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Author: Matthew C. Casey

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A Financing Strategy for the New Jersey Transportation Trust Fund

Matthew C. Casey

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Advisor: Richard A. McGowan, S.J.

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Abstract

The New Jersey Transportation Trust Fund Authority (NJTTFA or TTFA) is an independent agency of the New Jersey state government that is responsible for administering the Transportation Trust Fund (TTF of "the Fund"), which is used to fund transportation capital project expenditures by the New Jersey Department of Transportation (NJDOT) and the NJ TRANSIT commuter-rail and bus system. The TTF is essential for maintaining, improving, and repairing New Jersey's infrastructure system. However, since the TTFA was created in 1984, it has been inadequately financed by the state government and has irresponsibly issued enormous amounts of debt. Because of this, it has now it has run into major financing problems. Currently, the TTF's revenues are insufficient to cover its increasing debt obligations. Because of this, the TTF is expected to be bankrupt by July of this year (2011). If this happens, New Jersey will be left without any financing for its already-troubled infrastructure system.

This has become a major cause of concern for the State of New Jersey. For years, politicians and residents across the state have been unable to come to an agreement on how to best solve this growing problem. Because of this, financing strategies in the past have amounted to little more than temporary "Band-Aid" solutions focused principally on the issuance of massive amounts of debt. Now, the outstanding debt of the TTF has built up to the point that, in just a few short months, revenues will be insufficient to cover existing debt obligations. The New Jersey state government needs to take drastic action and adopt a long-term financing

strategy that will allow the TTFA to meet its debt obligations and pay down outstanding debt, while still being able to fund essential transportation and infrastructure projects across the state.

This paper will examine the causes and effects of the current funding deficit, as well various proposed solutions and strategies. After an in-depth examination of these topics, I will devise a recommended solution for solving the current deficit crisis faced by the TTF and for providing long-term financing for transportation requirements. The results will show that the most logical and effective long-term financing strategy will hinge upon an increase in state gasoline taxes, which are currently among the lowest in the nation. However, solving the problem will also require new sources of revenue and stringent financial management.

1. Legislative History of the New Jersey Transportation Trust Fund

The New Jersey Transportation Trust Fund Authority (NJTTFA or TTFA) is an independent agency of the New Jersey state government whose sole purpose is to administer the Transportation Trust Fund (TTF or "the Fund") to finance the annual capital program of the New Jersey Department of Transportation (NJDOT) and NJ TRANSIT. The TTF is New Jersey's funding mechanism for 13,469 lane miles of roads and 2,300 state-owned bridges, as well as the third-largest commuter rail and bus system in the United States. In addition, the TTF also allocates aid to cities and towns for local transportation needs (Kaske "Transportation Debt"). Essentially, it is used to maintain, improve, and repair New Jersey's roads and bridges.

The TTFA was established in 1984 with the passage of the Transportation Trust Fund Statute (NJSA 27:1B et al.), signed into law by Governor Thomas Kean. Throughout the 1970s and early 1980s, prior to the establishment of the TTFA, New Jersey's transportation system was

funded through erratic General Fund appropriations and bond issues. This unstable source of funding led to an alarming deterioration in one of the most heavily-used infrastructure systems in the country. The TTF was established to provide "a stable and assured method of financing the planning, acquisition, engineering, construction, reconstruction, repair and rehabilitation of the State's transportation system…" (NJSA 27:1B-2). It was created as an independent agency to finance Trust Fund expenditures using state appropriations, as well as its own authority to issue bonds. It was to have no involvement in the selection or management of capital projects.

Initially, the TTF was set to expire in 21 years without reauthorization. It was to fund a four-year, $250 million annual capital improvement program over the course of fiscal years 1985 through 1988. $143 million of this was to come from annual appropriations from the General Fund, while the remainder was to be supported by bond issuances. State appropriations would include $88 million from state motor fuels (or gasoline) taxes (2.5 cents per gallon out of the total 8 cent per gallon gasoline tax), $24.5 million in contributions from toll road authorities, and $30 million from heavy truck tax increases (3 cent differential on motor fuel taxes, raising the tax from 8 cents per gallon to 11 cents per gallon for diesel fuels).

In January 1988, New Jersey authorized an additional seven-year capital improvement program for fiscal years 1989 through 1995 in the amount of $365 million annually. Of this $365 million, $331 million would come from state appropriations, with the remainder from bond issuances. The increase in General Fund appropriations was to be supported by an additional 4.5 cents on the motor fuels tax, up from 2.5 cents per gallon to 7 cents per gallon. This included an additional 2 cent appropriation on the existing 8 cent tax and a 2.5 cent increase in the tax from 8 cents per gallon to 10.5 cents per gallon (or 11 cents per gallon to 13.5 cents per gallon for the diesel fuels tax). In February 1991, the New Jersey State Legislature passed the "Cap Lift"

Legislation, which increased the capital improvement program authorization from $365 million to $565 million for the fiscal years 1991 and 1992. In May 1992, this cap lift program was extended through fiscal year 1995.

In May 1995, the Transportation Trust Fund was once again reauthorized with a $700 million annual capital improvement program covering fiscal years 1996 through 2000. The appropriation of motor fuels taxes was increased from 7 cents per gallon to 8 cents per gallon in fiscal year 1999, and to 9 cents per gallon in fiscal year 2000 and every year thereafter. The reauthorization also replaced the aggregate bonding cap of $1.7 billion in total outstanding debt with an annual bonding cap of $700 million, increased the maximum maturity on bonds from 11 years to 21 years, and eliminated any expiration date for the TTFA. For fiscal year 1998, the State Legislature approved a one-year cap lift from $700 million to $900 million. Yet another cap lift from $700 million to $900 million was approved for fiscal year 2000.

In July 2000, the Transportation Trust Fund was reauthorized once again. This time, the annual capital program was increased from $700 million to $900 million for fiscal year 2001 and to $950 million for every year thereafter. The annual bonding cap was also decreased from $700 million to $650 million. In addition to annual appropriations from motor fuel taxes, tolls, and heavy truck taxes, the reauthorization also added appropriations from portions of the Petroleum Products Gross Receipt Tax and the existing general sales tax. Dedication of the Petroleum Products Gross Receipts Tax was set at $100 million for fiscal year 2001 and at $200 million for every year thereafter. Dedication of the Sales and Use Tax was set at $80 million for fiscal year 2002, $140 million for fiscal year 2003, and $200 million for every year thereafter.

The most recent Trust Fund reauthorization was passed in March 2006, increasing the annual capital improvement program from $900 million to $1.6 billion. The dedication of motor

fuel taxes was increased from 9 cents per gallon to 10.5 cents per gallon, with annual revenue appropriations to be no less than $483 million. In addition, the annual bonding cap was increased from $650 million to $1.6 billion, although the cap was to be reduced by any revenue appropriations in excess of $895 million. The maximum bond maturity was also increased from 21 years to 31 years.

In November 2006, New Jersey voters passed a constitutional amendment to dedicate all 10.5 cents of the existing motor fuels tax for transportation capital improvement programs (state.nj.us/ttfa).

2. Current Financing for the Transportation Trust Fund

Presently, the majority of the TTF's revenues come from constitutionally-dedicated gasoline and fuel taxes, namely the motor fuels tax and the Petroleum Products Gross Receipts Tax, as well as a portion of New Jersey's general sales tax, the Sales and Use Tax.

Since 1989, the excise tax on motor fuels has been 10.5 cents per gallon on the sale of gasoline and 13.5 cents per gallon on diesel fuel. Of the 13.5 cent tax on diesel fuel, only 10.5 cents are constitutionally-dedicated for transportation services, while the remaining 3 cents are included as an element of "heavy truck fees," which are statutorily earmarked for transportation (see below). Total revenues generated by the motor fuels tax, which is collected by the Division of Taxation, approximate $553 million annually. Of this amount, $528 million comes from the 10.5 cent tax on gasoline and diesel fuel, and the remaining $25 million comes from the additional 3 cent tax on diesel fuel. Of the $528 million, the TTFA is appropriated $483 million,

while the remaining $45 million is appropriated to NJ TRANSIT's operating budget for "repair and rehabilitation" purposes (state.nj.us/ttfa).

Additional constitutional funding comes from the Petroleum Products Gross Receipts Tax, which is imposed on all companies engaged in refining and/or distributing petroleum products for distribution within the state. This tax is imposed at a rate of 2¾ percent on gross receipts from the first sale of petroleum products in New Jersey. This rate is increased to 4 percent for fuel oils, aviation fuels, and motor fuels. In combination with the 10.5 cent excise tax on motor fuels, this brings the total tax on motor fuels to 14.5 cents. In 2010, revenues raised from the Petroleum Products Gross Receipts Tax equaled $216.3 million. The New Jersey State Constitution mandates that not less than $200 million of the total tax be dedicated for transportation purposes each year. This $200 million is equal to the amount appropriated annually to the TTF since 2002. Remaining revenues from the tax are dedicated to the State's General Fund (state.nj.us/ttfa).

In addition to the motor fuels tax and the Petroleum Products Gross Receipts Tax, the TTF also receives a portion of New Jersey's Sales and Use Tax, which, as of 2006, is equal to 7 percent of most retail sales, rentals, etc. In 2010, revenues from the sales tax totaled $7,879.9 million. The New Jersey State Constitution mandates that no less than $200 million be dedicated annually to transportation capital improvement purposes. The Trust Fund statute identifies that sales tax receipts from new vehicle purchases are the component of the Sales and Use Tax intended to generate revenues for the TTF. Since 2004, the TTF has received $200 million annually from the Sales and Use Tax (state.nj.us/ttfa).

In addition to the constitutionally-dedicated revenues discussed above, which account for the majority of the TTF's appropriations, the fund also receives a portion of its revenues from

statutorily-earmarked funds. These include "Good Driver" vehicle registration surcharge fees, heavy truck registration fees, and toll road contributions. However, the annual Appropriation Act, which has precedence over the Transportation Trust Fund Act, allows the Legislature to dedicate as much of or as little of the statutorily-earmarked funds to the TTF as it sees fit (state.nj.us/ttfa).

"Good driver surcharge" fees are currently $7.50 on passenger vehicle registrations and $37.50 on commercial vehicle registrations. Prior to the Transportation Trust Fund Renewal Legislation in 1995, these fees were $15 on pre-1989 passenger vehicles, $40 on post-1989 passenger vehicles, and $75 on commercial vehicles. Over the past decade, the annual revenues collected from these fees have ranged from $60.3 million in 2001 and 2003 to $81.7 million in 2005, averaging around $70 million annually. In 2010, good driver surcharges amounted to revenues of $70.9 million. Nevertheless, state statute only dedicates such revenues to the TTF "as needed." As such, the TTF has not actually received any revenues from the good driver surcharges since 2001 (state.nj.us/ttfa).

The second of the earmarked funds is heavy truck registration fees, which contains three components. The first is an increase in registration fees for all trucks registered in New Jersey weighing more than 18,000 pounds. The Motor Vehicle Commission (MVC) does not actually track revenues from the increase in these fees. The second is a decal fee imposed on all trucks subject to the motor fuels tax, which was actually ruled unconstitutional. The final component is the additional 3 cent tax on diesel fuels, which generates around $25 million per year, as discussed above. Despite the fact that at least $30 million in revenues collected from heavy truck fees are earmarked for the TTF, the Fund has not actually received any revenues from any

of the components of these fees since 2001. Instead, they have gone to the State's General Fund (state.nj.us/ttfa).

The final set of earmarked revenues dedicated to the TTF is contractual contributions from the New Jersey Turnpike Authority (NJTA; which merged with the New Jersey Highway Authority in 2003) and South Jersey Transportation Authority (SJTA). Since the TTF's inception, highway toll road authorities have been required to contribute $24.5 million annually to the TTF. Originally $12 million of this came from the NJTA, $10 million came from the New Jersey Highway Authority, and $2.5 million came from the SJTA. After merging with the New Jersey Highway Authority in 2003, the NJTA became responsible for the sum of their $22 million contributions (state.nj.us/ttfa). As of 2010, this amount has been increased to $25.6 million (NJTA 2010 Financial Reports). Along with the $2.5 million contribution from the SJTA, this brings total toll road contributions to the State for transportation capital purposes to $28.1 million. Of this amount, the TTF has been appropriated $12 million annually since 2007, while the remaining amounts have been appropriated to the General Fund for NJDOT and NJ TRANSIT operations and maintenance budgets (state.nj.us/ttfa).

Since 2007, annual revenues for the TTF have totaled $895 million: $883 million from constitutionally-dedicated revenues plus $12 million from toll road contributions. For a complete overview of annual revenues appropriated to the TTF, see **Table 1**. These revenues are supplemented by interest income from investments and are used to cover current year debt services for both the TTFA and NJ TRANSIT, as well as the TTFA's operating costs. Whatever revenues remain are appropriated to transportation capital project payments, and are commonly referred to as "pay-as-you-go" capital. After appropriating all revenues, whatever needed financing remains for cash outlays is raised through the issuance of bonds (state.nj.us/ttfa). For

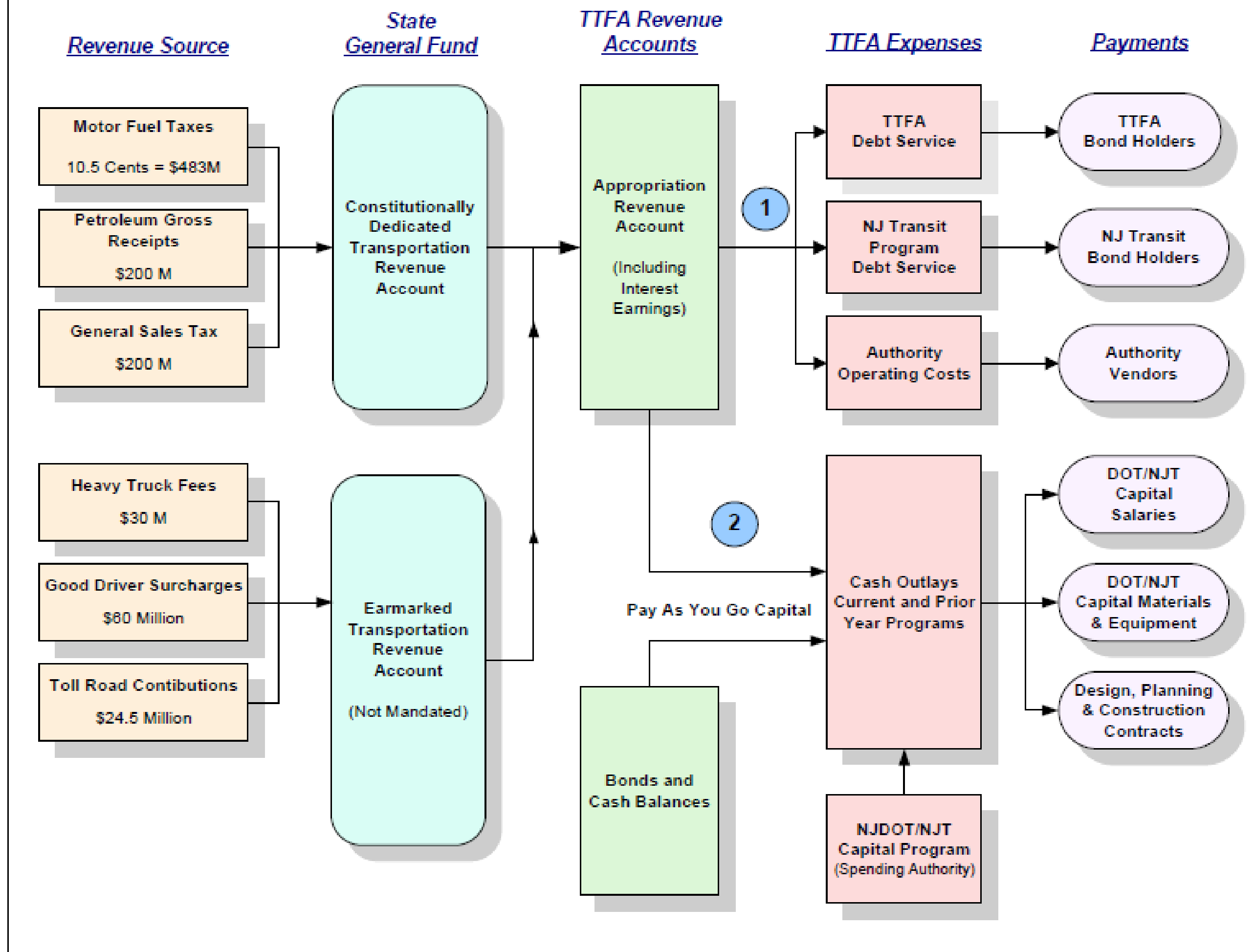
an illustration of the flow of revenues through the TTF, see **Chart 1** (Note: "Toll Road Contributions" are now $28.1 million).

Table 1: Appropriation Revenues ($ Millions)
(Source: Transportation Trust Fund Authority)

	Constitutionally Dedicated Revenues ($Million)				Statutory Earmarked Funds ($Million)						Total
FY	Motor Fuels	Petro Gross	Sales Tax	Sub-Total	Motor Fuels	Heavy Truck Fees	Toll Roads	Good Driver Surch.	Other	Sub-Total	Grand Total
1985	88.0			88.0	0.0	20.0	24.5		66.0	110.5	198.5
1986	88.0			88.0	0.0	30.0	24.5		5.5	60.0	148.0
1987	88.0			88.0	0.0	30.0	24.5		0.5	55.0	143.0
1988	88.0			88.0	0.0	30.0	24.5		58.5	113.0	201.0
1989	88.0			88.0	188.5	30.0	24.5		0.0	243.0	331.0
1990	88.0			88.0	188.5	30.0	24.5		0.0	243.0	331.0
1991	88.0			88.0	188.5	30.0	24.5		0.0	243.0	331.0
1992	88.0			88.0	188.5	30.0	24.5		0.0	243.0	331.0
1993	88.0			88.0	See Note 1	See Note 1	24.5		42.5	67.0	155.0
1994	88.0			88.0	See Note 1	See Note 1	24.5		47.9	72.4	160.4
1995	88.0			88.0	See Note 1	See Note 1	24.5		100.9	125.4	213.4
1996	88.0			88.0	See Note 1	See Note 1	24.5		84.1	108.6	196.6
1997	280.0			280.0	See Note 1	See Note 1	24.5		0.0	24.5	304.5
1998	280.0			280.0		30.0	24.5	45.8	0.0	100.3	380.3
1999	320.0			320.0		30.0	24.5	80.0	9.2	143.7	463.7
2000	360.0			360.0		30.0	24.5	60.0	8.6	123.1	483.1
2001	405.0	100.0		505.0		30.0	24.5	60.0	81.9	196.4	701.4
2002	405.0	200.0	80.0	685.0		0.0	0.0	0.0	0.0	0.0	685.0
2003	405.0	200.0	140.0	745.0		0.0	0.0	0.0	0.0	0.0	745.0
2004	405.0	200.0	200.0	805.0		0.0	0.0	0.0	0.0	0.0	805.0
2005	405.0	200.0	200.0	805.0		0.0	0.0	0.0	0.0	0.0	805.0
2006	405.0	200.0	200.0	805.0		0.0	0.0	0.0	0.0	0.0	805.0
2007	483.0	200.0	200.0	883.0		0.0	12.0	0.0	0.0	12.0	895.0
2008	483.0	200.0	200.0	883.0		0.0	12.0	0.0	0.0	12.0	895.0
2009	483.0	200.0	200.0	883.0		0.0	12.0	0.0	0.0	12.0	895.0
2010	483.0	200.0	200.00	883.0		0.0	12.0	0.0	0.0	12.0	895.0
2011	483.0	200.0	200.0	883.0		0.0	12.0	0.0	0.0	12.0	895.0

Note 1: Appropriation was set to cover debt service only and did not correspond with specific earmarked revenues. Amounts are shown here in General Fund Other Category.

Chart 1
(Source: Transportation Trust Fund Authority)



The TTFA is authorized to issue its own bonds to finance NJDOT and NJ TRANSIT authorized capital projects. Current statute limits the maturity of these bonds to 31 years and imposes a bonding cap at $1.6 billion of new debt each year. However, unused bonding authority carries forward to future years, and, as of March 21, 2011, equals $1,641,259,284. The bonding cap is reduced each year by the amount of any revenue appropriations exceeding $895 million, although this has never occurred. At the end of fiscal year 2011 in June 2011, it is

estimated that the TTFA will have outstanding debt totaling $12,462,875,716 (*state.nj.us/ttfa*). For a complete overview of the TTF's debt history, see **Table 2**.

Table 2: Outstanding Bonds/Debt Service History (As of 3-21-2011)
(Source: Transportation Trust Fund Authority)

FY	New Money Issues	Refunding Bonds	Bonds Retired	Outstanding Debt Total	Annual Debt Service
1985	61,270,000		0	61,270,000	1,597,616
1986	0		4,635,000	56,635,000	8,713,860
1987	200,000,000		4,855,000	251,780,000	14,232,608
1988	125,000,000		67,875,000	308,905,000	32,825,140
1989	0		26,660,000	282,245,000	46,052,434
1990	0		30,040,000	252,205,000	46,034,334
1991	0		31,475,000	220,730,000	46,005,944
1992	275,000,000		33,070,000	462,660,000	51,055,769
1993	500,000,000		56,495,000	906,165,000	86,882,983
1994	400,000,000		83,825,000	1,222,340,000	96,429,269
1995	187,000,000		102,345,000	1,306,995,000	162,572,894
1996	334,065,000	1,592,700,000	1,358,400,000	1,875,360,000	87,011,268
1997	714,340,000		48,050,000	2,541,650,000	184,069,404
1998	703,940,000		91,175,000	3,154,415,000	248,737,046
1999	700,000,000		116,385,000	3,738,030,000	305,856,333
2000	900,000,000		142,785,000	4,495,245,000	355,406,248
2001	0		166,410,000	4,328,835,000	407,619,738
2002	1,015,000,000	1,191,450,000	1,398,575,000	5,136,710,000	476,663,766
2003	0	678,100,000	781,455,000	5,033,355,000	446,063,066
2004	924,810,000		191,540,000	5,766,625,000	455,421,535
2005	996,405,000	2,629,725,000	2,970,290,000	6,422,465,000	447,32,745
2006	2,200,071,792	1,689,915,000	1,980,200,000	8,332,251,792	538,869,729
2007	0	0	225,925,000	8,106,326,792*	598,559,010
2008	1,171,055,000	0	238,725,000	9,038,656,792*	639,129,457
2009	1,538,975,607	0	266,705,000	**10,310,927,355***	696,196,854
2010	1,156,753,361		281,170,000	11,186,510,716*	770,468,759
2011(to date)	1,000,000,000	499,975,000	823,610,000	11,862,875,716	800,292,276
2011(est)	600,000,000	0	0	*12,462,875,716*	
Total	*15,703,685,760*	*8,281,865,000*	*11,522,675,000*		

The TTFA's current financing strategy is clearly not sustainable. It is estimated that, by July 2011, which is the beginning of fiscal year 2012, debt service costs will exceed appropriated revenues, leaving no funds available for new capital outlays for infrastructure improvement (Kaske "Transportation Debt"). With no plan in place to correct the TTF's serious lack of funding, New Jersey is running out of time and options. Already, the state is feeling the squeeze. In October of 2010, Governor Chris Christie backed out of a joint project with the Federal Transit Administration and the Port Authority of New York and New Jersey to build a new railroad tunnel under the Hudson River, citing lack of available funds ("Christie Gets Off the Train").

3. The Debt Burdens of the Transportation Trust Fund

The TTFA's current state of financial crisis is nothing new. According to the Regional Plan Association:

> It didn't happen overnight but gradually: Over the last 25 years, we have bought ourselves major transportation improvements—road widenings, interchange redesigns, new rail lines and countless other projects—without raising the money necessary to pay for them. Instead, we've borrowed money. We have borrowed—and we continue to borrow—so much money that nearly every dollar we raise in taxes for transportation projects from the gas tax and other taxes, almost $900 million a year, is instead going to pay off interest and principal on bonds issued years ago (Regional Plan Association 3).

The State of New Jersey has been struggling with this problem for the better part of the past decade, but policymakers have yet to take any real steps toward a solution. Back in January 2003, former New Jersey Governor James E. McGreevey established a Blue Ribbon Transportation Commission to examine the issue and recommend a long-term financial strategy to ensure the financial health of the TTF. In its report issued in November 2003, the Commission found that, without substantial capital investment, the condition of the State's infrastructure system would rapidly deteriorate over the following decade. It estimated that the required annual capital program for NJDOT and NJ TRANSIT would be $3.1 billion, substantially more than the capital program from the 2004 fiscal year. However, it also found that, due to increased reliance on bonding over the previous decade, the TTF would become insolvent by July 2006, with all revenues going to cover existing debt service obligations. What made these findings even more alarming was the fact that, if this was to occur, New Jersey would also likely lose its federal transportation funding due to its inability to meet matching fund investment levels required by federal law ("Blue Ribbon Commission Report").

In light of these findings, the Commission made a series of recommendations to restore the Transportation Trust Fund to fiscal health. Chief among these recommendations was to increase revenues to the TTF by implementing a 12.5-cents-per-gallon increase in the State's motor fuels tax (although the increase could potentially be as high as 15 cents per gallon). As the current rate, which had not and still has not been changed since 1988, is only 14.5 cents per gallon (10.5 cents from the motor fuels excise tax and 4 cents from the Petroleum Products Gross Receipt Tax), this increase would nearly double the existing taxes on motor fuels. Additional recommendations made by the Commission included:

- Requiring the TTF capital program to adhere to a 50/50 pay-as-you-go bonding ratio over the life of the program;
- Capping the diversion of revenue to fund maintenance and operation costs at its current level, with the goal of eliminating the practice over the following decade;
- Capping the level of the capital program so as not to exceed the TTF's financial resources;
- Increasing revenues for NJ TRANSIT operations by adopting equitable fare increases and by receiving adequate appropriations from the General Fund to meet its operating needs;
- Improving efficiency, advancing smart growth, and incorporating best practices at both NJDOT and NJ TRANSIT to maximize investments;
- Mandating public accountability by establishing a Financial Policy Review Committee to ensure compliance with strict financial standards and prevent future insolvency of the TTF ("Blue Ribbon Commission Report").

The final recommendation for public accountability in the administration of the TTF garnered particular attention following the release of the Commission's report. In the report, the Commission identified that one of the leading causes for the TTF's fiscal crisis was a lack of accountability for the decisions that brought it about. Although the TTFA is independent of NJDOT, it is staffed by NJDOT employees with no explicit authority to safeguard the solvency of the Fund. According to Martin E. Robins, Director of the Alan M. Voorhees Transportation Center at the Edward J. Bloustein School of Planning and Public Policy at Rutgers University, "No single official or body had the specific responsibility and political independence to

safeguard the financial solvency of the Trust Fund and to raise warnings about the cumulative imprudence of the Trust Fund's management and no one in official position did," (Robins 4).

The Blue Ribbon Transportation Commission's proposal was presented before a lame-duck Congress in November 2003 in the hopes that the Congress would enact its recommendations as part of the TTF's upcoming reauthorization. Nevertheless, the proposal was met with great opposition in the State Senate, which was full of anti-tax zealots and politically split between Republicans and Democrats at 20-20. With Congress failing to recognize the TTF's dire financial situation, Governor McGreevey also withdrew his support for the Commission's proposal, claiming that it was not the right time to increase the gas tax. This was despite the fact that several other states, including Ohio, Washington, Indiana, and Washington, were all raising their own gas taxes at the same time. Instead, McGreevey announced that the TTFA would continue to tap out its existing bonding capacity (Robins 3).

The issue was next seriously tackled by Governor Jon Corzine as part of his overall Financial Restructuring and Debt Reduction plan for the State of New Jersey. With funds now set to run out in 2011, Corzine announced in November 2007 that his plan would follow an asset monetization initiative focused on three core principles: paying off half of the State's outstanding debt, permanently funding the TTF capital program, and establishing new restrictions on state borrowing (Kaske "Corzine Addresses Debt Plans"). Corzine formally laid out this plan during his State of the State address in January 2008, announcing that his restructuring plan called for freezing state spending, limiting future spending to revenue growth, capturing the enterprise value of toll roads to pay down debt and make capital investments, and limiting future borrowing by requiring voter authorization (Schwaneberg). To capture the enterprise value of toll roads, the plan called for massive toll hikes: a 50 percent increase in tolls starting January 1, 2010 on the

New Jersey Turnpike, Garden State Parkway, and Atlantic City Expressway; followed by an additional 50 percent increase every four years until 2022. In addition, new tolls would be put in place on part of Route 440 starting on January 1, 2014. Tolls would also be increased annually based on the consumer price index (CPI) to reflect inflation. The key component of Corzine's plan, however, was the establishment of a non-profit organization called the Public Benefit Corporation (PBC), which would act as the operator for the toll roads and which would be legally separate and independent from the State of New Jersey. The State's toll road authorities would be reorganized into the New Jersey Capital Solutions Corporation (CSC), which would be responsible for incorporating the PBC, as well as the Citizen's Oversight Board. The PBC would be responsible for the issuance of its own private debt, which would be backed by toll revenues. In addition to financing transportation capital expenditures, the borrowings of the PBC would be used to pay down New Jersey's massive debt, including the debt of the TTF ("Financial Restructuring and Debt Reduction"). According to Mark Perkiss, a spokesman for the State's treasury department, "The state's not going to have an obligation, be it moral, legal, or otherwise, to be responsible for the bonds that the PBC issues," (DM).

Merrill Lynch & Co. analyst Philip Villaluz calculated that Corzine's proposed toll hikes could have raised $2.44 billion by 2018 had they been enacted (Kaske "Merrill"). Despite this, as well as the fact that a December 2007 Quinnipiac University poll showed that 55% of New Jersey residents would support a doubling of tolls on the Turnpike and the Parkway to support transportation construction and help pay down debt (41% said they would not), Corzine's plan was met with tremendous criticism (Kake "Poll"). While some applauded the Governor's effort to straighten out New Jersey's budget, many were simply unwilling to swallow the massive toll hikes. Conservatives criticized it as another democratic, "tax-and-spend" plan, and argued that

policymakers should be cutting spending rather than increasing taxes (Heyboer). Another criticism was that toll hikes would encourage motorists to use secondary roads, which would cause additional traffic congestion and wear and tear on those roads. Former NJDOT Commissioner Kris Kolluri said that officials anticipated that the toll increases would divert traffic by around 10 percent, at least at first (Kaske "Officials").

Unsurprisingly, Corzine's plan failed to gain support in Congress. In April 2008, State Senator Raymond Lesniak, seeing that lawmakers were unwilling to take the drastic steps suggested by Corzine, proposed more moderate toll increases of 50% in 2008 and again five years later, with the possibility of also implementing new tolls in the future at the Pennsylvania border on Routes 78 and 80 (Kaske "New Jersey Lawmaker"). By September, Congress had yet to approve any toll increases. Maria Matesanz, an analyst for Moody's Investor Service, defended the toll hikes, stating, "There are a lot of toll agencies that are implementing toll increases now and it speaks to the fact that resources for funding transportation infrastructure are limited. Tax revenues, especially in a stressed economy, are less likely to be tapped to fund necessary projects, and so governments are turning to tolls and toll agencies to do more of the transportation funding." The NJTA proposed toll increases on the New Jersey Turnpike of 60 cents in 2009, 90 cents in 2012, and 30 cents in 2023. The proposal would also increase the average cost for passenger cars on the Parkway by 15 cents in 2009, 25 cents in 2012, and eight cents in 2023. In addition, there would be a 15-cent toll increase for Expressway ramps on the Atlantic City Expressway, a 25-cent toll increase just west of Atlantic City, and a $1 increase just north of the city (Kaske "New Jersey Officials"). In October, Congress finally approved the proposed toll hikes for 2009 and 2012 (although the 2009 Turnpike toll-hike was slightly diminished from 60 cents to 50 cents) to keep the debt service levels for the NJTA from falling

below contractual levels and to help fund New Jersey's $1.25 billion contribution toward the proposed $7.6 billion ARC (Access to the Region's Core) tunnel project to run between Newark and New York Pennsylvania Station. Nonetheless, these toll hikes were much more moderate than those originally proposed by Corzine, and the State was required to scale back $2.7 billion worth of projects (Kaske "N.J. Approves Toll Hikes").

Nevertheless, in order to continue covering its own debt service obligations and funding transportation projects, the TTFA continued issuing new debt, with officials approving up to $1.6 billion of debt at the end of October (Kaske "N.J. Transportation Officials"). With the TTFA continuing to use debt as its primary source of funding, debt service levels continued to approach the level of annual appropriations. After the interest rates on bonds issued in November 2008 wound up being higher than anticipated, the TTF's debt service level rose even higher than expected. Steve Hanson, the former executive director of the TTFA and CFO of NJDOT, recognized the growing cause for concern. In March 2009, he stated, "Our problem is going to come in fiscal 2011 as debt service gets closer to the $895 million mark." Transportation officials realized that by July 2011, the start of fiscal year 2012, debt service costs would grow beyond dedicated revenues, and the TTF would be in dire straits (Kaske "Lawmakers").

In November 2009, Chris Christie defeated incumbent Governor Jon Corzine in New Jersey's gubernatorial race. The Republican Governor-elect promised to cut back on spending and borrowing to reign in New Jersey's budget, while speaking out against any tax increases on already-burdened New Jersey citizens, including a potential gas tax boost to provide additional funding for the TTF. Christie stated, "The people of New Jersey are suffering. They are suffocating under these taxes. We can't do it. We should go as pay as you go on the Transportation Trust Fund from current budget funds," (Kaske "Tranportation Debt"). The

problem was, and remains, that without additional revenues, all "pay-as-you-go" financing will be completely usurped by debt service obligations to pay off interest and principal on outstanding debt. As of August 2010, with less than a year remaining before the Trust Fund would be completely exhausted, the Christie Administration had yet to formulate a refinancing plan. Assistant state treasurer Steven Petrecca announced that the State would issue a request for proposals for outside financial advisers to create a plan by looking to the funding mechanisms in other states and performing a future cash-flow analysis (Kaske "New Jersey TTFA").

In October 2010, with only $50 million remaining in the TTF (all of which would be needed to cover debt services due in December), the New Jersey Legislature approved at $1.4 billion debt restructuring deal for the TTF. At that time, Congressional Democrats tried unsuccessfully to obtain information from Transportation Commissioner James Simpson about the Christie administration's plans and proposals for funding the TTF beyond fiscal year 2011 (Kaske "N.J. Legislature"). Later that same month, Christie terminated the ARC tunnel project, which had been a joint venture with the Federal Transit Administration and the Port Authority of New York and New Jersey, when it became apparent that costs would exceed what was originally budgeted. Christie commented, "It's a dollars and cents issue. I cannot place, upon the citizens of the State of New Jersey, an open-ended letter of credit." Proponents of the ARC tunnel project criticized Christie for pulling the plug on a project on which $600 million had already been spent in designing and planning work—a project that purportedly would have created 45,000 permanent jobs and 6,000 construction jobs per year, would have gotten 22,000 cars off the road each day, and would have eliminated nearly 70,000 tons of greenhouse gases each year (Frassinelli "Gov. Christie cancels ARC").

With Christie adamantly opposed to increasing the State's gas tax to provide financing for the TTF, Martin Robins of the Alan M. Vorhees Transportation Center speculated that any measure taken by Christie during the year would be "very much of a Band-Aid." Many speculated that Christie would redirect New Jersey's $2.7 billion commitment to the cancelled ARC tunnel toward New Jersey's transportation capital program (Frassinelli "Review"). In January of this year, Christie finally announced a five-year, $8 billion capital plan for the TTF. As suspected, his plan includes using funds previously allocated for the ARC tunnel to help shore up the TTF. Despite previously criticizing the TTFA's use of debt, Christie's plan also includes the issuance of $3.6 billion in new debt. However, this new plan does rely less on debt than did previous plans. In addition, whereas previously-issued bonds require no payments until the end of their 30-year lives, the new bonds will be paid off over the course of their lives, eliminating the hefty "balloon" payments of the previous bonds.

Unsurprisingly, Christie's plan has been met with harsh criticism for its use of even more debt and its short-term fix of using funds diverted from the ARC tunnel. Democrats have particularly criticized Christie for his unwillingness to raise the gas tax. Jeff Tittel, the director of the New Jersey Sierra Club, commented, "Until we're willing to really come up with a comprehensive solution, we're just going to be stuck in traffic, going nowhere, while our roads are crumbling. [Christie's proposals] are, at best, a Band-Aid." Peter Kasabach, the executive director of New Jersey Future, commended the plan for attempting to move the TTF toward using less debt and more cash, but felt that it was not a long-term plan: "It addresses the immediate need to replenish the Trust Fund, moves away from excessive reliance on debt and back toward the 'pay-as-you-go' model on which the fund was founded. … This is not, however, a sustainable solution to the Trust Fund," (Frassinelli and Gibson).

4. Proposed Solutions and Strategies

Debate rages on over the prudence and long-term viability of Christie's plan. There are various schools of thought over what is truly the best strategy, or set of strategies, to fix the TTF moving forward. However, most everybody seems to agree on at least two things: 1) New Jersey cannot allow the TTF to become insolvent, and 2) It would be financially imprudent for the TTFA to continue taking on new unfunded debt to pay off old debt.

Obviously, allowing the TTF to run out is simply not an option for the state of New Jersey. Without funds to contribute to its capital program, New Jersey would likely lose its eligibility to receive the one-to-one match in funds that it currently receives from the federal government. Without any funds available to dedicate to transportation projects, the State's infrastructure system would fall apart, creating major safety issues and severely damaging New Jersey's already-impaired economy. Currently, the United States Department of Transportation already deems more than half of New Jersey's roads to be in either mediocre or poor condition, with over 700 bridges considered to be structurally deficient. If the TTF was allowed to become insolvent, the Regional Plan Association describes the disastrous situation that would occur:

> Only the most critical and urgent repairs would be paid for out of the State's General Fund, which is already under severe fiscal stress. Any other road or transit improvement would be postponed indefinitely. Regular road maintenance would end. Structurally deficient bridges would close for safety reasons. The productivity of our economy would plummet, as commutes got longer and freight

movement got slower. Businesses and jobs would leave the state. Incomes would go down. Accident rates would increase (Regional Plan Association 8).

Clearly, inaction is not an option for the State of New Jersey.

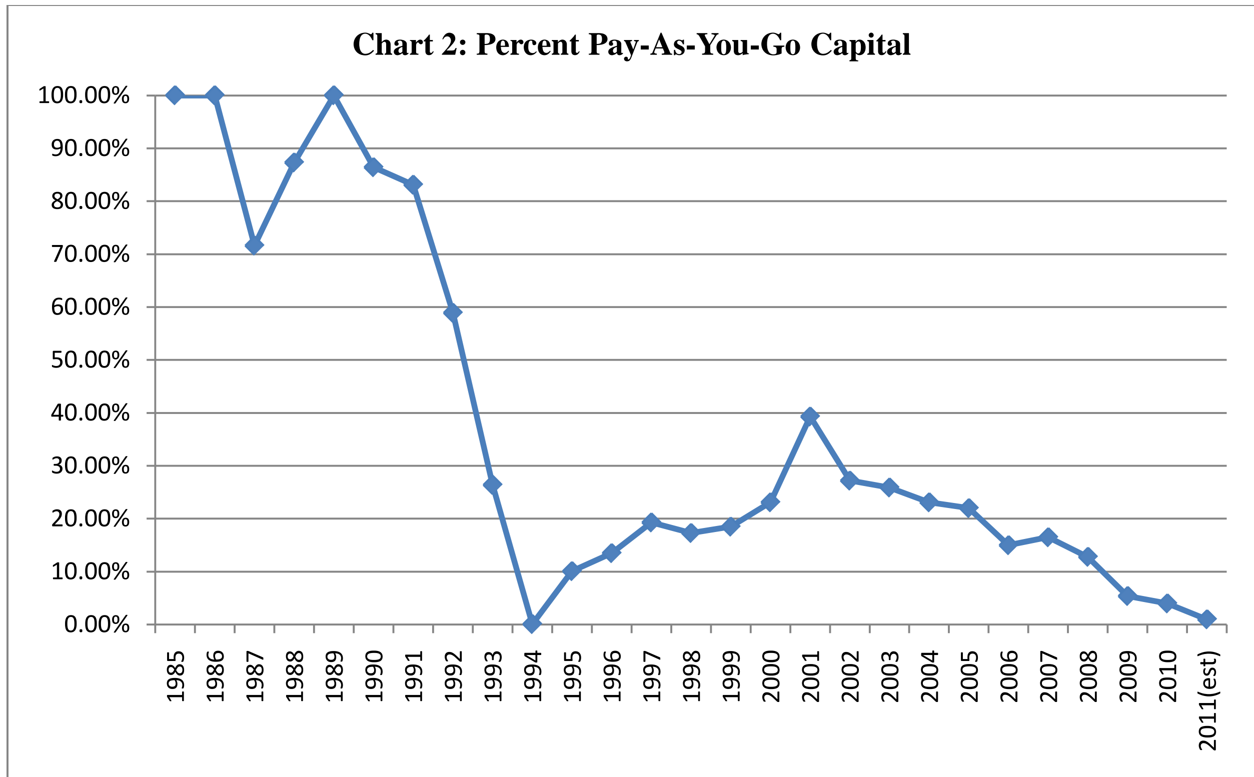
What also is not an option is to prolong the problem by continuing to restructure the TTF's debt. For too long, policymakers have avoided making the unpopular decision to provide new revenue streams for the TTF by instead issuing ever-increasing amounts of new debt to pay for an underfunded capital program. As a result, debt service obligations have continued to rise higher and higher, while revenues have remained flat. Every time legislators put off the problem by issuing more unfunded debt, they made the problem even worse the next time it came due. With more and more revenues going to cover debt service obligations, pay-as-you-go capital continued to diminish, forcing the TTFA to issue ever-higher levels of debt to fund the capital program, which, in turn, only served to increase debt service obligations and diminish available pay-as-you-go financing even further. For the TTF's pay-as-you-go history, refer to **Table 3**. For an illustration of the TTF's diminishing pay-as-you-go capital funding, see **Chart 2**.

Former New Jersey Commissioner of Transportation Jack Lettiere coined this problem the "narcotic of debt." According to Martin Robins, "The appeal of the 'narcotic of debt' was that political leaders could achieve their transportation construction and operational objectives for a number of years, while avoiding asking the public to sacrifice, but raising the stakes ever higher when the sacrifice would be sought. At some point this policy would reach a cliff – and the cliff is just around the bend," (Robins 1). Now, with debt service obligations surpassing annual revenues, the TTF has reached that cliff, and simply restructuring the Fund's massive amount of debt yet again is no longer an option. According to the Regional Plan Association in

March 2010, the TTF's outstanding debt stood at a staggering $11 billion, which will cost the State of New Jersey more than $20 billion to repay. Even if the TTFA were to continue borrowing at the rate it has been, additional revenue sources would still be needed to meet rising debt service obligations. In addition, the increasing scale of debt would drive down the TTFA's bond rating and drive up its cost of debt, causing debt service obligations to grow even more rapidly (Regional Plan Association 9). The time is now for New Jersey to rip off the Band-Aid and end what Jack Lettiere calls the "narcotic of debt."

Table 3: Pay-As-You-Go History ($ Millions)
(Source: Transportation Trust Fund Authority)

FY	State Revenues & Interest Earnings	Less TTFA Debt Service	Less NJT Program Debt Srv.	Net Pay As You Go	NJDOT/NJT Cash Outlays	Percent Pay As You Go
1985	169.7	1.6	0.0	168.1	29.6	100.0%
1986	177.8	8.7	0.0	169.1	123.0	100.0%
1987	167.8	13.8	0.0	154.0	215.0	71.6%
1988	225.1	33.4	0.0	191.7	220.0	87.3%
1989	356.8	46.1	0.0	310.7	250.0	100.0%
1990	370.0	46.0	0.0	324.0	375.0	86.4%
1991	362.0	46.1	0.0	316.0	380.0	83.1%
1992	352.1	46.0	0.0	306.1	520.0	58.9%
1993	209.1	87.2	0.0	121.8	460.0	26.4%
1994	149.1	148.7	0.0	.4	505.0	0.1%
1995	224.4	165.4	0.0	59.0	585.0	10.1%
1996	182.7	87.0	0.0	95.7	710.0	13.5%
1997	337.3	182.6	0.0	154.7	800.0	19.3%
1998	388.0	249.1	0.0	138.9	800.0	17.3%
1999	464.4	304.6	0.0	159.8	865.0	18.5%
2000	519.5	354.3	0.0	165.2	715.0	23.1%
2001	729.7	407.7	34.9	287.1	730.1	39.3%
2002	721.9	473.1	34.9	213.8	784.6	27.2%
2003	758.5	448.4	64.9	245.2	945.1	25.9%
2004	802.1	453.8	82.9	265.4	1,149.1	23.1%
2005	809.3	227.3	83.9	278.1	1,264.5	22.0%
2006	826.9	538.9	83.9	204.1	1,358.0	15.0%
2007	936.1	586.6	111.2	238.3	1,440.0	16.5%
2008	919.3	643.4	111.5	164.4	1,287.5	12.8%
2009	900.4	707.2	111.5	81.7	1498.4	5.4%
2010	906.6	755.6	114.5	36.5	1475.0	4.0%
2011(est)	906.4	787.6	92.1	26.7	1600.0	1.0%



There are many potential strategies to go about doing this. A 2009 study by the NGA (National Governors Association) Center for Best Practices, "How States and Territories Fund Transportation," identifies an array of both traditional and nontraditional strategies that have been used by different states to fund their transportation programs. Traditional funding sources identified include fuel taxes, sales taxes on fuel, vehicle registration fees, bond proceeds, tolls, general funds, and a variety of other sources. Other, less-commonly-used, sources include vehicle inspection fees, vehicle rental taxes, advertising revenue, state lottery and gaming funds, oil company taxes, vehicle excise taxes, vehicle weight fees, investment income, and other licenses, permits, and fees. The study also identifies a variety of nontraditional funding sources that states are increasingly using to supplement traditional sources. These include innovative debt financing strategies that take advantage of new bonding authority, federal credit assistance,

and state infrastructure banks; congestion and cordon pricing; public-private partnerships; vehicle miles traveled fees; vehicle emissions fees; impact fees; container fees, and traffic camera fees. Of all the funding sources identified in the study, the only one used by all fifty states is fuel tax. All but two states (Alaska and Georgia) impose vehicle registration fees and all but three states (South Dakota, Tennessee, and Wyoming) have the authority to issue transportation bonds ("How States and Territories Fund Transportation").

Another NGA Center study, "State Policy Options for Funding Transportation," identified six general funding strategies available to states:

- Tax-based strategies for increasing revenues.
- Tolls and road-pricing schemes to raise revenues.
- Debt financing to reduce project development costs.
- Asset leases to raise revenues.
- Shifting transportation finance responsibilities to local governments.
- Strategies to reduce long-term growth in highway travel demand ("State Policy Options" 1-2).

The remainder of this section will examine the pros and cons of each of these strategies, including possible funding sources available under each, to determine which strategy, or set of strategies, makes the most sense for New Jersey.

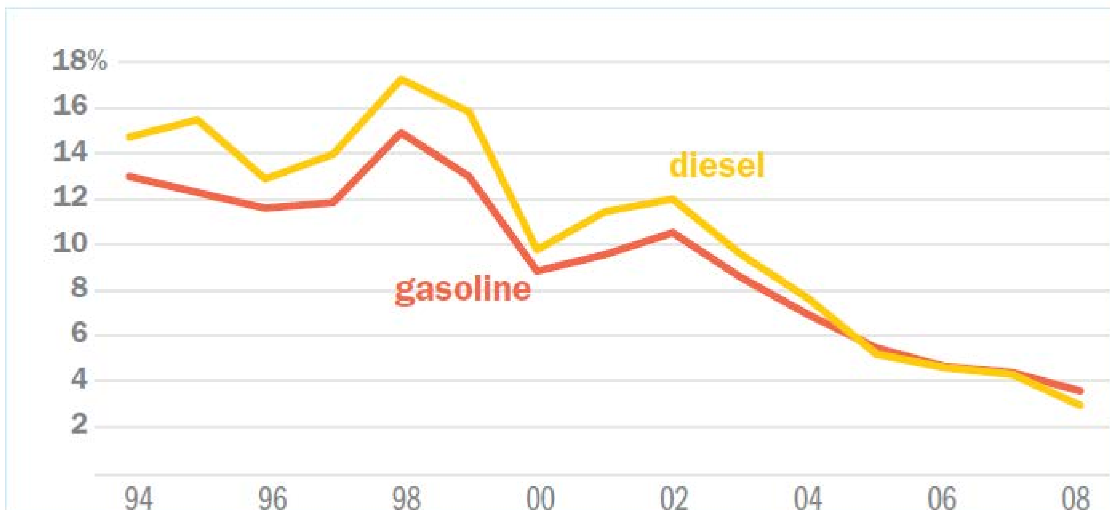
Under any tax-based strategy, the primary source of funds will be the motor fuels, or gas, tax. At both the federal and state level, gas taxes are the largest source of revenue for transportation programs. In total, gas and vehicle taxes make up the funds for around three-

quarters of all highway expenditures. This is not without good reason. Fuel taxes are paid by users of the transportation systems; they are easy and inexpensive to administer; they are difficult for taxpayers to evade; they provide steady and predictable revenue streams; and they generate substantial amounts revenue at low costs to individual users. In addition, from an environmental standpoint, they give drivers an incentive to purchase more fuel-efficient vehicles. However, using gas taxes a primary source of revenue is not without its disadvantages. Perhaps the largest criticism for a strategy reliant on fuel taxes is concern over their long-term reliability, as consumers continue to shift their preferences toward more fuel efficient vehicles and cheaper alternative energy sources. These trends may cause gas tax revenues to decline over the long term, which could be especially problematic for states like New Jersey that bond against future gas tax revenues, as it could cause bond ratings to fall. If New Jersey were to move away from its reliance on debt, however, this obviously would not be an issue. Another disadvantage of gas taxes is that it is a charge on fuel consumption, which does not directly correlate to highway usage, thus creating a variance between price and cost. Additionally, fuel usage does not necessarily correlate to miles driven, road usage, or congestion, thus creating inefficiency when it comes to managing transportation demand.

It should also be noted that, unless gas taxes are either indexed or repeatedly adjusted by legislation, they face an eroding purchasing power over time. This has been one of the primary problems with New Jersey's gas tax, which has remained constant since 1988. The declining purchasing power of New Jersey's motor fuels tax is illustrated by **Chart 3,** which shows how the tax has declined as a share of the price of gasoline and diesel fuel. As it is difficult continuously secure legislative approval to adjust gas tax rates, many states have chosen to index their rates to either the CPI or the Federal Highway Administration (FHWA) highway

construction cost index in order to keep pace with inflation and rising construction costs. ("State Policy Options" 7; "Innovative State Transporation" 8). If New Jersey were to implement an adjustment to its gas tax rate, policymakers should consider indexing it to prevent purchase power erosion due to rising costs and inflation.

Chart 3: Diminishing Purchasing Power of Motor Fuels Tax
(Source: "Spiral of Debt," Regional Plan Association)



For the TTF, the two other major sources of funds under a tax-based strategy are the Petroleum Products Gross Receipt Tax and its portion of the New Jersey Sales and Use Tax. Although general sales taxes and additional sales taxes placed on the sale of gasoline (such as the Petroleum Products Gross Receipt Tax) are not as widely used to fund transportation programs as are gas taxes, many states, including New Jersey, are increasingly using them for that very purpose. The NGA Center reports that state and local sales taxes, including sales taxes imposed on gasoline sales, currently fund 2 percent of state and 14 percent of local transit expenditures

("State Policy Options" 8). The obvious disadvantage involved with using these funds for transportation programs is that they represent non-user fees, and that using them for transportation purposes means that they cannot be used for other purposes.

In addition to the taxes already discussed, a tax-based strategy for increasing revenues may also include other funding sources, such as vehicle and passenger license and registration fees. Although New Jersey does collect heavy truck fees and good driver surcharges on passenger and commercial vehicle registrations that are statutorily-earmarked for the TTFA, they are not constitutionally dedicated to it. Because of this, they have not actually been appropriated to it for nearly a decade. While legislative appropriations at one time made up a significant portion of the TTF's revenues, they have since been diverted to the General Fund. New Jersey might consider making these, or other new sources of funds, constitutionally-dedicated to the TTF to ensure that they are used for transportation purposes. This was one recommendation made by the Regional Plan Association in a 2010 study (Regional Plan Association 11).

After the tax-based strategies, the second set of policy options to be examined is toll and road-pricing strategies. Since the 1990s, several factors have spurred an increased interest in tolling. These include the failure of fuel taxes to keep up with funding requirements, technological advances in toll collection systems (such as electronic toll collection, or ETC, tags) that have made tolls cheaper and easier to collect, and the ability to use toll pricing schemes to redistribute demand and improve efficiency. Toll pricing schemes, or congestion pricing, is a relatively new practice that seeks to better match the price for using roads and bridges with the demand for using those roads and bridges. By charging higher tolls when demand is higher, tolling authorities can influence travel behavior and mitigate congestion. Road-pricing schemes can vary based on type of vehicle and/or time of day and can even vary in real time based on

traffic conditions. They can be applied to individual lanes (such as High Occupancy or Express Toll Lanes), entire roads, or even to entire road networks. This last approach, which is more popular outside of the United States, is called "cordon pricing." Cordon pricing essentially works by charging fees for any vehicle to enter a designated area, usually a city center. The largest benefit of using congestion pricing is that, by reducing demand at peak times and in peak locations, thus decreasing congestion, these schemes can extend the life of existing infrastructure and lower the amount of transportation capital requirements for repair and maintenance over the long-term ("State Policy Options" 8-11; "Innovative State Transporation" 17-20).

An additional benefit that tolls have over gas taxes is that they are more direct fees in that they charge users for actual use of the roads. On the contrary though, tolls are much more costly and difficult to implement and manage than gas taxes. Implementing a toll requires authorization, tolling facilities, toll collection systems and technology, toll collectors, and a plan to manage the traffic that they divert. They also require coordination among different jurisdictions and raise regional equity concerns when tolls collected in one region are used to fund projects in another region. Many people also oppose tolls because they see them as a form of double taxation in adjunction with gas taxes ("State Policy Options" 10).

Beyond traditional tolling and road-pricing strategies, a new, alternative, long-term strategy that is gaining support is the use of mileage-based pricing. A mileage-based pricing system would charge a fee based on vehicle miles traveled (VMT). This could be done using a global positioning system (GPS) receiver that would keep track of miles driven and upload the information at refueling stations. A 2007 article from Government Finance Review, discusses some of the benefits of a VMT system:

> Robin Chase, CEO of Massachusetts-based Meadow Networks, advocates a big leap forward. She recommends abandoning all gas taxes and shifting to wireless technology. A small, low-cost computer on board every vehicle would report (in real time) miles actually traveled, allowing a realistic government user charge. Fees could be adjusted for roadway congestion pricing (premiums to travel on peak roads at peak times), by wear and tear related to vehicle weight and footprint, and by the vehicle's emissions (a carbon tax to encourage vehicles with reduced greenhouse gas emissions). Indeed, says Chase, there could be a local government bonus—a percentage of road user fees returned to the county, city, or neighborhood through which the vehicle traveled, compensating for the burden of emissions, noise, and congestion (Peirce).

A VMT fee would have an advantage over tolls in that it would price the entire system of using roadways, rather than just particular roads. Unlike gas taxes, a VMT fee would also not be affected over the long-term by the trend toward more fuel-efficient vehicles. A VMT system would not be without flaws, however. Some major criticisms of a VMT system are that it would tax activities that are critical to the execution of daily tasks, would raise privacy concerns over its tracking technology, and would eliminate the environmental incentive to buy more fuel-efficient cars, which the gas tax currently provides. In addition, it would be time-consuming and costly to retrofit older vehicles with the mileage-tracking technology. Thus, it would take years to switch over to a VMT system ("State Policy Options" 11; "Innovative State Transporation" 22). Therefore, a VMT system may not be the best strategy for New Jersey right now, considering the

urgency of the TTF's funding situation. Nonetheless, it may be an option to consider down the road.

The next set of policy options is debt financing strategies. As discussed earlier, in its current state, it would be imprudent for the TTF to continue relying on debt, and debt financing strategies should be avoided in favor of pay-as-you-go strategies. That is not to say that there are not positive advantages to responsible use of debt. When necessary expenses for capital project expenditures outrun annual revenues, borrowing can be used to cover the gap. Also, whereas funding larger projects using only pay-as-you-go revenues may require construction being stretched out over several years, which will wind up increasing total project costs, debt can be used to finance a project upfront and can thus reduce total project costs. Despite the benefits associated with the strategic use of debt, borrowing places future burdens on the entity, as debt must be repaid, with interest. These debt obligations must be backed by future revenue streams and eclipse the amount of revenue available for capital projects, or pay-as-you-go funds. This can obviously become a major problem if a state relies too heavily on debt as a source of funding and borrows debt beyond its capacity to repay it using future revenues, which is exactly what New Jersey has done over the past two decades. An additional downside to reliance on debt is that high amounts of outstanding debt can cause bond ratings to fall, which will increase borrowing rates and cause project costs to rise.

Beyond traditional borrowing through the issuance of bonds backed by future revenue streams, a variety of new financing instruments and tools have allowed states to use debt more strategically in recent years. These include:

- Grant Anticipation Revenue Vehicles (GARVEE bonds), which are debt financing instruments that are backed with federal-aid funds, rather than by the taxing authorities of the states.
- Private-activity bonds (PABs), which are tax-exempt facility bonds that allow private participation in projects that meet certain public-purpose criteria, which, since 2005, includes "qualified highway or surface freight transfer facilities" under the Safe, Accountable, Flexible, and Efficient Transportation Equity Act (SAFETEA-LU).
- State Infrastructure Banks (SIBs), which are revolving-fund mechanisms that are capitalized using federal transportation funds. SIBs provide direct loans to projects with dedicated revenue streams at attractive interest rates. Principal repayments and interest revenues are then used to provide loans for additional projects.
- Transportation Infrastructure Finance and Innovation (TIFIA) program, which provides federal credit assistance to states for qualifying projects by providing subordinated debt that serves to reduce interest rates on senior debt ("State Policy Options" 12-13; "Innovative State Transporation" 11-14).

Regardless of the form in which debt takes, it still must be repaid. With the TTF's current revenues already insufficient to cover existing debt obligations, any financing plan, whether utilizing debt or not, must increase revenues. Irresponsible debt-financing strategies are what has caused New Jersey's current transportation crisis. They are not the answer to it.

The next set of policy options includes asset leases and other privatization strategies. The NGA Center describes asset leases as "a type of public-private partnership (PPP) in which private investors assume some (or all) management control over a transportation facility in return

for an equity interest in the revenues it generates or a negotiated payment based on performance or capacity availability," ("State Policy Options" 13). Essentially, asset leases involve private partners taking control of toll roads or bridges and managing them for cash. Although asset leases are common in the airline industry, they are rare for tolled highways. Nevertheless, there have been examples of toll road privatization in recent years, including a 99-year lease of the Chicago Skyway Toll Bridge that raised $1.8 billion for the city of Chicago and a 75-year lease of the Indiana Toll Road that raised $3.8 billion for the State of Indiana ("Innovative State Transporation" 27). In addition to providing states with large amounts of capital up-front, private leases can also provide toll roads with more efficient management in the absence of bureaucratic red tape.

New Jersey State Senator Raymond Lesniak first formally pitched the idea to privatize New Jersey's two largest toll roads, the New Jersey Turnpike and the Garden State Parkway, back in 2006. Supporters claim that selling or leasing the roads would generate billions of dollars that can be used to pay down state's debt and fund long-term capital improvements (Cataldo). Although the plan was originally considered by former Governor Corzine, it was met with tremendous opposition throughout the state by those who do not trust private companies to operate toll roads. Such opponents fear a lack of public control, large toll hikes, and cost-cutting measures that, absent of guarantees for maintaining service and safety levels, may conflict with public interest. Bill Graves, the president and CEO of the American Trucking Association (ATA) and former Kansas governor, had harsh criticism for privatization initiatives: "The United States cannot maintain a national highway network if key segments are leased to the highest bidder. More than money is at stake. The leasing of America's roadways allows states to postpone their budget problems without protecting national interests and without a clear

understanding of long-term implications," (Graves). After heavy public backlash and scrutiny of the proposed plan, Corzine and fellow Democrats decided to abandon any privatization plans in favor of other asset monetization plans that allow New Jersey citizens to maintain ownership of the State's toll roads and their revenues (Kaske "Corzine: No Privatizing"). Support for asset-leasing strategies has since tapered off.

The next set of strategies is strategies to shift funding responsibilities to regional and local governments, which is a growing trend in transportation financing. A major concern for the increasing role of local municipalities in transportation funding is that it could be draining money from essential public services like schools, libraries, police forces, and firefighters. An additional concern is that it may be inequitable if local governments are being used to fund nonlocal travel. There are benefits, however. Funding transportation at the local level enables specific fees to be attached to specific projects and allows taxpayers to clearly see their taxes at work. Also, because state traffic is often generated by local land use, it makes sense for local governments to contribute to the funding of the projects necessary to accommodate this increased traffic. Recently, New Jersey has begun employing strategies to share the burden of funding transportation between the state and local levels of government. By structuring state, local, and private partnerships on state road projects that pass through municipalities, New Jersey has been better able to leverage its limited transportation budget on projects that serve both regional and local transportation needs. These partnerships are arranged so that either municipal governments or private developers finance the street-connectivity portions of the improvement, while the State funds the actual improvements to the main road ("State Policy Options" 16-17).

The final set of policy options is strategies for reducing growth in travel demand, which accordingly reduces funding requirements for capital improvements. Such strategies include

improving coordination between transportation infrastructure and land use planning, promoting the use of transit and other modes of transportation to reduce vehicle miles traveled, leveraging transit block grants to increase transit capacity, providing financial incentives for transit-oriented development, encouraging partnerships with passenger and freight rail, and improving overall flexibility in state transportation finance. One strategy that New Jersey has employed to provide incentives for transit-oriented development is to provide "smart growth grants to transit-friendly villages that have adopted a land use strategy for achieving compact, transit-supportive, mixed-use development within walking distance of transit. New Jersey has also launched the New Jersey Future in Transportation (NJFIT) initiative with the stated goal of helping NJDOT in its mission to provide more and better traveling options for passenger and freight movement through the state. Under NJFIT, the State is attempting to create a better link between project finance and smart growth planning by increasing its funding for local land use planning and redevelopment plans to minimize traffic generation ("State Policy Options" 17-20).

5. Strategic Recommendations

In 2009, New Jersey unveiled the Statewide Transportation Improvement Program (STIP) for the fiscal years 2010 through 2019. Included in this document is a list of anticipated projects for NJDOT and NJ TRANSIT, their total funding requirements, and the amount of that funding which is expected to come from the TTF. Starting with fiscal year 2012, STIP estimates a 3%-per-year growth rate in the TTFA's capital program from its 2011 base of $1.6 billion. By 2019, annual funding requirements are expected to exceed $2 billion. Between 2012 and 2019, STIP estimates that the total funding required to be provided by the TTF for NJDOT and NJ

TRANSIT projects will be nearly $14.7 billion ("FY 2010-2019 New Jersey Statewide Transportation Improvement Program"). In addition to this amount, debt service obligations on current outstanding debt will total more than $7.3 billion over the same time period, with annual payments for both TTFA and NJ TRANSIT bonds of around $915 million (state.nj.us/ttfa). For a complete schedule of the TTFA's current debt service obligations, refer to **Table 4**.

Table 4: Current Debt Service Schedule (Millions of Dollars) (As of 3-31-2011) (Source: Transportation Trust Fund Authority)

FY	TTFA State Contract Bonds	NJT COPs Funded from TTF	Total Debt Service
2011	807.0	94.7	901.7
2012	820.3	94.4	914.7
2013	822.2	93.6	915.8
2014	823.0	92.8	915.8
2015	840.0	75.8	915.8
2016	839.9	75.8	915.7
2017	844.8	71.1	915.9
2018	842.4	73.5	915.9
2019	856.9	59.0	915.9
2020	915.8	0.0	915.8
2021	915.9	0.0	915.9
2022	915.8	0.0	915.8
2023	915.8	0.0	915.8
2024	915.8	0.0	915.8
2025	888.6	0.0	888.6
2026	884.2	0.0	884.2
2027	880.3	0.0	880.3
2028	878.8	0.0	878.8
2029	877.5	0.0	877.5
2030	668.1	0.0	668.1
2031	670.7	0.0	670.7
2032	673.6	0.0	665.6
2033	654.3	0.0	654.3
2034	679.4	0.0	679.4
2035	679.4	0.0	679.4
2036	710.9	0.0	710.9
2037	678.6	0.0	678.6
2038	656.8	0.0	656.8
2039	716.5	0.0	716.5
2040	795.6	0.0	795.6
2041	672.9	0	672.9
Total	24,742.0	730.8	25,472.8

In total, required financing for debt obligations and capital program funding over the eight-year period will be nearly $22 billion, with annual financing requirements ranging from nearly $2.6 billion in 2012 to more than $2.9 billion in 2019. With annual appropriation revenues at their current level of only $895 million, this leaves an annual financing gap ranging from nearly $1.7 billion in 2012 to more than $2 billion in 2019. The total funding deficit for the eight-year period will reach nearly $15 billion. For detailed calculations of the financing deficit for each year between 2012 and 2019, refer to **Table 5A.**

Table 5A: Expected Financing Deficits

Additional financing needed by the TTFA to meet debt service obligations and fund the Statewide Transportation Improvement Program, FY 2012 - FY 2013 ($ millions)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2012-FY 2019
NJDOT STIP Funding Requirement	1,055.8	1,087.4	1,174.7	1,209.9	1,246.2	1,223.9	1,137.6	1,171.8	9,307.3
+ NJ TRANSIT STIP Funding Requirement	592.2	610.0	573.6	590.9	608.6	686.5	830.1	855.1	5,347.0
Total STIP Funding Requirment	1,648.0	1,697.4	1,748.3	1,800.8	1,854.8	1,910.4	1,967.7	2,026.9	14,654.3
+ Total Debt Service (TTFA + NJ TRANSIT)	914.7	915.8	915.8	915.8	915.7	915.9	915.9	915.9	7,325.5
Total Financing Needed	2,562.7	2,613.2	2,664.1	2,716.6	2,770.5	2,826.3	2,883.6	2,942.8	21,979.8
-Annual Appropriation Revenues	(895.0)	(895.0)	(895.0)	(895.0)	(895.0)	(895.0)	(895.0)	(895.0)	(7,160.0)
Additional Financing Required	1,667.7	1,718.2	1,769.1	1,821.6	1,875.5	1,931.3	1,988.6	2,047.8	14,819.8

Traditionally, the TTFA would finance this gap by issuing debt. However, as discussed above, New Jersey cannot and should not continue issuing debt if at all possible. Doing so would only increase future debt obligations and widen the gap between required financing and available funding. However, to meet financing requirements without using debt, New Jersey would have to more-than-triple the current level of appropriation revenues to the TTFA. This would require substantial tax increases for New Jersey citizens.

JPMorgan estimates that increasing the motor fuels tax by one cent would generate around $50 million in additional revenue per year (Kaske "Transportation Debt"). Therefore, increasing the motor fuels tax to provide additional financing of $15 billion over eight years would require a tax-hike of around 37.5 cents. Such a substantial tax-hike would increase the

current state gas tax from 10.5 cents, which is the third lowest in the nation behind Wyoming and Alaska, to 48 cents, which would be the highest in the nation (www.taxfoundation.org). To fill up a 16 gallon tank would cost drivers an additional $6. With gas prices already as high as they are, such a high tax increase would undoubtedly be met with enormous opposition. Therefore, it is unlikely that New Jersey will be able to solve its problems with a gas tax hike alone. Even a substantially-more moderate increase in the fuel tax would likely face major resistance.

Clearly, due to its overwhelming debt burdens, financing the TTF deficit without continuing to issue new debt will not be easy. New Jersey will need to implement a variety of strategic policy options in order to raise the revenues that it needs to finance its transportation program and meet its debt obligations. This paper makes the following recommendations for increasing revenues dedicated to the TTF:

- *Increase the motor fuels tax*: Since it was founded, the TTF's largest source of revenues has always been the motor fuels tax. Over the past two-plus decades, however, the purchasing power of the revenues collected from the motor fuels tax has steadily declined, as the 10.5-cent-per-gallon tax rate has remained completely flat, without even being adjusted for inflation. According to William C. Vantuono, editor of the trade journal *Railway Age*:

> Gas taxes aren't the only way to fund public transportation programs, but it's the route the State of New Jersey has taken, and up until now it's worked pretty well. The state's gas-tax supported Transportation Trust Fund (TTF) is largely-responsible for some of the most ambitious transit

> programs undertaken anywhere. Without it, where would New Jersey be? The state is about to find out. As of 2011, the TTF will be bankrupt, with all revenue going toward debt service. Former Governor Jon Corzine temporarily averted a crisis a few years ago by restructuring debt. Now, however, it may be time to face the music, and it's not a pretty tune. Despite the fact that New Jersey has the nation's third-lowest gas tax… the new administration of Governor Chris Christie is adopting the familiar old political refrain: "Tax-and-spend isn't the way to go." What? Does this really make any sense in a state that has been successfully taxing gasoline to pay for its transportation system?

According to Vantuono, debt restructuring plans and plans contingent on obtaining additional federal funding are ways of avoiding the obvious and simplest solution: "*Raise the gas tax to where it needs to be*." While the 37.5-cent increase discussed above may be unfeasible, not raising the tax at all is even more unfeasible. Despite having the nation's third-highest per capita capital investment program for public transportation (NCHRP Report 569), New Jersey's primary source of funding for that program, the motor fuels tax, is the third-*lowest* in the nation. This simply does not make sense, and, as has been proven over the past two decades, this is not sustainable. Simply put, the motor fuels tax must be increased. Back in 2003, the Blue Ribbon Transportation Commission recommended an increase of 12.5 cents, which the Legislature disregarded. Not only would this increase be reasonable and equitable, but it would actually be

quite conservative. Although a 37.5-cent-increase might be too drastic, a 20-cent increase would be more than fair. This increase would raise, approximately, an additional $1 billion in financing revenues each year, which would be enough to cover all existing debt obligations. A 20-cent increase in the motor fuels tax would cost a driver filling up a 16-gallon tank an additional $3.20. Compared to what drivers are already paying at the pump, this would be a fairly small concession. For the past two decades, New Jersey drivers have been paying relatively little in the way of motor fuels taxes. They have benefitted from one of the largest transportation programs in the nation without having to really pay for it. Instead, the State has bonded the TTF to the point of bankruptcy. Now, the time has come for New Jersey drivers to finally pay for the transportation program that they have been benefitting from for years. **Added annual revenue: $1 billion**.

- *Redirect all revenues from the Petroleum Products Gross Receipts Tax to the TTF*: For the past decade, the Petroleum Products Gross Receipts Tax has raised, on average, $224.1 million. However, each year only the constitutionally-mandated amount of $200 million has been dedicated to the TTF, while the remaining revenues have been contributed to the General Fund for no specific purpose (state.nj.us/ttfa). New Jersey should amend the constitutional mandate to require that all revenues raised by the Petroleum Products Gross Receipts Tax be dedicated to the TTF. This would provide additional funding for transportation capital programs of around $24.13 million per year. **Added annual revenue: $24.1 million**.

- *Redirect revenues from good driver vehicle registration surcharges to the TTF*: As discussed above, good driver surcharges generate revenues of around $70 million each year. Currently these fees are statutorily-earmarked for the TTF, but they are not constitutionally-dedicated to it. Because of this, the TTF has not received any good driver surcharge revenues since 2001. These revenues should be redirected back to the TTF, as originally intended. If an amendment were made to constitutionally-dedicate these revenues to the TTF, it would generate approximately $70 million in additional transportation funding capital per year. **Added annual revenue: $70 million**.

- *Redirect revenues from heavy truck fees to the TTF*: Heavy truck fees include a 3-cent premium on the excise tax for diesel fuels and an increase in registration fees for heavy trucks. Like good driver surcharges, the revenues from these heavy truck fees are also only statutorily-earmarked for the TTF and have not actually been appropriated to it since 2001. The Trust Fund statute dictates that at least $30 million in revenues from heavy truck fees be dedicated to the TTF annually. This requirement should be mandated by constitutional amendment to ensure that the $30 million is appropriated to the TTF. **Added annual revenue: $30 million**.

- *Redirect revenues from all toll road contributions to the TTF*: As discussed above, New Jersey's two highway authorities, the NJTA and the SJTA dedicate a combined $28.1 million each year to the State for transportation capital purposes. Of this amount, only $12 million is appropriated annually to the TTF. Constitutionally mandating all toll road

contributions to the TTF would yield additional revenues of $16.1 million annually. **Added annual revenue: $16.1 million**.

In total, these recommendations would create, approximately, an additional $1,140.2 million in additional financing for the TTF each year. However, as shown in **Table 5B**, this is still insufficient to cover the financing deficit. Between 2012 and 2019, the aggregate deficit in required financing would still be almost $5.7, with annual deficits ranging from $527.5 million in 2012 to $907.6 million in 2019. Although this is significantly down from the previously-mentioned deficit of nearly $15 billion, it is still significant. To account for this shortfall, New Jersey has three options: 1) provide further sources of additional revenues, 2) cutback on transportation programs planned under STIP, or 3) resort to issuing debt. None of these options are desirable, but years of careless reliance on debt have left New Jersey with no other choices.

Table 5B: Remaining Expected Financing Deficit

Additional financing needed by the TTFA to meet debt service obligations and fund the Statewide Transportation Improvement Program, FY 2012 - FY 2013 ($ millions)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2012-FY 2019
NJDOT STIP Funding Requirement	1,055.8	1,087.4	1,174.7	1,209.9	1,246.2	1,223.9	1,137.6	1,171.8	9,307.3
+ NJ TRANSIT STIP Funding Requirement	592.2	610.0	573.6	590.9	608.6	686.5	830.1	855.1	5,347.0
Total STIP Funding Requirment	1,648.0	1,697.4	1,748.3	1,800.8	1,854.8	1,910.4	1,967.7	2,026.9	14,654.3
+ Total Debt Service (TTFA + NJ TRANSIT)	914.7	915.8	915.8	915.8	915.7	915.9	915.9	915.9	7,325.5
Total Financing Needed	2,562.7	2,613.2	2,664.1	2,716.6	2,770.5	2,826.3	2,883.6	2,942.8	21,979.8
- Current Annual Appropriation Revenues	(895.0)	(895.0)	(895.0)	(895.0)	(895.0)	(895.0)	(895.0)	(895.0)	(7,160.0)
Additional Financing Required	1,667.7	1,718.2	1,769.1	1,821.6	1,875.5	1,931.3	1,988.6	2,047.8	14,819.8
- 20-Cent Increase in Motor Fuels Tax	*(1,000.0)*	*(1,000.0)*	*(1,000.0)*	*(1,000.0)*	*(1,000.0)*	*(1,000.0)*	*(1,000.0)*	*(1,000.0)*	*(8,000.0)*
- Additional Revenues from PPGR Tax	*(24.1)*	*(24.1)*	*(24.1)*	*(24.1)*	*(24.1)*	*(24.1)*	*(24.1)*	*(24.1)*	*(192.8)*
- Good Driver Surcharge Fee Revenue	*(70.0)*	*(70.0)*	*(70.0)*	*(70.0)*	*(70.0)*	*(70.0)*	*(70.0)*	*(70.0)*	*(560.0)*
- Heavy Truck Fees Revenue	*(30.0)*	*(30.0)*	*(30.0)*	*(30.0)*	*(30.0)*	*(30.0)*	*(30.0)*	*(30.0)*	*(240.0)*
- Additional Toll Road Contributions	*(16.1)*	*(16.1)*	*(16.1)*	*(16.1)*	*(16.1)*	*(16.1)*	*(16.1)*	*(16.1)*	*(128.8)*
Total Additional Revenues	(1,140.2)	(1,140.2)	(1,140.2)	(1,140.2)	(1,140.2)	(1,140.2)	(1,140.2)	(1,140.2)	*(9,121.6)*
Remaining Financing Required	**527.5**	**578.0**	**628.9**	**681.4**	**735.3**	**791.1**	**848.4**	**907.6**	**5,698.2**

The first option would allow New Jersey to go through with all of the planned transportation projects, but would require a significant amount of additional revenues beyond

those proposed above. This would require levering even more taxes, which would doubtlessly be met with substantial opposition. The State might consider increasing the motor fuels tax beyond the proposed 20-cent increase, but this may not be practical. The remaining deficit could also be paid out of the General Fund, but this would detract from other essential projects and services that the State is responsible for. Finding new, justifiable revenue sources would be difficult, but it is definitely an option that should be considered and implemented if possible.

If the State cannot find additional sources of revenues or cannot justify levering more taxes, it will be left with two options. The first is to cut spending. In this case, the State would need to reexamine all proposed transportation projects and eliminate those that are the least essential. Considering the lack of available financing for the TTF, New Jersey should already be doing this anyway. Slashing the STIP budget by an additional $5.7 billion over the next eight years might not be realistically possible if most of the planned projects are considered necessary and essential. In his January 2008 State of the State address Jon Corzine said, "Please ... let's not insult each other or the public with empty rhetoric about that we can pay down the debt and fund transportation improvements if we 'just cut more spending and get rid of all waste, fraud and abuse,'" (Corzine). While the State should make every effort to cut spending and eliminate waste, there is only so much spending that can be cut. Most transportation projects are probably not expendable, and slashing the transportation budget by $5.7 billion may not be feasible.

The final option, if sufficient revenues cannot be raised and the budget cannot be sufficiently cut, is to resort to issuing more debt to cover the remaining financing requirement. The original Transportation Trust Fund Statute stated that, "The authority shall minimize debt incurrence by first relying on appropriations and other revenues available to the authority before incurring debt secured by State revenues to meet its statutory purposes," (NJSA 27:1B-9). In

keeping with this intention, debt should only be used as a last resort. In spite of this, New Jersey has, for the past two decades, used debt as its first resort. If the State were to establish policies for the TTF to ensure that is only used as a last resort, the TTFA could strategically use small amounts of debt to cover financing deficits. However, the problem with this now is that any further issuances of debt will only increase debt service obligations, which will require ever-increasing amounts of revenues to meet. As established above, the TTFA must begin paying down its outstanding debt. As long as payments to debt principal exceed issuances of debt, the TTFA can do this. However, the more new debt that is issued, the longer it will take to do this, and the longer the TTFA will have to pay burdensome interest expenses that will detract from funding available for projects. This is why debt must be a last resort and avoided if possible.

Ultimately, to cover the remaining $5.7 billion deficit over the next eight years after the adoption of the recommendations made above, New Jersey would likely have to implement a strategic combination of the three options. In this case, it should cut costs as much as possible and consider any possible new revenue streams. Debt should only be used as a last resort and only as long as debt principal payments exceed any new debt issuances.

6. Additional Long-Term Recommendations

Beyond the short-term financing plan outlined above for preventing the bankruptcy of the TTF, additional measures should be taken to ensure the Fund's long-term solvency and to make sure that such a crisis does not occur again.

Back in 2003, the Blue Ribbon Commission made a set of recommendations for ensuring a strong transportation system, as discussed above. This paper stresses that New Jersey finally

adopt those recommendations, particularly the recommendations for ensuring adherence to strict financial standards and for mandating public accountability by setting up a Financial Review Committee. Among the financial standards, the TTFA should have strict limitations on the types and amounts of bonds it can issue. For example, the Blue Ribbon Commission recommended that the TTFA adhere to a 50/50 pay-as-you-go/bonding ratio. This paper holds that even this ratio is not strict enough. Bonding should be kept to a minimum and used only as a last resort. Once again, if it is used, it must be only to cover financing shortfalls. Unless backed by sufficient future revenues, no bonds should ever be issued. An independent Financial Review Committee would oversee and approve of all financial decisions made by the TTFA and ensure adherence to the financial standards. By enforcing stricter standards and mandating public accountability, the committee would ensure that the TTF remains solvent and that future financial crises do not again burden the transportation system of New Jersey.

In addition, New Jersey needs to index its motor fuels tax to keep up with the rising costs and inflation and to maintain its purchasing power. Nonetheless, even an indexed fuel tax will not be sustainable over the long-term, as consumers become more fuel-efficient and less dependent on petroleum products. Because of this, New Jersey needs to consider alternative revenue sources for the long term, such as a vehicle miles traveled fee that uses GPS systems to keep track of the number of miles driven. This type of tax would be more sustainable over the long term than the motor fuels tax and would better match up with the costs of repairing road damage. However, because it will take a significant amount of time to switch over to such a system, New Jersey needs to start considering the option sooner rather than later.

Finally, all revenues intended to support the transportation program should be constitutionally-dedicated to the TTF to ensure that they are not misappropriated to the General

Fund, as has been the case for the past several years with statutorily-dedicated sources of revenue like good driver surcharges and heavy truck fees.

Although New Jersey needs to focus right now on implementing an immediate and effective solution for solving the TTF's financial crisis, it must not lose sight of the future. If a long-term plan is not in place to ensure financial responsibility and sufficient revenue, another transportation crisis will be inevitable for New Jersey.

7. Conclusions

New Jersey's transportation system is clearly in a state of crisis. After years of irresponsibly relying on debt to finance its ambitious transportation program, the State has managed to bankrupt its Transportation Trust Fund. Now, as William Vantuono says, it is "time to face the music." Beyond no longer being able to finance future transportation projects, by the start of fiscal year 2012 this coming July, the TTF's revenues will not even be sufficient to cover its existing debt obligations. New Jersey must put an end to what has been referred to as, among other things, its "narcotic of debt" (Robins 1) and its "spiral of debt" (Regional Plan Association 3). To do so, it needs real, effective solutions, and it needs them now.

New Jersey cannot allow the TTF to become insolvent and it cannot apply another quick-fix, Band-Aid solution that is only going to delay the problem and make it worse by using new debt to pay off old debt. The TTF must pay down its outstanding debt and return to being a "pay-as-you-go" system, as was originally intended. Simply put, the TTF needs substantially more revenues. The simplest and most logical solution is to raise the State's abnormally low gas tax, a tax that has not been adjusted since 1988 and that is currently the among the lowest in the

country. For years, politicians have avoided doing what must be done because they do not want to be the ones to make the unpopular decision to increase taxes. While increasing taxes is never a popular decision, right now, for New Jersey, it is a completely necessary decision. Politicians have put their own agendas above the public welfare for too long, and it must stop. To quote William Vantuono, "You may lose the next election, but at least you've done what's necessary for the greater good of your constituents. Isn't that what being a public servant is all about?"

In a 2004 article titled "The Crisis in State Transportation Finance: *Lessons Learned from the New Jersey Experience*," Martin E. Robins concluded:

> Thus, the sobering lesson learned is that the combination of lofty intentions to build glamorous, "big ticket" highway and transit projects, freeze fare levels, reduce transit operating assistance and not raise new gasoline taxes, all supported by addictive debt financing, will produce a serious financial hangover – in this case insolvency of New Jersey's Transportation Trust Fund. Without built-in independent safeguards for the preservation of its financial integrity, a model of capital-generating mechanisms, such as the Transportation Trust Fund, can be wrecked by the "narcotic of debt" and its induced dream state that hard decisions need not be addressed (Robins 10).

In the nearly seven years since this article, New Jersey has still not addressed those hard decisions or learned its lessons; it has still not woken up from it "induced dream state;" and it has still not ended its "narcotic of debt." Now time has all but run out. New Jersey must finally learn these lessons and make the tough decisions now or face dire consequences.

By redirecting misappropriated revenues back to the TTF, implementing an equitable increase it the motor fuels tax (this paper suggests 20 cents per gallon), cutting costs on non-essential projects, and reducing its reliance on debt by adhering to strict financial standards enforced by a Financial Policy Review Committee, New Jersey can still clean up the mess that it has created over the past two decades. It will not be easy, but it must be done. According to the Regional Plan Association, "It would be an understatement to say that breaking this cycle of debt will be politically difficult. Governor Chris Christie has been vocal about not raising taxes, but without several hundred million dollars in new revenue dedicated to the Trust Fund, New Jersey will lose the transportation system that our economy depends on. Governor Christie and the Legislature have a responsibility to acknowledge this imminent crisis and adopt real, effective solutions," (Regional Plan Association 11). Whether or not this will happen remains to be seen, but it seems doubtful. We can only hope that Governor Christie and the State Legislature listen to reason and do what needs to be done, not for the good of their political careers, but for the good of the State of New Jersey—before it is too late.

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