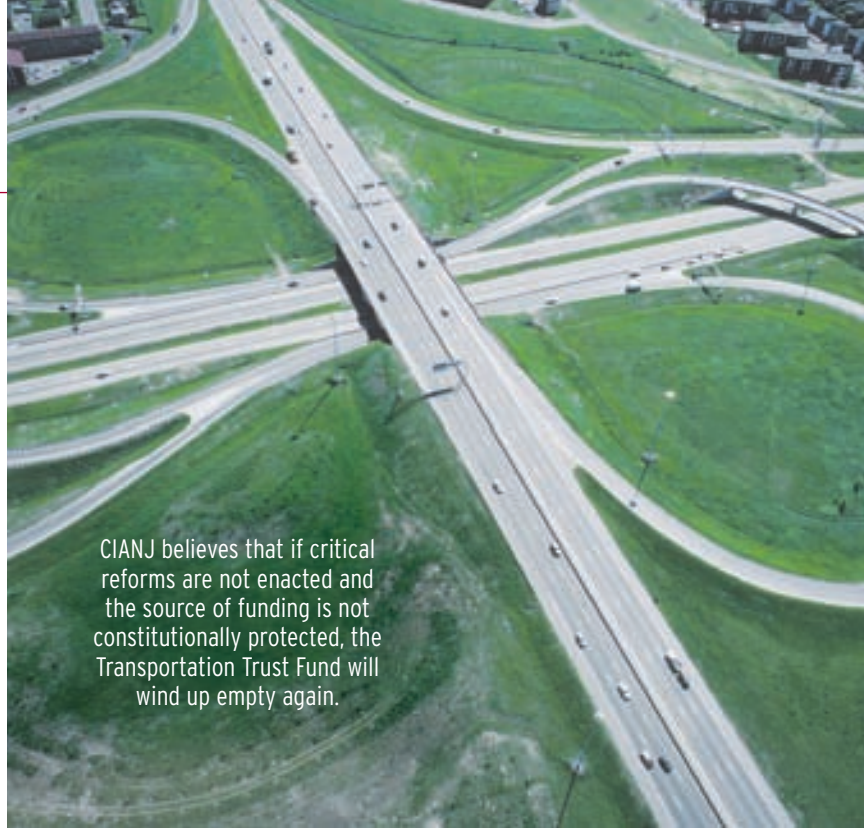


NJ's Transportation Crisis Prompts Gas Tax Debate



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NEW JERSEY'S TRANSPORTATION TRUST FUND has suffered a troubling past, and as a result, faces a dangerously uncertain future.

According to a report released by the tri-state Regional Plan Association this summer, the fund is on track to run dry by next July, and thus, New Jersey is only months away from a "transportation meltdown"—meaning there will be no money available for any road or transit improvement projects in the upcoming fiscal year. All parties agree that the state must come up with an immediate solution in order to avert an imminent transportation crisis. The question is how to do it.

Over the summer, the controversy over raising the gas tax has emerged as a top policy issue among state employers, lawmakers, political candidates and unions. Some constituent groups, including the state's leading labor unions, advocate that increasing the gas tax guarantees the quick infusion of cash needed to sustain current transportation projects and construction jobs. They cite the fact that, at 14.5 cents per gallon, New Jersey has one of the lowest gas taxes in the nation.

Many transportation advocates, including AAA and the Regional Plan Association, say that a gas tax increase is only a temporary solution, and that a six-cent increase will keep the fund afloat for a mere three years. CIANJ believes that if critical reforms are not enacted and the source of funding is not constitutionally protected, the Transportation Trust Fund will wind up empty again.

The Fund's collapse can be traced to an over-reliance on state bonding over the past decade, as well as raids on the Fund to pay for general spending projects. If a stable source of funding is not implemented immediately, the entire fund will be depleted to pay for the interest on the \$6 billion in past projects from now until the year 2021. At that point, NJDOT and NJ TRANSIT will have virtually

no funding mechanism and will lose billions in matching federal funds.

Clearly, both parties are to blame for tapping the TTF to pay for general spending projects, and without constitutional protection, this fund will inevitably fall victim to these "borrow and spend" practices in the future.

Election year politics, combined with record high gas prices, do not bode well for a gas tax increase. According to a poll conducted by *The Record* this summer, 55 percent of motorists oppose raising the state gasoline tax to fund transportation projects. With the General Assembly standing for re-election in 2005, don't expect the legislature to pass such a tax increase before November. Trenton insiders speculate that the Acting Governor and legislative leaders will seek to raise the gas tax during lame duck session. Acting Governor Codey has said the Transportation Trust Fund will be his top priority for his remaining months in office, and that all options remain on the table.

CIANJ recognizes the urgent need to provide a stable source of funding for the Transportation Trust Fund, which should be constitutionally-dedicated in order to protect it from raids for general spending projects. Once an additional stable funding source is identified, the state should prioritize transportation projects and operate the Fund on a pay-as-you-go basis, rather than using the monies to underwrite excessive borrowing projects—a practice which has brought the Fund to its current brink of bankruptcy.

The employer community remains very concerned about the Fund's future, with which the state's economic future is intrinsically linked. Employers rely upon a transportation infrastructure that can accommodate their current needs, as well as their potential for growth. If New Jersey's highways and mass transit systems fail to keep pace, our economy will suffer and businesses will take their jobs elsewhere. ■