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May 14, 2014

The Honorable Chris Christie
Office of the Governor
P.O. Box 001
Trenton, NJ 08625

Dear Governor Christie,

I am writing to you today to discuss a policy proposal which I believe can save the State of New Jersey tens of millions of dollars per year, and can be implemented in a relatively short amount of time.

Over the past few years I have been reluctant to continually approach you in order to advocate my position on this issue. This is a result of several factors, including the previous turndown of a similar proposal in 2010 and my instinct and ability to understand the political pressure that would likely be brought to bear by a major corporation, some members of the Legislature, and segments of the general public.

However, as I meet with legislators on various issues, attend public policy forums, and listen to the media; I am alarmed by the catastrophic scale of the budgetary issues the state government faces. The recently revealed shortfall of over \$800 million that must be squared away by June 30th presents an extreme and immediate challenge, and additionally the same shortfall must be resolved for the upcoming fiscal year that begins on July 1, 2014. You have said yourself on multiple occasions that the long term fiscal picture is much worse as major expenses like pensions and healthcare continue to increase rapidly from year to year.

It is in light of these challenges that I am re-visiting the proposal that I made to you in 2010 that will directly save the state millions of dollars, and dramatically improve the economy for thousands of New Jersey small businesses.

I ask that you immediately on an emergent basis cancel the State's contract with Parsons to perform motor vehicle emissions inspections and instead have all inspections performed by Private Inspection Facilities (PIFs).

Since the contract for inspections is currently operating under an extension, there will be no financial penalty for canceling the contract with Parsons Environment & Infrastructure Group. Indeed, section 5.21.4 of the contract states that “In the fifth year or subsequent extension of the contract, the Director may terminate the contract entered into as a result of this Request for Proposal for the convenience of the State, upon no less than 30 days written notice to the contractor, with no termination charge due the contractor.”

Last year over 2 million inspections were performed by the Parsons operated and State funded Central Inspection Facilities (CIFs). Since March 2011, the rate the State pays to Parsons for each inspection is \$20.93. This equates to an expense of approximately **\$42 million annually**.

Beyond this annual savings, the State would also see a large one time revenue boost from the sale of the 29 properties in which state inspections are currently run. These commercial locations are collectively worth tens of millions of dollars, and quite possibly may be valued at several hundreds of millions of dollars. These properties, if sold to commercial entities, will also pay millions of dollars of property taxes once they are returned to the property tax base in each of the municipalities where they are located. I presume that this fact alone will be very good and welcomed news to many mayors.

There would also be less direct but still substantial revenue increases as this action ripples through the economy. The roughly 1,300 currently licensed private inspection facilities would experience a tremendous increase in the amount of business they do. Their business would be more profitable, and that means they would be paying more income tax to the State every year. It also means they would be able to expand, including by hiring more employees to perform all these extra inspections, which also results in numerous financial benefits to the State.

There are thousands of independent auto repair shops that currently do not perform emissions inspections simply because up until now there has not been enough business available to make their initial investment worthwhile. Fully privatized inspections would change that calculus dramatically. This means greater numbers of licensed inspection technicians and a newly created demand for displaced Parsons employees.

The direct cost to consumers would be minimal. It would be borne only by those that own motor vehicles greater than five years old, and would only be paid once every two years after that.

You may recall I submitted almost this exact proposal in 2010. In fact, it was adopted by the Privatization Task Force that you appointed shortly after you were elected governor. Had my proposal been adopted then, the State would have already saved over \$100 million to date. Unfortunately, despite the fact that nearly every official I met with agreed that it was a

worthwhile proposal, and that my mathematical calculations were accurate; the Administration decided to go in a different direction and instead eliminated safety inspections. This turned out to be a decision which did not produce the expected savings for the State but did hurt the bottom line of thousands of auto repair businesses.

I recognize that the type of change I am proposing would be on an emergent and immediate basis and would require a degree of scrambling in order to ensure a relatively smooth transition in such a short period of time. I pledge to use my position as leader of the association which represents more than fifty percent of the current community of private inspection facilities (PIFs) as well as many more that are potential future PIFs. I will dedicate all the time and resources I and my organization possess to assist the State in accomplishing this task.

I will make myself available at any time to meet with you, the Treasurer, and/or your Chief of Staff to discuss this proposal in more detail.

This is an opportunity to bring about a lasting, positive, pro-market, pro-small business change that will permanently save tens of millions of dollars annually for the State of New Jersey, while reducing the size of government to the benefit of thousands of small businesses. I hope it will have your support.

Sincerely,

A handwritten signature in black ink, appearing to read "Sal Risalvato". The signature is fluid and cursive, with a large initial "S" and "R".

Sal Risalvato
Executive Director

Sent via U.S. Mail and email

cc: The Honorable Andrew Sidamon-Eristoff, Treasurer
Kevin O'Dowd, Chief of Staff
Amy Cradic, Deputy Chief of Staff for Policy
Ray Martinez, Chairman, Motor Vehicle Commission
Tony Crisalli, President, NJGCA