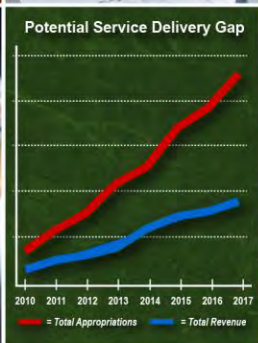


April 2013

Infrastructure Investments Necessary for Economic Success

F a c i n g O u r **FUTURE**



Open Letter and Executive Summary

An Open Letter to the Residents of New Jersey:

For decades, New Jersey has failed to maintain and improve its infrastructure.

Year after year, administration after administration, New Jersey has deferred investment in its utilities systems, roads and bridges, public transportation and water supply systems – and those systems have decayed. The reasons are many: revenue shortfalls, the requirement to adopt a balanced budget, increased costs and/or reduced private investment. Those systems all require the increased investment critical to our long-term economic success. Sandy exposed and highlighted these existing problems. Today, we are forced to face our infrastructure deficiencies now, and to act with urgency.

This report addresses the needs and required investments in three areas – electric power, transportation and water systems. It provides a vision in each of the three areas, identifies needs and makes recommendations for solutions, funding requirements and potential revenue sources. The report provides a fact-based, analysis-driven opportunity to explore realistic ways through which New Jersey can fund necessary infrastructure investment and fuel economic success. *This report differs from other studies and reports on infrastructure; it isn't only about numbers – it is about how we as citizens collectively envision our future and how we need to rethink current priorities to ensure that future.*

This report takes into account the challenges and wide-ranging, long-term statewide rebuilding effort necessary to respond to Sandy, and builds upon a growing public awareness of the role that infrastructure plays in our daily lives. We emphasize the choices – priorities – that New Jersey must face, and recognize that New Jersey citizens must view infrastructure investments in totality rather than as discrete transactions. Finally, this report focuses on long-term investment beyond operational needs, and encourages a strengthened capital planning process for a competitive New Jersey.

As an independent, bipartisan effort started in 2010, *Facing Our Future* seeks to build understanding about New Jersey's problems and needs as well as the critical investments needed to service the public and to foster future economic growth. Led by a volunteer Leadership Group of nearly twenty former government executives and public servants, *Facing Our Future* seeks to present a clear and honest reality, without bias or external influence. We encourage you to read the report, consider the recommendations for infrastructure investment priorities and funding sources, and engage in the dialogue about how to rethink government for our state's long-term fiscal health in the 21st century.

In closing, New Jersey is our home, and New Jersey's infrastructure needs investment. Will we continue our insufficient investment in the systems that drive economic success?

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Executive Summary

In this report, *Facing Our Future* concludes that New Jersey has failed to adequately maintain and invest in the infrastructure necessary to spur long-term economic competitiveness. Our once envied infrastructure – our legacy from past generations – decays from delayed repairs and deferred maintenance. This situation was the perfect storm before Sandy, and it remains even more fragile today as we recover and rebuild from October’s destruction.

This April 2013 report, “Infrastructure Investments Necessary for Economic Success”, presents the long-term needs and required infrastructure investments in each of three areas: electric power, transportation and water systems. The report provides a fact-based, analysis-driven opportunity to understand and explore realistic ways in which New Jersey can spur economic development – and economic success – through infrastructure investments. More specifically, the report does the following:

- Recognizes the post-Sandy reality of the significant, wide-ranging and long-term impacts of the statewide rebuilding effort
- Acknowledges an expanded public understanding of the importance of infrastructure and what happens when it fails
- Reflects the continuing severe fiscal challenges throughout all levels of New Jersey government as identified in previous *Facing Our Future* reports
- Focuses on the infrastructure areas typically recognized as the most effective and meaningful to New Jersey's long-term economic success
- Presents the difficult choices that New Jersey must face, and recognizes the real priorities that must be established to support long-term success
- Features effective and meaningful recommendations to bring about economic success based on infrastructure investment
- Supports the practice of viewing infrastructure investment comprehensively rather than as discrete, disconnected areas, and emphasizes that investments must be consistent and prioritized in conjunction with long-range economic plans, such as New Jersey’s State Development and Redevelopment Plan, and the strategic guidance and comprehensive objectives identified in similar planning documents
- Maintains the quality of analysis, nonpartisanship and focus established in previous *Facing Our Future* reports

The information presented in this report uses existing government, industry and independent reports, analyses, websites, other literature and articles. In addition, the report is informed by the years of experience and perspectives of the members of the volunteer Leadership Group of nearly twenty former government executives and public servants. The Leadership Group supplemented its work through workgroup discussions and briefings with individuals having current or past government, academic and/or industry experience. Throughout the process, all data collection and analysis efforts remained consistent with *Facing Our Future*’s reputation for clarity, lack of bias and clear-eyed presentation of reality. (Detailed sources are referenced in

Appendix 3: Sources and Reference Materials and available at www.facingourfuture.org.) The result is a report that addresses prioritized, long-term infrastructure investment needs in New Jersey.

With or without new storms such as Sandy, New Jersey faces long-term, periodic breakdowns and degradation of its infrastructure. This report presents a vision for infrastructure needs within each of three prioritized areas and discusses those needs in the historical context of long-standing neglect and under-funding. The report also identifies funding ideas to support the investments, and provides recommendations for how to achieve the required funding for each area – what sources to consider, and how to generate funding to support investment.

Grouped by area of infrastructure investment, the recommendations are:

- **Electric Power:** To be truly effective, the Board of Public Utilities (BPU) must be engaged as a proactive player in the long-term planning for the electric power distribution system. Few elements of our critical infrastructure are more important, or have the potential for greater impact, than electric power. Visiting the issues only in rate cases or through the imposition of penalties is not the way to ensure New Jersey's economic success. A more robust, well-resourced and expert BPU and Rate Counsel would allow for more effective oversight of the state's public utilities. *Further information on this recommendation is in Section 3 of the report.*
- **Transportation:** *Facing Our Future* believes that the model used for the delivery of New Jersey's transportation services must be reconsidered for the 21st century. The public's post-Sandy appreciation for the value of transportation services presents an opportunity for New Jersey to look at the business of transportation, and to determine how we provide services at the lowest cost.

Given the ever-increasing cost of doing business, consideration should be given to business models for transportation services that provide a more conducive platform for cost-effective results, innovation and accountability. By way of example, New Jersey could consider the consolidation of the various transportation agencies into a utility-like Public Benefits Corporation regulated by an independent, appointed Board rather than through annual budget approval by elected officials. This new organizational approach can lead to cost effective planning and efficient provision of transportation services, and to the funding necessary to maintain and expand transportation services. Through such an organization and with an increased level of public confidence, transportation would be better positioned as a critical economic development tool.

New Jersey's future economic success depends upon the ability to fund investment in transportation infrastructure. For too long, and through administrations of both parties, the Transportation Trust Fund has been limited in its ability to fund capital investment in transportation. In order to increase funding for transportation, the Transportation Trust Fund must be renewed in FY 2017. Additionally, New Jersey needs to adopt more flexible, elastic sources of revenue that reflect increasing energy efficiencies and changing transportation habits. Short-term, an increase in the motor fuels tax should be considered; long-term, the tax needs to be eliminated as revenues through this source are

declining. We must consider alternative funding sources, such as a vehicle miles traveled (VMT) fee or extension of the sales tax to include motor fuels.

Lastly, New Jersey must commit to a comprehensive and updated look at transportation needs. Without such a review, New Jersey cannot plan for investment or for its future economic success. *Further information on all of these recommendations is in Section 4 of the report.*

- **Water Systems Infrastructure:** To enable a competitive New Jersey, there needs to be a strong and transparent water supply and distribution capital planning process – with oversight through which the New Jersey Water Supply Master Plan is updated and the water systems infrastructure capital planning process at all levels of government is strengthened. The report envisions a process that would, for example, enable joint land-use planning for shared municipal services in post-Sandy redevelopment.

New Jersey must upgrade its outmoded and inadequate water systems and reverse the annual loss of more than 20 percent of our state’s treated water supply because of leaking pipes. To accomplish this, the report recommends support for initiatives undertaken by private and public water companies through increased fees. Additionally, *Facing Our Future* recommends that New Jersey maintain and expand regulatory efforts to preserve and enhance water quality in order to avoid building expensive filtration and treatment systems down the line.

In a time of limited resources, both financial and environmental, New Jersey should obtain and increase funding for open space preservation to protect and preserve watershed lands to assure water supply and quality. In addition, New Jersey needs to create natural buffer areas to protect infrastructure and developed areas. Through stronger planning and increased coordination, our state can encourage the broader use of “green infrastructure” to help address both stormwater management and water quality issues. *Further information on all of these recommendations is in Section 5 of the report.*

What’s next?

The next steps for *Facing Our Future* include continuing public education and outreach, and initiating serious, open discussions driven by our common goal – economic success. As part of that outreach, *Facing Our Future* will support long-term capital planning and forecasting. We will update our website and Facebook page to bring new information, and continue the regular e-mail communication, ‘Options in Action’. In the coming months, look for *Facing Our Future* to advance discussion of new methods to preserve vital government services, share ways to maximize government efficiency and report on New Jersey’s progress in infrastructure investment and economic success.



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