STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

September 10, 2014

ASSEMBLY BILL NO. 2268
(First Reprint)

ADVANCE COPY

To the General Assembly:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I am returning Assembly Bill No. 2268 (First Reprint), without my approval.

Over the past three decades, the New Jersey Environmental Infrastructure Trust ("EIT") has provided low-cost loans to municipal and county governments, public utilities, and other entities, for the construction and maintenance of environmental infrastructure projects. Through a combination of bond revenues and federal funds, the EIT has made over $4 billion available for the improvement of water supply and wastewater management infrastructure, the construction, repair, and maintenance of public sewer facilities, and the preservation of drinking water resources. Moreover, through effective fiscal management and responsible stewardship, the EIT has operated with revolving funds and, as such, its activities have no impact on the annual State budget.

This bill would amend the EIT to create two new components: the State Transportation Infrastructure Bank Fund ("transportation bank"), and the Clean Energy and Infrastructure Modernization Fund ("energy bank"). In so doing, the bill would significantly expand the EIT's mission to include the facilitation of funds for the planning, engineering, construction, repair, and rehabilitation of transportation projects and the production, supply, distribution, and conservation of renewable energy. Under the bill, funds and accounts of the EIT would be segregated to prevent the mixing of transportation funds, energy funds, and water or environmental infrastructure funds.

While I support the sponsors' desire to address the State's transportation and energy infrastructure needs, this bill raises significant questions concerning funding sources and offers few solutions for our infrastructure needs. Specifically, the bill does not dedicate or identify any resources for the capitalization or operation of the transportation and energy banks. In fact, as observed by the Legislature in its Fiscal Estimate, "[i]t is not possible to know what mix of State, federal, and private funding will be placed into the loan funds, the interest rates for loans issued by the energy and transportation banks, nor the performance of loans issued by the energy and transportation banks." Without question, these are the critical factors that are necessary to determine the ultimate impact of this bill.

Moreover, while the sponsors note that federal funds have been provided for State transportation infrastructure banks in the past, no such funds are presently available, and previous allocations have required State matching funds. Accordingly, should the federal government make funding available to the transportation bank under a future program, the State would likely be required to dedicate its own resources, thereby shifting money away from existing priorities and constraining our ability to meet other recurring fiscal obligations. With respect to the proposed energy bank, federal money has never been provided to states for such purposes. Thus, the capitalization of the energy bank would become the sole obligation of the State, thereby imposing additional burdens on our taxpayers.

My Administration has consistently pursued opportunities to leverage federal funds for infrastructure projects where such funding opportunities do not expose the State's taxpayers to unknown risks. That is why earlier this year I proposed the establishment of an Energy Resilience Bank, which has been approved by the United States Department of Housing and Urban Development and is being launched jointly by the New Jersey Economic Development Authority and the New Jersey Board of Public Utilities. The Energy Resilience Bank's mission overlaps considerably with that of the energy bank proposed by this legislation. However, unlike the proposed bank, the Energy Resilience Bank has been infused with federal Sandy recovery funds and does not require any future State appropriations. Given that the Energy Resilience Bank has a head start and has an existing, non-State funding source, it would be inadvisable to establish an additional energy bank with no dedicated funds or prospect of future funds. Put simply, a bank without money is no bank at all.

Accordingly, I herewith return Assembly Bill No. 2268 (First Reprint) without my approval.

Respectfully,

[seal]

/s/ Chris Christie

Governor

Attest:

/s/ Christopher S. Porrino

Chief Counsel to the Governor