

EXECUTIVE SUMMARY

Over the past decade, the State's ability to fund repairs and safety improvements to highways, bridges, and public transportation has been jeopardized by poor fiscal policy and growing financial constraints. The State's Transportation Trust Fund (TTF), which has been the primary funding mechanism for State transportation dollars since 1984, now faces insolvency. Without a significant influx of new revenues it will cease to fund any capital projects at the New Jersey Department of Transportation (NJDOT) and NJ TRANSIT beginning in FY2006, eliminating any possibility of improving transportation in New Jersey.

This financial crisis comes at a time when New Jersey's transportation networks are plagued by aging infrastructure and costly congestion. Many of New Jersey's roads, rails and bridges (highway and rail) are significantly deteriorated. Growth and development patterns continue to saturate both highway and transit capacity. Delays erode the quality of life of New Jersey residents and cost the State's economy, which relies heavily on the movement of over \$7 billion in goods and services annually. Demands to support smart growth investments in cities and suburbs are increasing. If the State's current infrastructure is not rehabilitated, these costs will continue to rise. Heavy traffic and delays experienced by New Jersey residents will continue indefinitely and the roads, bridges, and public transportation that are getting worse will be even more expensive to fix in the future.

Based on these conditions, the following illustrates some of the State's most pressing transportation needs:

- \$1 billion annually for the next 10 years to rehabilitate 15,289 lane miles of highway.
- \$7 billion to eliminate the backlog of structurally deficient bridges.
- \$4.9 billion over the next 10 years to restore NJ TRANSIT infrastructure to a state-of-good-repair.
- \$7 billion over the next 10 years to increase capacity on NJ TRANSIT services.
- \$50 million annually to improve customer service and technology at NJ TRANSIT.
- \$90 million annually for programs and improvements to make driving safer.
- \$5.5 billion over the next 10 years to alleviate heavy traffic.
- \$360 million over the next 10 years for rail freight infrastructure improvements to maintain the State's economic advantage in the goods movement industry.

- \$22 million annually to support commuter ferry services, boating infrastructure, and shipping-based national and international trade.
- \$340 million over the next 10 years to acquire and preserve the State's core airport system.

These challenges exist on the local level as well. New Jersey's counties and municipalities are responsible for 88% of all roads and 39% of all bridges. Current projections estimate annual transportation needs of local governments to be \$374 million a year, with \$255 million needed by counties and \$119 million needed by municipalities annually.

Each year, the TTF provides \$150 million in grants to assist local governments through the NJDOT's Local Aid Program. These grants improve the local transportation system, encourage redevelopment of downtowns and improve the quality of life. If the TTF fails to generate capital, the Local Aid Program will not distribute any funding, and local governments will be forced to either abandon projects or pay for infrastructure improvements by other means, including cuts in services or increased property taxes.

The impending insolvency of the TTF is directly linked to decisions made over the past twelve years to increase reliance on bonding, to extend the term of bonds from 10 to 20 years, and to raise spending caps without additional revenues to keep pace with needs and inflation. In addition, due to inadequate general fund appropriations to meet maintenance operations needs, the application of TTF funds has been expanded to cover many maintenance operations at a cost to the capital programs of both NJDOT and NJ TRANSIT.

Once a self-replenishing, pay-as-you-go mechanism, the TTF now pays \$536 million in annual debt service (includes \$83 million in TTF funded NJT debt). This figure will grow to nearly \$805 million by FY2006, thereby consuming all dedicated TTF revenues before a single penny can be used for capital improvements at NJDOT and NJ TRANSIT. When this occurs, the State would also lose federal transportation funding because it would be unable to meet the matching fund investment levels required by federal law.

Given the staggering need for transportation investments and the impending insolvency of the TTF, the State must take swift and forthright action to ensure the future viability of New Jersey's transportation network. This will require a substantial infusion of new revenue into the TTF. At the same time, the Blue Ribbon Commission also recognizes that the enormous transportation needs highlighted above cannot be met immediately. The Commission must in good faith recommend a level of investment that balances the financial needs of the State's transportation networks with the financial needs of its residents. However, residents of New Jersey cannot be asked to pay any more money without a strong commitment from the State that all new revenue will be constitutionally dedicated to meet transportation needs. Below is a summary of the Commission's package of comprehensive recommendations:

1. Fund a Transportation Capital Program to Begin Improving the Condition of the Transportation Network.

The State must fund a \$3.1 billion annual capital program for NJDOT and NJ TRANSIT (\$520 million more than the combined FY2004 capital program) to improve the roadway and rail infrastructure owned by the State and local governments:

- NJDOT will target investments to make driving conditions on roads and bridges safer, relieve congestion and allow for the safe and efficient movement of goods to sustain economic growth.
- NJ TRANSIT will replace one-third of its bus fleet, overhaul or replace half of its rail coaches, rehabilitate or replace bridges, tracks, signals, and maintenance facilities. In addition, NJ TRANSIT will reconstruct over 60 rail stations and provide for capacity expansion in heavily congested corridors.
- Local aid to counties and municipalities will increase by \$150 million, providing funds to repair roads, build sidewalks, and make intersections safer and less congested.

2. Increase Annual TTF Revenues.

State Motor Fuels tax must be increased by 12.5 cents per gallon but potentially by up to 15 cents. The 12.5 cents is recommended with the expectation that the reauthorization of the federal transportation program will bring an additional \$125 million a year to New Jersey, or the equivalent of 2.5 cents in the state motor fuels tax. The new revenue should be constitutionally dedicated to the Transportation Trust Fund Authority (TTFA) and indexed to inflation.

3. Ensure Adherence to Strict Financial Standards.

To prevent future insolvency of the TTF, the following financial standards must be instituted:

- Require the TTF capital program to adhere to a 50/50 pay-as-you-go bonding ratio over the life of the program;
- Cap the diversion of revenue from capital to fund maintenance and operation costs at the current level, with the goal of eliminating this practice over the next 10 years; and
- Cap the level within the annual capital program so as to not exceed the financial resources of the TTF based on the above limitations.

4. Increase Revenues for NJ TRANSIT Operations.

NJ TRANSIT must adopt equitable fare increases for all of its services that reflect inflation. In addition, it should also receive adequate appropriations from the State General Fund to meet its operating needs.

5. Improve Efficiency, Advance Smart Growth and Incorporate Best Practices to Maximize Investments.

Transportation funding must be used to combat sprawl and support economic growth in existing communities. Technology must be incorporated to improve safety and enhance the quality of life by creating system wide efficiency. The Commission strongly encourages the NJDOT and NJ TRANSIT to increase efficiency and enhance best practices. NJDOT and NJ TRANSIT should examine efficiency measures and best practices adopted by other states and private corporations to ensure that the public investments made in New Jersey's transportation infrastructure will be maximized.

6. Mandate Public Accountability to Prevent Future Insolvency of the TTF.

A Financial Policy Review Committee must be established, charged with the responsibility to ensure compliance with the strict financial standards mentioned above. The Financial Policy Review Committee would certify, annually, that strict financial standards are adhered to.

The Commission recognizes that the impending insolvency of the TTF places a financial burden on the residents of this State. However, as the State deals with the financial management decisions with respect to the TTF over the past decade, New Jersey's transportation needs continue to grow. The quality of New Jersey's transportation system has a direct relationship to both the quality of life enjoyed by its residents and the vitality of its economy. To that end, increasing funding for transportation and restoring the solvency of the TTF is imperative. However, it must be done in conjunction with a strong commitment from the State that all new revenue will be constitutionally dedicated to meet transportation capital needs only. The Commission strongly urges the Governor, lawmakers and the public alike to adopt the policy recommendations made herein.