
Public Hearing

before

SENATE TRANSPORTATION COMMITTEE

SENATE CONCURRENT RESOLUTION No. 78

*(Amends State Constitution to dedicate 10.5 cents per gallon
of the motor fuels tax for cost of funding State transportation system)*

LOCATION: Committee Room 10
State House Annex
Trenton, New Jersey

DATE: June 12, 2006
1:00 p.m.

MEMBERS OF COMMITTEE PRESENT:

Senator Nicholas J. Sacco, Chair
Senator Fred H. Madden Jr., Vice Chair
Senator Ellen Karcher
Senator Andrew R. Ciesla
Senator Henry P. McNamara



ALSO PRESENT:

Peter R. Manoogian
*Office of Legislative Services
Committee Aide*

Patrick Gillespie
*Senate Majority
Committee Aide*

Brian Alpert
*Senate Republican
Committee Aide*

*Hearing Recorded and Transcribed by
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SENATOR NICHOLAS J. SACCO (Chair): Now we have a mandated hearing on SCR-78, as it will be an amendment to the State Constitution.

Commissioner Kolluri? He was here, I believe. He's not?

Okay?

Commissioner Kolluri, would you-- We just began the hearing. Would you like any members of your staff to join you?

KRIS KOLLURI, ESQ.: No. I'm good, thank you.

Thank you, Chairman Sacco and members of the Senate Transportation Committee, for giving me the opportunity to testify in support of Senate Concurrent Resolution No. 78.

The passage of this resolution would give New Jersey voters the opportunity this November to constitutionally dedicate the entire Motor Fuels Tax to the Transportation Trust Fund. This is a historic step, as it would represent the first time that all moneys of the Transportation Trust Fund were truly dedicated for their intended purposes.

In 1984, the New Jersey State Legislature established the TTF to ensure New Jersey had a stable and predictable method to finance and plan for the State's transportation needs.

During the early days of its existence, the TTF operated according to plan. However, soon it became overwhelmed by poor fiscal policy and growing financial constraints. This jeopardized the State's ability to fund repairs and safety improvements to our highways, bridges, and public transportation, in general. As a result, last year the TTF, which was the primary funding mechanism for the State transportation dollars for over 25 years, faced insolvency. Without a significant influx of new

revenues, it would have ceased to fund capital projects at DOT and at Transit. And our ability to improve transportation for the people of New Jersey would have been eliminated.

In his first weeks in office, Governor Corzine unveiled a plan to reform, replenish, and grow New Jersey's beleaguered Transportation Trust Fund. I thank the Legislature for its quick passage of the Governor's plan. This law creates a five-year, \$1.6 billion per year, stable TTF capital program. This represents an increase of \$400 million each year that will be used to repair and rehabilitate deteriorating roads and bridges.

Also critically important, this program allows New Jersey to tap into the \$1.6 billion in Federal matching dollars. Taken together, the \$3.2 billion annual capital program is the largest in the State's history, and over the next five years we'll spend close to \$16 billion. With this Trust Fund and the Federal program, we'll be able to support over 100,000 jobs in New Jersey, and it will provide nearly \$400 million in direct property tax relief to municipalities and counties.

Governor Corzine's plan not only replenishes and grows the TTF, but it will also make much-needed reforms. These reforms will enhance fiscal responsibility and public accountability -- things that the public expects and deserves. First, we have frozen the level of TTF funds to use for capitalized maintenance projects. All investments from the TTF are required to meet their five-year useful life test, as prescribed for in law. This may place a burden on the Department, but I assure you, Mr. Chairman, we're prepared to handle it in the upcoming budget here.

Second, we're establishing an independent policy oversight board that will ensure compliance with strict guidelines for capital

expenditures. This board will act as the comptroller for the Trust Fund and keep investment decisions in line with available resources.

Third, and most importantly -- the subject of our discussion today -- we will constitutionally dedicate all moneys from the Motor Fuels Tax to the Trust Fund. In my estimation, this is the signature reform of Governor Corzine's plan.

In 1984, the voters approved an amendment to the State Constitution dedicating 2.5 cents per gallon of the motor fuels tax to the TTF. In 1985, voters approved increasing that dedication to 9 cents per gallon. For the first time in history, we can say that all moneys are going to go for their intended purposes.

The resolution you're considering today asks voters to approve -- fully dedicating the 10.5 cents of the Motor Fuels Tax. This reform is our guarantee to the public that the money they pay at the pump will go where it should -- to fixing our roads, bridges, and investing in our mass transit systems.

Mr. Chairman, by using every penny of the Motor Fuels Tax for roads, bridges, and public transit, we will make the necessary upgrades to the safety of our network. We will be able to relieve congestion and bottlenecks throughout the state, we'll keep our economy growing and prospering, we'll be able to provide alternate transportation options for our motorists and transit riders; and ultimately, we'll be in a position to deliver high-quality, reliable service to the public.

Mr. Chairman, I look forward to working with you and members of the Committee. And if there is any question I can answer, I'm

pleased to do so. But I respectfully request the Legislature's prompt passage of SCR-78.

Thank you.

SENATOR SACCO: All right, Commissioner.

Any questions to the Commissioner? Senators, any questions for the Commissioner before-- (no response)

SENATOR MADDEN: Thank you.

COMMISSIONER KOLLURI: Thank you.

SENATOR SACCO: I thank you, Commissioner.

All right. We have Daniel J. O'Connell, the United Transportation Union; Roger Ellis, Heavy Construction Laborers, Local 472; and Mark Longo, Operating Engineers, Local 825 -- who all indicate that they do not have to speak, but they're in favor of the bill.

We have Michael Egenton, the New Jersey State Chamber of Commerce; and Steven Gardner, New Jersey Laborers-Employees Trust -- come up to speak, please.

MICHAEL EGENTON: Thank you, Mr. Chairman.

I just want to read a brief statement in for the record.

SENATOR SACCO: You realize you're sitting business and labor together -- we are? (laughter)

MR. EGENTON: You like that? (laughter) It's happening a lot lately.

SENATOR McNAMARA: That's how bad things are. (laughter)

MR. EGENTON: Steve is a good colleague and friend. In a lot of the transportation issues, we actually do work together. And we worked together on this initiative in replenishing the Transportation Trust Fund.

Good afternoon and thank you for the opportunity to speak before the Committee on this very important legislation. I'm Vice President of Environment and Transportation, for the New Jersey State Chamber of Commerce, and wish to address you on behalf of the State Chamber's member companies whose economic success is dependent on having our state having a first-class transportation system.

A major source of funding for the maintenance and expansion of our transportation system has been the New Jersey Transportation Trust Fund. SCR-78 is intended to bring some fiscal integrity back to the Trust Fund, and restore the Trust Fund's ability to fund actual transportation improvement projects. The State Chamber wholeheartedly supports that goal.

The State Chamber supports the proposed dedication of revenues from the final 1.5 cents of the Motor Fuels Tax to the Trust Fund. This will likely add \$78 million annually to the Trust Fund. It's a good start in providing desperately needed new funds to address New Jersey's critical transportation infrastructure needs. This additional dedication is exactly the type of funding we need for the entire Trust Fund -- a dedicated, reliable, and stable source of funding that is not subject to political winds.

In conclusion, we implore the State Legislature to continue to explore options that will create a stable, long-term, dedicated funding program that best serves residents and the businesses of New Jersey. Let's not wait five years and put it off, only to have another last-minute crisis

situation. Proper planning will ensure that New Jersey's critical infrastructure is maintained and improved.

Thank you for taking our views into consideration.

SENATOR SACCO: Thank you.

S T E V E N G A R D N E R: Senator, my name is Steven Gardner, and I represent the New Jersey Laborers-Employers Cooperation and Education Trust. It's a long name, but essentially it means they represent 25,000 laborers in the State of New Jersey and our signatory contractors. So I'm not just labor, I'm also management. And that's how we get along so well with the Chamber of Commerce on many of these issues. I'm here today on behalf of my Chairman, Raymond M. Pocino.

As we testified a few months ago on the bill, we believe this is a good first step to renewing and reforming the Transportation Trust Fund in New Jersey. This component of the reform package is critical. As Mike said earlier, and as others have said today, it is -- dedicating and getting a stable source of revenue is critical for the TTF to continue. We believe this is a good first step to get it done. We urge the legislators to support it, and we look forward to working with you guys to get it on the ballot for November.

Thank you.

SENATOR SACCO: Gentlemen, thank you very much.

MR. EGENTON: Thank you, Chairman.

MR. GARDNER: Thank you.

SENATOR SACCO: All right. We have Eric Larkin, Utility and Transportation Contractors Association of New Jersey; and Carol Fulten, Associated General Contractors of Edison.

ERIC N. LARKIN: Good afternoon, Chairman and members of the Committee. Thank you for allowing me the opportunity to extend some brief remarks about SCR-78.

As you said, my name is Eric Larkin. I am the Government Affairs Representative for the Utility and Transportation Contractors Association of New Jersey. Our organization currently numbers approximately 1,100 member firms active in all phases of heavy, highway, utility, and environmental remediation construction throughout the state.

In his Transportation Refinancing Plan, Governor Corzine rightfully dedicated the remaining 1.5 cents of the 10.5 cent State motor fuels tax to the Transportation Trust Fund. This change will produce an additional \$79 million annually to the TTF. The Governor also returned the New Jersey Turnpike's annual \$12 million contribution to the TTF after five years of diversions to the General Fund.

UTCA commends both the Legislature and Governor Corzine for enacting these measures. In a time when transportation funding needs are at a critical point, and when our State faces a budgetary crisis, it is noteworthy that these moneys will be statutorily dedicated to the purpose for which they were intended.

Again, thank you for allowing me the opportunity to testify today.

CAROL FULTEN: Good afternoon. My name is Carol Fulten. I'm with the Associated General Contractors of New Jersey. Our membership consists of many large -- very large contractors and infrastructure contractors in the state.

We just wanted to say very briefly that we consider this reform measure a really good first start to finding a long-term, stable source of funding for transportation projects.

We thank you all for considering this today, and urge its passage.

Thank you.

SENATOR SACCO: Thank you very much.

I have two who would like -- who are, I guess, in favor, if the bill was amended. That would be Damien Newton, Tri-State Transportation Campaign; and Pam Fischer of the AAA.

P A M F I S C H E R: Thank you, Mr. Chairman.

We do support it.

I don't know if this is -- I'm not getting the light so-- (referring to PA microphone) There it is. Now it's on.

Thank you. Thank you, Mr. Chairman. I'll just make this very brief.

We do support it. And we will be out at the polls -- we will be asking our members to support this, because we agree it is a good first step. But it is a first step. And the issue that we want to raise today, which we have been seeing for some time now, is the fact that on the penny-and-a-half, the existing penny-and-a-half that will be constitutionally dedicated if this happens in November, we'll be getting what we call the *full yield* -- the full amount of money that's collected from that. We've had a number of meetings with Treasury to talk about this, and they've told us that that would be the case. It would be the full yield.

The problem is, on the 9 cents that's already constitutionally dedicated, we do not get the full yield going into the Transportation Trust Fund. And there's a minimum amount that's guaranteed by the original legislation that set up the Trust Fund, but the rest of the money is not going there. We'd like to see it get there. So we are asking you to consider that as you move forward with this constitutional dedication.

The motorists believe it's getting there. They're convinced of the fact that all 10.5 cents is getting there, so this will remedy that situation. But the bottom line is that all the money that's collected at the pump is not all getting to the Transportation Trust Fund. So we just call that to your attention and also remind you, as well, that there are still statutorily dedicated moneys that are still being diverted, and we'd love to see those constitutionally dedicated at some point as well.

So I thank you for your consideration and attention.

SENATOR SACCO: Thank you.

Any questions? (no response)

Go ahead.

DAMIEN NEWTON: My name is Damien Newton. I'm the New Jersey Coordinator for the Tri-State Transportation Campaign. Since I gave everyone a written statement -- and I saw some people reading it earlier -- I'm going to just sort of summarize my remarks and save you some time.

We support the idea of constitutionally dedicating money from the gas tax for transportation. We always have. Our concern has been that, during the debate over the Governor's Transportation Plan and Senator Lesniak's bill in the Spring, there was language inserted, I believe at the Senate Budget Committee, that was passed by the Senate Budget

Committee -- it was smart growth language -- and it capped transportation spending on new highway expansion at 4 percent. That money, instead of being spent on new highways, was being spent on Fix-it-First projects, bicycle-pedestrian projects. We've seen capital programs come out of the DOT that are the envy of progressive transportation advocates nationwide over the past four years. A lot of that came from the goal-setting that was done in the 2000 authorization of the Transportation Trust Fund.

The language was eventually moved at Assembly Committee, and then, to make the bill mesh, it was pulled out on the Senate floor. There was some confusion, I remember, on the Senate floor. Senator Lance, actually, rose to defend the removal of the language and was told that the language was still there. It was one of the things where you have a lot of committees and the Senate floor meeting at the same time, and there was just some confusion.

If the language isn't put back in, at the time we said -- with a number of our friends in the environmental community -- that we would oppose the gas tax in the Fall -- the dedication in the Fall as a result of not having this language in and not having this protection in.

I will say that since then we've seen the DOT's capital program for this year. This language talks about capping highway capacity expansion at 4 percent. The DOT's capital program this year was below 3 percent in highway capacity expansion. It was a great program. And we're very aware that they've done some really great work on this issue, in trying to get our bridges fixed, and trying to get our roadways fixed, and everything working towards smart growth goals.

Our concern isn't with the current administration. In the testimony, we talked a little bit about what's happened in Maryland. Governor Glendening was elected in '94. He's the man credited with coining the term *smart growth*, and a lot of his projects in Maryland at the time were considered revolutionary.

Our DOT has actually gone a step beyond that. We've seen better programs out of them than they've ever seen in Maryland. But since Governor Glendening was term limited out of office, there's been a reversal of policy. And instead of seeing capital programs that push Fix-it-First, it pushed bicycle and pedestrian projects that pushed safety as the number one thing. We're seeing a lot of new highway projects, including a multibillion dollar road that would run parallel to the D.C. beltway, which would be one of the largest highway projects in the country right now.

And our concern is, is if we don't have this language there enshrined, that this sort of thing could happen in New Jersey also. Again, we don't see it happening next year. We're not concerned with anything we'd see under Governor Corzine or Commissioner Kolluri's office -- our concern is the long-term, which is why we'd like to see this language put back in.

Thank you.

SENATOR SACCO: Do you see how bad term limits are?

(laughter)

SENATOR McNAMARA: Very good. (laughter)

SENATOR SACCO: Is anyone else to speak? I have -- everyone who signed in did speak. (no response)

Okay. Seeing no one, I thank you all for attending. I thank you all for remaining.

I thank Senator Ciesla, who did have to run out for some other business.

Thank you.

(HEARING CONCLUDED)