

February 27, 2015

RE: Federal Transportation Funding Update

Dear Mayor:

In his budget address to the State Legislature, earlier this week, the Governor had a lot to say about the State's public employee pension and health benefits funding crisis. He had little to say about anything else. One item that received short shrift in the Governor's speech was the urgent need to breathe new life into the Transportation Trust Fund.

The Budget in Brief booklet, prepared and distributed by the Treasury Department, simply states "The Governor's budget supports the State's ongoing Transportation Capital Program. The fiscal 2016 Program includes Transportation Trust Fund projects (inclusive of local highway projects) and Port Authority of New York and New Jersey-funded projects." No specifics are provided.

And at a press briefing on the day of the speech, State Treasurer Andrew Sidamon-Eristoff is reported to have stated that the State would be able to issue about \$600 million in debt that could be used to fund road, bridge, and rail projects, but there would be no "pay-as-you-go" component. That amount is well below the \$1 billion the State currently commits, annually, to transportation projects. And it is woefully inadequate to address the estimated need for investments of \$2 billion, annually, that would begin to assure New Jersey residents and business the first-class transportation infrastructure needed to support a first-world economy.

Meanwhile, in our Nation's Capital, while many legislators, as well as industry and administration officials are pushing for a long-term transportation bill, U.S. Transportation Secretary Anthony Foxx warned it may not be possible for Congress to approve one by May 31, when the current funding law expires. The Obama administration has no Plan B for the revenue that would be needed to support its proposed \$478 billion, six-year transportation measure if Congress fails to pass its corporate tax reform proposals, according to the Secretary: "The ball is in Congress' hands." The subcommittee is reviewing President Obama's \$95 billion budget request for the Department of Transportation (DOT) for fiscal 2016, which would start on October 1. Fiscal 2016 would be the first year of the president's six-year transportation plan, which overall would be supported by \$240 billion of gasoline tax collections and \$238 billion from a temporary transition tax on corporate foreign accumulated earnings.

Secretary Foxx said DOT has prepared no alternatives to the revenue that would come from the President's proposed corporate tax reforms—revenues which, as House Transportation, Housing and Urban Development Appropriations Subcommittee Chairman Mario Diaz-Balart, noted would provide funding for only six years while transportation needs would continue: "What good is all this added investment if the Highway Trust Fund goes broke?...Even if the corporate repatriation legislation is passed, the Highway Trust Fund would be insolvent again in seven years."

The Transportation Department's budget request of \$94.7 billion for fiscal 2016 would provide \$51 billion for highways and other surface transportation projects, an increase of \$10 billion

from fiscal 2015, and \$18 billion to transit, an increase of \$7 billion—with the funding to be derived from a 14% transition tax on multinational firms' accumulated foreign earnings and a 19% minimum tax on their future foreign earnings.

Overall, the six-year plan would provide \$317 billion for roads and bridges and more than \$143 billion for transit and passenger rail. It includes \$28.6 billion for high-performance and other passenger rail projects, and \$18 billion for multimodal freight programs, and \$7.5 billion for the Transportation Investment Generating Economic Recovery (TIGER) discretionary grant program and \$1 billion a year of credit assistance through the Transportation Infrastructure Finance and Innovation Act (TIFIA).

On the Senate side, Environment and Publics Works Committee Chair Jim Inhofe said his committee is developing a transportation bill, but that it is up to the Senate Budget and Finance Committees to come with a revenue source; but the Finance Committee, which has set up a series of working groups on tax reform, including one on “infrastructure and community development,” is not expected to submit a report to committee leaders until May—when the Federal Highway Trust is scheduled to become insolvent. We will keep you posted.

Very truly yours,

William G. Dressel, Jr.  
Executive Director