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Will public projects boost '09 economy?

by Larry Higgs

With a gubernatorial election in November 2009, New Jersey residents can expect political hopefuls to discuss a range of the state's challenges and issues. To prepare readers, the press has launched a nine part series of stories, nine in '09, on issues facing the state. Today's installment focuses on transportation.

In 2009, listen for the diesel sounds from construction equipment trying to jump start the economy through major transportation construction projects. From Gov. Jon S. Corzine's plan to fast track \$2.8 billion in major transportation construction to expectations that President-elect Barack Obama will turn to federally financed transportation infrastructure projects as a way to stimulate the economy, 2009 could shape up to be the year of the orange work zone sign. But it also will be the year for state officials to decide how to replenish the Transportation Trust Fund, which is projected to run out of money in fiscal year 2011 for anything except debt repayment.

Finding a revenue source for that fund will be necessary for future funding of major road and transit projects, said David Weinstein, AAA Mid-Atlantic spokesman. "It seems clear there will be a public works stimulus package, which will create jobs and get some transportation projects moving and completed and we have no complaint about that," Weinstein said. "But it's not a long term solution to the state's transportation needs, it's a one time deal. We need a long term viable solution down the road."

Both Weinstein and Jonathan Peters, associate finance professor at the College of Staten Island, who studies transportation finance, agreed that increasing the state fuel tax is a likely way to replenish the trust fund. "It's amazing when we say we can't fund transportation. We have to get away from borrowing, it's not revenue," Peters said.

With gasoline prices at record lows, Peters suggested increasing the fuel tax and indexing it to inflation so the state will have a reliable revenue source to pay for transportation for the next 25 years. Other methods of acquiring revenue cost more than collecting the gas tax at the refineries, which costs a maximum of 1 to 3 percent of the revenue. "You collect \$1 (in tax) and 97 cents is left to spend on capital transportation improvements," Peters said. By comparison, every dollar collected in tolls costs 22 cents to collect and administer, leaving 78 cents for actual transportation work, he said.

The state's gasoline tax hasn't been increased in 20 years, making New Jersey a state with one of the lowest fuel tax rates in the nation, Weinstein said. But an increase in the gas tax has to come with a return to the original premise of the trust fund: to pay for projects in cash and to borrow less.

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"A pay-as-you-go program, that's what the trust fund was supposed to be, and both parties pulled strings to increase (borrowed) money in the TTF," Weinstein said. "We need to spend money wisely on roads and transit, and pay as you go and limit the money that's bonded."

However, replenishing the trust fund is likely to take a back seat to the state's other fiscal woes, as Corzine tries to plug an estimated \$1.2 billion budget gap in the fiscal year 2009 spending plan, said Zoe Baldwin, Tri-State Transportation Campaign New Jersey coordinator. The fiscal year 2010 budget, which Corzine will unveil in March, is estimated to have a deficit between \$4 billion and \$5 billion that must be addressed.

The other affect of the economic downturn will be seen on the operating side. While officials are looking for money for capital projects from Washington, declining tax revenues will mean less money to operate and maintain the state's highway and transit systems, experts said. "I'm skeptical and interested in how they will fund operations," Peters said.

Tolls increased on the Garden State Parkway and New Jersey Turnpike Dec. 1, while the New Jersey Turnpike Authority, which operates both highways, saw declining traffic and revenue on the toll roads. Port Authority officials also saw declines, but ruled out a toll and PATH train fare increase in 2009. It's too soon in the budget process to tell if NJ Transit riders will be asked to shoulder another fare increase, said Richard Sarles, executive director.

Last year the state came through with an additional \$60 million in the operating subsidy for NJ Transit, which had been using capital funds to cover those costs. "Tax and toll revenues are down and it will be hard for all agencies, NJDOT and NJ Transit included, to insure properly funded operations," Baldwin said.

Meanwhile, transportation experts and officials are expecting the mother of all infrastructure projects — a second rail tunnel under the Hudson River — to receive federal approval and financing in 2009 to start building. NJ Transit officials are expecting a record of decision from the Federal Transit Administration in early 2009, Sarles said. That step will allow NJ Transit officials to talk to the federal agency about the anticipated federal share of \$3 billion toward the \$8.7 billion cost to build the tunnel, also known as Access to the Regions Core (ARC) and allied improvements.

"I'd say the ARC tunnel is definitely going to be on top of the agenda for mass transit projects to get shovels in the ground," Baldwin said. "We expect the record of decision from the feds as well as some funding in new starts or the federal stimulus package." The Turnpike Authority is expected to start work to widen the Garden State Parkway south of Exit 80 in Ocean County, and the Turnpike to break up the bottleneck at Exit 8 in Middlesex County. Spokesman Joe Orlando said that the authority has the necessary permits, and the Parkway widening will start in the spring. Also, work on a new Mullica River bridge on the Parkway will begin this month, he said. Permits for the Turnpike widening are expected by March or April, with construction scheduled to start in June.

Transportation groups such as the American Association of State Highway and Transportation Officials (AASHTO), the American Public Transit Association and a contractors trade group are circulating a list of projects that are ready for construction and would be funded by a stimulus package. An AASHTO survey says New Jersey has 153 transportation projects, at a cost of \$1.6 billion, which could be in line for federal stimulus funds.

AASHTO has gone as far as to put a video on YouTube.com and launched a Web site campaign called, "I told the president," which asks people to leave comments or record videos telling Obama what they want to see in transportation funding and projects. The big question is how to pay for all the work and what safeguards will be in place to make sure no more "bridges to nowhere" are built with the money.

"This is the key thing. They should be good investments, not just

any old investment,” Peters said. “They should provide mobility and make the system function better.”

Infrastructure should be built where it delivers the highest value, Peters said. The \$2.8 billion program proposed by Corzine contains many projects, which have been waiting for their turn in the funding line, such as replacing the Route 72 Manahawkin Bay bridges, ongoing rehabilitation work on the Pulaski Skyway, and repaving sections of Route 35 and Interstates 287, 295 and 80. Numerous bridges on Routes 9, 206, 31, and 22 are also on the project list. With job creation as one of many reasons for undertaking major transportation projects, Baldwin renewed Tri-State’s opposition to the Parkway and Turnpike widening projects, contending that work on maintaining other existing roads and bridges yields nine percent more jobs per dollar than expansion projects, according to a study by the Washington, D.C. based Surface Transportation Policy Project.

Larry Higgs is transportation writer for AGC (Associated General Contractors of America) of New Jersey.

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