

SENATE BILL NO. 708

To the Senate:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I am returning Senate Bill No. 708 with my recommendations for reconsideration.

For the last four years, the Port Authority of New York and New Jersey ("Port Authority") has been the subject of efforts to modernize its mission and increase its transparency and accountability. Created ninety-five years ago, the Port Authority is empowered by both states to plan, develop, and oversee coordinated efforts that promote commerce and transportation initiatives for New Jersey and New York. With a multi-billion dollar budget that finances transportation programs throughout the port region, the Port Authority brings tremendous economic benefits to both states and the Nation, and also - appropriately with an agency of this size - a lot of public scrutiny.

In 2011, Governor Cuomo and I started the process of revamping the Port Authority by subjecting the agency to a comprehensive audit of its finances and operations. When evidence of mismanagement and wasteful practices emerged in 2014, we took the additional step of constituting a bi-state Special Panel on the Future of the Port Authority ("Special Panel") that was comprised of outside experts, Port Authority personnel, and representatives from both states. The Special Panel evaluated the Port Authority from top to bottom and recommended certain reforms.

Governor Cuomo and I endorsed the Special Panel's report and ordered the Commissioners of the Port Authority to begin implementing its recommendations in 2014. To date, the Port Authority has already acted to: revise the Board's governance

structure; adopt an ethical code of conduct for its Commissioners and officers; develop policies to encourage the reporting of waste, fraud, and abuse; release additional information to the public; and provide further opportunities for the public to participate in Board proceedings. Although the actions undertaken by the Port Authority are a step in the right direction, the Port Authority, as a bi-state agency, will only be bound by those reforms that are enacted into law by both states.

In 2015, the New York Legislature and Governor Cuomo, through bicameral and bipartisan cooperation, codified these reforms into law. With the State of New York having already acted, it now falls to New Jersey, as a co-equal partner, to fulfill its duty to enact these reforms into law to ensure that the Port Authority acts ethically, responsibly, and transparently in the future.

The New Jersey Legislature, however, approved Senate Bill No. 708 knowing full well that this bill differs significantly from the New York law. In particular, this bill limits the ability of the Port Authority to root out fraud, waste, and abuse by insulating and protecting union employees from cooperating with Inspector General investigations. The concept of enabling Port Authority employees to impede the efforts of the Inspector General to detect, investigate, and prosecute fraud and abuse at the agency is the antithesis of improving transparency and accountability. There can be no place for such a provision within this bill.

The present bill also imposes redundant and costly burdens that will hinder the Port Authority's ability to efficiently accomplish its mission. For instance, Senate Bill No. 708 would force the Port Authority to hire an independent engineering firm to monitor every capital project that exceeds \$500 million which

represents the majority of such projects. However, the Port Authority already selectively audits construction projects for engineering proficiency and financial responsibility. This and similar provisions that increase the costs of Port Authority projects and operations through duplicative oversight, notice, or hearing requirements are detrimental to the toll-paying public.

Recognizing the efforts of New York and the need to enact corresponding legislation in both states, Senate Minority Leader Kean introduced Senate Bill No. 355. Senate Bill No. 355 integrates the reforms already enacted by New York without the conflicting and overly burdensome features included in Senate Bill No. 708. As it is far past the time to reform the Port Authority, I propose that Senate Bill No. 708 be revised to reflect Senator Kean's bill so that New Jersey fulfills its responsibility to deliver the fundamental and long lasting reforms that Governor Cuomo and I endorsed more than a year ago and the modernization of the Port Authority that I have pursued for the last 5 years.

Accordingly, I herewith return Senate Bill No. 708 and recommend that it be amended as follows:

<u>Page 7, Section 6, Lines 16-17:</u>	Delete "including, but not limited to, such acts"
<u>Page 8, Section 7, Line 6:</u>	Delete "the terms and"
<u>Page 8, Section 7, Lines 7-12:</u>	Delete in their entirety and insert "any portion of this paragraph is inconsistent with any current contractual obligations of the port authority, this paragraph shall not be applicable to those obligations until the earliest expiration of those terms under the contract;"
<u>Page 12, Section 14, Lines 8-35:</u>	Delete in their entirety
<u>Page 12, Section 15, Line 37:</u>	Delete "15." and insert "14."
<u>Page 13, Section 15, Lines 1-2:</u>	Delete "Within 60 days of the effective date of P.L. (C.) (pending before the

Legislature as this bill),
and on" and insert "On"

Page 13, Section 15, Line 3: Delete "of each year" and
insert ", two thousand
sixteen, and"

Page 13, Section 15, Lines 18-32: Delete in their entirety

Page 13, Section 16, Line 34: Delete "16." and insert "15."

Page 15, Section 17, Line 17: Delete "17." and insert "16."

Page 16, Section 18, Line 42: Delete "18." and insert "17."

Page 16, Section 19, Line 47: Delete "19." and insert "18."

Page 18, Section 19, Line 12: After "authority" insert "or
arrange for contracts for the
sale of personal property
owned by the port authority"

Page 18, Section 20, Line 26: Delete "20." and insert "19."

Page 18, Section 21, Line 39: Delete "21." and insert "20."

Page 18, Section 21, Line 40: Delete "a."

Page 19, Section 21, Lines 13-47: Delete in their entirety

Page 20, Section 21, Lines 1-2: Delete in their entirety

Page 20, Section 22, Line 4: Delete "22." and insert "21."

Page 20, Section 23, Line 13: Delete "23." and insert "22."

Page 20, Section 24, Line 25: Delete "24." and insert "23."

Respectfully,

[seal]

/s/ Chris Christie

Governor

Attest:

/s/ Thomas P. Scrivo

Chief Counsel to the Governor