know it was touched on by both Secretary Bauer, who is doing a great job as an advocate for manufacturing in the state. Fifty percent above the national average is the amount of cost for energy that manufacturers pay. The fourth or fifth highest-priced electricity in the nation. The reason why it's important for manufacturers because -- is, at least in the business of chemistry

and from the last panel that you heard, we're large users of energy. And so the cost makes us almost uncompetitive from the start -- 50 percent above the national average -- above Pennsylvania, above New York, above Delaware, above Maryland. All in the PJM interconnection grid. Why is that? Because we've had the monopoly situation for so long at the prices -- really are gouging levels. And some things needs to be done specifically for manufacturers.

The last point. I'm only going to tell you -- probably the most important thing that I could tell you today, and some of you already know that. There is a reason why manufacturing is important that no one's talked about today. The way to create wealth is to add value to something, to start with a set of raw materials in any industry, do something through knowledge, innovative technology processes to create something else. That creation of value is what really manufactures wealth. Without that, we don't have a viable economy in the state.

One of the reasons why New Jersey has historically been strong economically, compared to other folks in the region, is because of the strength of the manufacturing community. If, as former Governor Tom Kean said, we're moving to a service economy, we will suffer an economic decline like we've not seen yet. A service economy, as great as it is, cannot do the one thing that manufacturers do, and that's add value and create wealth.

That's what it's all about from an economic development standpoint. That's why Caren Franzini is so good at what she does, in recognizing manufacturing does the kinds of things that are so important. There has to be an understanding that manufacturers should be treated differently in these very difficult economic times, whether it's the gentleman with the air tax

problem or the health-care problem or the energy problem. There needs to be a way to say, we can treat manufacturers differently, because they add something to New Jersey that the service economy and the restaurants do not, and that is creation of wealth. And that's what manufacturers are all about.

Thank you, Mr. Chairman.

SENATOR SARLO: Thank you, Hal.

And finally, Jeanette Issenman, from Commerce and Industry. And I know Rich Goldberg, the Executive Director, is out of town.

J E A N E T T E I S S E N M A N: Yes, he is. And today is my first day back from maternity leave, so I will be very brief.

My name is Jeanette. I have been Vice President of Government Affairs for the Commerce and Industry Association of New Jersey. We represent about 700 corporate members in New Jersey. I'm here just to strongly support NJBIA's manufacturing proposals. I think if all of these proposals were implemented, they'd go a long way to making New Jersey more affordable for the manufacturing industry. I would also like to take the opportunity to distribute CIANJ's 2005 legislative and regulatory agenda, that makes some recommendations for how we can make New Jersey more affordable and more competitive, in order to create and maintain jobs here.

I also want to thank Senator Sarlo and members of the Committee for convening this meeting today, so we can take a look at the regulations that the State implements through each of the major departments. And I'd like to suggest that, perhaps, we have these hearings periodically, taking a look at some of the major issues impacting the business community, such as health insurance. I know we could have a whole hearing based on some of the mandates that have

been proposed and the cost of health insurance, as well as Department of Environmental Protection and some of their regulations.

So I just wanted to thank the Senator and members of the Committee, and we look forward to maintaining a productive dialogue.

Thank you.

SENATOR SARLO: Thank you.

And thank you, for the members of the Committee, for your patience. I look forward to working with you on this Committee, and hopefully we can do some good things to help the business community.

Thank you.

(MEETING CONCLUDED)