

**APPENDIX**



# LEGISLATIVE VIEWPOINT

New Jersey State League  
of Municipalities

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STATEMENT OF MAYOR TIMOTHY McDONOUGH, HOPE TOWNSHIP, CHAIRMAN, NJLM  
TRANSPORTATION TRUST FUND REVIEW TASK FORCE AND  
MAYOR ROBERT JACKSON, MONTCLAIR,  
PRESENTED TO THE ASSEMBLY TRANSPORTATION AND INDEPENDENT AUTHORITIES  
COMMITTEE  
THURSDAY, NOVEMBER 20, 2014  
ATLANTIC CITY CONVENTION CENTER  
ATLANTIC CITY, NEW JERSEY

When we appeared before you, on Wednesday, September 24, in Montclair, we thanked you for your efforts to prioritize New Jersey's transportation funding crisis, and to put our State's economic future on solid footing. We want to reiterate that today. The League of Municipalities, on behalf of all our members, appreciates your leadership and your willingness to involve local officials in the policy development process.

The League of Municipalities has lasted for 99 years because New Jersey municipal officials, whether they knew it or not, have always taken to heart that old Irish proverb, "Only the one who isn't rowing has time to rock the boat." At that September hearing, you gave us the opportunity to get an oar in the water, when you asked the League to survey its membership on transportation funding options and report back to you with the results. Here they are.

Over 150 officials from municipalities throughout New Jersey participated in our survey. We asked them about six possible options that could, if implemented, strengthen transportation capital finance. The survey gave respondents five choices to indicate their feeling about those options. They could "Strongly support," "Somewhat support," indicate "Neutral" feelings, "Somewhat Oppose," or "Strongly Oppose" each option.

The survey showed overwhelming support for consolidating NJDOT, NJ Transit, the NJ Turnpike Authority, the South Jersey Transportation Authority, the Transportation Trust Fund Authority and the Motor Vehicles Commission. Almost 49% indicated "Strong" support for this option, and another 37.5% were "Somewhat" supportive.

When asked about enabling legislation to facilitate public-private partnerships for large scale projects, we found that these were "Strongly" opposed by about 10%. They were "Somewhat" opposed by another 10%. About 20% were 'Neutral' on P-3 legislation. This option was "Strongly" supported by 20.5% and "Somewhat" supported by just over 41%.

We next asked about a possible increase to the State's gasoline tax, paid at the pump, to replenish the Transportation Trust Fund. 34% of our respondents would "Strongly" support this option. 19% were "Somewhat" supportive. At the opposite extreme, 23% were "Strongly" opposed and 11% opposed this option "Somewhat." 12% indicated neutrality.

-over-

The most popular revenue raising option in our survey was a proposed Petroleum Products Gross Receipts Tax on wholesale transactions. As posed to our respondents, there would be exemptions for sales of home heating oil and for products sold to state and local governments. Almost 29% were "Strongly" supportive; and another 40% were "Somewhat" so. 10% were neutral. 11% were "Somewhat" opposed. And 11% were "Strongly" opposed.

The least popular option in our survey would be the application of the 5 State Sales and Use Tax to motor fuels, at the pump, purchases, with the proceeds to be dedicated to the Transportation Trust Fund. 32% were "Strongly" opposed. 28% were "Somewhat" opposed. 5.5% were neutral. 21% were "Somewhat" supportive; and 14% were "Strongly" so.

Finally, we wanted to find out if our members thought it might be a good idea to amend the State Constitution to prevent, as much as possible, future Legislature and Administrations from using Transportation Trust Fund revenues for anything other than transportation capital project. The results indicate that they thought it would be a wonderful idea to Constitutionally dedicate TTF revenues for such work. Over 80% felt "Strongly" about this. Over 11% were "Somewhat" supportive. And the survey registered only trace opposition of any kind.

Local officials know that investments in our infrastructure must be made. Failure to do so can compromise the safety of the public, the economic vitality of our communities and the security of our neighborhoods.

State-provided assistance through NJ DOT's Local Aid program is vital for local governments to fund necessary improvements and to relieve the property tax burden for residents. Annually, \$190 million from the Transportation Trust Fund is allocated to municipalities and counties for local transportation improvements. The Local Aid program also provides state and federal funds for special local projects to improve safety, for safe pedestrian and bike routes, for town centers, transit villages and other non-traditional transportation enhancements. The local aid funding provided by the NJDOT and FHWA results in significant savings for counties and municipalities, and provides an alternative to the use of property taxes alone to improve local transportation. These projects, it must be noted, put people to work. This is always important to our State's economic health; but never more so than now, as we continue to rise from the recession.

As we see it, New Jersey faces three challenges, with regards to transportation capital funding. We must:

1. Reauthorize the Transportation Trust Fund to ensure adequate and reliable funding to meet State and local transportation infrastructure funding needs for the next 10 years.
2. Increase Local Aid funding to ensure adequate and reliable funding to meet all local transportation infrastructure needs.
3. Increase the municipal share of Local Aid funding and ensure fair funding for all municipalities.

The Transportation Trust Fund needs to be replenished, so that it can provide adequate and reliable capital to meet State and local needs, now and in the future. For that reason, the League of Municipalities has joined the "Forward New Jersey" coalition. We are eager to assist any and all efforts to revitalize the Transportation Trust Fund.

**New Jersey League of Municipalities**

**Transportation Trust Fund**

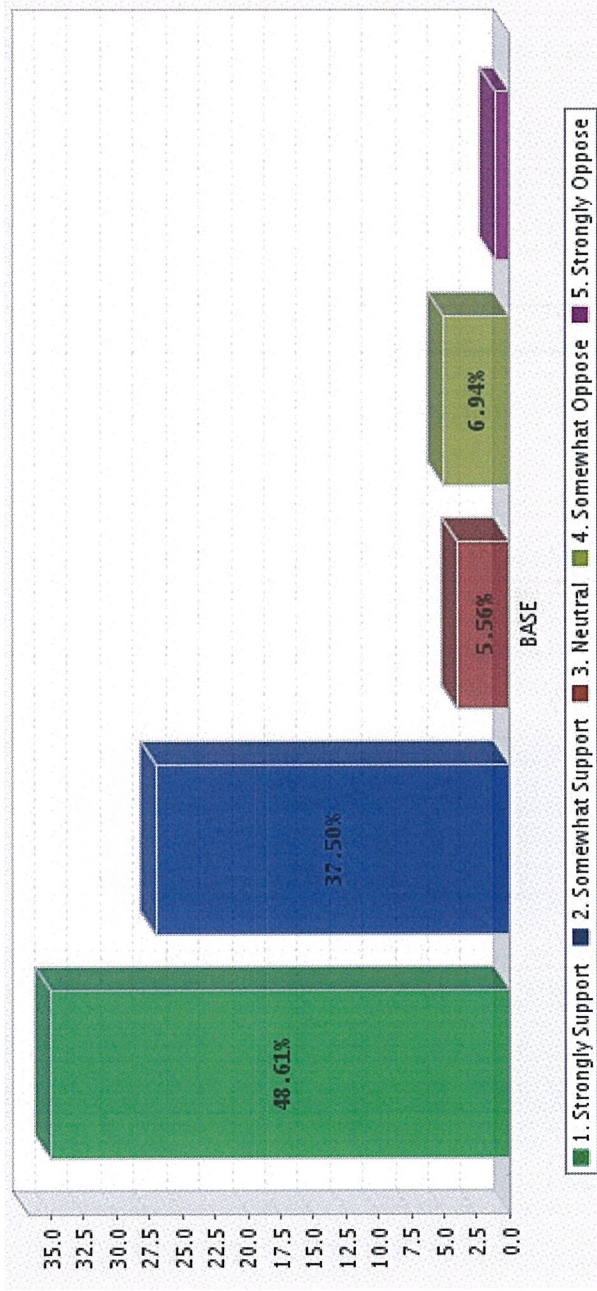
**Reform Options**

**A Survey of Municipal Preferences**

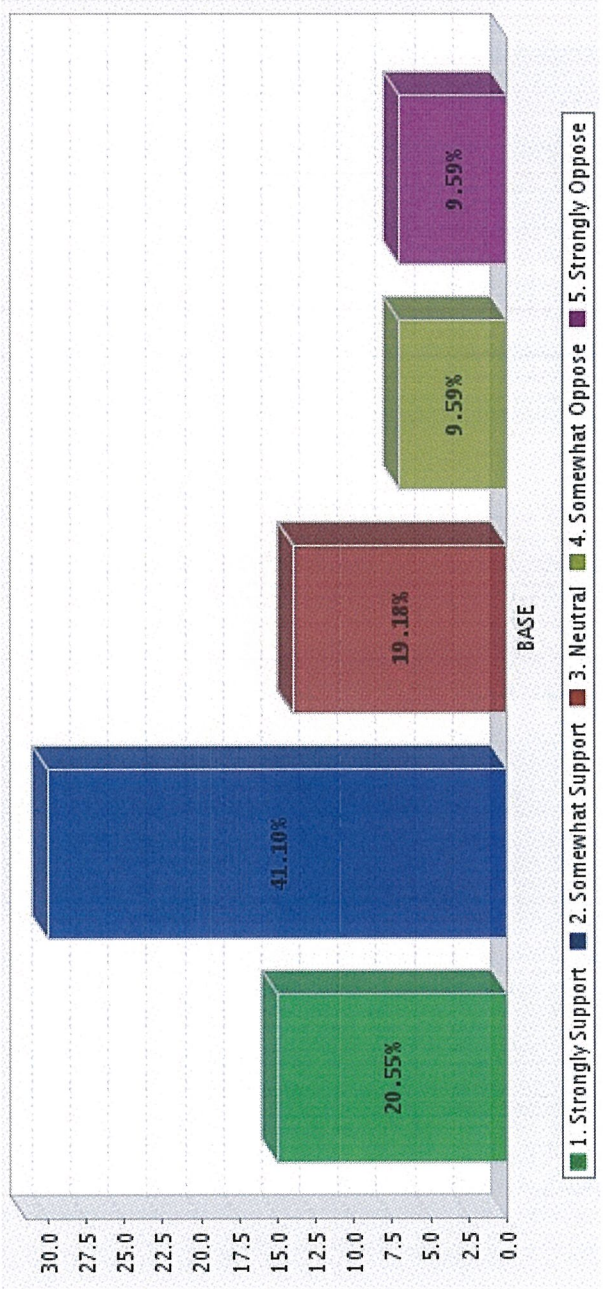
**Conducted September –October, 2014**

4x

1. Consolidate transportation entities (NJDOT, NJ Transit, NJ Turnpike Authority, South Jersey Transportation Authority, Transportation Trust Fund Authority, and Motor Vehicle Commission) into a single statewide transportation-planning unit with the objective to recognize savings, increase buying and bonding capacity, improve credit rating and allow private capital to increase project development.

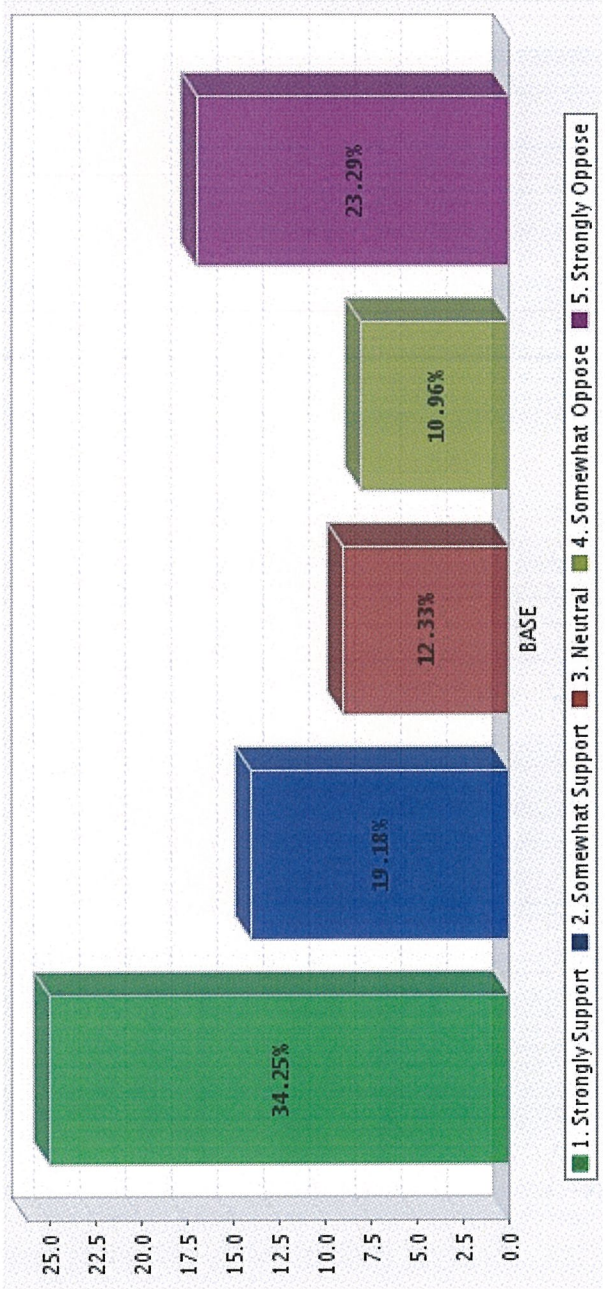


2. Enabling public-private partnerships (P3s) statewide via legislation to attract private financing and expertise. In a P3 agreement, New Jersey would retain ownership of the road, bridge, or rail asset and enlist the private sector to design, build, operate, and maintain large-scale projects in exchange for an annual payment. This would reduce the burden on the Transportation Trust Fund (TTF) to fund large-scale projects (\$500m +) and open up funding to address local projects.



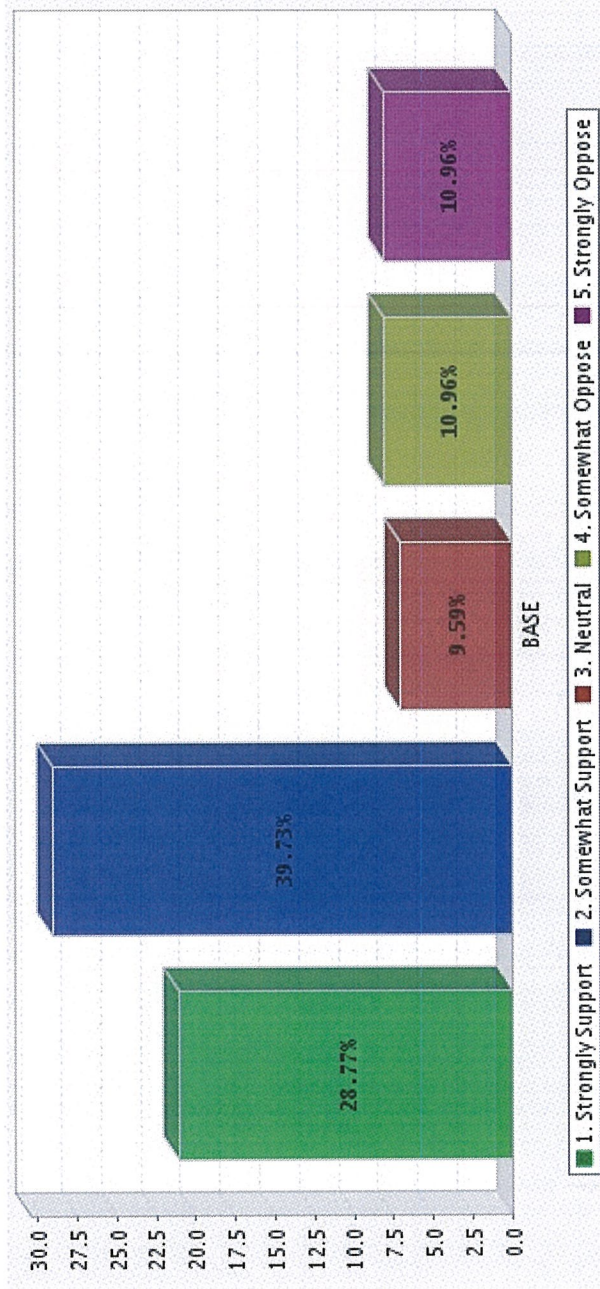
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3. Increasing the state's gasoline tax (paid at the pump) to replenish Transportation Trust Fund (TTF) funding.



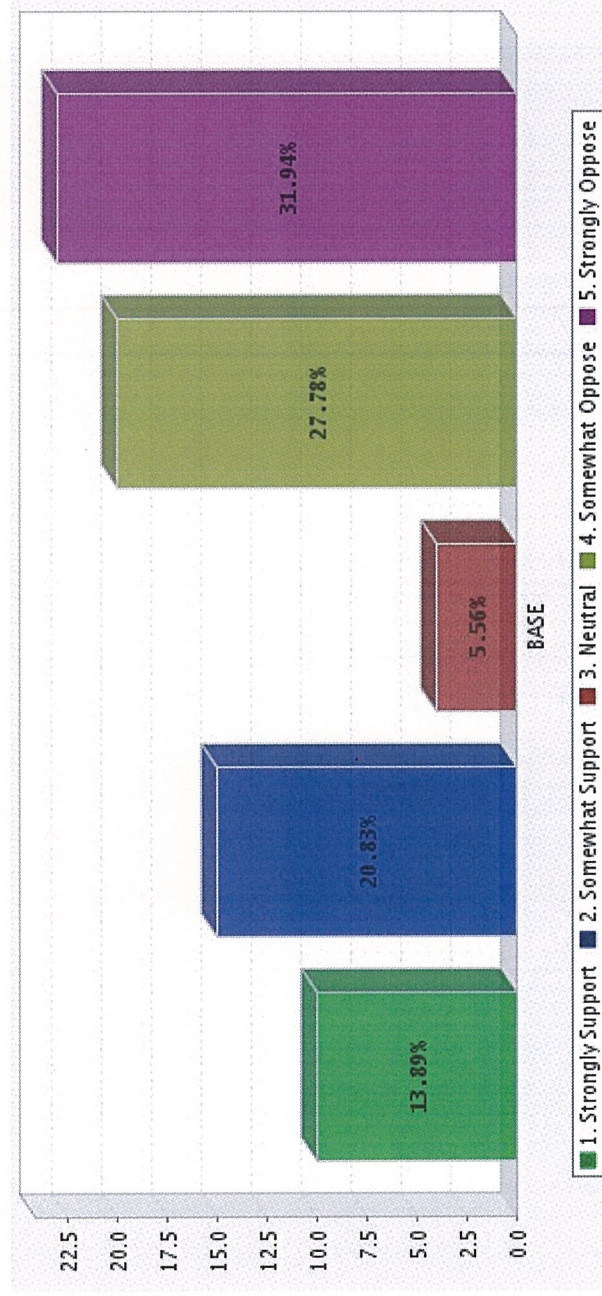
lex

4. Generating revenue from refineries and wholesale fuel purchases through a percentage-based Petroleum Products Gross Receipts Tax at 6%, 7%, or 8% of the wholesale costs. Some exemptions from this tax include home heating fuels and receipts from sales to the state or municipalities.



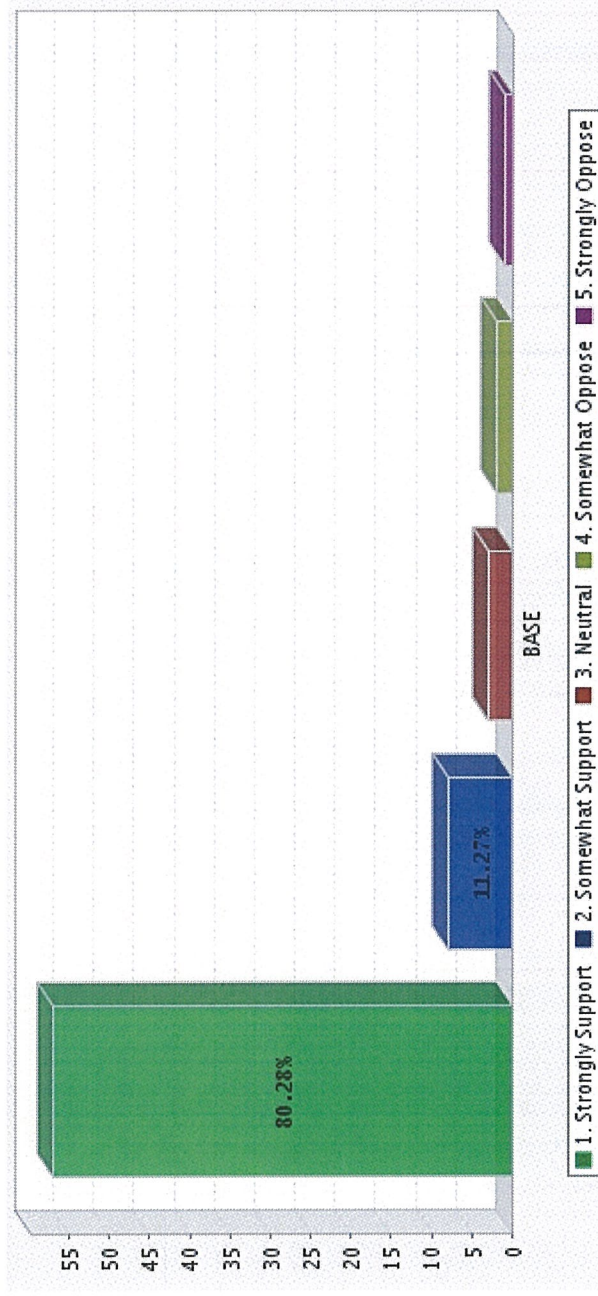
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5. Applying the 7% sales tax (paid at the pump) on to motor fuels sales to fund the Transportation Trust Fund (TTF). (Currently motor fuel sales are exempt from state sales tax).



8x

**6. Amending the state constitution to prohibit the state Legislature and the Governor from using transportation-related revenue for anything other than infrastructure improvements through the Transportation Trust Fund.**



9x

# NEW JERSEY ASSOCIATION OF COUNTIES

*County Government with a Unified Voice!*

M. CLAIRE FRENCH  
NJAC President  
Monmouth County Clerk

JOHN G. DONNADIO  
Executive Director

## COUNTY TRANSPORTATION IMPACT STATEMENT 2014

The New Jersey Association of Counties (NJAC) has long been an advocate for establishing a stable, dependable, and long-term source of dedicated funding for the State's Transportation Trust Fund (TTF); and, increasing Local Aid allocations to \$300.0 million as recommended by the New Jersey Transportation Blue Ribbon Commission.

As has been well documented, county governments spend approximately \$565.0 million each year to operate and maintain an estimated 7,140 bridges and more than 6,775 centerline miles of roads. However, the State's current Transportation Capital Program (TCP) only allocates \$165.0 million each year in Local Aid with \$78.75 million for counties and municipalities, \$25.0 million for county bridges, and \$7.5 million in discretionary funding leaving county governments responsible for financing \$453.75 million of its transportation need through the collection of local property taxes. As highlighted in the tables and footnotes below, county and municipal roads and bridges carry an estimated 53% of the State's overall traffic, yet inequitably receive only 12.3% of funding under the State's annual \$1.6 billion TCP. Moreover, the proportionate share of Local Aid relative to overall TCP increases has dramatically decreased by 56.7% since the inception of the TTF in 1985.

To compound matters, county governments must make substantial capital improvement investments as 281 (11.0%) of the 2,556 major bridges maintained by counties are classified as "Structurally Deficient" and in need of \$663.0 million worth of rehabilitation or replacement. A Structurally Deficient bridge is generally defined as a bridge or culvert rated in poor condition, its load carrying capacity is below current design standards, or if a waterway below frequently overtops the bridge. Moreover, 452 (17.7%) of the same 2,556 bridges are classified as "Functionally Obsolete" and in need of \$938.0 million worth of rehabilitation or replacement. A Functionally Obsolete bridge is generally defined as a bridge or culvert that is not Structurally Deficient, but its design is outdated. Finally, 2,941 of the 4584 (64.1%) minor bridges maintained by counties are in need of repair and 1,002 (21.9%) must be replaced at a cost of \$1.25 billion for a grand total of \$2.85 billion.

With these staggering numbers in mind, NJAC urges our State leaders to establish a stable, dependable, and long-term source of funding for vital transportation projects; and, to increase Local Aid allocations under the TTF as a means to mitigate the reliance on the collection of local property taxes, stimulate the economy and job growth, and ensure safe and reliable roads and bridges.

## LOCAL TRANSPORTATION INVENTORY 2014

Category	County	Municipal	Total
Centerline Miles <sup>1</sup>	6,775	25,675	32,540
Lane Miles <sup>2</sup>	13,550	51,530	65,080
Major Bridges <sup>3</sup>	2,556	42	2,598
Minor Bridges <sup>4</sup>	4,584	0	4,584
Total Bridges	7,140	42	7,182
Vehicle Miles Traveled <sup>5</sup>	35%	18%	53%

1. Centerline miles represent the total length of a given road.
2. Lane miles measure the total length and lane count of a given road. *The figures used above represent two lanes on a given road, and do not take into consideration the size or type of a lane, or whether a given road has more than two lanes, so the total figure for lane miles is likely greater.*
3. Major bridges are bridges greater than 20' in span.
4. Minor bridges are bridges between 5' – 20' in span.
5. County vehicle miles traveled equals 35%, Municipal vehicle miles traveled equals 18%, State vehicle miles traveled equals 36%, and toll road vehicle miles traveled equals 11%.

## LOCAL TRANSPORTATION NEEDS 2014

Annual Need	County	Municipal
Bridges	\$284,425,000.00	\$8,743,000.00
Resurfacing	\$108,295,000.00	\$175,202,000.00
Construction/Reconstruction	\$98,540,000.00	\$179,277,000.00
Design/Contract Administration	\$73,689,000.00	\$54,483,000.00
<i>Total</i>	\$564,949,000.00	\$417,705,000.00

## LOCAL TRANSPORTATION TRUST FUND ALLOCATIONS 2014

The current Transportation Trust Fund allocates \$165.0 million in Local Aid of which counties and municipalities share at 50% in the following manner:

- \$78.75 million for county roads
- \$78.75 million for municipal roads
- \$7.5 million for Commissioner's discretionary funding

Counties receive an additional \$25.0 million in State allocations for bridges that is distributed equally among all 21 counties with \$4.0 million set aside for the Commissioner's discretionary funding for a Total Capital Program of \$190.0 million.

# NJ SACE

## NEW JERSEY STATE ASSOCIATION OF COUNTY ENGINEERS

President - Timothy R. Mettlen, P.E.  
Vice President - Matthew D. Loper, P.E.

Treasurer - Joseph T. Brickley, P.E.  
Secretary - Paul J. Leso, P.E., P.L.S.

October 21, 2014

Dear Senate President Sweeney:

In a recent article in the Newark Star Ledger you were referenced as supporting an increase in State Local Aid funding of \$150 million per year. The New Jersey State Association of County Engineers (NJSACE) and the New Jersey Society of Municipal Engineers agree with your assertion. We would also like to see the \$10 million of the Commissioner's Discretionary amount that was withdrawn in 2012 restored. The following facts will assist you concerning annual Local Aid transportation needs.

The New Jersey Department of Transportation (NJDOT), New Jersey Transit (NJT), Counties and Municipalities all share a portion of The Transportation Trust Fund (\$1.6 billion per year) and \$1.48 billion per year in Federal Funds. In November of 2003 The Transportation Blue Ribbon Commission recommended that Local Aid funding be increased from \$150 million per year to \$300 million per year (in a better economy \$350 million per year). In 2007 annual Local Aid funding was only increased from \$150 million to \$175 million per year. In 2009 \$25 million per year was added for County Bridge needs. For SFY 2012 to SFY 2016 Local Aid funding was reduced by \$10 million per year (Commissioner Discretionary).

### TRANSPORTATION INVENTORY – SEE APPENDIX FOR DETAILS

Counties and Municipalities are major transportation participants; a comparison of "Local" transportation inventory to "State" transportation inventory supports the importance of County and Municipal Government related to transportation issues.

- Centerline miles – Local is 14 times State
- Lane miles – Local is 5 times State
- County lane miles equal State lane miles
- Major bridges – approximately the same
- Minor bridges – Local is 8 times State
- Total bridges – Local is 2 times State
- Vehicle miles traveled: County – 35%; Municipal – 18%; State – 36%; Toll Roads – 11%

**SHARE OF TRANSPORTATION TRUST FUND – SEE APPENDIX**

The Transportation Trust Fund was implemented in 1985 and continues through SFY 2016. Since its inception, the Local Aid share of the total Trust Fund has lost ground from 21.7% to the current 12.3% (56.7% reduction). NJDOT/NJT share began at 78.3% and is now at 87.5% (11.7% increase). See the Appendix for annual funding from 1985 to 2016. Aggregate funding from 1985 to 2016 is projected for NJDOT/NJT to be \$27.045 billion; and for Local Aid to be \$4.906 billion; for a total of \$31.536 billion.

The current annual Local Aid portion of the Transportation Trust Fund is \$190 million per year - \$7.5 million Commissioner Discretionary, \$78.750 million each for Counties and Municipalities and \$25 million for County Bridges. The current annual NJDOT portion is \$811 million; NJT portion is \$672 million.

**2014 STATE/FEDERAL FUNDING FOR COUNTIES AND MUNICIPALITIES  
VS. ANNUAL NEED – SEE APPENDIX**

The Appendix chart summarizes annual County/Municipal Aid for State and Federal funding; County Government receives \$230.96 million in State/Federal funds; Municipal Government receives \$99.70 million in State/Federal funds; total State/Federal funds = \$330.66 million for County and Municipal Aid.

<b>ANNUAL NEED</b>	<b>COUNTY (MILLIONS)</b>	<b>MUNICIPAL (MILLIONS)</b>	<b>TOTAL NEED (MILLIONS)</b>
Resurfacing	108.295	175.202	277.546
Bridges	284.425	8.743	293.168
Construction/Reconstruction	98.540	179.277	277.817
Design & Contract Admin. (15%)	73.689	54.483	127.279
<b>TOTAL</b>	<b>564.949 (57.5%)</b>	<b>417.705 (42.5%)</b>	<b>982.654</b>

County - % State/Federal = 41% (\$230.96 mil)  
County - % share of need = 59% (\$333.989 mil)

Municipal - % State/Federal = 24% (\$99.70 mil)  
Municipal - % Share of need = 76% (\$318.005 mil)

October 21, 2014

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**SUMMARY**

Increasing the Transportation Trust Fund for Local Aid by \$160 million per year (includes restoring the annual Commissioner Discretionary amount of \$10 million) provides \$490.660 million annual State/Federal Funding.

Annual County/Municipal Funding of \$490.660 million (State and Federal) provides 49.9% of County/Municipal need; County/Municipal share of need = 50.1% (\$491.994 million). The annual increase of \$160 million in State Aid (Trust Fund) plus current \$190 million provides \$350 million in annual State Aid funding which is consistent with the Blue Ribbon Transportation Commission Report of November 2003.

Very truly yours,



Timothy R. Mettlen, P.E.  
President NJ State Association  
of County Engineers

cc: Speaker of Assembly  
Senate Transportation Committee  
Assembly Transportation Committee  
Commissioner of Transportation  
Deputy Commissioner of Transportation  
Director, NJDOT Division of Local Aid  
John Donnadio, Ex. Director NJ Association of Counties  
M. Claire French, President, NJ Association of Counties  
Albert D. Yodakis, President NJ Society of Municipal Engineers  
Members NJ State Association of County Engineers  
Phil Beachem, President NJ Alliance for Action  
Tom Bracken, Chairman, Forward New Jersey

# APPENDIX

# Major Transportation Inventory

## MAJOR TRANSPORTATION INVENTORY

CATEGORY	COUNTY	MUNICIPAL	TOTAL LOCAL	NJDOT	TRANSIT	ORPHAN	TOTAL STATE
Centerline Miles	6,775	25,765	32,540	2,345	N/A	N/A	2,345
Lane Miles	13,550+	51,530+	65,080+	13,487	N/A	N/A	13,487
Major Bridges <sup>1</sup>	2,556 <sup>2</sup>	42	2,598 <sup>2</sup>	2,346	108	93	2,547
Minor Bridges <sup>3</sup>	4,584 <sup>2</sup>	0	4,584 <sup>2</sup>	579	?	?	579
<b>TOTAL BRIDGES</b>	<b>7,140<sup>2</sup></b>	<b>42</b>	<b>7,182<sup>2</sup></b>	<b>2,925</b>	<b>108</b>	<b>93</b>	<b>3,126</b>
Vehicle Miles Traveled *	35%	18%	53%	36%	N/A	N/A	36%

\*Toll Roads - 11%

Note: Minor Bridges are currently being reviewed by NJDOT> Preliminary data suggests inventory could reach 5,500.

16x ↑

↑ - Greater than 20' in span

2 - 50% of county bridges located on municipal roads

3 - 5' to 20' in span

# Summary – Per Annual Loc

2003	958.0	150.0	1108.0	208.0	0.0
2004	1,078.2	150.0	1228.2	328.2	0.0
2005	1,060.0	145.0	1205.0	310.0	-5.0
2006	1,060.0	145.0	1205.0	310.0	-5.0
2007	1,425.0	175.0	1600.0	675.0	25.0
2008	1,425.0	175.0	1600.0	675.0	25.0
2009	1,400.0	200.0	1600.0	650.0	50.0
2010	1,350.0	250.0	1600.0	600.0	100.0
2011	1,400.0	200.0	1600.0	650.0	50.0
Sub Total	20,044.9	3,490.6	23,535.5	4,613.7	240.0
2012 to 2016	7,000.0 (5 yrs x \$1400.0)	1,000.0 (5 yrs x \$200.0)	8,000.0 (5 years x \$1600.0)	3250.00 (5 years x \$650.0)	250.00 (5 years x \$50.0)
Grand Total	27,044.9	4490.60	31535.5	7,863.7	490.0

TRANSPORTATION TRUST FUND -  
APPROPRIATION HISTORY AND PROJECTIONS

ANNUAL ALLIANCE INCREASE FROM \$150 MILLION  
to \$200 million  
• Total Column (4) = \$240 million  
• Avg. Annual allot increase = \$240  
• Divide 10 years = \$24.0 million

Summary (C) - 2002 to 2016  
NIDOT/NTI (3)  
• Annual Allotment increase from \$750 to \$1400 million  
• Total Column (3) = \$7863.7 million  
• Avg. annual allot increase = \$7863.7 divide 15 years = \$524.25 million

Local Aid (4)  
• Annual allotment increase from \$150 million to \$200 million  
• Total Column (4) = \$490 million  
• Avg. annual allot increase = \$490 divide 15 years = \$32.67 million

Note: In 2012 Commissioner Discretionary was reduced for (2012-2017) to \$7.5 Million per year (\$60 Million reduction). For the time period 2002-2016 (15 yrs) the Average Annual Allotment Increase = \$440 Million divided by 15 yrs = \$29.33 Million vs. \$32.67 Million (see Summary © - Local Aid-4)

# Percent (%) Share of I/State Funding

Fiscal Year	NJDOT and NJT Allotment (Millions)	Local Aid Allotment (Millions)	Total NJT/NJDOT and Local Aid (Millions)
1985	195.0	54.0	249.0
1986	259.5	64.0	323.5
1987	377.0	54.0	431.0
1988	251.0	72.0	323.0
1989	293.4	71.6	365.0
1990	271.4	93.6	365.0
1991	465.9	99.1	565.0
1992	499.0	94.3	593.3
1993	437.0	100.0	537.0
1994	465.0	100.0	565.0
1995	465.0	100.0	565.0
1996	570.0	130.0	700.0
1997	570.0	130.0	700.0
1998	759.1	140.9	900.0
1999	567.8	132.2	700.0
2000	735.1	164.9	900.0

(A)

Increase From \$195 Million in Allotment (NJDOT/NJT to 2001) (Millions)	Increase From \$54 Million in Allotment (Local Aid to 2001) (Millions)
64.5	10.0
182.0	0.0
56.0	18.0
98.4	17.6
76.4	39.6
270.9	45.1
304.0	40.3
242.0	46.0
270.0	46.0
270.0	46.0
375.0	76.0
375.0	76.0
564.1	86.9
372.8	78.2
540.1	110.9

(1)

(2)

**Summary (A) - 1985 to 2001**  
**NJDOT/NJT (1)**  
 • Annual Allotment Increase from \$195 million to \$750 million  
 • Total Column (1) = \$4616.2 million  
 • Average annual allot. increase = \$4616.2  
 • Divide 16 years = \$288.51 Million

**Local Aid (2)**  
 • Annual allotment increase from \$54 million to \$150 million  
 • Total Column (2) = \$832.6 million  
 • Avg. annual allot. increase = \$832.6  
 • Divide 16 years = \$52.04 million

**Summary (B) - 2002 to 2011**  
**NJDOT/NJT (3)**  
 • Annual Allotment increase from \$750 to \$1,400 million  
 • Total Column (3) = \$4613.7 million  
 • Avg. annual allot. increase = \$4613.7  
 • Divide 10 years = \$461.37 million

FUNDS	LOCAL AID PROGRAMS (STATE & FEDERAL)	2014 LOCAL AID FUNDING	
		COUNTY (MILLIONS)	MUNICIPAL (MILLIONS)
STATE-TRANSPORTATION TRUST FUND	SHARE COUNTY/MUNICIPAL AID	\$78.75	\$78.75
	SHARE COMMISSIONERS DISCRETIONARY	\$3.75	\$3.75
	BRIDGE	\$25.00	\$0.00
	SAFE STREETS TO TRANSIT	\$0.00	\$1.00
	BIKEWAYS	\$0.00	\$1.00
	TRANSIT VILLAGE	\$0.00	\$1.00
	LOCAL LEAD PROJECTS: DESIGN, ROW, CONSTRUCTION	\$94.00*	\$0.00
	LOCAL PRELIMINARY ENGINEERING	\$2.00*	\$0.00
	LOCAL AID GRANT MANAGEMENT SYSTEM	\$0.10	\$0.00
	SAFE CORRIDORS HIGHWAY SAFETY FUND	\$0.00	\$4.00
	<b>TOTAL TRANSPORTATION TRUST FUND</b>	<b>\$203.60</b>	<b>\$89.50</b>
FEDERAL	SAFE ROUTES TO SCHOOL	\$0.00	\$5.20
	LOCAL SAFETY/HIGH RISK RURAL ROADS	\$10.00	\$0.00
	TRANSPORTATION ENHANCEMENT	\$5.00	\$5.00
	LOCAL LEAD PROJECTS: DESIGN, ROW, CONSTRUCTION	\$12.36	\$0.00
	<b>TOTAL FEDERAL</b>	<b>\$27.36</b>	<b>\$10.20</b>
<b>GRAND TOTAL STATE &amp; FEDERAL</b>		<b>\$230.96</b>	<b>\$99.70</b>
		<b>(70%) \$330.66</b>	<b>(30%)</b>

\*FEDERAL STP FUNDS SWAPPED FOR STATE FUNDS

# Fuel Merchants Association of New Jersey



November 18, 2014

TO: The Honorable Chris Christie  
New Jersey Legislature  
The Honorable Andrew Sidamon-Eristoff  
The Honorable Jamie Fox

FROM: Eric DeGesero, Executive Vice President

RE: **TRANSPORTATION FUNDING**

The Fuel Merchants Association of New Jersey (FMA) represents petroleum distributors in the state.

While FMA does not support an increase in, or new assessment of, any tax on petroleum, we recognize the need for a dedicated and stable source of transportation funding. As discussions continue regarding reauthorization of the Transportation Trust Fund (TTF), FMA offers the following concerns and recommendations relative to the impact a tax increase would have on the state's petroleum distributors.

### **Concerns Regarding an Increase**

FMA members have significant concerns as to how any fuel tax increase will impact them operationally.

For example, the bond that FMA members procure pursuant to N.J.S.A. 54:39-122 will increase. The purchasing power of their lines of credit with their suppliers will likely diminish as a higher tax is factored into the purchasing price of their fuel. A higher tax will also adversely impact the operation of those businesses that serve government entities as it will mean larger refund amounts which they must wait for, hurting cash flow.

### **Three Actions to Mitigate Above Concerns**

An increase in the motor fuels tax will have a detrimental impact on the operations of motor fuel distributors in New Jersey. A higher tax rate will adversely impact the line of credit distributors have with their suppliers since it is unlikely there will be a dollar for dollar increase to offset the increase. Furthermore, distributors will have more at risk when customers don't pay and the receivable, including the tax, must be written off as a bad debt. Currently there is no refund mechanism to account for the bad debt. To address the adverse impacts if tax increases are part of the TTF renewal, FMA believes the Legislature should:

- a) Enact S-1083(Bucco/VanDrew) and A-1070(Schaer/Schepisi/Space) which would allow certain fuel dealers and distributors refunds of petroleum products gross receipts tax and credits against motor fuel tax for certain bad debts from sale of fuel.

- b) Enact legislation that would prohibit taxes from being part of the credit card interchange fee. This would free up cash flow to help offset a potential tax increase.
- c) Amend N.J.S.A. 54:39-134 to reduce the amount of bond that a distributor must procure to either the single highest month in the past twelve (as opposed to 3x) or a lower amount at the discretion of the Director of the Division of Taxation. Many FMA members have decades of solid payment history to the state by which the Director may feel on a case by case basis a lesser amount could be warranted.

### **FMA Opposes Assessing the Sales Tax on Motor Fuels**

There has been discourse in the media regarding TTF replenishment that includes assessing the sales tax on gasoline by repealing the current exemption at N.J.S.A32B-8.8.

While it can be stated this is closing a tax “loophole,” FMA would note that few if any other goods or services on which the sales tax is assessed are also assessed an excise tax. Furthermore, collecting a retail tax on a motor fuels is bad policy. Few, if any other goods on which the sales tax is assessed have daily changes in price, let alone significant daily changes in price. While all retailers assess and collect the sales tax, the volatility in price and daily change will hurt collection efforts which will suffer from both human error and unsavory operators. The Christie Transportation Transition Report recognized the inefficiency of the previous system of motor fuel tax collection in making its first Finance Recommendation, which stated, “*Collect the gas tax at distribution to reduce the losses and expenses from multiple collection points currently used.*” (1/5/2010). The Legislature enacted this recommendation when it passed Assembly Bill 3014 in the 214<sup>th</sup> Legislature (P.L. 2010 c. 22).

Even if there were no collection related issues as outlined above, the variation in sales tax revenue as a result of volatile fuel prices will make annual planning for stable transportation funding extremely difficult. For example, West Texas Intermediate (WTI) crude oil prices have swung from \$104/barrel in July 2014 to \$76 now (Nov. 14, 2014). Approximately 4 billion gallons of gasoline are consumed in New Jersey annually. If prices were to swing \$0.50/gallon, that would result in a variance of \$140 million per year. Depending on the total amount that is looking to be raised (FMA is unsure and has heard from \$1.2billion to \$2billion per year), this could mean the projection being off by 10%. As policymakers, you must grapple with swings in revenue from the gross income tax related to capital gains, while not to the same dollar magnitude the ability to stably plan for a capital program will be dramatically impacted.

### **Competitive/Border Issues**

Proponents of a fuel tax increase have noted the fact that many vehicles drive through New Jersey and therefore we will continue to benefit from significant out of state volume, even with an increased tax rate.

While unaware of any quantification of the out of state fuel volume, FMA agrees that it is significant. However, FMA also cautions that there is a distinction between inelastic demand for New Jersey gasoline - those driving through on toll roads, and elastic demand for gasoline - those out of state commuters who buy in New Jersey because of lower prices but could just as easily purchase in their home state. The below chart outlines the price of gasoline and diesel in neighboring states.

	<b>Gasoline/cents per gallon</b>	<b>Diesel/cents per gallon</b>
New Jersey#	14.5 (PGRT incl.)	17.5 (PGRT incl.)
Delaware	23(incl. 0.9% GRT)	22 (incl. 0.9% GRT)
New York	50.25 (incl. state sales tax)	48.65 (incl. state sales tax)
Pennsylvania*	41.8	52.10

#Add to NJ Cost ~7-8 cents a gallon for labor \*Will adjust January 2015 by approximately 9 cents/g.

Other general concerns include how alternative fueled vehicles will contribute to transportation funding as well as the overall impact on the cost of goods with higher fuel prices.

**FMA Opposes Increasing the Gross Receipts Tax on Heating/Off- Road Fuel**

The Petroleum Gross Receipts Tax (PGRT) is calculated in two different manners. For gasoline, commercial heating oil, and diesel fuel it is a 4 cents/per gallon tax, for all other petroleum products it is assessed at 2¾% of the sales price. According to the Energy Information Administration there are 1.2 billion gallons of distillate (heating oil, diesel, heavy oil excludes – jet fuel) sold in New Jersey. Of this total, 785 million is on-highway diesel and only 90 million commercial/industrial (the 175 million of residential is already exempt). The off-road and heating component is small and would not raise that much money relative to overall TTF needs. FMA questions if it is it time to co-collect the PGRT with the motor fuels tax (pursuant to N.J.S.A. 54:39-148h.) or if the revenue from the PGRT is calculated within the excise tax to simply eliminate the PGRT altogether on for gasoline, commercial heating oil, and diesel fuel.

**Conclusion**

**If a tax on motor fuels is going to be enacted to reauthorize the TTF, the concerns of small business need to be addressed and the tax needs to be a one-time excise tax increase that doesn't dramatically damage our advantage against neighboring states.**

# ASSEMBLY, No. 1070

## STATE OF NEW JERSEY

### 216th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2014 SESSION

**Sponsored by:**

Assemblyman GARY S. SCHAER

District 36 (Bergen and Passaic)

Assemblywoman HOLLY SCHEPISI

District 39 (Bergen and Passaic)

Assemblyman PARKER SPACE

District 24 (Morris, Sussex and Warren)

**Co-Sponsored by:**

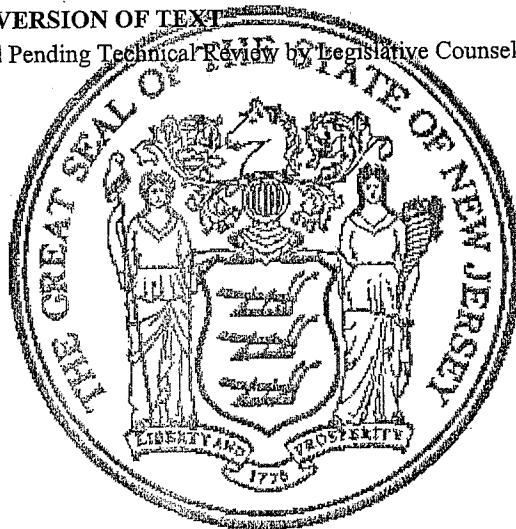
Assemblyman A.M.Bucco and Assemblywoman McHose

**SYNOPSIS**

Allows certain fuel dealers and distributors refunds of petroleum products gross receipts tax and credits against motor fuel tax for certain bad debts from sale of fuel.

**CURRENT VERSION OF TEXT**

Introduced Pending Technical Review by Legislative Counsel



1 AN ACT allowing certain fuel dealers and distributors refunds of  
2 petroleum products gross receipts tax and credits against motor  
3 fuel tax for certain bad debts from the dealers' and distributors'  
4 sale of fuel, supplementing P.L.1990, c.42 (C.54:15B-1 et seq.)  
5 and P.L.2010, c.22 (C.54:39-101 et seq.).  
6

7 **BE IT ENACTED** by the Senate and General Assembly of the State  
8 of New Jersey:  
9

10 1. a. A distributor of motor fuels licensed pursuant to section  
11 33 of P.L.2010, c.22 (C.54:39-133) or a person that has been  
12 recognized as a licensed company pursuant to section 6 of  
13 P.L.1991, c.181 (C.54:15B-12) shall be allowed a refund for the  
14 portion of a bad debt from the sale of fuel that constitutes petroleum  
15 products gross receipts tax. The portion of a bad debt from the sale  
16 of fuel that constitutes petroleum products gross receipts tax shall  
17 be determined from the purchase and sale records concerning the  
18 person filing for the refund and shall be that portion of the charge  
19 for fuel and the charge for tax that is the charge for tax, without  
20 regard to any other charges reflected on the distributor's invoice.

21 b. As an alternative to applying for a refund, a taxpayer that  
22 has been recognized as a licensed company pursuant to section 6 of  
23 P.L.1991, c.181 (C.54:15B-12) may elect to receive the value of the  
24 portion of a bad debt from the sale of fuel that constitutes petroleum  
25 products gross receipts tax by taking a deduction from gallons sold  
26 against the payment otherwise required pursuant to section 7 of  
27 P.L.1990, c.42 (C.54:15B-7). The reduction of the payment  
28 required pursuant to section 7 of P.L.1990, c.42 (C.54:15B-7) shall  
29 be applied on the report for the period during which the bad debt is  
30 written off as uncollectible in the claimant's books and records and  
31 is eligible to be deducted for federal income tax purposes. If the  
32 reduction of payment allowed pursuant to this subsection exceeds  
33 the amount of petroleum products gross receipts tax otherwise due  
34 for the period during which the bad debt is written off, that amount  
35 of excess may be carried forward to subsequent periods, as  
36 necessary, and applied against liability in those periods.

37 c. For the purposes of this section:

38 "Bad debt" means "bad debt" as defined by section 166 of the  
39 federal Internal Revenue Code (26 U.S.C. s.166) as the basis for  
40 calculating bad debt recovery; provided however, the amount  
41 calculated pursuant to section 166 of the federal Internal Revenue  
42 Code (26 U.S.C. s.166) shall be adjusted to consider any amount  
43 paid on an account to be a payment for motor fuel and petroleum  
44 products gross receipts tax, and any charges on the account for  
45 anything other than motor fuel and petroleum products gross  
46 receipts tax shall be disregarded in calculating the amount of bad  
47 debt.

1 d. If the refund for bad debt pursuant to subsection a. of this  
2 section or the deduction from the payment otherwise required  
3 pursuant to section 7 of P.L.1990, c.42 (C.54:15B-7) allowed  
4 pursuant to subsection b. of this section is taken for a bad debt and  
5 the debt is subsequently collected in whole or in part, any amount  
6 collected shall be considered payment for motor fuel, petroleum  
7 products gross receipts tax, and any associated service charges  
8 reflected on the account, and the proportion of the amount collected  
9 that is petroleum products gross receipts tax shall be paid and  
10 reported on the report filed for the period in which the collection is  
11 made.

12  
13 2. a. A distributor shall be allowed a credit against the  
14 payment required pursuant to subsection c. of section 5 of P.L.2010,  
15 c.22 (C.54:39-105) for the portion of a bad debt from the sale of  
16 motor fuel that constitutes motor fuel tax. The portion of a bad debt  
17 from the sale of motor fuel that constitutes motor fuel tax shall be  
18 determined from the statements required by subsection a. of section  
19 5 of P.L.2010, c.22 (C.54:39-105) to be delivered with each  
20 consignment of fuel to a purchaser and shall be that portion of the  
21 charge for fuel and the charge for tax that is the charge for tax,  
22 without regard to any other charges reflected on the statement.

23 b. The credit against the payment required pursuant to  
24 subsection c. of section 5 of P.L.2010, c.22 (C.54:39-105) allowed  
25 pursuant to subsection a. of this section shall be applied on the  
26 report for the period during which the bad debt is written off as  
27 uncollectible in the claimant's books and records and is eligible to  
28 be deducted for federal income tax purposes. If the amount of the  
29 credit allowed pursuant to subsection a. of this section exceeds the  
30 amount of motor fuel tax for the period during which the bad debt is  
31 written off, that amount of excess credit may be carried forward to  
32 subsequent periods, as necessary, and applied against liability in  
33 those periods.

34 c. For the purposes of this section:

35 "Bad debt" means "bad debt" as defined by section 166 of the  
36 federal Internal Revenue Code (26 U.S.C. s.166) as the basis for  
37 calculating bad debt recovery; provided however, the amount  
38 calculated pursuant to section 166 of the federal Internal Revenue  
39 Code (26 U.S.C. s.166) shall be adjusted to consider any amount  
40 paid on an account to be a payment for motor fuel and motor fuel  
41 tax, and any charges on the account for anything other than motor  
42 fuel and motor fuel tax shall be disregarded in calculating the  
43 amount of bad debt.

44 d. If the credit against the payment required pursuant to  
45 subsection c. of section 5 of P.L.2010, c.22 (C.54:39-105) allowed  
46 pursuant to subsection a. of this section is taken for a bad debt and  
47 the debt is subsequently collected in whole or in part, any amount

1 collected shall be considered payment for motor fuel, motor fuel  
2 tax, and any associated service charges on the account and the  
3 portion of the amount collected that constitutes motor fuel tax shall  
4 be paid and reported on the report filed for the period in which the  
5 collection is made.

6  
7 3. This act shall take effect immediately and apply to fuel sold  
8 on or after the first day of the third month next following the date of  
9 enactment.

10  
11  
12 STATEMENT  
13

14 This bill allows motor fuel distributors and heating oil dealers a  
15 refund of their petroleum products gross receipts tax for certain  
16 "bad debts" on their sales of fuel.

17 This bill also allows motor fuel distributors a credit against their  
18 motor fuel tax due for certain bad debts on their sales of motor fuel.

19 Motor fuel distributors sell motor fuel to other distributors and to  
20 retail dealers for that price they must charge for the fuel plus the  
21 State petroleum products gross receipts tax (\$0.04 per gallon for  
22 gasoline and diesel) and motor fuel tax (\$0.105 per gallon for  
23 gasoline and \$0.135 for diesel fuel). In general, motor fuel  
24 distributors purchase motor fuel "tax included" and pass the tax on  
25 to their customer. Heating oil dealers generally purchase their fuel  
26 "tax free," and must charge their non-exempt customers for the  
27 petroleum products gross receipts tax on their sales of heating oil.  
28 The distributors and dealers must pay these taxes when they  
29 purchase motor fuel and then pass them on to their customers. If a  
30 distributor's or dealer's customer goes out of business or fails to  
31 pay for some other reason, the distributor of motor fuel is at risk not  
32 only on the loss for the cost of the fuel but also on the loss for the  
33 taxes.

34 The petroleum products gross receipts tax and the motor fuels tax  
35 are frequently co-collected but are independently administered.

36 This bill allows a distributor or dealer who has an account that  
37 becomes an uncollectible bad debt to claim a refund of petroleum  
38 products gross receipts tax for the petroleum products gross receipts  
39 tax portion of the bad debt. To make the process as simple as  
40 possible, the sellers that are recognized as licensed companies  
41 allowed to directly pay petroleum products gross receipts tax on  
42 their sales are allowed, in the alternative, to take the refund in the  
43 form of a deduction on their tax returns.

44 This bill allows a motor fuel distributor who has an account that  
45 becomes an uncollectible bad debt to claim a credit against motor  
46 fuel tax liability for the motor fuel tax portion of the bad debt.

A1070 SCHAER, SCHEPISI

5

- 1       The bill defines that a "bad debt" becomes uncollectible when it
- 2 becomes a bad debt deduction for federal income tax purposes.
- 3       In the case of each tax, if a portion of the bad debt that was
- 4 previously written off as uncollectible is ultimately collected, a
- 5 dealer or distributor who was allowed a refund or credit must pay
- 6 the portion of the amount collected that represents the tax liability.

## Outline of Legislation Prohibiting Interchange Fees on State Taxes

- I. Short title of bill
- II. Purpose

Example: “To amend the New Jersey Tax Code to prevent charging of interchange fees on state tax portions of electronic payment transactions in order to protect New Jersey tax policy and prevent unfair financial harm to merchants that participate in New Jersey’s tax collection efforts.”
- III. Amendment of current law

Example: “In general, the New Jersey Tax Code is amended by adding the following section XXX after section YYY”
- IV. Definitions:
  - a. Electronic payment transaction –

Sample: a transaction in which a person uses a debit card, credit card, or other payment code or device, issued or approved through a payment card network to debit an asset account or use a line of credit, whether authorization is based on signature, PIN, or other means.
  - b. Interchange fees –

Sample from Durbin Amendment to Dodd Frank Act: any fee established, charged, or received by a payment card network for the purpose of compensating an issuer for its involvement in an electronic payment transaction
  - c. Issuer –

Sample from Durbin Amendment: any person who issues a debit card, or credit card, or the agent of such person with respect to such card
  - d. Payment card network –

Sample from Durbin Amendment: an entity that directly, or through licensed members, processors, or agents, provides the proprietary services, infrastructure, and software that route information and data to conduct debit card or credit card transaction authorization, clearance, and settlement, and that a person uses in order to accept as a form of payment a brand of debit card, credit card or other device that may be used to carry out debit or credit transactions
- V. Prohibition of interchange fees on state-tax portion of electronic payment transactions
  - a. Prohibit interchange fees on motor fuel excise tax as described/defined in [insert code cross reference]

- VI. Prohibition on circumvention of interchange fee prohibitions  
Example: prohibit circumvention of interchange fee prohibitions by issuers or payment card networks – may include a general prohibition of circumvention or evasion of the law’s purpose, and also specifically prohibit manipulation of interchange rates or structures to circumvent the intent of the law (e.g., increasing rates on non-tax portions of electronic payment transactions to compensate issuers for loss of interchange revenue on the tax portions)
- VII. Enforcement  
Example: insert technical amendment(s) to tax code and other relevant statutes’ enforcement provision(s) granting enforcement authority over this section to the appropriate body
- VIII. Civil penalties for violations
- IX. Private right of action (i.e., retain right to private cause of action for violations of these provisions)
- X. Effective date
- XI. Severability

State of New Jersey  
Assembly Transportation & Independent Authorities Committee  
Assemblyman John S. Wisniewski, Chair  
Public Committee Hearing-Nov.20, 2014  
Atlantic City Convention Center

Dear Committee members,

My name is Vincent J. Frantantoni, a resident of Belleville, NJ, a contractor, and former Belleville Township Commissioner.

I am absolutely opposed to any increase in the gas tax as a solution to the Transportation Trust Fund problem. The TTF was created in 1984 to finance state road and bridge projects. It was intended to be a pay-as-you-go program. However, from the very beginning, dollars were siphoned off to the general budget and pet projects not related to road and bridge work. As funds were mis-appropriated from the TTF, our Governors and legislators, that is you folks, began to borrow to do these road and bridge projects. In 1995, Governor Christie Whitman and the legislature re-financed the TTF debt to spread the debt repayment over two decades, which created \$735 million in additional interest. Interest payments do not pave roads. Another \$250 million was wasted when you decided to build HOV lanes on our highways. This impractical plan was dismantled in a short time. Our legislators continued to borrow with no concern as to the disastrous conditions you were creating.

There is a solution to this dilemma. Firstly, STOP any additional borrowing! Secondly, Audit all TTF spending for the past two decades. A comprehensive audit will uncover much waste, incompetence, and diversion of funds to projects other than actual road and bridge improvements. A few examples in just my small area of the state are: \$500,000. to Nutley Township to install brick paver sidewalks (for the third time), The poor re-paving of certain roads in Essex County two or three times in a few years, i.e., Belleville Ave. and Franklin Ave. The poor re-paving of Route 21 from Clifton to Newark, resulting in the extremely thin layer of asphalt peeling away only after a few months. By the way, the thin layer created driving hazards and was shortly milled off. To this day the original concrete roadway is still in good condition.

Grants to municipalities to pave small local roads should be eliminated. This responsibility should be on local officials and their residents. The TTF should be used for STATE roads and bridges only.

Funding: Immediately dedicate all revenue from the "Motor Fuels Tax", "Petroleum Gross Receipts Tax", motor vehicle licensing and registration fees, diesel fuel tax, and rental car fees. Remember the \$5 per day "Domestic Security Fee" you imposed on car rentals a few years ago? Last November, I rented a car for 19 days and it cost me an additional \$95.00 to pay your "Domestic Security Fee"! Any other fees or taxes derived from any motor vehicle sales, repairs, or maintenance should be deposited in the TTF. Projects should be limited to the annual receipts received from the above funding sources. Legislators should be put on notice that any of their pet projects that are not road or bridge improvements will not see the light of day. You must also dedicate all tolls to the TTF. Remember the huge toll increase you imposed on us recently?

Implementation of the above will put the TTF on a sound fiscal foundation. I will donate the starch to stiffen your spines to get this done.

Increasing the gas tax creates many burdens in addition to an additional \$4 or \$5 dollars each time we fill our tanks. Our food prices, merchandise, housing and building costs will also increase. Trucks transport our goods to market. Additional costs, such as a gas tax increase, will be passed on to the consumers. Construction costs will increase because construction vehicles and equipment consume large quantities of fuel. Increased fuel taxes will certainly be calculated and included in job proposals. Taxis, limousines, and private busses will increase their fares. Have any of you considered these additional ramifications of a gas tax increase, especially when our state is in fiscal decline?

We can do better. In 1990, I wrote to Governor Florio to voice my opposition to the proposed expansion of the New Jersey Turnpike. Instead, I recommended the construction of a monorail system on the center median of the Turnpike and the Garden state parkway. A monorail would remove many daily commuters who usually travel as single passengers, from the traffic flow, thereby eliminating many vehicles, reducing pollution, and causing less wear and tear to our roadways. A monorail would also reduce accidents, injuries, and deaths.

Our state legislators, past and present are responsible for putting the TTF in this condition. Many of you have been in office many years and have voted for these poor decisions that we citizens have to pay for. There is a way to generate another annual \$6 million for the TTF. All 120 state legislators should forfeit their salaries until the TTF debt is repaid.

Finally, remember that the sales tax, the income tax, casino revenue, the lottery, and the thousands of new and

increased fees and taxes have failed to control the irresponsible spending habits of our elected officials at every level of government. Increasing the gas tax will only add another burden on New Jersey residents and will further the exodus. The only solution to New Jersey's fiscal problems are to CUT SPENDING! Please.  
Thank you for this opportunity to provide input.

Vincent J. Frantantoni  
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Belleville, NJ 07109  
973-964-7105  
frantan39@aol.com

# CITIZENS AGAINST TOLLS

Working in the public interest to eliminate tolls in New Jersey

[www.endtolls.com](http://www.endtolls.com)

Where as, \$1.5 billion was collected in tolls in 2012 on the Turnpike, the Parkway and the Atlantic City Expressway, equivalent to an additional tax of 30 cents for every gallon of gasoline sold in New Jersey; and

Where as, Toll collection expenses were reported to be \$157 million in 2012, but when employee benefits, general & administrative expenses, police & traffic control and depreciation & maintenance expenses at toll plazas were added, the total toll collection cost was \$271 million; and

Where as, New Jersey loses \$62 million per year in federal revenues because toll roads aren't eligible to receive matching federal highway funds; and

Where as, So much toll money was collected in 2012, that there was enough left over to make a \$364 million subsidy payment to the state of New Jersey and there still remained an additional surplus (i.e., a change in net position) of \$339 million; and

Where as, over \$13 million a year of wasted gasoline and over 4 million additional hours of idle time per year is spent while cars and trucks are stuck in traffic congestion at toll plazas; and

Where as, the gas tax has not increased since 1988, while tolls have tripled during the same period of time, resulting in too little money collected for toll-free roads and too much money collected for toll roads; and

Therefore, it is recommended that tolls be eliminated and replaced by an increase in the gas tax of 30-cents per gallon. All roads would therefore be treated the same and costs would be spread equally among all drivers. And without toll collection expenses and the addition of federal highway funds, \$333 million a year will be available for much needed road repairs, without an increase in taxes. In addition, \$703 million will be collected from the gas tax instead of from toll subsidies. Also, drivers will save \$13 million in gasoline and \$100 million in idle time, based on a \$22.22 federal labor rate.

Submitted by: Bob Ahlers, 732-367-4431



## Clubs of New Jersey

### AAA Testimony for the Assembly Transportation Funding Hearing November 21, 2014

Thank you to the Chairman and members for holding this hearing today, I am Cathleen Lewis and I am here today representing the AAA Clubs of New Jersey and our over 2 million members in the state.

For over 100 years AAA has advocated on the motorists behalf. We have fought for safety regulations and adequate funding for roadways. Over the past decade AAA has continually polled motorists on the conditions in their commutes, our findings are reported in our biannual Report to the Legislature.

Every day motorists get on roadways that become more congested and pockmarked. For the first time since 2007, more motorists said their commute had gotten worse (37%) than had stayed the same (35%). Those who ride local roadways are most likely to rate their commutes as worse over the last two years.

Toll roads and major interstates received the highest rating, followed by major numbered roads (such as routes 1 and 206) with local roads coming in last. Local roadways are integral to our infrastructure. Commuters depend on their local roadways to get to work, to the grocery store, to school and to everyday errands.

I think everyone can relate to the frustration of making it off the highway and into your town only to spend 20 minutes stuck in traffic for the last mile. And for more and more commuters that's the daily reality. Let me drill down a little more into our latest poll results:

When asked to rate the conditions of various roadways:

- 63% of motorists rated Interstate roadways as Good or Excellent
- 70 % of motorists rated Toll roads as Good or Excellent
- 53% of motorists rated state and county roads as Fair or Poor
- 61% of motorists rated local roads as Fair or Poor
- 23% rated local roads as Poor, the highest Poor rating of any roadway type

It's not hard to see why there is such a distinction in road conditions. With a cash-strapped Transportation Trust Fund there is not enough to go around. Local roadways receive less funds to take care of more miles of roadways. The condition of our local roadways are an indicator of what happens when there are not enough transportation dollars to address needed infrastructure maintenance and repair. Any funding solution must adequately provide for local roadways.



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[www.njfoodcouncil.com](http://www.njfoodcouncil.com)

Date: October 20, 2014

To: Members of the Assembly Transportation and Independent Authorities Committee

From: Mary Ellen Peppard, Assistant Vice President of Government Affairs

Re: **NJFC Views on Transportation Trust Fund**

---

The New Jersey Food Council is a trade association representing the food retail and distribution industry, one of the largest users of transportation in our corridor state as well as the state's two largest convenience stores with fuel. NJFC recognizes the need for a reliable transportation system to safely and efficiently move food products and supplies, many of which are perishable. We take this issue very seriously, and fully recognize the urgency of dealing with New Jersey's outdated infrastructure, and being vigilant that constitutionally dedicated sources of revenue are used solely for capital infrastructure.

NJFC offers our unique perspective of utilization and reliance on our transportation system. While it is important to carefully consider various revenue options, we do not want our food retail and distribution members to disproportionately bear the costs of funding. NJFC could potentially support a gradual, modest phase in of a gas tax increase of no more than 9 cents over a three year period (3 cent increase per year). The food industry operates on very small margins, and a significant increase in transportation costs would ultimately result in higher food prices. Any increase in the gas tax should be constitutionally dedicated for the sole use of capital improvements for the Transportation Trust Fund.

We could not support indexing a gas tax increase to the Consumer Price Index (CPI). Tying the tax to CPI forces our members to attempt to plan for this unpredictable hike. Food retailers and distribution members in New Jersey are already struggling with the ramifications of the recent minimum wage hike tied to CPI. This is creating an unbalanced labor line item, and adding additional unpredictability to our transportation line item makes our business model anti-competitive.

We would also be unable to support a 7 percent sales tax on gasoline. The volatility in fuel prices, and the resulting variability in this tax, would be extremely challenging for both retailers and consumers. We believe anything that adds to price volatility, like a percentage based tax, is bad for business and the consumer. The average gasoline transaction is 10 gallons and the average diesel transaction is about 19 gallons. In 2014, the minimum average retail price for regular 87 grade has been \$3.08 and the

maximum price has been \$3.80. Keep in mind, prices move in tandem with cost considerations, the largest being the market movements of crude oil which have been affected by major geopolitical events and traditional supply and demand factors in the world markets. A 7% tax on the minimum price would be 22 cents per gallon while the tax on the maximum price above would be almost 27 cents. Across a 10 gallon fill-up (for gasoline), the variability of a tax to a total customer transaction could be as large as 50 cents. This variability would be double for diesel given the higher gallon fill-up. That equates to a 44% increase to the current 14.5 cent price per gallon tax. Overall, given customer sensitivity to fuel prices but supporting the need for infrastructure funding, a flat based cents per gallon tax as New Jersey has currently would seem to continue to make the best sense for customers and fuel merchants.

There are steps the state could take to lower the costs of fuel without raising taxes. New Jersey could permit self-serve gas to lower the labor costs of fuel retailers and that savings could be passed onto consumers if the gas tax is raised. Labor costs for self-serve are estimated to amount to approximately five cents a gallon, resulting in savings for consumers of \$250 million based on an approximate average of five billion gallons of motor fuel sold per year in NJ. New Jersey could also lift the retailer prohibition on selling motor fuel below cost. These changes would lower the overall price of gas, softening the impact of a gas tax increase to the consumer.

NJFC has identified additional revenue generators for your consideration, including dedicating a portion of a statewide disposable bag fee to the Transportation Trust Fund. There are numerous bag fees throughout the country, many of which contain provisions stipulating that a portion of the charge go toward environmental programs. If crafted appropriately, New Jersey legislation could provide for the majority of the monies to be dedicated to the Transportation Trust Fund. Another potential avenue is an alcohol beverage fee generated from liquor license reform. There is currently pending legislation that modernizes liquor licenses for packaged goods outlets, the fees from which could be invested in the state's transportation system. Finally, excluding transportation projects from the prevailing wage mandate and project labor agreements would lower costs of transportation spending.

Thank you for considering our views on this important issue. Please contact us at 609-392-8899 or [mpeppard@njfoodcouncil.com](mailto:mpeppard@njfoodcouncil.com) if we can provide additional information.



# Liberty & Prosperity.org

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Seth Grossman, Executive Director

November 20, 2014

1. We are already collect \$1.2 billion per year from state gasoline taxes, and \$1.6 billion from federal gasoline tax.
2. In 1984, Tom Kean and Bill Gormley Republicans created the Transportation Trust Fund Authority that used our gas tax money in a Ponzi scheme. It spent \$1.6 billion, while collecting only one billion a year. Now we have a \$29 billion debt that will consume every nickel of our gas tax money for next 31 years.
3. We have no legal obligation to pay back that money. Since 1844, our state Constitution states that taxpayers cannot be forced to pay any debt not approved by voters.
  - A. These bonds were never approved by voters.
  - B. Anyone who bought these bonds earned extra tax free income because of the risk. These bonds are called contract bonds, or revenue bonds because they are not backed by the full faith and credit of State taxpayers.
4. There is no moral obligation to pay back that money.
  - A. Wall Street insiders put these dirty deals together knowing they were ignoring our State Constitution.
  - B. This borrowed money created a pay to play culture that caused most highway money to be wasted.
  - C. It costs \$2 million to build a mile of highway in NJ. That is triple the cost of \$675,000 per mile in Massachusetts, and more than 8 times higher than the national average.
  - D. One billion of this borrowed money build the useless railroad line between Camden and Trenton, that now costs taxpayers ten times the cost of a ticket. \$30 per trip.
  - E. It cost \$500 million to replace two simple draw bridges between Somers Point and Ocean City. Was it really necessary to build an artificial mountain for a new visitor center? Did we need to build a Pulaski skyway over a swamp?
6. This kind of spending is not sustainable. There are only two solutions:
  1. Cut spending to what we can afford. Cut costs down to the level of Massachusetts. Isn't this what your task force is doing to the local government and public schools in Atlantic City? Why not do the same thing for your own state highway department?
  2. Cut the \$29 billion of debt in half. You don't need bankruptcy, because the taxpayers of New Jersey are not legally responsible. We never voted for this debt. You can wipe out half of the debt by simply refusing to pay more than we can afford.

**JOIN FORWARDNJ TODAY!**



**ForwardNJ is a diverse coalition** of New Jersey-based organizations focused on reforming the state's transportation system. ForwardNJ is made up of over 70 organizations and individuals, representing more than 179 million New Jerseyans and over 24,000 New Jersey businesses.



**ForwardNJ is advocating** for a robust, reliable, sustainable and competitively funded \$2 billion replenished Trust Fund. Lack of a long-term solution to the system's insolvency threatens the safety and quality of life of our residents and commuters, as well as the state's business climate and economy.



**Join our effort!** Visit our website to learn more about the ForwardNJ plan to reform our state's transportation system and join in our effort.

**FORWARDNEWJERSEY.COM**



**NEW JERSEY'S  
TRANSPORTATION SYSTEM IS**

**OUT  
OF GAS**

NJ municipalities are responsible for 64% of our roads—28,539 center-line road miles—with NJ counties responsible for another 22%.

Local government is also responsible for 39% of our bridges.

Investing in transit is a statewide issue.

**Lack of a replenished Trust Fund increases the burden on local property taxpayers.**

**FORWARDNEWJERSEY.COM**



ForwardNJ



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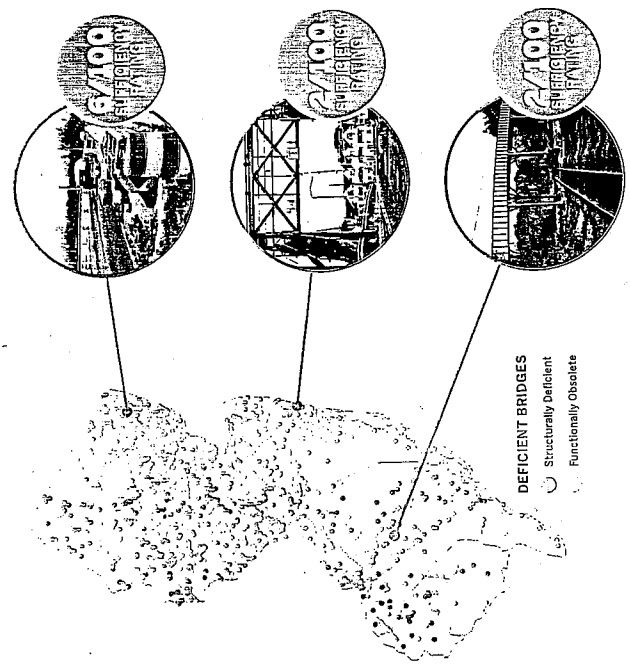
The Transportation Trust Fund (TTF) was established in 1984 by Governor Thomas H. Kean. It was the first of its kind in the nation. Toll, truck fees, general fund money, and a voter-approved 2.5 cent deduction from the gas tax created a stable source of money for multi-year construction projects. The Fund's overwhelming success prompted lawmakers in 1988 to raise the gas tax from 8 to 10.5 cents-per-gallon, which is where the tax has remained for the last 26 years.

Three decades later, the idea of using revenue to pay for projects is a distant memory. Over-reliance on borrowing has caused the Fund to accumulate \$14.8 billion in debt. Now nearly every TTF dollar is being used to pay off that debt. On June 30, 2015, less than 7 months from today, the TTF will reach insolvency and have no capacity to pay for any transportation projects. The lack of a long-term, sustainable, constitutionally-dedicated solution to this dire problem threatens the safety and quality of life of residents and commuters, as well as the state's economy.

# STATUS OF NEW JERSEY'S TRANSPORTATION/TRANSIT FUNDING: Impacts to Public Safety and Welfare

Without upgrades and repairs to our transportation infrastructure, the safety of our families and loved ones are put at risk. Thousands of miles of state roadways and hundreds of bridges are in desperate need of repair or replacement, ranking New Jersey among the worst in the nation.

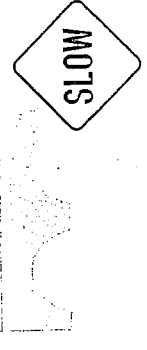
## STRUCTURALLY DEFICIENT BRIDGES



**Cedar Lane-Anderson St. Bridge,**  
Decreased Weight Limit  
Hackensack River, Hackensack/Teaneck  
**Built: 1971 Daily Traffic: 30,000**

**Glimmer Glass Draw Bridge**  
Recently Closed  
Glimmer Glass tidal inlet, Manasquan/Brielle  
**Built: 1920 Daily Traffic: 6,712**

**Old White Horse Pike, County Road 716 Bridge**  
Recently Closed  
Bridge over NJ Transit Rail Line, Winslow Twp.  
**Built: 1902 Daily Traffic: 900**



**2,334** PROBLEMATIC BRIDGES

**624** STRUCTURALLY DEFICIENT BRIDGES

**1,710** FUNCTIONALLY OBSOLETE BRIDGES