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New Jersey Transportation Funding ... Revisited

The one-year anniversary of New Jersey's 23 cents gas tax increase probably slipped past most of us. For us in the Port Authority's Economics Group it is cause to review what has happened and to project where we may be in the future. Since a significant portion of the agency's assets are located west of the Hudson River, in addition to one-third of the region's employment, New Jersey's transportation funding is a major consideration.

As we have noted in previous MEIs, for instance in October 2016, New Jersey is one of the most indebted states when it comes to transportation. The state with the highest road density in the country, 4.5 miles of roads per square mile -- compared to the national average of only 1 mile of roads per square mile -- New Jersey shoulders tremendous transportation expenses, with limited revenues to match. One of the main conduits for transportation funding in New Jersey is its Transportation Trust Fund (TTF), which was created in 1984 by Republican Gov. Tom Kean and was designed to "provide a stable and predictable funding source for transportation system improvements in New Jersey." Although a noble concept, subsequent administrations have raised the borrowing limit of the fund while declining to raise gas taxes to match inflation. In addition, less capital was funneled into the fund from state revenue sources. With less of a revenue stream to pay off old debt, road and rail repairs, and new road construction the TTF's annual debt service has grown to nearly \$1.3 billion in 2017.

Despite its fiscal woes, over the past decade New Jersey has made progress in addressing some of the state's major infrastructure challenges. For instance, the state has reduced structurally deficient bridges from 8.8% of total bridge length in 2006 to 6.4% in 2016. However, the national totals dropped faster, from 7.3% to 4%, during the same period. In addition,

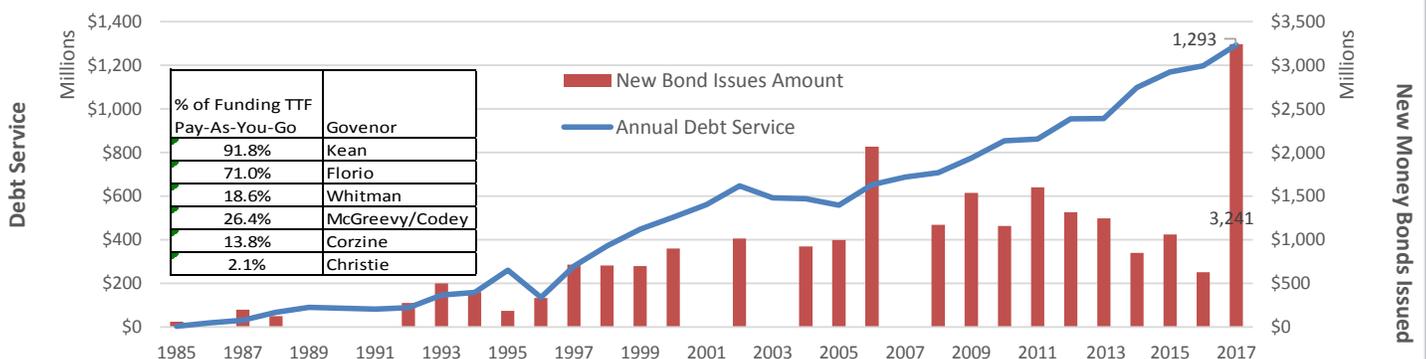
THE WATCHLIST

Economic Variables	Current	One Year Trend
UNITED STATES		
Real GDP [Annual Rate]	Q3 2017	3.3%
Unemployment Rate	Nov-17	4.1%
Consumer Price Index [Annual]	Nov-17	2.2%
Gasoline Price [Regular]	Nov-17	\$2.56
PORT AUTHORITY REGION		
Regional Employment [NY MSA]	Oct-17	9,665
Consumer Price Index [Annual]	Nov-17	1.6%
Port District Exports [\$Bill]	Oct-17	\$12.12
Port District Imports [\$Bill]	Oct-17	\$25.31
Case-Shiller Home Price Index	Sep-17	5.1%
Commercial Real Estate Asking Rent		
Midtown	Q3 2017	\$84.20
Downtown	Q3 2017	\$62.95

road roughness, a measurement of quality of a road's ride performance, has shown improvement. New Jersey roads containing under 170 inches of roughness, a performance measure of an acceptable ride quality, rose from 33% of roads to 37% from 2006 to 2016. In this instance, New Jersey beat the national average. But with New Jersey roads being nearly half that of the national average in terms of acceptable smoothness, it is clear it has a lot of catching up to do.

As an additional complication, New Jersey has the unique distinction of being a relatively small state that does not have only one major city but rather is part of two of the largest metropolitan commuter areas in the country, New York City and Philadelphia. This causes New Jersey to wage a two front war against poor infrastructure where many states only need to focus on one area when addressing the majority of users' transportation service quality. This feature also makes the size *[Continued on next page]*

Real NJTTF New Money Bond Issues and Annual Debt Service in 2017 \$, NY-NJ Regional CPI



Source: New Jersey Transportation Trust

MONTHLY ECONOMIC INDICATORS

THE PORT AUTHORITY OF NY & NJ

Planning and Regional Development Department

December 2017

AVIATION	Oct '17	YTD	Oct '17/16	YTD '17/16	PORT COMMERCE	Oct '17	YTD	Oct '17/16	YTD '17/16
Revenue Passengers (000's)	11,324.1	111,051.1	4.3%	2.3%	Port Trade				
John F. Kennedy International Airport (JFK)	4,860.9	50,132.5	-1.5%	0.7%	Container Imports (TEUs)	305,729	2,834,078	5.8%	6.3%
LaGuardia Airport (LGA)	2,739.0	24,476.2	8.7%	-1.7%	Container Exports (TEUs)	121,203	1,164,608	1.3%	3.1%
Newark Liberty International Airport (EWR)	3,672.5	36,085.3	8.8%	7.2%	Containers lifted on/off Express Rail	51,206	471,904	12.0%	3.8%
Stewart International Airport (SWF)	51.7	357.1	120.6%	55.4%					
Revenue Freight (Short Tons)	201,104	1,827,848	7.3%	7.4%	TUNNELS, BRIDGES & TERMINALS	Oct '17	YTD	Oct '17/16	YTD '17/16
Domestic	72,095	640,875	15.3%	6.0%	Eastbound Vehicle Volumes (000's)	10,295	99,467	1.5%	0.5%
International	129,009	1,186,973	3.3%	8.2%	George Washington Bridge	4,423	43,152	0.2%	0.2%
Flights	110,168	1,078,025	0.6%	-0.5%	Lincoln Tunnel	1,663	15,848	0.4%	-0.9%
Domestic Air Carrier	79,019	766,269	-0.1%	-1.2%	Holland Tunnel	1,297	12,364	-1.5%	-3.3%
International Air Carrier	24,519	251,995	2.3%	0.8%	Bayonne Bridge	213	1,914	46.9%	41.8%
General Aviation	6,630	59,761	2.6%	2.4%	Goethals Bridge	1,365	13,167	4.7%	0.8%
Paid Parked Cars	576,163	5,998,006	-4.6%	-10.6%	Outerbridge Crossing	1,334	13,022	2.1%	2.6%
Revenue AirTrain Passengers	925,620	8,595,162	8.9%	3.7%	Eastbound Volumes by Vehicle Type (000's)				
					Autos	9,391	90,884	1.2%	0.5%
					Trucks	645	6,104	5.0%	0.7%
					Buses	259	2,476	2.3%	-0.8%
FERRY OPERATIONS	Oct '17	YTD	Oct '17/16	YTD '17/16	PORT AUTHORITY PULSE	Apr '17	Mar '17	Change	
Passengers (000's)					(Seasonally Adjusted, 2010=100)				
New Jersey Ferries	796.3	7,584.2	9.7%	2.9%	PA Pulse (Transportation Activity Index)	100.7	98.2	2.5%	
					PA Freight Pulse	97.1	95.3	1.9%	
					PA Passenger Pulse	104.2	101.1	3.1%	
PATH	Oct '17	YTD	Oct '17/16	YTD '17/16	U.S. TRANSPORT SERVICES INDEX	Oct '17	Sep '17	Change	
Passengers (000's)	7,420.0	69,585.0	12.1%	5.9%	(Prelim., Seasonally Adj., 2000=100)				
Average Weekday	297.0	2,846.7	7.5%	5.8%	TSI - Combined Index	127.1	128.2	-0.9%	
Average Saturday	129.1	1,162.7	30.1%	7.4%	TSI - Freight	129.2	128.4	0.6%	
Average Sunday	90.0	897.1	17.3%	8.2%	TSI - Passenger	122.3	127.6	-4.2%	

TRANSPORTATION FOCUS

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of New Jersey deceiving when compared to other states. Large states like Texas and California have multiple large urban regions (think San Francisco, Los Angeles, and San Diego), but their overall size in land and population easily dwarf New Jersey.

Data provided by the Texas A&M Transportation Institute shows the scale of New Jersey's transportation challenges. Metropolitan regions within one state can allocate funding for transportation more efficiently since their region is completely under their jurisdiction. New Jersey, however, would need to keep up with the other states in the region regardless. For instance, if Pennsylvania widens its major highways leading into New Jersey, New Jersey would likely have to follow suit or cause a severe amount of congestion on its end, like it or not.

As a new administration begins in New Jersey, the missteps of the past make transportation planning a perilous prospect. There is no doubt New Jersey's transportation system has been swimming against the tide for many years and that the main vehicle for funding, the TTF, has begun to slip below the water line. Without additional funding sources, the demand growth on its transportation systems will continue to challenge state finances. The red flags are out, so watch out for that undertow, Governor Murphy.

Figure 1 Differences in Highway Attributes 1985-2014
(Texas A&M Transportation Institute)

	Arterial Street Daily Vehicle-Miles of Travel (in 1,000)	CAGR	Auto Commuters (in 1,000)	Change in Annual Hours of Delay per Commuter
New York-Newark NY-NJ-CT	56,268	2.5%	1,938	38
Atlanta GA	27,982	3.3%	1,175	27
Washington DC-VA-MD	24,268	2.7%	812	37
Miami FL	23,515	2.2%	1,357	23
Chicago IL-IN	22,300	1.2%	1,220	27
Dallas-Fort Worth-Arlington TX	22,003	2.6%	1,447	15
Los Angeles-Long Beach-Anaheim CA	20,414	0.7%	2,169	22
Houston TX	18,521	2.2%	1,280	15
Phoenix-Mesa AZ	17,646	2.0%	1,404	13
Philadelphia PA-NJ-DE-MD	15,869	1.5%	888	25
Boston MA-NH-RI	15,167	1.9%	489	28
Seattle WA	13,973	2.4%	824	27
San Diego CA	9,343	1.9%	735	23
Detroit MI	6,627	0.6%	564	15
San Francisco-Oakland CA	4,786	0.8%	430	21
Total Very Large Regions				
Very Large New Jersey Areas	72,137	2.2%	2,826	34
Very Large Texas Areas	40,524	2.4%	2,727	15
Very Large California Areas	34,543	0.8%	3,334	22

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