



TESTIMONY OF

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REGARDING

**Paving the Way for Funding and Financing
Infrastructure Investments**

BEFORE THE

**Committee on Ways and Means of the
United States House of Representatives**

ON

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New Jersey Department of Transportation

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Good morning Chairman Neal, Ranking Member Brady and members of the committee. It is an honor for me to appear before you today to discuss one of the most critical funding issues facing this country.

I am Diane Gutierrez-Scaccetti, Commissioner of the New Jersey Department of Transportation. I have spent 30 years working in the transportation industry. Twenty-one years were spent at the New Jersey Turnpike Authority, an autonomous toll agency of New Jersey state government. I started in an entry level management position and retired as its executive director. I then had the privilege of serving as the executive director of Florida's Turnpike Enterprise, a district of the Florida Department of Transportation. And now I have the privilege of serving New Jersey citizens at a critical time in our industry. Each of these opportunities have provided me with valuable experience using a variety of models for successful transportation funding and financing.

Let me say at the outset that there is no more important funding decision than that which involves this nation's transportation network. When the transportation system fails, our economy is in jeopardy. When the transportation system fails, families are disconnected and most importantly, when our transportation system fails, our national defense is compromised.

Not unlike utilities, the transportation network is used every day by everyone, and perhaps the single service each of us takes for granted. Whether it be by car, train, truck, walking, or biking, everything depends on safe and reliable transportation. A great example of New Jersey's partnership with the federal government is the Interstate Highway System (IHS). The IHS is a seamless network of roads that do not end at state lines. And the hallmark quality of the IHS is that it provides our customers, the traveling public, a consistent and high-quality experience thanks to the work of every state department of transportation and their federal agency partners. Whether in Florida or New Jersey, customers see the same signage and markers that allow them to know exactly what to expect and to lead them to essential services when traveling. None of this is possible without the federally-assisted and state-implemented framework upon which our Federal-aid Highway Program was founded over a century ago.

Yet we are putting our invaluable national transportation network, including the IHS, at risk due to our inability to secure long-term and predictable revenues for the federal Highway Trust Fund (HTF). Since its inception in 1956, the HTF remains the bedrock foundation of a strong federal surface program on which every state and their local partners rely. The stability of the HTF is so important because delivering effective transportation projects require a long lead time. From concept to concrete, projects require multiyear funding and it is crucial that there is dedicated funding for each phase of work. The current cycle of short-term program extensions and continuing resolutions combined with a recurring cash shortfall in the HTF is unpredictable and grossly inefficient. Money is programmed for preliminary design only to find out that funds will not be available to go to final design or construction. Shelving the project is the only option. When funds do become available, it is likely that the preliminary design has to be updated, thus requiring additional investment and delaying the project delivery. An example is the federally-funded I-295 and Route 38 Missing Moves project. More than \$7 million was spent on design to

address population growth, economic development and to provide congestion relief. Notwithstanding the need for the project and the work completed, NJDOT was unable to fund construction as there were not enough federal funds available. What makes this more distasteful is that NJDOT was required to reimburse the Federal Highway Administration for the design effort, and residents were disappointed that a project was shelved that would have improved their quality of life.

Beyond funding certainty, I would like to touch upon project procurement. There are many techniques that can be used to expedite project delivery, including design-build, construction manager/general contractor (CMGC), and public-private partnerships (P3s). Of the three, P3s have often been identified as a panacea to the transportation funding dilemma. While P3s can certainly introduce private financing, allow projects to be delivered sooner, and optimize sharing of project risk between the public and private parties, they are never a solution for shortage of user fee and tax-based revenues.

At the end of last year, NJ Transit launched an innovation challenge to solve the last-mile transportation needs between the Frank R. Lautenberg train station and MetLife Stadium and American Dream Experience, a major retail development in the Meadowlands. Right now, there is great interest from the transportation industry to look at P3-based financing where a portion of fare box revenue from NJ Transit would be dedicated to cover both capital and operations expenses. Proponents of this approach feel optimistic about the extraordinary revenue potential that comes from the foot traffic to both the stadium and American Dream Experience.

That being said, when we try to apply P3 financing to toll-free segments of the IHS in New Jersey, we run into major challenges. While the project scope and size may be suitable for the P3 model, we do not expect there to be a sufficient and sustainable revenue stream to provide return on investment to the private partner. If there is not a project-based revenue stream in the form of tolls we see typically on highway P3s, availability payments would have to be made to the private concessionaire out of the State Transportation Trust Fund--but that will then limit our ability to carry out the overall state transportation investment program. In essence, we would be sacrificing many necessary projects to support one, the consequence of which is to continue the deterioration of the rest of the system.

This story of not enough revenues to cover our transportation investment needs is not unique to New Jersey. We and our peer states do our best to generate revenue for transportation wherever they may be available in our states. But even the sum of state-generated transportation funding will never be sizeable enough to address the investment backlog we face—we must have access to federal resources in order to keep New Jersey's portion of our national infrastructure in a state of good repair.

To conclude, here is my recommendation on addressing our near-term revenue shortfall in the HTF informed by my experience of running two different highway systems in New Jersey and Florida. First, do not abandon the gas tax as the primary method of funding transportation infrastructure projects. It is the single most important mechanism to generate significant revenue

necessary to maintain and improve our transportation network. Second, please consider indexing the gas tax. Even just a few pennies a year will have a significant impact on funding growth and help us break the cycle of uncertainty and underfunding that have inhibited efficient transportation planning and execution.

As some of you may know, New Jersey raised its state gas tax in 2016. This was a bold and important decision. The increase was 23-cents per gallon, a hefty price tag for the consumer. Unfortunately, it had to account for more than 27 years without any increase. The greatest beneficiaries of the increase were our local partners. Counties and municipalities received the lion's share of the incremental revenue, increasing local funding from \$160 million to \$430 million. NJDOT received about \$50 million with the balance of the revenue allocated to New Jersey Transit. While these all represent important investments, my point to you is that it is not enough. And without a strong HTF New Jersey's infrastructure will suffer.

The importance of the HTF to state departments of transportation cannot be overstated. However, to a household, the impact of funding the HTF is negligible. An indexed gas tax is predicable for everyone – government and consumer alike. According to a recent HNTB Corporation publication, the average household paid about \$23 per month in gas taxes based on 2017 data. The same household paid almost three times as much for internet service in the same year! While internet service is important, its importance pales in comparison in critical need for a secure and reliable transportation network.

Thank you for the opportunity to share my thoughts with you today.