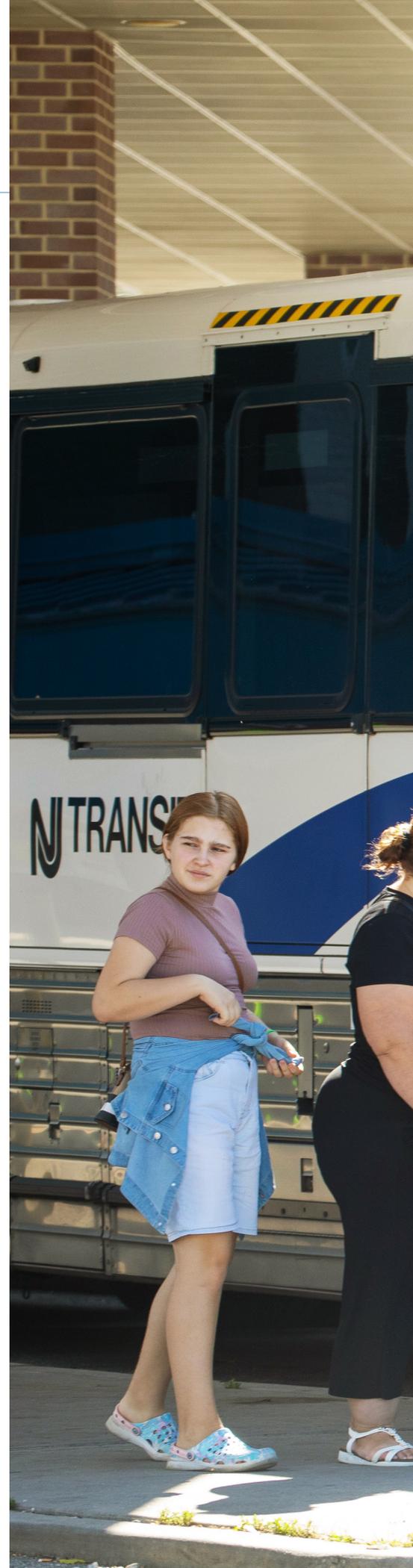


FINANCING CONNECTING COMMUNITIES

INTRODUCTION

THIS PLAN HAS SEVEN AMBITIOUS GOALS Changing commuting patterns due to the COVID-19 pandemic and other factors including remote work leading to reduced transit ridership;

- The impact of the ongoing shift to EVs on federal gas tax revenues and potential measures to counter this loss of revenue;
- Increased risk of extreme weather damaging transportation infrastructure;
- The ability of funding sources to keep up with the demand for transportation capital investments.





20030

THE WAY TO GO



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New Jersey
OYB586
OMNIBUS



Long Branch, Monmouth County

It is highly uncertain how these factors will evolve and interact with one another, and ultimately how significantly they might impact transportation funding and expenditures over the 25-year planning horizon. Therefore, it is important to monitor and reassess how they develop over time and what effects they generate.

To address the uncertainty inherent in long-term planning, this Financial Element contains three scenarios: a fiscally constrained Plan Scenario, a Limited Scenario that reflects potential fiscal scarcity, and an Aspirational Scenario that reflects potential fiscal abundance.

The Financial Element was developed with the guidance of the NJTPA Board of Trustees, in collaboration with planning partners and using sound analytical data-driven methods. It identifies traditional and non-traditional funding sources to implement a program of infrastructure investments to improve transit, roads, nonmotorized travel and more to support a strong and sustainable regional economy that benefits all. Additional details on Financial Element development, including methodologies, assumptions, and other supporting information are available in Appendix K.

Funding Overview

Federal Funding Sources

The federal government provides transportation funding to the State of New Jersey through numerous formula-based funding programs and competitive grants administered by the Federal Highway Administration (FHWA) and the Federal Transit Administration (FTA). Federal motor fuel taxes are the main source of federal revenue (81 percent of all federal funding in FY 2024) for the region's transportation needs. These taxes, along with other taxes and contributions from the General Fund, are deposited into the Highway Trust Fund (HTF), which consists of a highway account and a mass transit account. The NJTPA receives a portion of these funds pursuant to the IIJA.

Under the IIJA, HTF programs received an immediate bump in contract authority of 24 percent for Highway Accounts and 32 percent for Mass Transit Accounts, with annual increases thereafter of 2 to 3 percent through the end of federal fiscal year (FFY) 2026 when the IIJA expires.

From 2003 to 2023, federal funds apportioned to New Jersey increased by approximately 2.8 percent per year, closely matching the rate of inflation over a similar period. When projecting available future transportation funding, this period was chosen as a

reference due to its general mix of funding scarcity and abundance provided by the five surface transportation acts that overlapped the period.

State of New Jersey Funding Sources

The New Jersey Transportation Trust Fund (TTF) dedicates proceeds from the Petroleum Products Gross Receipts Tax, State Motor Fuel Tax, State Sales & Use Tax on vehicle purchases, vehicle registration fees, and toll road authority revenues to transportation capital investments. Since the TTF was created in 1984, the State has periodically made adjustments to keep pace with the program's needs, including the addition of new taxes and fees; the requirement that Motor Fuel Tax revenues must be dedicated solely for transportation purposes as now enshrined in the State Constitution; the requirement that the gas tax must be annually adjusted; and periodic tax increases.

Most recently, in the 2024 TTF reauthorization, annual revenue targets were increased by 18 percent, equivalent to roughly a 2 cents per gallon increase annually through state FY 2029. The reauthorization also introduced an annual \$250 registration fee for EVs which is dedicated to the TTF, rising \$10 per year for four years, to counteract anticipated slowdowns in motor fuel tax collections as the zero-emission vehicle fleet share increases. New Jersey's EV fee is among the highest nationally.

As of 2025, New Jersey has the eighth-highest fuel tax in the country at 44.9 cents per gallon, as compared to the second highest when the last long-range plan was adopted in 2021. Total TTF revenues have grown by 3.6 percent per year on average from 2004 to 2024, primarily driven by annual increases in the Petroleum Products Gross Receipts Tax since 2017.

Funding Challenges and Opportunities

The HTF has not kept up with transportation needs, largely because the federal motor fuel tax has not been increased since 1993. Increased fuel efficiency and the shift to EVs have further exacerbated the situation and are projected to significantly increase over the planning horizon. Congress has used appropriations from the General Fund and other funding sources to fill the gap, but the region must be prepared to source more dependable and sustainable funding that is decoupled from the gas tax.

New Jersey is in a better position, thanks to its TTF reauthorization and the steps it has taken to offset lost fuel revenue from EVs. The shift to EVs in the NJTPA region has outpaced the broader market. As of December 2024, the EV share in NJTPA counties is approximately 3.4 percent for all light-duty vehicles in comparison to 1.4 percent nationwide. EVs also accounted for 14.4 percent of new car sales in New Jersey during the third quarter of 2024 compared to 10.2 percent nationwide, continuing a three-year long trend. Furthermore, New Jersey offers incentives to encourage EV sales and has mandated that all new vehicle sales in New Jersey be zero-emission by 2035.

As noted, another surface transportation act reauthorization will be required when the IJA expires. Given that the IJA provided a significant and potentially multi-generational increase in transportation funding, the NJTPA is taking a more measured approach, projecting long-term funding growth that is more consistent with historical trends.

The costs of delivering transportation projects and programs have fluctuated significantly in recent decades, ranging from almost no annual inflation growth to 6 to 8 percent during an anomalous surge starting during the pandemic and only easing in 2024. Periods of high construction cost inflation relative to transportation funding growth diminish spending power and can strain federal, state, regional and local

Bridgewater, Somerset County



budgets for transportation infrastructure maintenance and expansion, resulting in the inability to keep up with the demand for transportation capital investments critical for the region's future success. Certain risk factors, notably the projected increase in frequency and strength of extreme weather and an aging construction labor force, may also contribute to costs outpacing funding over time. For example, frequent destructive storms such as Superstorm Sandy in 2012 and Tropical Storm Ida in 2021, which devastated the region, can bring unanticipated maintenance, repair and rehabilitation costs, diverting funding from needed new transportation infrastructure, and the projected decline in the construction force will likely increase labor costs.

Funding growth can be increased in response to higher inflationary trends and/or project delivery can be streamlined to reduce construction costs. Streamlining can include new approaches to managing contracts and delivery methods and the use of innovative technologies. Furthermore, public-private partnerships (P3s) may be explored as a mechanism to fund public projects where there is a shortfall in state or federal-level funding. Ultimately, for any given asset, design and construction innovation helps reduce proj-

ect life-cycle costs, especially after construction during the operations and maintenance period.

Scenario Overview

These funding scenarios were developed to examine the impacts of various potential capital funding and expenditure futures.

The Plan Scenario is the federally mandated fiscally constrained financial plan for *Connecting Communities*, relying on reasonably anticipated funding. It supports a level of funding to maintain a state of good repair while providing capacity for targeted transportation improvements.

The Limited Scenario is the most conservative of the scenarios, reflecting a fiscal environment that supports significantly less investment than the Plan Scenario, prioritizing maintaining a state of good repair at the expense of fewer transportation improvements.

The Aspirational Scenario reflects a fiscal environment that supports significantly greater transportation investments than the Plan Scenario, focusing on widespread transportation improvements.

The Financial Element only includes relevant transportation investments that are at least in part funded by the State of New Jersey or the federal government. The federal portion is almost exclusively

Morristown, Morris County



funded through the FHWA and FTA. There are other transportation investments being made in the region, including by the Port Authority of New York and New Jersey, the New Jersey Turnpike Authority and the Delaware River Joint Toll Bridge Commission, that are not accounted for in the Financial Element because they lack State or federal funding. This includes the Port Authority Bus Terminal replacement project, which, when completed, will benefit tens of thousands of New Jersey commuters each day. While the most heavily traveled roads and bridges in North Jersey are under the state’s jurisdiction and funded through the New Jersey Transportation Capital Program (TCP), county and local governments are responsible for maintaining and upgrading more than 90 percent of road miles and about 40 percent of bridges in the NJTPA region. While some of these projects do receive state and/or federal funding, many do not and are also not included in the Financial Element. There are federal funding sources other than FHWA and FTA, such as the Federal Railroad Administration (FRA), that are not typically included in the TCP and as a result, not typically accounted for in Financial Elements. However, the Financial Element does include FRA funding dedicated to the Hudson Tunnel Project that is not programmed in the TCP.

Assumptions

Key assumptions for each scenario regarding objectives, cost inflation, funding growth, and competitive funding are outlined in Table 4.1.

The Financial Element’s forecast covers the period from FY 2026 through FY 2050. The forecast uses the



Hopatcong, Sussex County

following time periods to illustrate changes throughout the 25-year planning horizon:

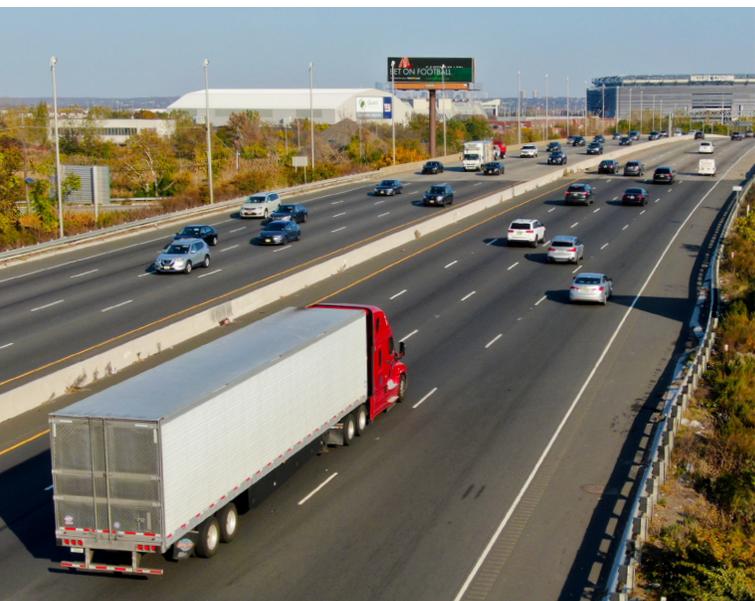
- Near-term (FY 2026 to FY 2029)
- Mid-term (FY 2030 to FY 2035)
- Long-term (FY 2036 to FY 2050)

All three scenarios incorporate the funding and expenditures applicable to the NJTPA region as well as capital funding and cost inflation rates from the FY 2026 TCP for the first 10 years of the Financial Element, corresponding to the near- and mid-term time periods. State and federal annual funding in the TCP averages \$4.0 billion for the NJTPA region in YOY, which reflect dollars in the year that they are expected to be spent and include cost inflation. The

TCP includes funding for two Gateway Program projects, the Portal North Bridge Replacement and the Hudson Tunnel Project, which includes construction of the new Hudson River Tunnel, as well as modernization and rehabilitation of the existing North River Tunnel.

Figure 4.1
Scenario Assumptions

	LIMITED	PLAN	ASPIRATIONAL
Transportation Network in State of Good Repair	Maintained	Maintained	Maintained
Transportation Enhancements and Expansion	Limited	Moderate	Substantial
Long-Term Cost Inflation Rates	2.80%	2.80%	2.80%
Long-Term Capital Funding Growth Rates	1.20%	2.80%	3.50%
Long-Term Capital Competitive Funding	No Funding	Modest Funding	Substantial Funding



Lyndhurst, Bergen County

However, the assumptions differ markedly by scenario, starting in the near- and mid-term, with the Plan Scenario including additional Gateway Program projects that are not in the TCP, such as the Sawtooth Bridge Replacement, Harrison Fourth Track Expansion, and Dock Bridge Rehabilitation. The Aspirational Scenario, with its fiscal abundance, includes funding for the entire Gateway Program, which includes most notably, the expansion of New York Penn Station.

Over the long-term, beginning in FY 2036, assumptions continue to differ markedly by scenario. All formula funding in the TCP associated with NJDOT and NJ TRANSIT programs and projects is carried forward into the long-term, with annual capital funding growth rates of 1.2 percent, 2.8 percent and 3.5 percent for the Limited, Plan, and Aspirational scenarios respectively, as shown in Table 4.1. The rate of inflation is held constant for all three scenarios at 2.8 percent.

Recognizing that the IIJA is set to expire at the end of FFY 2026 and has provided higher funding levels than anticipated in future transportation infrastructure bills, projected federal competitive funding in the long-term is based on historical FTA levels from FFY 2006 to FFY 2021. FTA competitive funding is projected through the long-term period (with an equivalent State

match) for only the Plan and Aspirational Scenarios, with the same capital funding growth rates applied to formula funding. Only historical FTA competitive funding is considered, since FHWA funding has historically been predominantly formula based.

The RCIS guides the Financial Element’s allocation of funding for future transportation investments in the Plan Scenario, including programs and capital projects funded by both formula and competitive sources. The RCIS (see Appendix E and Section 3.3) serves as the NJTPA’s policy guide to meeting the region’s competing demands and opportunities through a balanced, realistic approach to regional transportation investment. The RCIS considers a long-term horizon and sets allocation targets for 16 categories of capital expenditures broadly focused on system preservation, improvement and support.

Unlike the Plan Scenario, the Limited and Aspirational scenarios are guided by the RCIS but have differing allocation targets tailored to available funding levels and in keeping with regional priorities. The Limited Scenario prioritizes system preservation and safety with its scarce funding at the expense of

Figure 4.2
Plan Scenario Funding and Expenditures by Period
BILLIONS OF YOES\$

SOURCE	NEAR-TERM FY 26-29	MID-TERM FY 30-35	LONG-TERM FY 36-50	TOTAL
Federal	\$11.57	\$16.83	\$41.21	\$69.60
State	\$7.12	\$10.66	\$31.94	\$49.71
Other	\$1.19	\$1.62	\$1.35	\$4.15
TOTAL	\$19.87	\$29.10	\$74.50	\$123.47

Figure 4.3
Plan Scenario Annual Average Funding and Expenditures
BILLIONS OF YOES\$

SOURCE	NEAR-TERM FY 26-29	MID-TERM FY 30-35	LONG-TERM FY 36-50	TOTAL
Federal	\$2.89	\$2.80	\$2.75	\$2.78
State	\$1.78	\$1.78	\$2.13	\$1.99
Other	\$0.30	\$0.27	\$0.09	\$0.17
TOTAL	\$4.97	\$4.85	\$4.97	\$4.94

most other types of capital expenditures, including system improvements. The Aspirational Scenario maintains system preservation but generally prioritizes non-road system improvements with its abundant funding.

Scenario Capital Funding and Expenditure Levels Plan Scenario

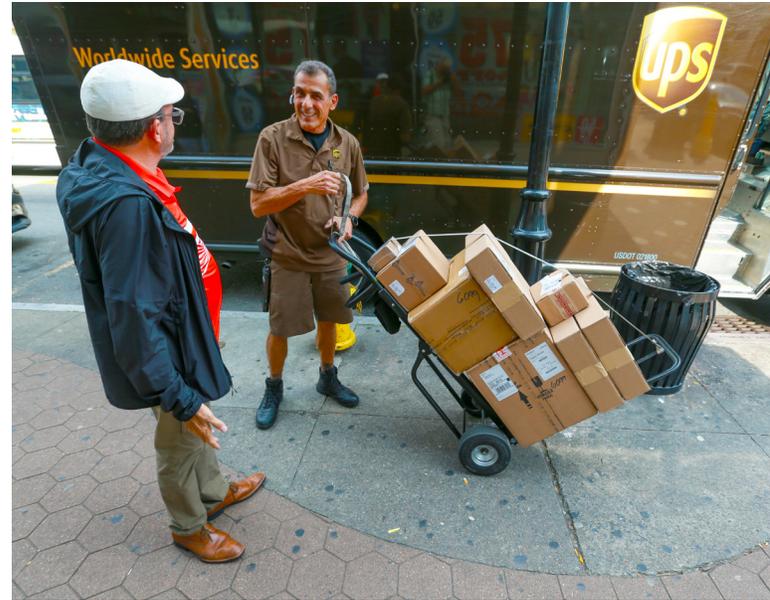
The Plan Scenario is fiscally constrained and guided by the RCIS, serving as a realistic and balanced approach for making future transportation capital investments in the region. Matching projected funding, total expenditures are projected to be \$123.5 billion (YOES) (Table 4.2) over the 25-year planning horizon, averaging \$4.9 billion (YOES) per year (Table 4.3). Nearly half of total funding is dedicated to capital investments focused on maintaining the transportation system in a state of good repair. The Plan Scenario does provide funding for targeted transit, roadway, and nonmotorized improvements, notably several Gateway Program projects, including the Hudson River Tunnel Project, Portal North Bridge Replacement, Sawtooth Bridge Replacement, Dock Bridge Rehabilitation, and Harrison Fourth Track.

Figure 4.4
Limited Scenario Funding and Expenditures by Period
BILLIONS OF YOES

SOURCE	NEAR-TERM FY 26-29	MID-TERM FY 30-35	LONG-TERM FY 36-50	TOTAL	TOTAL VS. PLAN	
					\$	%
Federal	\$11.05	\$16.30	\$35.37	\$62.72	(\$6.88)	(9.90)%
State	\$6.60	\$10.13	\$26.75	\$43.48	(\$6.23)	(12.50)%
Other	\$1.19	\$1.62	\$1.26	\$4.07	(\$0.09)	(2.20)%
TOTAL	\$18.84	\$28.05	\$63.38	\$110.27	(\$13.20)	(10.70)%

Figure 4.5
Limited Scenario Annual Average Funding and Expenditures
BILLIONS OF YOES

SOURCE	NEAR-TERM FY 26-29	MID-TERM FY 30-35	LONG-TERM FY 36-50	TOTAL	TOTAL VS. PLAN	
					\$	%
Federal	\$2.76	\$2.72	\$2.36	\$2.51	(\$0.28)	(9.90)%
State	\$1.65	\$1.69	\$1.78	\$1.74	(\$0.25)	(12.50)%
Other	\$0.30	\$0.27	\$0.08	\$0.16	(\$0.00)	(2.20)%
TOTAL	\$4.71	\$4.67	\$4.23	\$4.41	(\$0.53)	(10.70)%



Newark, Essex County

Limited Scenario

The Limited Scenario reflects a potential fiscal environment of scarcity and would provide 11 percent less funding than the Plan Scenario for future transportation capital investments. Under this scenario, the region would be less prepared to meet the demands on the transportation network of a growing population and economy. Matching projected funding, total expenditures are projected to be \$110.3 billion (YOES) (Table 4.4) over the plan period, averaging \$4.4 billion (YOES) per year (Table 4.5). Due to the significant reduction in overall funding, a larger proportion must be dedicated to capital investments focused on maintaining the transportation system in a state of good repair. As a result, less funding is available for targeted transit, roadway, and nonmotorized improvements. Only the Hudson River Tunnel Project and Portal North Bridge Replacement are included, and there is no long-term competitive funding for other capital projects.

Aspirational Scenario

The Aspirational Scenario reflects a potential fiscal environment of abundance and would provide 17 percent more funding than the Plan Scenario and address more long-standing transportation priorities. This scenario is intended to represent a feasible path forward supported by historical periods of fiscal abundance, that funds significant improvement and expansion of the region’s transportation system to meet the needs of an aspirational future in which population and economic growth is more robust. Matching projected funding, total expenditures are projected to be \$143.9 billion (YOES) (Table 4.6) averaging \$5.8 billion per year (Table 4.7). While maintaining the transportation system in a state of good repair, the scenario provides significant funding dedicated to targeted transit, roadway, and nonmotorized improvements, including the construction of the full Gateway Program.

Operating Expenditures

In addition to capital funding, NJDOT and NJ TRANSIT also depend on appropriations from the state General Fund to support operations for both existing capacity as well as any capacity increases.

Figure 4.6
Aspirational Scenario Funding and Expenditures by Period
BILLIONS OF YOES

SOURCE	NEAR-TERM FY 26-29	MID-TERM FY 30-35	LONG-TERM FY 36-50	TOTAL	TOTAL VS. PLAN	
					\$	%
Federal	\$14.26	\$20.86	\$46.52	\$81.64	\$12.04	17.30%
State	\$9.12	\$13.66	\$35.22	\$58.00	\$8.29	16.70%
Other	\$1.19	\$1.62	\$1.40	\$4.20	\$0.05	1.20%
TOTAL	\$24.56	\$36.14	\$83.14	\$143.85	\$20.38	16.50%

Figure 4.7
Aspirational Scenario Annual Average Funding and Expenditures
BILLIONS OF YOES

SOURCE	NEAR-TERM FY 26-29	MID-TERM FY 30-35	LONG-TERM FY 36-50	TOTAL	TOTAL VS. PLAN	
					\$	%
Federal	\$3.56	\$3.48	\$3.10	\$3.27	\$0.48	17.30%
State	\$2.28	\$2.28	\$2.35	\$2.32	\$0.33	16.70%
Other	\$0.30	\$0.27	\$0.09	\$0.17	\$0.00	1.20%
TOTAL	\$6.14	\$6.02	\$5.54	\$5.75	\$0.82	16.50 %

NJDOT’s maintenance and operations of state and local highway facilities includes snow removal, road surface upkeep, maintenance of roadside lighting, vegetation, inspections, technical studies and general and administrative services. For FY 2025, the agency’s operating budget dedicated to the NJTPA region is projected to be \$27.5 million. To keep pace with projected long-term inflation of 2.8 percent over 25 years, this appropriation is projected to increase to \$54.8 million by FY 2050.

NJ TRANSIT is one of the largest transit agencies in the country, with significant operating funding needs. The agency’s operating revenue is derived from several sources. Approximately one quarter in FY 2024 came from passenger revenue. An additional 66 percent came from federal, state and local reimbursements, along with 5 percent from state appropriations. The remaining funding comes from investment income and other non-operating revenues. The agency pursues a variety of initiatives to maximize system-generated funding to reduce dependence on taxpayer supported funding. It also seeks to control expenses to ensure the most cost-effective means of delivering service.

Beginning in FY 2026, NJ TRANSIT will receive a boost from the newly implemented state corporate transit fee, which can be used for operations and as a local match for federal grants like the Capital Investment Grant (CIG) Program to support capital projects.

NJ TRANSIT’s projected operating costs within the NJTPA region are expected to grow to \$4.7 billion per year by 2050. These NJ TRANSIT projections are based on existing services and projected growth and include allowances for inflation, increased service to accommodate a moderate rate of ridership growth and limited initiation of new services beyond the current system.

As discussed in Appendix A, there are several active initiatives to



determine the future service needs and capacity expansion of the major public transit connections from New Jersey to Midtown Manhattan, which will have implications for transit operating budgets and needs. The Federal Railroad Administration (FRA), Amtrak and Port Authority are each advancing different initiatives to guide future development of the rail and bus systems.

Next Steps

This chapter provides a financial plan for implementing projects and programs over a 25-year planning period, while ensuring balanced investments that meet the infrastructure needs of the transportation system. As *Connecting Communities* is implemented, the NJTPA, its member agencies and its partners should take the following actions:

- Closely monitor economic and other trends that could affect transportation financing and project delivery, including those related to potentially disruptive factors and adjust the Plan Scenario, as needed.

Belvidere, Warren County

- Highlight achievements realized through strong infrastructure funding under the IIJA for consideration in the next surface transportation reauthorization.
- Pursue opportunities to control transportation construction costs and streamline project delivery.
- Support operations funding for NJ TRANSIT and NJDOT to allow them to adequately maintain and improve infrastructure and expand travel services to the public.
- Find opportunities to advance and fund major regional projects, such as the Gateway Program, the Port Authority Bus Terminal, and future transit expansions over the long term. ●