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ANALYSIS:

# ON THE ROAD AGAIN...BUT TO WHERE?

## *TRANSPORTATION PROPOSALS ONLY DELAY DAY OF RECKONING*

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**By Martin E. Robins**

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## INTRODUCTION

A well-rounded transportation program involves building bridges. And a bridge is the centerpiece of current debate over transportation funding in New Jersey—not a real bridge, but a bridge over time. The people we elect to make prudent decisions are trying to build a bridge across the divide of the 2001 gubernatorial election. Only after crossing that bridge, the reasoning seems to go, can there be a serious discussion of, and honest solution to, our transportation funding problems.

So for now, both the Senate and Assembly have devised proposals that would allow the flow of dollars for important transportation projects to continue into the term of the next Governor. As this is written, they appear to have put together a compromise that would put into law some provisions from each house's version. But, as Martin E. Robins explains in the pages that follow, the legislative proposals, including the compromise bill, don't only put off the day of reckoning when New Jersey must address what has been allowed to happen to the Transportation Trust Fund in recent years. They also make that day increasingly difficult to deal with by the overuse of borrowing that will divert dollars away from future improvements of the transportation system and into paying off new debt.

A state whose economic well being and quality of life depend so heavily on transportation is being told to take a lot on faith. Will the budget be as healthy as it is now, or will a downturn mean revenues aren't available for a long-term transportation funding solution? Will voters, if they approve a proposed referendum this fall to siphon money away from other needs and into transportation, be misled into thinking nothing else is needed? And if so, where will the next

Governor summon the will—or legislative support—to do what needs to be done? No matter what happens, is there reason to believe anyone elected to office won't succumb to the temptation of more quick political fixes? There is always another election to worry about.

New Jersey needs a stable, reliable source of transportation funding. New Jersey's gasoline taxes are lower than those in 46 other states. It isn't as though people in power don't know where the road should lead. The search seems to be for just the right moment, and that moment is three to four years away under the present legislative calculation.

In the meantime, New Jersey Policy Perspective is grateful to Martin Robins for digging into the current proposals so their provisions, and their context, can be fully understood. It is our mission to help broaden debate in New Jersey on important issues, and we cannot help but believe that more information in the hands of more people is essential to the process of injecting more courage into the policymaking process.

Jon Shure
President, NJPP

## A RENDEZVOUS WITH INSTABILITY

The recently introduced Assembly bill to renew the state's Transportation Trust Fund presents itself as putting New Jersey "on the road to a fiscally responsible program." Legislation that just passed the State Senate makes a similar claim. The Assembly bill, introduced by Assemblyman Alex DeCroce, chairman of the Transportation and Communications Committee, asserts that the litmus test for judging the renewal proposals is whether their proponents have had the "courage" to tackle the Fund's growing bonded indebtedness.

Ironically, however, for all their efforts at Trust Fund reform, both bills undermine their stated mission by falling victim to the inescapable arithmetic of large-scale bonded indebtedness. The annual interest payments on the bonds these two bills would authorize would grow within a few years to the point where debt service would consume a substantial portion of the money that otherwise would go for transportation projects. What is supposed to be a pay-as-you-go revenue stream would be diverted. If either of the two bills became law, the inevitable result would be a rendezvous with just the sort of instability that reforming the Transportation Trust Fund is supposed to avoid.

The future of the Transportation Trust Fund is a crucial public issue for New Jersey because transportation is such a critical part of the state's economy and of its citizens' quality of life. Our location defines our economic potential, and so over the years New Jersey's fate has been closely tied to transportation. The state is a national distribution center, a keystone regional travel corridor—and it provides vital mass transit links to New York City, Philadelphia and its own cities. But transportation networks don't maintain themselves. Essential to New Jersey's maximizing its locational advantage and remaining an attractive place to live and work is stable and predictable funding for transportation. This in turn means timely repairs, strategic project selection and implementation and fewer lost opportunities.

All of this was known 16 years ago. Recognition of the importance of transportation funding led to bipartisan creation of the Transportation Trust Fund Act of 1984. It addressed 37 years of chaotic transportation capital funding practices, forged financial commitments by the executive and legislative branches of state government that seemed to cure past problems and, in creating the Trust Fund, established a method for finally assuring stability and permanence. The consensus leading to the act was an acknowledgement that the state's transportation program had substantial annual capital needs for the foreseeable future, and that most of those needs should be financed directly on a sustained pay-as-you-go basis, with only minimal reliance on borrowing. This approach avoided the quicksand of high levels of bonding that would result in rising debt service and swift self-depletion of the revenue sources, primarily the state motor fuels tax.

As has been widely reported, in recent years the Trust Fund has been depleted. The two leading legislative proposals now under consideration represent themselves as making varying degrees of progress in curing the ills that brought about the current precarious state of the Trust Fund. Unfortunately, they miss the essential objective of fiscal integrity in transportation capital financing: creating stability and permanence. Both the Senate's 4-year, $3.95 billion plan and the smaller, 3-year Assembly plan trumpet their reduction of annual bonding from this year's high-water mark of $900 million, their relative increases in pay-as-you-go funding, their reductions in diversions for salaries and operating expenses and their increase in motor fuels tax proceeds for the Fund's use. Both are financed without raising any existing tax or creating new ones. And both propose asking voters in November to change the state constitution to allow dedicating for transportation use existing auto-related taxes now in the General Fund, eventually totaling up to between $340 and $400 million a year.

Meanwhile, Governor Whitman has put forth what might be described as a more cautious approach. Her proposal for the Fiscal Year 2001 budget that takes effect July 1, 2000 calls for an $830 million, one year extension of the Trust Fund, based on carving out $250 million in pay-as-you-go funding from the projected General Fund surplus, with the rest of the program funding produced by bonding. She has foregone repetition of her 1998 recommendation to the Legislature that it add five cents per gallon to the gasoline tax, citing the lack of support the Legislature gave her then. She is reported to be especially concerned about the legislative proposals for long-term dedication of General Fund revenues, because they arise just as the State Treasurer has warned that revenue growth could tail off, and budget surpluses cannot be counted on for the indefinite future.

All other features aside, the most significant conclusion about the legislative proposals is the illusory nature of their newly struck balance between pay-as-you-go and bonding to produce stability and permanence. The arithmetic of the Transportation Trust's original concept does not permit half-measures to achieve stability and permanence. Yet in both bills the amount of bonding still permitted will generate so much debt service that the dedicated revenue streams would run out a year after the program expires. So, in either the fourth or fifth year, depending on whether the Senate or Assembly version became law, the Trust Fund would once again find itself largely depleted.

Neither bill, then, passes any litmus test of tackling the bonded debt issue with the "courage" that would truly restore fiscal integrity, as defined by the 1984 Act. Proponents of these measures would have to explain to voters in November why such half-measures represent acceptable

policy as opposed to, for example, increasing New Jersey's gasoline tax—which today stands as the fourth lowest of any state.

If either the Assembly or Senate bills were passed, the best that can be expected is for New Jersey to limp into the next Governor's term, starting in 2002, with annual capital spending levels having been reasonably maintained and fewer dollars diverted to operating expenses than currently is the case. But the price would be high: rising bonded indebtedness and the prospect that, before long, the fund of money going for transportation repairs and improvements would be eaten away by interest payments on that debt. In the meantime, the state's General Fund, from which money would have been dedicated to transportation, would have been deprived of these revenues, and they would no longer be available for crafting a long-term restoration of the Fund's fiscal integrity. And so we would have to start over again—with the new Governor and Legislature required to find all new revenue sources to maintain the capital program, and to convince a wary public, once again, that the next round of proposals would genuinely restore stability and permanence to transportation capital financing.

## THE MEASURING ROD

The financing structure created in 1984 was sound. It remains the standard against which to measure current proposals. The desire for "predictable and continuing public investment in transportation" reflected weariness with annual budget fluctuations based on unpredictable General Fund appropriations and only occasionally successful bond issue referenda. These conditions had forced the state to cobble together transportation programs from year to year, often rendering long-term planning an exercise in wishful thinking.

To overcome this cycle, the administration of Governor Thomas H. Kean and a bi-partisan coalition of the Legislature acknowledged the existence of a substantial annual need for transportation capital financing and determined that it should be financed on a pay-as-you-go basis. The Legislature also directed the Transportation Trust Fund Authority to "minimize debt incurrence by first relying on appropriations and other revenues."

To accomplish these goals, the state established a dedicated cash stream composed primarily of a portion of motor fuel tax receipts. This revenue stream to the new Trust Fund was originally augmented by certain payments from the state's toll roads and part of the receipts from truck registration fees. In essence, the Legislature in 1984 refused to yield to the politically tempting use of bond financing in this situation. Borrowing money by selling bonds allows the state to leverage a revenue stream into a capital program several multiples greater, and to postpone the cost—in the form of annual debt service charges—into future years. But when that cost finally appears, it is larger than if the money had not been borrowed. And, most significantly, having to pay off the debt poses the disadvantage of self-depletion once debt service consumes the revenue stream.

The peaks and valleys inherent in bond financing are dangerous in a structure such as New Jersey's transportation capital programming, where a substantial baseline capital need is ongoing, new projects undergo long gestation periods, and staff stability and continuity of finance are highly prized.

For these reasons, the Fund's founders envisioned its revenue stream as a perpetual pay-as-you-go resource, bringing stability and predictability to New Jersey's transportation capital planning and programming. Fund dollars primarily would go directly to pay project costs or, to a much lesser extent, to meet limited amounts of debt service on short-term bonds issued to meet cash-flow requirements. Through 1992, the Trust Fund program, augmented by a 1988 gasoline tax increase of 2½ cents per gallon, performed as outlined on the drawing board. More than $3.3 billion in transportation spending had flowed through the Fund for bridge repairs, matching federal funding on Interstate highways, park-ride facilities and new and rehabilitated bus and rail equipment. Less than 8 percent of that total was used to cover debt service, and in no year did debt service exceeded 14 percent of revenues. The revenue stream was intact and largely unencumbered by future debt service needs. The Fund was an unqualified success.

## BORROWING'S SLIPPERY SLOPE

Beginning in recession-plagued FY 1993, and accelerating after the 1995 Trust Fund renewal, revenues appropriated to the Fund diminished, but annual project spending grew to $700 million from $365 million. To get the money it needed, the Trust Fund Authority resorted to escalating borrowing, with longer maturities, in place of primarily pay-as-you-go funding. This shift allowed the state to increase annual spending programs, but it was a troubling and risky departure from the self-perpetuating concept behind the Fund's creation. By FY 1998, 62 percent of the total appropriations into the Fund went to repay debt.

And, greater amounts of the Fund were being diverted to costs previously treated as operating expenses. Such operating expense included "capitalized maintenance," a reference to items with only a two-year useful life, such as bus and rail coach seats and repairs to bus brakes and to rail track and signals. Also included were salaries for project development and replacement funding for federal transit operating assistance that was anticipated to be withdrawn. By FY 2000, "capitalized maintenance" had risen to $115 million and project development salaries to $94 million as annual draws from the Trust Fund.

More and more of the Fund's revenue stream was needed for debt repayment and diverted to non-capital purposes during the period from 1996 to 2000. The Fund is tapped out. What was once a powerful engine for project financing is now merely a conduit for forwarding annual principal and interest payments to Authority bondholders.

## THE PROPOSALS

Now the state has before it three main financing options: Senate Bill 16, approved by that house; newly introduced Assembly Bill 2586; Governor Whitman's FY 2001 budget proposal. A chart outlining the salient features of each proposal appears below.

S. 16 was first to break Trenton's eerie silence on Trust Fund revival by extending the Fund's life through a new four-year spending cycle. With gasoline prices soaring, the measure avoided a call to raise any new or existing revenues, especially New Jersey's rock-bottom gasoline tax. The bill would:

- Spend $3.95 billion in new capital over four years
- Increase the annual pay-as-you-go component up to $300 million (maximum 30

percent of the annual program)

- Halve diversions to "capitalized maintenance"
- Recover more of the motor fuels tax revenues for the Fund (up from $40 to $45 million a year)
- Issue as much as $700 million in bonds a year
- Seek constitutional dedication of two existing tax sources to assure four years of annual funding

The proposal for constitutional dedication—conditioned on success of a public referendum—would divert existing General Fund tax receipts (first, $200 million from the petroleum products gross receipts tax and, later, an additional $200 million from new car sales tax receipts) to the Trust Fund revenue stream.

**NJ TRANSPORTATION TRUST FUND REAUTHORIZATION PROPOSALS**

| | SENATE BILL (S16) | WHITMAN BUDGET PLAN | ASSEMBLY BILL (A2586) |
|---|---|---|---|
| **TOTAL TRANSPORTATION CAPITAL PROGRAM (1)** | $3.95 billion | $1 billion | $2.785 billion |
| Proposed Duration | 4 Years | 1 Year | 3 Years |
| **TOTAL PROGRAM FUNDS – ANNUAL** | $1 billion | $1 billion | $830 million |
| Annual Pay-as-You-Go Funds | $255 million | $250 million | $264-$380 million |
| **TOTAL PROGRAM TTFA BONDS** | $2.95 billion | $580 million | $1.486 billion |
| Annual Bonding | $740 million | $580 million | $566-$450 million (2) |
| Bond Maturities | 20 Years | 20 Years | 20 Years |
| **POTENTIAL REVENUE SOURCES** | | | |
| Increased Gasoline Tax | No | No | No |
| Increased Toll Road Contributions | No | No | No |
| Constitutional Dedications – existing | | | |
| Petroleum Products Gross Receipts Tax | Yes | No | Yes |
| Sales and Use Tax | Yes | No | Yes |
| General Fund | No | No | No |
| State Hwy & Local Bridge Bond Funds (3) | No | $170 million | $295 million |
| | | | |
| **Approximate Annual Debt Service Increase (4)** | + $240 million after 4 yrs | + $46 million | +$150 million after 3 yrs |

(1) Program estimates exclusive of federal contributions. (2) Authorized annual bonding declines from FY 2001 to FY 2003 (3) Bond funds available for FY 2001 only in S16 and in FY 2001 and 2002 in A2586. (4) Average annual debt service of 20-year bonds after completion of program

Under this legislation, the transportation capital program's wheels would keep turning for a while. But when viewed in their entirety the provisions of S. 16 fail to meet the standard aspired to in the bill's own preamble: "Stable and adequate dedicated funding is a prerequisite to the sensible planning of transportation projects." Specifically, the bill emphasizes that the Fund would rely less on debt than in the recent past. This statement is accurate. Annual borrowing would be less than it is this year. But the bill still would authorize the issuance of almost $2.8 billion in new bonds, on top of the $4 billion the Fund now has outstanding.

In four years the Fund would be gasping for fiscal air. In that critical fifth fiscal year (2005), the $240 million in annual accumulated new debt service from the additional bonding would swiftly

consume virtually the entire $300 million pay-as-you-go commitment, leaving little available for any continued program. Future revenue flows from these sources would be devoted primarily to pay off debt on obligations incurred from FY 2001 through FY 2004. By FY 2005, debt service requirements for all outstanding Trust Fund bonds would account for 73 percent of total annual revenue flows into the Fund.

Moreover, the Senate proposal builds in several other problems, including-a potential structural deficit for the General Fund and the loss of important revenue sources for the next round of transportation capital funding. Because no new revenue sources are proposed, the General Fund would be placed under increasing stress in the next four years, making it hard to produce sufficient revenues to make up for the diversion of the two new dedicated revenue streams to transportation uses. When the next transportation capital funding crisis arrives, these revenues will not be available to be part of a permanent solution, because they will have been largely absorbed paying for debt service on the nearly $2.7 billion in bonds issued in the bill's four year duration.

The second legislative proposal, A. 2586, appears to try even harder to bring fiscal discipline to the Fund without recommending new taxes. It would:

- Renew the Trust Fund for three years for a program of almost $2.5 billion
- Hold the Fund's annual program level to $830 million
- Authorize just over half the value of bonds ($1.486 billion) of the Senate bill and on an annually declining basis
- Boost the pay-as-you-go component in a range from $264 to $380 million annually (ending up considerably higher than the Senate bill and 46 percent of the annual program)
- Cap diversion of salary and operational costs at an amount less than half of current levels
- Recover considerably more of the motor fuels tax revenues for the Fund (the equivalent of $49 million for each cent per gallon) for an additional $80 million annually
- Seek constitutional dedication of two existing tax sources to assure three years of annual funding

Notwithstanding some apparent reforms—holding the program level firm, vigorously increasing the pay-as-you-go amount and percentage, cutting reliance on bonding and reducing the diversions of operational costs—the bill's assertion that it puts the Fund "on the road" to fiscal responsibility, is, like the Senate bill, illusory.

The amount of bonds issued is still too high to avoid a funding crisis in the critical fourth year (the year after the program would expire). The commitment to re-establish a higher threshold of pay-as-you-go funding, no matter how well intentioned, can only crumble when debt service on almost $1.5 billion in cumulative bonds issued consumes so much of the revenue stream. Even with a constitutionally dedicated revenue stream, the capital program would become unsustainable without an infusion of substantial new revenue. So, the Assembly proposal's "courage" in tackling the issue of bonded indebtedness does not achieve its long-range reform objective of restoring pay-as-you-go financing.

That leaves the Governor's proposal. It is by definition less ambitious than either the Senate or Assembly bills. Despite pointing out that "continuity of planning and construction is essential to any sensible long-range transportation plan," the Governor's response to the Trust Fund's imminent depletion is a one-year authorization for $1 billion in project spending, of which only $830 million is new money. The rest comes from $170 million in unspent funds from the State Highway and Local Bridge Bond Act that was approved in a voter referendum last November.

The themes of the Administration's proposal parallel a number of those in the legislative measures. The proposal keeps the state's transportation capital program going at a high level (but only for one year), restores a modicum of increased pay-as-you-go funding, and adds tougher restrictions on the use of Trust Fund dollars for "capitalized maintenance" (reducing that diversion nearly in half). Like the legislation, however, it succumbs to the temptation to use borrowing as the primary financing source—at an amount lower for FY 2001 than the annual amount in the Senate bill, but slightly higher than the Assembly bill.

The budget's major differences with the Senate bill are its one-year duration and the sources of funding. The Governor's pay-as-you-go element (approximately $250 million) would come from anticipated budget surpluses, not the diversion of other revenues. It leaves the petroleum products gross receipts tax and new auto sales tax receipts available to be tapped in a future comprehensive overhaul of the Trust Fund. Debt service for the bonds issued, estimated at $46.5 million annually, would be paid from the General Fund in future years, adding to the $370-400 million in annual Trust Fund debt service that will absorb the nine cents per gallon of the state motor fuels tax that now is constitutionally dedicated to transportation. The shifting of operational costs from the Trust Fund also would be borne by the General Fund.

The Governor proposes no new revenue sources for transportation capital, offering no challenge to the Legislature after failing in 1998 to win approval for a seven cent per gallon gasoline tax increase, of which five cents would have been earmarked for the Trust Fund. When a few Republicans initially opposed it and the entire Democratic caucus ultimately refused its support after a Whitman speech calling on national Republican candidates to label their opponents as "tax-and-spenders," the Republican majority declined to vote on the measure.

Though the Governor's proposal falls far short of the standards of the 1984 Act, its advantage might lie precisely in the fact that it makes no pretense of being anything but a stopgap solution. By relying on the flexible General Fund to absorb approximately $300 million in reforms—such as increased pay-as-you-go and decreased diversions to operational costs—it preserves certain auto-related taxes for a long-term solution and does not encumber the General Fund as much as dedicating revenues would in the future, when surpluses will be uncertain.

## THE CHALLENGE: REVIVING THE FUND

Reviving the Transportation Trust Fund has become an urgent matter for state transportation officials and others who are concerned about the continuity and sufficiency of highway and transit rehabilitation, replacement, and improvements in New Jersey. According to the State Department of Transportation, those improvements require annual state spending of $1.1 to $1.2 billion. Even in this time of flush revenues, these are large numbers. They demand a thoughtful response, in reviewing the manner of the Fund's depletion, in assessing the nature and cost of the

state's transportation needs and in identifying the resources, techniques and safeguards for restoring long-term stability of the Fund as a self-perpetuating project-financing source.

The Senate and Assembly bills simply delay the inevitable arrival of instability in transportation capital finance. Compounding that, they risk creating the misimpression in a voter referendum that they are genuinely creating permanence. The best course of action from among the three plans on the table, then, would be to do as little as is possible to keep the program afloat. In this instance, doing little means doing little damage to the overall system and the long-range prospects for real reform.

Serious consideration to restoring stable and predictable transportation capital funding is especially unlikely with the bills currently before the Senate and Assembly along with the Governor's cautious proposal.

Both the Senate and Assembly bills straddle the divide between the original self-perpetuating Fund and the fully bond-leveraged Fund of recent years. And while each usefully promises to launch overdue public discussions of the future of transportation funding, they also beg answers to three critical questions:

- How long can legislators postpone an increase in the state motor fuels tax, the user charge to which state government previously resorted to finance transportation capital?
- Where does the state turn when any new infusion of Trust Fund cash is leveraged out at the end of three or four years?
- How will the state fill the large budget gap created by the long-term diversion from the General Fund to the Trust Fund of petroleum products and auto sales tax receipts?

At some point, New Jersey's political leaders will have to return to the obvious answer: state motor fuels tax as a main source of new funding for a revived Transportation Trust Fund.

Past experience seems to indicate that voters can, if grudgingly, make a connection between that user tax and transportation investment. A considerable portion of the tax is paid by out-of-state drivers, adding an element of fairness, since they account for a good deal of the wear-and-tear on New Jersey's highways. Moreover, New Jersey's petroleum taxes remain among the very lowest in the entire United States, so if gasoline prices begin to drop from their current high levels and voter sensitivity to the subject eases, the opportunity will beckon once again.

Putting aside questions concerning the price of gasoline, these questions are easier to present to the public at a time of vigorous economic expansion. So is the issue of finding other revenue sources to restore a full-scale return to pay-as-you-go financing. In the event of a contraction in state revenues, as occurred a decade ago, the commitment of existing resources to a pay-as-you-go transportation capital program will collide with other budgeted programs.

## CONCLUSION

One conclusion, then, is inescapable: the longer this issue is deferred, the greater the risk that by the next Trust Fund cycle the economic environment for genuinely bold and effective action will have deteriorated.

This would recommend the Governor's budget proposal. The advantages of such a result are that it would avoid a public referendum on a flawed proposal and keep the issue on the agenda. This would leave the door open, prospectively, to a serious opportunity to review the Trust Fund's performance over the past eight years and to forge a new courageous consensus while the economy is still growing. This consensus would address the scope of future needs and identify the resources, techniques for administering and restoring the Fund and the safeguards for supervising and protecting it.

The Senate and Assembly multi-year proposals produce undesirable consequences in three or four years: disruptions in the transportation project pipeline, loss of logical revenue sources and the need to consider even larger tax increases just to maintain the current program level on a pay-as-you-go basis. For example, if the entire burden of restoring pay-as-you-go funding were to fall to the gasoline tax, an increase of 10 cents per gallon would be required. If the responsibility were shared with existing taxes that had not already been dedicated, such as petroleum products receipts and auto sales taxes, the size of the motor fuels tax increase could be approximately halved.

A thoughtful, open, honest debate would highlight arcane principles of public finance, adopted in the 1984 Act, that must be considered when thinking about how to revive the Fund. Those principles are:

- When a stable annual investment is required for an indefinite period, as with transportation program, the dominance of pay-as-you-go financing is essential
- Large borrowings inherently produce large, new debt payment obligations
- Though tempting in the short run, borrowing provides no financial–as opposed to political–advantage
- A consequence of committing more future tax dollars to paying off debt is that a smaller portion of any revenue stream is left for direct project spending
- The larger the cumulative bonding the more likely the revenue stream and pay-as-you-go financing will be substantially consumed in paying debt service, leading to the instability of the funding mechanism

A cycle such as the one now consuming the Transportation Trust Fund only increases the temptation to use the remaining portion of the revenue stream to support still more borrowing, until revenues are totally pledged to bond costs, and another frantic search for more revenues begins.

One way to curb the temptation to issue bonds would be to establish what the bond industry calls a "coverage test" for Trust Fund borrowings. New legislation could direct that a bond covenant be included in future Trust Fund bonds, limiting the allowable amount of outstanding bonds so that total debt service payments could not exceed some percentage of projected annual revenues. The covenant might, for instance, require that annual revenues exceed debt service by at least

three times. That is, Trust Fund borrowing could not exceed the level where annual borrowing costs consume more than $1 of every $3 of appropriated revenue. Such a test would force the Trust Fund Authority to live within its annual revenue budget, using whatever mix of short or long-term borrowing is appropriate to meet its cash-flow needs. Any Administration interested in increasing Trust Fund spending by greater borrowing would first need to increase dedicated Trust Fund revenues to keep pace with the covenant ratio. Requiring the pledge of new revenues before permitting recourse to increased borrowing would create a powerful incentive to favor pay-as-you-go financing.

As a minimum step, rather than embarking on another medium-term rendezvous with instability, the Administration and the Legislature should empanel a blue-ribbon citizens commission to examine how to restore stable and predictable transportation capital spending. It should be charged with identifying future program needs, the size of the annual program, sound financial administration practices, oversight mechanisms, funding sources for future transportation investment and the possibility of reserving bond issues approved by public referenda for special projects. Members could be drawn from many sectors, but especially from the state's business leaders, whose operations and strategic planning are so closely tied to transportation facilities and their employees' mobility. Launched with bipartisan support and assisted by top technical expertise, such a commission could involve the public in the issues, laying the foundation for consensus on an approach to genuine revitalization of New Jersey's Transportation Trust Fund.

Perhaps such a commission could create a new political context, where sound financial policy is fully understood and the courage to carry out that policy is more easily ventured than it is today.

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## HISTORY OF MOTOR FUELS TAXATION IN NEW JERSEY

| Year | Tax | Year | Tax | Year | Tax |
|---|---|---|---|---|---|
| 1927 | 2 cents per gallon | 1958 | 5 cents | 1972 | 8 cents, gasoline<br>11 cents, diesel |
| 1930 | 3 cents | 1961 | 6 cents | 1988 | 10.5 cents, gasoline<br>13.5 cents, diesel |
| 1954 | 4 cents | 1968 | 7 cents | | |

## GAS TAX PER GALLON IN OTHER STATES

7.5 cents
Georgia

8.0
Alaska
New York

10.5
New Jersey

13.1
Florida

14.0
Wyoming

15.0
Indiana

16.0
Hawaii
South Carolina

16.4
Kentucky

17.0
Oklahoma

17.5
Virginia

18.0
Alabama
Arizona
California
Kansas
New Mexico

18.4
Mississippi

18.7
Arkansas
New Hampshire

19.0
Maine
Michigan

19.3
Illinois

20
District of Columbia
Iowa
Louisiana
Minnesota
North Dakota
Texas
Vermont

21.0
Massachusetts
South
Dakota
Tennessee

21.6
North Carolina

22.0
Colorado
Ohio

23.0
Delaware
Washington

23.5
Maryland

24.0
Nevada
Oregon

24.4
Nebraska

24.75
Utah

25.35
West Virginia

25.4
Wisconsin

26.0
Idaho

27.0
Montana

29.0
Rhode Island

30.77
Pennsylvania

32.0
Connecticut