



ANALYSIS OF THE NEW JERSEY BUDGET

**DEPARTMENT OF TRANSPORTATION
AND
MOTOR VEHICLE COMMISSION**

FISCAL YEAR

2008 - 2009

NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF TRANSPORTATION AND MOTOR VEHICLE COMMISSION

Budget Pages..... C-10; C-19; C-27; C-28; C-29; C-31; C-32; C-33; D- 383 to D-400; H--9; H-38; H-40; H-41; H-60; H-64

Fiscal Summary (\$000)

| | Expended FY 2007 | Adjusted Appropriation FY 2008 | Recommended FY 2009 | Percent Change 2008-09 |
|----------------|---------------------|--------------------------------------|------------------------|------------------------------|
| State Budgeted | 1,332,792 | 1,333,979 | 1,368,622 | 2.6% |
| Federal Funds | 775,642 | 1,022,428 | 971,251 | (5.0%) |
| <u>Other</u> | <u>1,840,093</u> | <u>1,903,856</u> | <u>1,900,463</u> | <u>(.2%)</u> |
| Grand Total | \$3,948,527 | \$4,260,263 | \$4,240,336 | (.5%) |

Personnel Summary - Positions By Funding Source

| | Actual FY 2007 | Revised FY 2008 | Funded FY 2009 | Percent Change 2008-09 |
|---------------------------------|-------------------|--------------------|-------------------|------------------------------|
| State | 2,782 | 2,649 | 2,683 | 1.3% |
| Federal | 1,016 | 932 | 949 | 1.8% |
| Other | 7 | 8 | 8 | — |
| <u>Motor Vehicle Commission</u> | <u>2,609</u> | <u>2,570</u> | <u>2,674</u> | <u>4.0%</u> |
| Total Positions | 6,414 | 6,159 | 6,314 | 2.5% |

FY 2007 (as of December) and revised FY 2008 (as of January) personnel data reflect actual payroll counts. FY 2009 data reflect the number of positions funded. Personnel summary does not include employees of New Jersey Transit Corporation.

Key Points

Department of Transportation

- The FY2009 State appropriations budget for the DOT totals \$1.369 billion, an increase of \$34.6 million or 2.6% above the FY2008 appropriation of \$1.334 billion. The year-to-year difference is primarily due to two changes: an increase of \$60 million in the Grants-In-Aid appropriation to support New Jersey Transit, and a decrease of \$21.4 million in Direct State Services funding for DOT operations.
- State and Local Highway Facilities in the DOT is decreased by \$21.3 million to \$79.3 million in FY2009, from \$100.6 million in FY2008. An additional \$10 million is

Key Points (Cont'd)

provided for winter operations through supplemental appropriations language. This amount has been provided and appropriated annually for several years through language in the Appropriations Act, rather than accounted for in the total on-budget sum. The DOT has not identified decreased activities associated with this reduction.

Transportation Trust Fund

- In accord with the fourth Transportation Trust Fund (TTF) renewal, P.L. 2006, c.3, the Executive proposes \$1.6 billion for new capital infrastructure spending **from** the TTF, unchanged from the current year. The current TTF plan authorizes new projects totaling this amount each year through FY2011.
- The Governor's Budget recommends a capital appropriation of \$895 million **to** the TTF to fund those projects, \$102.5 million below the statutory minimum of \$997.5 million established by the 2006 TTF re-authorization law. State appropriations to support the transportation capital program have not met the statute's requirements in any year since that law's enactment.
- Federally funded spending through the Transportation Trust Fund is projected to decrease by \$47.5 million, or 4.9%, from \$960.8 million to \$913.3 million.

New Jersey Transit

- The projected FY 2009 budget for New Jersey Transit is \$1.705 billion, an increase of \$64.5 million, or 3.9%. To achieve that total amount, the corporation is recommended to receive a State subsidy of \$358.2 million, an increase of \$60 million from FY2008. The remainder of the total New Jersey Transit budget increase is based on a \$22.7 million (3.0%) increase in forecasted Farebox Revenue and an \$18.2 million (3.1%) decrease on Other Resources. New Jersey Transit officials have stated that no fare increases are planned in FY 2009.
- Transportation Assistance for Senior Citizens and Disabled Residents is recommended to decrease by \$3.9 million (10.6%). This funding is linked to Casino Revenue Fund annual tax revenues, which declined in the last completed fiscal year, FY 2007, by \$54 million compared to FY 2006, due to the phase-out of certain taxes.

Motor Vehicle Commission

- The Motor Vehicle Commission (MVC) is recommended to receive revenues of \$294.7 million, a \$3.4 million (1.1%) decrease from FY2008. Most MVC revenue is set by statute as a portion of certain driving and security related fees and fines.
- In November 2007, the MVC forecast a FY 2009 operating budget of \$317.4 million, down \$7.2 million (2.2 percent) from its FY 2008 budget of \$324.6 million, but higher than its actual FY 2007 operating costs of \$298.2 million. (These budget levels exceed the levels reflected in the Governor's budget because they include use of prior year balances.) It is not clear whether the MVC's FY 2009 budget forecast accounts for redirection of resources as recommended in the Governor's FY 2009 budget (see below).

Key Points (Cont'd)

- Newly recommended language redirects a portion of the monies collected by the MVC that are to be remitted to the MVC under the formula established in the "Motor Vehicle Security and Customer Service Act", P.L. 2003, c.13 (C.39:2A-36). The proposals would direct \$14.9 million in fee revenue to various agencies, and \$5.15 million of the Commercial Vehicle Enforcement Fund balance to the DOT to support maintenance and operations. The amounts available to DOT would be above that shown in the "on-budget" amount for the department. The Executive has not stated new activity or expenses that the transfer would enable.

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

| | Expended FY 2007 | Adj. Approp. FY 2008 | Recom. FY 2009 | Percent Change | |
|---------------------------------|---------------------|----------------------------|--------------------|----------------|----------------|
| | | | | 2007-09 | 2008-09 |
| General Fund | | | | | |
| Direct State Services | \$102,054 | \$103,851 | \$82,404 | (19.3%) | (20.7%) |
| Grants-In-Aid | 300,808 | 298,200 | 358,200 | 19.1% | 20.1% |
| State Aid | 0 | 0 | 0 | 0.0% | 0.0% |
| Capital Construction | 895,000 | 895,000 | 895,000 | 0.0% | 0.0% |
| Debt Service | 0 | 0 | 0 | 0.0% | 0.0% |
| Sub-Total | \$1,297,862 | \$1,297,051 | \$1,335,604 | 2.9% | 3.0% |
| Property Tax Relief Fund | | | | | |
| Direct State Services | \$0 | \$0 | \$0 | 0.0% | 0.0% |
| Grants-In-Aid | 0 | 0 | 0 | 0.0% | 0.0% |
| State Aid | 0 | 0 | 0 | 0.0% | 0.0% |
| Sub-Total | \$0 | \$0 | \$0 | 0.0% | 0.0% |
| Casino Revenue Fund | \$34,930 | \$36,928 | \$33,018 | (5.5%) | (10.6%) |
| Casino Control Fund | \$0 | \$0 | \$0 | 0.0% | 0.0% |
| State Total | \$1,332,792 | \$1,333,979 | \$1,368,622 | 2.7% | 2.6% |
| Federal Funds | \$775,642 | \$1,022,428 | \$971,251 | 25.2% | (5.0%) |
| Other Funds | \$1,840,093 | \$1,903,856 | \$1,900,463 | 3.3% | (0.2%) |
| Grand Total | \$3,948,527 | \$4,260,263 | \$4,240,336 | 7.4% | (0.5%) |

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

| | Actual FY 2007 | Revised FY 2008 | Funded FY 2009 | Percent Change | |
|--------------------------|-------------------|--------------------|-------------------|----------------|-------------|
| | | | | 2007-09 | 2008-09 |
| State | 2,782 | 2,649 | 2,683 | (3.6%) | 1.3% |
| Federal | 1,016 | 932 | 949 | (6.6%) | 1.8% |
| Other | 7 | 8 | 8 | 14.3% | 0.0% |
| Motor Vehicle Commission | 2,609 | 2,570 | 2,674 | 2.5% | 4.0% |
| Total Positions | 6,414 | 6,159 | 6,314 | (1.6%) | 2.5% |

FY 2007 (as of December) and revised FY 2008 (as of January) personnel data reflect actual payroll counts. FY 2009 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

| | | | | | |
|------------------------|------|------|------|-----|-----|
| Total Minority Percent | 23.7 | 24.7 | 24.9 | --- | --- |
|------------------------|------|------|------|-----|-----|

Significant Changes/New Programs (\$000)

| <u>Budget Item</u> | <u>Adj. Approp. FY 2008</u> | <u>Recomm. FY 2009</u> | <u>Dollar Change</u> | <u>Percent Change</u> | <u>Budget Page</u> |
|--|---------------------------------|----------------------------|--------------------------|---------------------------|------------------------|
| I. State and Local Highways | | | | | |
| Maintenance and Fixed Charges | 24,149 | 8,699 | (\$15,450) | (64.0%) | D-392 |
| <p>The decrease in this line item largely reflects the recent practice of relying on supplemental appropriations language authority of \$10 million for Maintenance and Operations, usually used to fund winter operations costs. The supplemental appropriation is included in the FY 2008 adjusted appropriation, and then excluded from the recommended FY 2009 base budget. However, for both FY 2008 and FY 2009, the department projects spending \$21.8 million for winter operations. According to the Office of Management and Budget, through February 2008 \$11.29 million was expended on winter operations materials and contractors.</p> <p>In addition to the \$10 million reduction, the Budget reflects a shift of \$5.15 million to off-budget funding from balances in the Commercial Vehicle Enforcement Fund. The fund derives its resources from an additional registration fee on heavy trucks. Annual revenue to the fund has totaled about \$12 million in recent years. According to the Office of Management and Budget, the projected FY 2008 ending balance in the fund is \$8 million.</p> | | | | | |
| II. New Jersey Transit Corporation (NJT) | | | | | |
| | | | | | D-395 to D-397 |
| A. Expenditures | | | | | |
| 1. Bus Operations | \$562,844 | \$585,400 | \$22,556 | 4.0% | |
| 2. Rail Operations | \$653,246 | \$688,500 | \$35,254 | 5.4% | |
| 3. Light Rail Operations | \$77,994 | \$77,900 | (\$ 94) | (.1%) | |
| 4. Corporate Operations | \$235,065 | \$232,500 | (\$2,565) | (1.1%) | |
| 5. Purchased Transport | \$110,851 | \$120,200 | \$9,349 | 8.4% | |
| Sub- Total | \$1,640,000 | \$1,704,500 | \$64,500 | 3.9% | |
| B. Revenues | | | | | |
| 1. State Subsidy | \$298,200 | \$358,200 | \$60,000 | 20.1% | |
| 2. NJT Resources: | | | | | |
| a. Farebox | \$757,500 | \$780,200 | \$22,700 | 3.0% | |
| b. Other | \$584,300 | \$566,100 | (\$18,200) | (3.1%) | |
| Sub-Total | \$1,640,000 | \$1,704,500 | \$64,500 | 3.9% | |
| C. Casino Revenue Fund | | | | | |
| | \$36,928 | \$33,018 | (\$3,910) | (10.6%) | |
| NJT Total | \$1,676,928 | \$1,737,518 | \$60,590 | 3.6% | |

Significant Changes/New Programs (\$000) (Cont'd)

| <u>Budget Item</u> | <u>Adj. Approp.</u> <u>FY 2008</u> | <u>Recomm.</u> <u>FY 2009</u> | <u>Dollar</u> <u>Change</u> | <u>Percent</u> <u>Change</u> | <u>Budget</u> <u>Page</u> |
|--------------------|---------------------------------------|----------------------------------|--------------------------------|---------------------------------|------------------------------|
|--------------------|---------------------------------------|----------------------------------|--------------------------------|---------------------------------|------------------------------|

The above information summarizes by major purpose the expenditure data for NJ Transit followed by a summary of the Revenue sources available to support these expenditures.

Total resources in FY 2009 are projected to increase by approximately \$60.6 million, an amount attributable to a \$60 million (20.1 percent) increase in the subsidy to NJ Transit through Grants-In-Aid. The corporation expects average daily ridership to increase to 456,900 up about 3 percent from FY 2008 projected ridership, with a commensurate rate of growth in farebox revenue.

III. Special Transportation Trust Fund

| | | | | | |
|-----------------------------|------------------|------------------|-------------------|----------------|--------------|
| Federal/ Other Funds | \$960,772 | \$913,260 | (\$47,512) | (4.9%) | D-393 |
|-----------------------------|------------------|------------------|-------------------|----------------|--------------|

The Administration projects TTF revenues from Federal and other sources (Federal Highway Administration or Department of Transportation) to decrease. These amounts change by formulas in SAFETEA-LU and factors such as amounts available in the Highway Trust Fund and the pace of certain federally funded construction projects.

Language Provisions

2008 Appropriations Handbook

p. B-175

The amount hereinabove appropriated to the New Jersey Motor Vehicle Commission is based on proportional revenue collections for that fiscal year pursuant to the statutes listed in subsection a. of section 105 of P.L. 2003, c.13 (C.39:2A-36).

2009 Budget Recommendations

p. D-390

The amount hereinabove appropriated to the New Jersey Motor Vehicle Commission is based on proportional revenue collections for that fiscal year pursuant to the statutes listed in subsection a. of section 105 of P.L. 2003, c.13 (C.39:2A-36). Of that amount, \$8,138,000 shall be appropriated for transfer to the Interdepartmental property rental and household and security accounts, \$4,800,000 shall be appropriated for transfer to the Division of Revenue within the Department of the Treasury, \$612,000 shall be appropriated for transfer to the Division of State Police, and \$800,000 shall be appropriated for transfer to the Bureau of Forestry within the Department of Environmental Protection for its Forest Fire Fighting Program. In addition, the Motor Vehicle Commission shall pay the non-State hourly rate charged by the Office of Administrative Law for hearing services, or an amount no less than \$500,000, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The recommended language would effectively transfer from the MVC at least \$14.85 million of the amount that otherwise would be directed under section 105 of P.L. 2003, c.13 (C.39:2A-36), as revenue of the Motor Vehicle Commission. This provision would have the effect of requiring the MVC to reimburse other agencies for benefits provided to the commission or costs incurred on its behalf, and serves as the basis of reducing State budget appropriations for these other agencies by at least \$14,850,000 for FY2009.

2008 Appropriations Handbook

No comparable language.

2009 Budget Recommendations

p. D-395

Notwithstanding the provisions of any law or regulation to the contrary, in addition to the amount hereinabove appropriated for

Language Provisions (Cont'd)**2008 Appropriations Handbook****2009 Budget Recommendations****p. D-395**

Maintenance and Operations, there is appropriated \$5,150,000 from balances in the "Commercial Vehicle Enforcement Fund" for Maintenance and Fixed Charges, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The Commercial Vehicle Enforcement Fund (C.39:8-75) was established in 1995 in the General Fund, to be administered by the predecessor to the Motor Vehicle Commission. When that agency was reorganized into the MVC in 2003, the statute was altered to dedicate 40 percent of this fund's revenue to the MVC, with the remainder for the use of the Department of Transportation, Department of Environmental Protection, Department of Law and Public Safety, and municipalities. Revenue is derived from an additional registration fee on certain heavy trucks. The recommended language would disregard that proportional distribution, to the extent of directing \$5.15 million of an estimated year end FY 2008 balance of \$8 million to the operating budget of the Department of Transportation, above that amount displayed on page D-392 of the recommended budget.

2008 Appropriations Handbook**2009 Budget Recommendations****p. B-182**

From the amounts appropriated from the revenues and other funds of the New Jersey Transportation Trust Fund Authority for fiscal year 2008 transportation capital program, the Commissioner of Transportation shall allocate **[\$4,000,000]** of the amount listed for the Private Carrier Equipment Program to NJ Transit's Private Carrier Capital Improvement Program (PCCIP). The amount provided herein shall be allocated to the private motorbus carriers consistent with the formula used to administer the PCCIP and shall be restricted to those carriers that currently qualify for participation in the PCCIP. These funds may be used for the procurement of any goods or services currently approved under NJ Transit's PCCIP, as well as: facility improvements, vehicle procurement, and capital maintenance that

p. D-397

From the amounts appropriated from the revenues and other funds of the New Jersey Transportation Trust Fund Authority for the current fiscal year transportation capital program, the Commissioner of Transportation shall allocate \$2,000,000 of the amount listed for the Private Carrier Equipment Program to NJ Transit's Private Carrier Capital Improvement Program (PCCIP). The amount provided herein shall be allocated to the private motorbus carriers consistent with the formula used to administer the PCCIP and shall be restricted to those carriers that currently qualify for participation in the PCCIP. These funds may be used for the procurement of any goods or services currently approved under NJ Transit's PCCIP, as well as: facility improvements, vehicle procurement, and

Language Provisions (Cont'd)**2008 Appropriations Handbook****p. B-182**

comports with subsection r. of section 3 of P.L.1984, c.73 (C.27:1B-3). Such maintenance and equipment procurements shall apply to vehicles owned by the private motorbus carriers and used in public transportation service, as well as to NJ Transit owned vehicles. Private motorbus carriers receiving an allocation of such funds shall be required to submit to NJ Transit a full accounting for all expenditures, demonstrating that the funds were used to increase or maintain the current level of public transportation service provided by the carrier or to improve revenue vehicle maintenance. Under no circumstances shall these funds be used to provide compensation of any officer or owner of a private motorbus carrier.

2009 Budget Recommendations**p. D-397**

capital maintenance that comports with subsection r. of section 3 of P.L.1984, c.73 (C.27:1B-3). Such maintenance and equipment procurements shall apply to vehicles owned by the private motorbus carriers and used in public transportation service, as well as to NJ Transit owned vehicles. Private motorbus carriers receiving an allocation of such funds shall be required to submit to NJ Transit a full accounting for all expenditures, demonstrating that the funds were used to increase or maintain the current level of public transportation service provided by the carrier or to improve revenue vehicle maintenance. Under no circumstances shall these funds be used to provide compensation of any officer or owner of a private motorbus carrier.

Explanation

The recommended language revision reduces the amount that is to be allocated from the annual Transportation Trust Fund appropriation to NJ Transit's capital equipment program for private sector bus companies. The allocation via this language of \$4 million from the Private Carrier Equipment Program to NJ Transit for the prescribed purposes commenced in FY 2005 and has been repeated annually since then. Annual appropriations from the Transportation Trust Fund for the Private Carrier Equipment Program in those years were: FY 2005 - \$38.3 million (all federal); FY 2006 - \$9.3 million (all federal); both FY 2007 and FY 2008: \$40.4 million (\$2.1 million state, \$38.3 million federal). The amount recommended in the FY 2009 annual capital program for the Private Carrier Equipment Program is \$2.1 million (all state). It is unclear what the impact of this reduction will be on NJ Transit's PCCIP or on the capital needs of private sector bus companies.

2008 Appropriations Handbook

No comparable language.

2009 Budget Recommendations**p. D-394**

Notwithstanding the provisions of any law or regulation to the contrary, there is appropriated to the Department of Transportation the sum of \$270,000,000, subject to the approval of the Director of the Division of Budget and Accounting, from the revenues and other funds of the New Jersey

Language Provisions (Cont'd)**2008 Appropriations Handbook****2009 Budget Recommendations****p. D-394**

Transportation Trust Fund Authority received in connection with the issuance of the Authority's Grant Anticipation Revenue Vehicles (GARVEE) Bonds for the Route 52 Causeway Replacement Contract B.

No comparable language.

p. D-394

Federal funds received in conjunction with the Route 52 Causeway Replacement Contract B Construction Fund are appropriated to the Transportation Trust Fund Authority to pay debt service and other costs related to the Grant Anticipation Revenue Vehicles (GARVEE).

Explanation

The two recommended language insertions above indicate that the TTFA has expanded its plans to finance further construction activity by issuing a Grant Anticipation Revenue Vehicle ("GARVEE"). A GARVEE is a debt instrument repayable from future federal aid appropriations, issued with the approval of the Federal Highway Administration. This authority first appeared in the FY2006 Appropriations Act, in the amount of \$175 million. Contract B referenced in this language is estimated to be an additional \$270 million. According to the TTFA, the State intends to finance a significant amount of future projects by issuing debt repayable from Federal revenue streams.

2008 Appropriations Handbook**2009 Budget Recommendations****p. D-394**

No comparable language.

Notwithstanding the provisions of any law or regulation to the contrary, funds derived from the sale or conveyance of any lands held by the Department of Transportation are appropriated for the acquisition of land for highway projects or to refund the Federal Highway Administration (FHWA) where required by federal law. Funds derived from

Language Provisions (Cont'd)**2008 Appropriations Handbook****2009 Budget Recommendations****p. D-394**

the sale of all fill material held by the Department of Transportation are appropriated for demolition, acquisition of land, rehabilitation or improvement of existing facilities and construction of new facilities subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The recommended language would establish legal authority specific to the department to appropriate proceeds from the sale of lands and fill material for project funding purposes. In FY 2008 similar language was included in General Provisions and was applicable to multiple executive agencies; that language is recommended to be deleted in FY 2009. It is unclear what amount of revenue might become available to the department as a result of this language or which projects might rely on that revenue.

Discussion Points

Department of Transportation

1. The New Jersey Economic Development Authority recently took action to reduce exposure to the increasingly declining auction rate bond market, to reduce the impact of increased yield costs.

- **Question:** What is the exposure of the Transportation Trust Fund Authority to this market, in either debt holdings or investments? Does the Authority hold investments in any form of mortgage-backed or collateralized debt obligations? If so, have those values been appropriately marked down to current market value for reporting purposes?

- **Question:** It is possible that this market collapses entirely. Will a decline in credit availability affect the TTFA business model, which explicitly relies on constant and increasing debt? If credit availability continues to decline, or if the TTFA rating declines, how will the TTFA continue to finance increasing amounts of debt?

2. The FY2009 recommended budget reduces the number of state employees through an early retirement initiative and layoffs. The ability to hire employees to fill these vacant positions will be limited. The impact these personnel actions may have on the department's programs and services is not clear.

- **Question:** how many employees are eligible for the early retirement initiative or may be laid off, by division? To the extent that new employees cannot be hired, what services or programs will be reduced or eliminated? How will the reductions affect the department's monitoring and oversight of contracts and its efforts to qualify for and receive maximum federal reimbursements?

3. The Transportation Trust Fund explicitly relies on increasing amounts of debt to finance its authorized construction activities. This recommended budget would authorize \$1.6 billion in new projects, with perhaps \$800 million of the \$895 million appropriation to the Fund consumed by debt service. However, credit to facilitate that activity is shrinking rapidly, with tighter lending standards, lower ratings, and higher yields required by lenders.

- **Question:** How will the new market condition impact the TTFA's operating model? Will the TTFA be able to finance planned borrowing as initially projected? What increased costs will be incurred attributable to decreased public bond markets? Does the TTFA foresee continuing to operate on an assumption of constantly increasing debt levels?

4. Newly recommended language provides revenue from the sale of land and fill materials to certain uses by the DOT.

- **Question:** Please elaborate on the Department's plans and the need for this language. What revenues are expected, and how will they be used?

5. N.J.S.A. 27:1B-22.2 provides for a review of permitted maintenance spending by the Financial Policy Review Board, certifying that the amount is decreasing from the 2006 level as planned.

- **Question:** What is the amount of planned expenditure on permitted maintenance

Discussion Points (Cont'd)

for FY2007 and FY2008, that will be reported as required on September 1, 2008? What is the planned amount for FY2009? Does the DOT expect to be compliant with current statute for FY2009?

- **Question:** When will the Financial Policy Review Board be fully staffed and functioning as intended by law?

Motor Vehicle Commission

6. Since the implementation of the "Motor Vehicle Security and Customer Service Act" in 2003, it has become clear that the dedicated revenues of the MVC will become insufficient for the agency's ongoing needs. In response to last year's inquiry on this topic, the Commission responded that "funding will be stable through 2010 based on our current operating assumptions and expenses." However, the Commission did not provide the requested projection for out-year operating budgets at current service levels and revenue projections. Additionally, the FY2007 Annual Report indicates that the MVC is rapidly eroding its operating surplus. The MVC projects a gap between current revenues and operating expenses of about \$22.9 million in FY2008 and \$18.9 million in FY2009, and indicates that these deficits will be covered by drawing down the commission's accumulated surplus. At the current rate of draw-down, the surplus will be exhausted before the end of FY2012.

- **Question:** Does the Report's projected revenues for FY2009 take account of the transfer of \$14.9 million in fee revenue under budget language on page D-390 or the appropriation of Commercial Vehicle Enforcement Fund balances (\$5.15 million) through budget language on page D-395? If not, please submit a revised FY2009 budget that is consistent with the Governor's recommended budget.
- **Question:** Please explain the transfers of MVC revenues to other agencies. What services or accommodations will the MVC receive in exchange for these revenue transfers that it is not now receiving?
- **Question:** Assuming the FY 2009 budget is enacted as proposed, please provide annual projections for operating budgets at current service levels and revenue projections assuming no fee increases or revenue diversions, for the fiscal years 2010-2013.
- **Question:** At what year will the MVC project an operating deficit? What is the amount of that projected deficit?
- **Question:** What steps, if any, will the MVC take to bring its spending requirements and its projected revenues into balance? Do those steps include increasing fees and surcharges by regulation as authorized under section 16 of P.L.2007, c.335 (C.39:2A-36.1)? If so, which fees or surcharges will be increased, by how much and what timetable? What is the total increase in revenue projected to result from such fee or surcharge increases?
- **Question:** Does the Commission's strategic planning rely on an assumption of constant growth in costs and revenue?

Discussion Points (Cont'd)

- **Question:** The proposed budget alters the intended funding of MVC with language that directs proportional revenue of the commission to be used as revenue of the DOT. Is this a reversal of the intent of current statute providing proportionate, dedicated revenue to the MVC? Will this action exacerbate the MVC structural deficit? What actions will the commission take as a result?

New Jersey Transit

7. The recommended budget increases the General Fund subsidy to NJ Transit by \$60 million, but notes in the Budget-In-Brief that this is a reduction of \$40 million from a planned increase.

- **Question:** What revisions to NJ Transit's proposed FY2009 operating and capital budget resulted from a \$60 million, rather than \$100 million subsidy increase? Were programs deferred, or alternative revenue sources identified? Please provide details.

8. NJ Transit has noted for several years that fuel cost increases continue to outstrip available revenues. With increased oil and petroleum products costs, and net declining real production, this trend is likely to accelerate for the foreseeable future.

- **Question:** How will NJ Transit alter its business model to a paradigm of rapidly increasing fuel costs, or (more significantly) net declines in fuel supply? At what fuel cost will NJ Transit experience difficulty maintaining service levels? Has NJ Transit considered transitioning to a non-petroleum, or reduced petroleum mode of transportation? What alternative energy modes are best practice in this industry, and how will compare with its peers in adopting them?

9. The financial statements of NJ Transit indicate that the corporation is exposed to interest rate swap agreements, and holds securities that are not marked to current market value.

- **Question:** What is NJ Transit's exposure to the auction rate market? What excess interest costs have been incurred attributable to the collapse of that market?

- **Question:** Does NJ Transit hold any mortgage-backed or collateralized debt securities as investments in any way? Have these been appropriately revalued to reflect current market values? If the ratings on those securities is downgraded, how will investments be impacted or revalued? What is the total loss incurred by NJ Transit assets if these securities are marked down to current market value?

10. The recommended budget for FY2008 proposed that authorized projects of the Transportation Trust Fund Authority for Public Transportation capital projects were to total \$675 million. However, the Appropriations Act as approved provided only \$625 million, \$50 million less than initially recommended. The FY2009 recommended budget maintains that amount of new project spending, \$625 million. Also for FY2009, there is proposed an increase to NJ Transit's operating budget subsidy of \$60 million.

- **Question:** Which projects were removed from the recommended budget to obtain that \$50 million decrease for FY2008? What was the impact on NJ Transit's activities as a result of that shift?

Discussion Points (Cont'd)

- **Question:** What amount of the \$625 million capital project authorization will be used on operating expenses, both for FY2008 and FY2009?

- **Question:** If the \$50 million that was removed in FY2008 were restored for FY2009, would NJ Transit still require a \$60 million operating subsidy increase?

NJ Turnpike Authority

11. The New Jersey Turnpike Authority website claims that 53% of toll revenue is derived from out of state traffic. An earlier version of that page stated that activity as 35% of traffic.

- **Question:** Please provide the traffic study that produced that estimate. How was such a large change explained? What changed in the NJTA business model to result in the alteration of the user demographics?

12. The New Jersey Economic Development Authority has recently taken action to eliminate exposure to the auction rate bond market, which has rapidly collapsed. Current holders of these securities are exposed to increasingly high interest costs.

- **Question:** What exposure to the Auction Rate market does the NJTA currently have? What excess interest costs have been incurred attributable to the collapse of that market?

- **Question:** Does the NJTA hold any mortgage-backed or collateralized debt securities as investments in any way? Have these been appropriately revalued to reflect current market values? If the ratings on those securities is downgraded, how with NJTA investments be impacted or revalued? What is the total loss incurred by NJTA investments if these securities are marked down to current market value?

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Individuals wishing information and committee schedules on the FY 2009 budget are encouraged to contact:

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