

MONTHLY ECONOMIC INDICATORS

Planning and Regional Development Department

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THE PORT AUTHORITY OF NY & NJ

December 2018

A Bridge Too Far

Now that the smoke has cleared after the mid-term elections, we can begin to see some possible changes in governing priorities. One important priority for Port Authority's region is federal funding for transportation infrastructure. Since the new administration has taken office, a significant change in where the funding goes has taken place. The administration has advocated more funding for rural transportation projects. Previous administrations gave funding to rural areas, too. However, according to Holland and Knight, a law firm that tracks USDOT spending, during the 2017 round of funding, DOT awarded 64 percent of the funds to rural projects even though the FY 2017 Appropriations bill had a rural set-aside of 20 percent. They also note that the FY 2018 Omnibus Appropriations bill increased the rural set-aside to 30 percent. Indeed, BUILD grant awards announced this month for 2018 shows nearly 70% of the \$1.4 billion going to rural areas with only 2 of the 91 projects being funded in New Jersey and New York.

As an example of how the funding paradigm has changed, the Competitive Highway Bridge Program for Fiscal Year 2018 has a restriction of "eligible applicants are States that have a population density of less than 100 individuals per square mile." Even though the grant is called "competitive", only 25 states fit this definition¹.

To understand what this means in practice we analyzed structurally deficient (defined when the deck, superstructure, substructure, or culvert is rated in "poor" condition) bridges in the eligible states and non-eligible ones. The bridges are further broken down into "rural" and "urban" as defined by the USDOT. The data shows that nearly 46% of deficient bridges are in

THE WATCHLIST

| Economic Variables | | Current - One Year Trend | |
|------------------------------------|---------|--------------------------|--|
| UNITED STATES | | Nov 2017 - Nov 2018 | |
| Real GDP [Annual Rate] | Q3 2018 | 3.4% | |
| Unemployment Rate | Nov-18 | 3.7% | |
| Consumer Price Index [Annual] | Nov-18 | 0.0% | |
| Gasoline Price [Regular] | Nov-18 | \$2.65 | |
| PORT AUTHORITY REGION | | | |
| Regional Employment [NY MSA] | Oct-18 | 9,821 | |
| Consumer Price Index [Annual] | Nov-18 | 1.9% | |
| Port District Exports [\$Bill] | Oct-18 | \$13.31 | |
| Port District Imports [\$Bill] | Oct-18 | \$23.00 | |
| Case-Shiller Home Price Index | Oct-18 | 3.9% | |
| Commercial Real Estate Asking Rent | | | |
| Midtown | Q32018 | \$82.81 | |
| Downtown | Q32018 | \$67.23 | |

eligible states' rural areas. However, when cross referenced with average daily traffic on the targeted bridges, only 6.5% of the nation's traffic traverse them daily. In comparison, nearly 65% of all bridge traffic are on non-eligible state bridges in urban areas. The table below breaks down the eligible state structurally deficient bridges and their rural or urban designation.

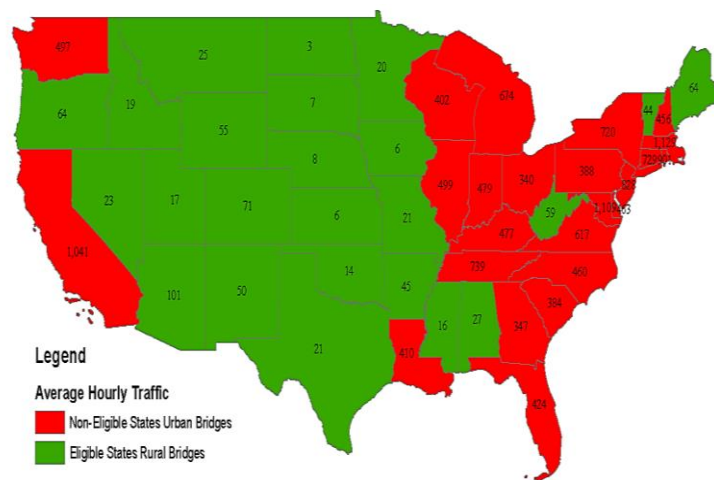
| Count of Structurally Deficient Bridges | | | | |
|---|-------------------|--------------------|--------------------|------------|
| Function Type | Rural | Urban | Total | % of Total |
| Eligible* | 25,519 | 2,197 | 27,716 | 51% |
| Not Eligible | 19,159 | 7,685 | 26,844 | 49% |
| Total | 44,678 | 9,882 | 54,560 | |
| Average Daily Traffic of Structurally Deficient Bridges | | | | |
| Function Type | Rural | Urban | Total | % of Total |
| Eligible* | 11,737,378 | 22,996,725 | 34,734,103 | 19% |
| Not Eligible | 28,035,317 | 116,806,093 | 144,841,410 | 81% |
| Total | 39,772,695 | 139,802,818 | 179,575,513 | |

Source: FHWA National Bridge Inventory

*States with Population under 100 per sq Mile

Bridges Targeted for Funding

Figure 1 Average Hourly Traffic of Rural Bridges in Eligible State and Urban Bridges in Non-Eligible States



When comparing traffic across the bridges, the results show that only 16% of eligible states have average hourly rural bridge traffic that exceed 60 vehicles per hour. This is low compared to urban bridges in non-eligible states that have the lowest traffic of 340 per hour, and 46% of the urban bridges exceed 600 vehicles per hour.

Even though the administration targets "rural" areas, some awards may be more like small suburban areas or even small metro areas². To assess the deficient bridges another way the analysis uses the amount of bridge that would need to be refurbished or replaced based on the US Dept. of Agriculture's definition of rural/urban counties and DOT's decking area. The data show a similar pattern; however, the population estimates indicate that more rural areas are losing population while urban areas are gaining.

[Continued on next page]

¹ Oddly, Texas is one of the eligible states because the law stipulates the use of the 2010 Census. If they use 2015 census population estimates, it breaches the threshold.

² The official definition for the BUILD grant is any area outside an Urbanized Area (UA) as designated by the U.S. Census Bureau. Per the Census Bureau, a UA is an area that consists of densely settled territory with a population of 50,000 or more people.

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| AVIATION | Oct '18 | YTD | Oct '18/'17 | YTD '18/'17 | PORT COMMERCE | Oct '18 | YTD | Oct '18/'17 | YTD '18/'17 |
|---|------------------|-------------------|--------------------|--------------------|--|----------------|----------------|--------------------|--------------------|
| Revenue Passengers (000's) | 11,809.9 | 116,149.6 | 4.0% | 4.4% | Port Trade | | | | |
| John F. Kennedy International Airport (JFK) | 5,227.2 | 52,059.8 | 6.9% | 3.6% | Container Imports (TEUs) | 339,602 | 3,056,955 | 11.1% | 7.8% |
| LaGuardia Airport (LGA) | 2,643.7 | 25,007.4 | -3.5% | 1.9% | Container Exports (TEUs) | 130,782 | 1,245,438 | 7.9% | 6.9% |
| Newark Liberty International Airport (EWR) | 3,875.7 | 38,506.0 | 5.5% | 6.7% | Containers lifted on/off Express Rail | 57,197 | 540,197 | 11.7% | 14.5% |
| Stewart International Airport (SWF) | 63.3 | 576.4 | 22.4% | 61.4% | TUNNELS, BRIDGES & TERMINALS | Oct '18 | YTD | Oct '18/'17 | YTD '18/'17 |
| Revenue Freight (Short Tons) | 209,859 | 1,901,622 | 2.5% | 3.7% | Eastbound Vehicle Volumes (000's) | 10,379 | 100,131 | 0.8% | 0.7% |
| Domestic | 76,391 | 679,805 | 6.0% | 6.0% | George Washington Bridge | 4,384 | 42,958 | -0.9% | -0.4% |
| International | 133,468 | 1,221,817 | 1.0% | 2.5% | Lincoln Tunnel | 1,653 | 15,815 | -0.6% | -0.2% |
| Flights | 130,703 | 1,243,817 | 3.1% | 1.3% | Holland Tunnel | 1,335 | 12,485 | 2.9% | 1.0% |
| Domestic Air Carrier | 83,220 | 790,537 | 5.4% | 3.2% | Bayonne Bridge | 242 | 2,381 | 13.6% | 24.4% |
| International Air Carrier | 25,168 | 256,366 | 2.3% | 1.2% | Goethals Bridge | 1,479 | 13,703 | 8.4% | 4.1% |
| General Aviation | 22,315 | 196,914 | -4.0% | -4.3% | Outerbridge Crossing | 1,286 | 12,789 | -3.6% | -1.8% |
| Paid Parked Cars | 539,339 | 5,680,575 | -6.4% | -5.3% | Eastbound Volumes by Vehicle Type (000's) | | | | |
| Revenue AirTrain Passengers | 1,683,862 | 16,901,365 | -8.8% | -3.4% | Autos | 9,446 | 91,402 | 0.6% | 0.6% |
| | | | | | Trucks | 667 | 6,238 | 3.4% | 2.2% |
| | | | | | Buses | 266 | 2,492 | 2.9% | 0.7% |
| FERRY OPERATIONS | Oct '18 | YTD | Oct '18/'17 | YTD '18/'17 | U.S. TRANSPORT. SERVICES INDEX | Oct '18 | Sep '18 | Change | |
| Passengers (000's) | | | | | (Prelim., Seasonally Adj., 2000=100) | | | | |
| New Jersey Ferries | 888.2 | 7,915.9 | 11.5% | 4.4% | TSI - Combined Index | 135.8 | 133.4 | 1.8% | |
| PATH | Oct '18 | YTD | Oct '18/'17 | YTD '18/'17 | TSI - Freight | 138.8 | 136.1 | 2.0% | |
| Passengers (000's) | 7,537.0 | 68,674.0 | 1.6% | -1.3% | TSI - Passenger | 129.6 | 127.9 | 1.3% | |
| Average Weekday | 299.8 | 2,824.5 | 0.9% | -0.8% | | | | | |
| Average Saturday | 100.9 | 1,102.9 | -21.9% | -5.1% | | | | | |
| Average Sunday | 78.1 | 814.5 | -13.3% | -9.2% | | | | | |

TRANSPORTATION FOCUS

[from page one]

Although there is no question that structurally deficient rural bridges should be fixed, targeting specific state population density thresholds greatly diminishes this task. For instance, 62% of New York State's deficient bridges are in rural areas, but due to the state population exclusion in the grant New York is not allowed to "compete" for this funding.

What is most alarming is that the division between rural and urban areas is becoming more politically divergent along congressional and senate lines. Although this type of political division dates back to Hamilton versus Jefferson, skewing federal funding toward one and not the other hurts the country's overall economic development. With the tampering of the formula-driven competitive grant process at the executive level, the places with the most need could be overlooked for at least four years at a time. For urgent projects, that might be a bridge too far.



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| OMB 2013 Rural/Urban County Definitions | | % of Structurally Deficient Bridge Decking (Sqft) | 2010 to 2017 Population Growth | % of 2017 Population |
|---|---|---|--------------------------------|----------------------|
| Metro | Counties with million population or more | 43.7% | 7.1% | 55.5% |
| | Counties with 250,000 to 1 million population | 19.2% | 5.5% | 21.3% |
| | Counties in metro areas of fewer than 250,000 populations | 10.2% | 3.5% | 9.0% |
| Non-Metro | Urban area with 20,000 or more | 7.9% | 1.9% | 5.7% |
| | Urban population of 2,500 to 19,999 | 14.3% | -2.4% | 7.0% |
| | Completely rural or less than 2,500 urban populations | 4.6% | -3.5% | 1.4% |

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