# Analysis of the New Jersey

# Fiscal Year 1998 - 1999 Budget

# Department of Transportation

Prepared By

Office of Legislative Services

New Jersey Legislature

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# NEW JERSEY STATE LEGISLATURE

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# DEPARTMENT OF TRANSPORTATION

Budget Pages....... D-271 to D-287; E-61 to E-62; G-18 to G-20; I-20; J-5 to J-7

## Fiscal Summary ($000)

| | Expended FY 1997 | Adjusted. Appropriation FY 1998 | Recommended FY 1999 | Percent Change 1998-99 |
|---|---|---|---|---|
| State Budgeted | $726,643 | $734,010 | $846,808 | 15.4% |
| Federal Funds | 423,684 | 642,538 | 695,109 | 8.2% |
| Other | 741,204 | 922,430 | 720,439 | (21.9)% |
| Grand Total | $1,891,531 | $2,298,978 | $2,262,356 | (1.6)% |

## Personnel Summary - Positions By Funding Source

| | Actual FY 1997 | Revised FY 1998 | Funded FY 1999 | Percent Change 1998-99 |
|---|---|---|---|---|
| State | 4,626 | 4,526 | 4,320 | (4.6)% |
| Federal | 1,176 | 1,138 | 1,149 | 1.0% |
| Other | 0 | 0 | 0 | — |
| Total Positions | 5,802 | 5,664 | 5,469 | (3.4)% |

FY 1997 and revised FY 1998 personnel data reflect actual payroll counts. FY 1999 data reflect the number of positions funded. Personnel Summary excludes positions at New Jersey Transit.

## Introduction

The Department of Transportation (DOT) is responsible for managing the State's transportation system of highways, railroads, buses and general aviation airports. In addition, the department provides financial aid to counties and municipalities for local transportation purposes. To support these various activities, the department relies on annual State appropriations, proceeds from previously authorized general obligation bond acts, the Transportation Trust Fund, the Casino Revenue Fund, the Airport Safety Fund, and federal monies.

As an additional responsibility, the Division of Motor Vehicles (DMV) was transferred from the Department of Law and Public Safety to DOT pursuant to Reorganization Plan, No.002-1995. This reorganization promotes the efficient management of motor vehicle and transportation related activities and the grouping of similar functions.

# Introduction

The State's mass transit facilities are the direct responsibility of the New Jersey Transit Corporation (NJT). Although the Commissioner of Transportation is the chairperson of the corporation's seven-member governing board, the corporation functions independently of the department. NJT currently operates 12 rail lines and some 174 bus routes throughout the State to accommodate an average, estimated daily ridership of 345,500. In addition, NJT leases buses and bus-related equipment to private carriers at no cost, and administers a half-fare subsidy program for senior citizens and disabled persons. The corporation also uses money from the Casino Revenue Fund to assist counties with local county transit services for senior citizens and handicapped persons. Further, to conform with federal requirements established by the Americans with Disabilities Act of 1990, the corporation has developed and is implementing additional transit services for eligible riders.

# Key Points

! A $463.7 million capital budget appropriation is recommended for the Transportation Trust Fund Account. This amount would be derived from: (1) the motor fuels tax that is constitutionally dedicated to the State's transportation system (on July 1, 1998 the portion so dedicated increases from 7.0 cents per gallon to 8.0 cents per gallon; on July 1, 1999 the dedicated portion further increases to 9.0 cents per gallon and then remains at that level); (2) $24.5 million from contracts with the State's three toll road authorities; (3) $30 million from certain increases in diesel fuel taxes and truck registration fees; and (4) revenue from "Good Driver" surcharges. The "Good Driver" vehicle registration surcharge, originally scheduled to expire on December 31, 1996, was permanently extended, but at a declining rate, as part of the legislation which reauthorized the Transportation Trust Fund (TTF) and is a statutory funding source that is available, as needed, for the TTF.

! Although the $463.7 million capital appropriation is an increase over the Fiscal Year 1998 capital amount of $380.3 million, it was estimated at the time that the TTF was reauthorized in 1995 that $511.6 million would be provided to the TTF in Fiscal Year 1999. However, due to lower than projected interest rate costs for recent TTF bond sales and therefore, a corresponding decrease in scheduled TTF debt service expenses, a lower capital appropriation amount has been recommended.

! The Budget Message recommends that the Transportation Trust Fund Authority finance a $700 million capital program in Fiscal Year 1999; this amount is consistent with the statutory, annual level of $700 million established when the TTF was reauthorized in May, 1995. For Fiscal Year 1998, the Legislature authorized a total appropriation of $900 million from the Transportation Trust Fund Authority to help finance certain projects that were part of a Fiscal Year 1997 project list that totaled $1.05 billion. However, the projects on that Fiscal Year 1997 list could not all be financed at that time because the Legislature only authorized the authority to provide the statutory $700 million in capital program funding for Fiscal Year 1997.

! To continue the timely receipt of federal matching funds for highway and transit purposes, a multi-year reauthorization of the Intermodal Surface Transportation Efficiency Act of 1991 or a comparable federal funding authorization act is required but has not yet been enacted. However, on March 12, 1998, the Senate passed such a reauthorization proposal and the House of Representatives is expected to act soon on its version. Without such new federal funding authorization, the ability to commence work on the proposed highway and transit capital programs would be adversely affected.

## Key Points

- A $194.25 million State operating subsidy is recommended for NJT, a $28.75 million increase over Fiscal Year 1998. This increase would help offset the anticipated elimination of a federal operating subsidy to the corporation, the loss of significant, one-time carry-forward funds received in Fiscal Year 1998, and a projected growth in fare revenue from additional ridership in Fiscal Year 1999 of only one percent. Nevertheless, when total, estimated corporation fare and other corporation revenues are combined with the proposed State subsidy, Transportation Trust Fund support, and available federal non-operating subsidy money, no transit fare increase is expected in the next fiscal year. It is noted that language on page B-277 of the Fiscal Year 1999 Budget Message would use balances in the Motor Vehicle Inspection Fund (MVIF) for "other-Clean Air purposes". According to the Department of the Treasury, the intent of this language is to have an estimated $43 million in MVIF balances contributed towards the $194.25 million State subsidy to NJT.

- The Governor has proposed that DMV issue driver licenses that would be valid for 10 years rather than the current term of four years. The 10-year license has a suggested cost of $35 contrasted to a $16 cost for a four-year license. It is also noted that the 10 year driver licenses are proposed to incorporate "smart card" technology. A "smart card" would have the capacity to contain data that not only includes driver-related information but also credit, bank or similar data. However, the interest by the private sector to "lease" space on a "smart card" for such additional purposes and the potential revenue for the State that may be derived therefrom is still being explored.

- The DMV proposes changes in certain vehicle and boat fees to raise an additional $5.0 million. Of this total, $3.5 million is attributable to auto dealership fees, $1.1 million to boat registrations, and the remaining $0.4 million to personalized license plates and inspection of vehicles with modified chassis heights, i.e. vehicles whose heights have been altered from the manufacturer's specifications.

- The DMV proposes to create 53 positions to implement an In-Terminal School Bus Inspection Program. Pursuant to this new program, mobile inspection teams would travel to the terminals of school bus operators and inspect school buses on-site. The intent is to reduce the volume of school bus inspections at centralized inspection stations, reduce the overall costs for the operators of school buses who now bring buses to inspection facilities, and improve school bus inspection effectiveness and convenience. Since this inspection program is intended to be self-supporting, $1.5 million in new revenue derived from a $50 per bus inspection fee is anticipated. It is expected that the fee would be charged both to public and private school bus operators.

- There is a proposed reduction of 338 positions in the department. Of this total, 200 positions are allocated to highway-related purposes and 138 positions to motor vehicle service purposes. However, due to employee attrition, reassignment, and the creation of new positions, the department expects a net reduction of 215 people. These reductions reflect privatization of various functions that are anticipated to annually save the department about $1.4 million, and the elimination of certain duplicative administration services at regional highway district offices and the central Trenton facility which would save an estimated $3.4 million.

- In addition to the 338 positions referenced above, the status of some 402 positions currently assigned to the vehicle inspection program remains uncertain. The Request For Proposals for the new Enhanced Inspection and Maintenance Program (EIMP) was issued on February

## Key Points

18, 1998. A decision regarding the operation of the mandatory EIMP must await submission of bids, due by May 12, 1998, from private sector vendors interested in operating the EIMP. Subsequent to a review and analysis of the bids, the Treasurer would assign the EIMP responsibility either to the State, the private sector, or a combination thereof. A decision by the Treasurer on this issue is expected by June 12, 1998.

! The department's Fiscal Year 1998 Adjusted Appropriation of $165.633 million includes $10.5 million in supplemental appropriations which have not yet been enacted. Of the $10.5 million in anticipated supplemental appropriations, only $1.5 million for the Handicapped Plate/Placard Refund, required pursuant to a recent court settlement, is a non-recurring item and not requested for Fiscal Year 1999. The recurring costs include $6.2 million for the vehicle inspection program, $750,000 for improvements to the motor vehicle services' toll free customer service telephone line, and $2.05 million for additional lawn mowing along State highways.

! The $965,000 in revenue estimated to be generated by the $0.02 per gallon tax on aviation fuel sold at general aviation airports, which excludes Newark and Atlantic City International Airports, and deposited in the Airport Safety Fund (ASF), is to be used to support the operating budget for the Bureau of Aviation. Consequently, no general fund matching money is needed to support that bureau. For Fiscal Year 1998, ASF revenue was shared between bureau operating expenses and grants-in-aid to general aviation airports. For Fiscal Year 1999, no ASF money would be used for grants-in-aid to general aviation airports. However, grants-in-aid to such airports would continue to be supported by the $10 million annually allocated for aviation purposes since Fiscal Year 1996 by the Transportation Trust Fund along with matching federal funds.

## Background Papers

# Program Description and Overview

The Department of Transportation (DOT) is responsible for the operation, maintenance and improvement of the State's transportation system - our highways, buses, railroads and general aviation airports. In addition, pursuant to Reorganization Plan No.002-1995, issued March 13, 1995, and Executive Order No. 35, dated May 8, 1995, the Division of Motor Vehicles (DMV), previously allocated to the Department of Law and Public Safety, was transferred to DOT to promote the efficient management of motor vehicle and transportation related activities and the grouping of similar functions.

To address its transportation responsibility, DOT manages a significant State capital construction program and also administers several local aid programs. Prior to FY 1985, annual capital appropriations from the State's general fund and general obligation bond funds were necessary to match federal money and to finance the department's activities. However, except for a 1989 bond referendum which provided $115 million for bridge repairs and the purchase of railroad rights-of-way, the department's capital construction program now is totally supported by the Transportation Trust Fund (TTF) and federal monies.

The TTF, created pursuant to P.L.1984, c. 73, was envisioned as a four-year construction program at $250 million per year; however, it was subsequently funded during that four-year term at different, but increasing amounts. Under the first TTF renewal legislation (P.L.1987, c.460), the department, beginning in FY 1989, was to receive $365 million annually for seven years, compared to an average $332 million during the TTF's first four years. However, a mid-course review of the renewed TTF construction program indicated that the TTF had the capability to finance additional projects without an increase in its State appropriation and simultaneously help invigorate the declining State economy. Consequently, P.L.1991, c.40 permitted a temporary, two-year increase in the TTF program amount. For FY 1991, the TTF program was increased from $365 million to $565 million and for FY 1992, the TTF program was $593.25 million. However, subsequent transportation construction program estimates indicated a need to continue the higher program amount beyond FY 1992. Therefore, P.L.1992, c.10 was enacted to permit the TTF program to remain at the $565 million level through FY 1995.

To continue the TTF program from FY 1996 through FY 2000, P.L.1995, c.108 was enacted. This reauthorization legislation also increased the annual TTF program to $700 million. Further, this legislation now permits the TTF to supplant, on a dollar for dollar basis, reductions in annual federal operating subsidies that the New Jersey Transit Corporation (NJT) may experience, and also includes specific support for general aviation airports.

## Highways and Bridges

Regarding the actual areas of investment of TTF resources, the State highway and bridge construction program has, since the inception of the TTF in FY 1985, evolved from an emphasis on new road construction to the preservation of the existing highway system. In addition, high-tech system management and computerized traffic controls are being used to enhance traffic capacity on highways. This evolution acknowledges the requirements of the federal Clean Air Act Amendments of 1990 and the extreme difficulty, environmental, financial, and otherwise, of trying to "build your way out of congestion."

TTF money for highways and bridges, which averaged about $265 million annually in previous years, increased to the $300 million level under the 1995 reauthorization legislation. However, the special authorization of a $900 million capital program for FY 1998 raised the allocation of funds for highway and bridge purposes to about $478 million.

# Program Description and Overview

## Local Aid

Municipalities continue to be served by the TTF. In FY 1989, the TTF renewal legislation increased funding for the municipal aid program from $19 million to $30 million annually and allocated $5 million of that higher amount to municipalities eligible for State urban aid assistance pursuant to P.L.1978, c.14. Subsequently, as part of the 1991 expansion of the TTF, municipal aid increased to about $50 million from FY 1991 through FY 1995. Under the latest TTF renewal, municipalities have received a minimum, annual allocation of at least $65 million since FY 1996.

Counties are also served by the TTF. From FY 1985 through FY 1990, $35 million was annually appropriated for a non-federal local aid program for counties. Although the $35 million, non-federal local aid program supplanted a federal program for the same amount, the State as well as local governments benefited. The State retained the federal monies for large State projects allowing local governments greater flexibility in completing smaller local projects, because State standards rather than federal standards are applied to the use of the State monies. Previously, the use of federal funds often led to projects becoming larger, more expensive and longer to complete than originally intended. The State replacement program has streamlined this local aid funding category and has also saved money for local governments in the process. Subsequently, due to the 1991 expansion of the TTF, annual funding for county assistance increased from $35 million to $50 million from FY 1991 through FY 1995. Under the latest TTF renewal, counties have received a minimum, annual allocation of at least $65 million since FY 1996.

## Mass Transit

NJT was created pursuant to P.L.1979, c.150 and is a public corporation within the department but independent of supervision or control by the department. However, NJT does report to a seven-member governing board, the statutory chairperson of which is the Commissioner of Transportation. Other board members include the State Treasurer, another member of the Executive Branch selected by the Governor, and four public members, at least one of whom is a regular public transportation rider.

NJT is responsible for operating, contracting for and subsidizing public transit services that are in the public interest. Since its formation, NJT has: (1) acquired Transport of New Jersey/Maplewood Bus Equipment Company; (2) assumed responsibility for commuter rail service from Conrail; (3) taken over Mercer Metro Bus Company; (4) accepted bus operating responsibilities from the Atlantic City Transportation Company; (5) assumed responsibility for several Hudson County bus routes formerly operated by Hudson Bus; (6) initiated rail service between Penn Station, Newark and Hoboken Terminal; (7) reinstituted rail service between Philadelphia and Atlantic City; and (8) begun construction on a new light rail transit line between Bayonne and Hoboken. As a consequence of its varied transit responsibilities, NJT currently operates 12 rail lines and 174 bus routes to accommodate an estimated 345,500 daily riders. In addition, NJT currently allocates about 1,115 buses at no cost to private carriers and also administers a half-fare subsidy program for senior citizens and disabled persons. Further, NJT is also responsible for developing and implementing mass transit services for disabled persons, in conformance with the federal requirements established by the Americans with Disabilities Act (ADA) of 1990. Such ADA bus service, begun by NJT in Mercer county in January 1993, now covers the entire NJT bus operating area. For rail service, NJT notes that it meets the ADA standard for one accessible car per train.

To assist NJT in carrying out its responsibilities, the State provides an annual operating subsidy to the corporation. Although this subsidy amount declined from $251 million in FY 1993

## Program Description and Overview

to $165.5 million in FY 1998 because of notable revenue increases from ridership growth and other NJT funding sources, and because of certain authorized TTF funding support, the State subsidy would increase to $194.25 million in FY 1999. As the ridership growth rate slows from the recent three and four percent levels to a one percent level projected for next year, and to help mitigate changes in other NJT funding sources and avoid a fare increase, a subsidy increase is proposed.

As noted above, to further assist NJT the TTF augments the State subsidy by supporting certain capitalized maintenance and capital program implementation purposes which previously had been financed within the NJT operating budget; the amount provided for those purposes in FY 1998 is about $90 million. Moreover, the 1995 reauthorizing legislation now permits the TTF to provide operating subsidies to NJT in an amount that matches the decline in federal operating subsidies that NJT may experience between the current fiscal year and the prior fiscal year. For FY 1998 and 1999, the TTF is projected to provide a total of $17.6 million to offset such loss of federal operating subsidies.

Regarding the NJT capital program, the TTF provided an average of $65 million per year during the TTF's first four-year period. Under the TTF's first renewal, the amount increased from $71.5 million in FY 1989 to an average of $195 million for FY 1992 through FY 1995. For FY 1996 through FY 2000, NJT can expect to receive at least $250 million annually.

### Aeronautics

The department coordinates the activities of the State's public and private general aviation airports through the Bureau of Aviation. This bureau helps to ensure that such airports continue to develop into a safe and orderly airport system by relying on several funding sources. Firstly, the bureau receives revenue from the Airport Safety Fund (ASF). The ASF, established by the New Jersey Airport Safety Act of 1983, anticipates $965,000 in FY 1999 from the two-cent per gallon tax on aviation fuel. However, since the tax is only imposed at general aviation airports (Newark and Atlantic City International Airports are excluded from the tax) the amount of ASF revenue was recently deemed to be insufficient to meet the program needs of the bureau. Therefore, to provide additional financial assistance for the bureau's purposes, the 1995 TTF reauthorization permits the TTF to allocate funds on an annual basis to the ASF for aviation purposes. For FY 1996 through FY 1998 the TTF provided the ASF with$10 million each year. Finally, the bureau can use these State funds to obtain matching federal aviation money. Consequently, the bureau now manages a significant program that provides grants and loans to publicly and privately owned airports for various improvements, and safety and land acquisition programs.

### Division of Motor Vehicles

The division has four major areas of responsibility: (1) the management of all automated revenue and information systems that are needed to support the administration of the various programs related to the operation of motor vehicles; (2) motor vehicle licensing, registration and inspection; (3) driver control and regulatory affairs which insures the continued fitness of persons to operate motor vehicles; and (4) the security responsibility program that enforces compulsory insurance requirements and identifies uninsured motorists.

Although the DMV has extensive responsibilities related to motor vehicle operations, a significant part of DMV's overall responsibility involves the inspection of motor vehicles to insure safe operation and conformance with exhaust emission requirements established by the Federal Clean Air Act. To address this responsibility, the Motor Vehicle Inspection Fund (MVIF), established

## Program Description and Overview

pursuant to P.L.1995, c.112, is to be credited with $11.50 from each motor vehicle registration fee received by the State after June 30, 1995. DMV estimates that this revenue source would annually deposit about $70 million into the MVIF "... to pay the reasonable and necessary expenses of the implementation and operation of the motor vehicle inspection program." The legislation further stipulates that "... any unexpended balance of appropriations from the fund at the end of each fiscal year shall be reappropriated for the purposes of the fund." However, notwithstanding this recent legislation, implementation of the program is not expected to begin before July 1998. As a result, budget language permitted MVIF monies to be used for non-Clean Air purposes in FY 1997 and 1998. For FY 1999, proposed budget language would permit MVIF balances to be used for other-Clean Air purposes. This language change is intended to direct available MVIF balances to be used as part of the proposed FY 1999 subsidy of $194.25 million to NJT.

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# Organization Chart

# Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS ($000)

| | Expended FY 1997 | Adj. Approp. FY 1998 | Recom. FY 1999 | Percent Change 1997-99 | Percent Change 1998-99 |
|---|---|---|---|---|---|
| **General Fund** | | | | | |
| Direct State Services | $180,969 | $165,633 | $166,352 | -8.1% | 0.4% |
| Grants - In - Aid | 219,918 | 165,850 | 194,250 | -11.7% | 17.1% |
| State Aid | 0 | 0 | 0 | 0.0% | 0.0% |
| Capital Construction | 304,649 | 380,300 | 463,700 | 52.2% | 21.9% |
| Debt Service | 0 | 0 | 0 | 0.0% | 0.0% |
| Sub-Total | $705,536 | $711,783 | $824,302 | 16.8% | 15.8% |
| **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 | $21,107 | $22,227 | $22,506 | 6.6% | 1.3% |
| Casino Control Fund | $0 | $0 | $0 | 0.0% | 0.0% |
| State Total | $726,643 | $734,010 | $846,808 | 16.5% | 15.4% |
| Federal Funds | $423,684 | $642,538 | $695,109 | 64.1% | 8.2% |
| Other Funds | $741,204 | $922,430 | $720,439 | -2.8% | -21.9% |
| Grand Total | $1,891,531 | $2,298,978 | $2,262,356 | 19.6% | -1.6% |

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

| | Actual FY 1997 | Revised FY 1998 | Funded FY 1999 | Percent Change 1997-99 | Percent Change 1998-99 |
|---|---|---|---|---|---|
| State | 4,626 | 4,526 | 4,320 | -6.6% | -4.6% |
| Federal | 1,176 | 1,138 | 1,149 | -2.3% | 1.0% |
| All Other | 0 | 0 | 0 | 0.0% | 0.0% |
| Total Positions | 5,802 | 5,664 | 5,469 | -5.7% | -3.4% |

FY 1997 and revised FY 1998 personnel data reflect actual payroll counts. FY 1999 data reflect the number of positions funded. Personnel Summary excludes position data at New Jersey Transit.

AFFIRMATIVE ACTION DATA

| | | | | | |
|---|---|---|---|---|---|
| Total Minority Percent | 22.2% | 22.2% | 22.2% | ---- | ---- |

## Significant Changes/New Programs ($000)

| Budget Item | Adj. Approp. FY 1998 | Recom. FY 1999 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| **Motor Vehicle Services** | | | | | |
| A. Personal Services - Salaries and Wages | $36,332 | $33,773 | ($2,559) | (7.0)% | D-275 |

The Fiscal Year 1998 Adjusted Appropriation assumes the enactment of a supplemental appropriation of $6.2 million for the current vehicle inspection program; however, as of March 27, 1998, it had not yet been introduced. Last year it had been anticipated that the new enhanced inspection and maintenance program would have been operational during the last quarter of Fiscal Year 1998 and that federal funds would be available for this purpose. However, the new program is not yet operational and federal funds are available only to cover expenses that exceed the current vehicle inspection program costs. Assuming that the $6.2 million supplemental appropriation will be enacted, then the projected $2.559 million salary reduction reflects positions abolished due to the privatization of certain data output and data entry services. Those new contract costs are displayed below in the Services Other Than Personal funding line item.

| Budget Item | Adj. Approp. FY 1998 | Recom. FY 1999 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| B. Services Other Than Personal | $11,962 | $14,547 | $2,585 | 21.6% | D-276 |

This increase assumes that the private sector can perform the data output and data entry work for about $1.585 million, an estimated $974,000 savings from the department's projected $2.559 million cost for State employees to accomplish the same tasks. In addition, there is a $1.0 million request for data processing activity performed for the department by Treasury's Office of Telecommunications and Information Systems (OTIS). A previous OTIS initiative to cut costs had been entirely assessed against the DOT instead of several departments. The additional $1.0 million would redress this previous, incorrect cost-saving assessment.

| Budget Item | Adj. Approp. FY 1998 | Recom. FY 1999 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| C. Special Purpose - Toll Free Telephone Service | $750 | $750 | $0 | 0.0% | D-276 |

The Fiscal Year 1998 Adjusted Appropriation assumes the enactment of a supplemental appropriation of $750,000 to improve the toll free customer service telephone line that the public may call to request general information on various motor vehicle issues; however, as of March 27, 1998, it had not yet been introduced. This initiative would centralize all customer calls for information to the Telephone Center in Trenton and relieve motor vehicle agencies of that task. As a result, customers should receive more consistent service information and allow the motor vehicle agencies to concentrate on "in-person" work.

## Significant Changes/New Programs ($000)

| Budget Item | Adj. Approp. FY 1998 | Recom. FY 1999 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| D. Special Purpose - Handicapped Parking License Plate/Placard Refund | $1,500 | $0 | ($1,500) | (100.0)% | D-276 |

As part of a recent settlement of a class action lawsuit involving a claimed violation of the federal Americans with Disabilities Act, the State agreed to refund $1.5 million to disabled persons who had paid $10 for a disabled person's license plate or $4 for a disabled person's placard. To pay for this refund, the Fiscal Year 1998 Adjusted Appropriation assumes the enactment of a supplemental appropriation of $1.5 million; however, as of March 27, 1998, it had not yet been introduced. The one-time settlement payment, to be paid by mid-April 1998, would provide a refund amounting to 75% of the fees paid by disabled persons.

| Budget Item | Adj. Approp. FY 1998 | Recom. FY 1999 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| E. Special Purpose - Manahawkin Expansion | $60 | $0 | ($60) | (100.0)% | D-276 |

This appropriation was a one-time legislative initiative to improve the Manahawkin vehicle inspection facility.

| Budget Item | Adj. Approp. FY 1998 | Recom. FY 1999 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| F. Special Purpose - In-Terminal School Bus Inspection | $0 | $1,500 | $1,500 | — | D-276 |

Motor Vehicle Services proposes to create 53 positions to implement an In-Terminal School Bus Inspection Program. Pursuant to this new program, mobile inspection teams would travel to the terminals of school bus operators and inspect school buses on-site. The intent is to reduce the volume of school bus inspections at centralized inspection stations, reduce the overall costs for the public and private operators of school buses who now bring buses to inspection facilities, and improve school bus inspection effectiveness and convenience. Since this inspection program is intended to be self-supporting, $1.5 million in new revenue derived from a $50 per bus inspection fee is anticipated from school bus operators. However, the new fee should be offset by eliminating the expenses associated with the time involved for an operator's employees to drive school buses to State inspection facilities and wait for a bus inspection.

Maintenance and Operations:

| Budget Item | Adj. Approp. FY 1998 | Recom. FY 1999 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| Personal Services - Salaries and Wages | $24,249 | $26,787 | $2,538 | 10.5% | D-280 |

## Significant Changes/New Programs ($000)

| Budget Item | Adj. Approp. FY 1998 | Recom. FY 1999 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|

The Fiscal Year 1998 Adjusted Appropriation assumes the enactment of a supplemental appropriation of $2.05 million for additional lawn mowing along State highways; however, as of March 27, 1998, it had not yet been introduced. Regarding the $2.538 million increase for Fiscal Year 1999, it appears to be related to an effort to correct what has been portrayed as an overall departmental operating deficit of $4.95 million. Further clarification on this deficit has been requested from the Department of the Treasury.

Physical Plant and Support Services:

| | | | | | |
|---|---|---|---|---|---|
| A. Personal Services - Salaries and Wages | $2,824 | $2,203 | ($621) | (22.0)% | D-280 |

This decrease reflects privatizing the remaining portions of heating and ventilation operations, and building maintenance services that are not yet contracted to the private sector. (See Services Other Than Personal below)

| | | | | | |
|---|---|---|---|---|---|
| B. Services Other Than Personal | $1,439 | $1,583 | $144 | 10.0% | D-280 |

This increase reflects the estimated cost to contract the remaining portions of heating and ventilation operations, and building maintenance services that are not yet contracted to the private sector. This initiative would help provide a net savings of $477,000, compared to present costs.

Access and Use Management:

| | | | | | |
|---|---|---|---|---|---|
| A. Personal Services - Salaries and Wages (Bureau of Aviation) | $891 | $226 | ($665) | (74.6)% | D-286 |

This decrease is offset, as noted below, by an increase in funds from the Airport Safety Fund (ASF). The intent is to have the operating budget of the Bureau of Aviation totally supported by the ASF without any matching State money.

| | | | | | |
|---|---|---|---|---|---|
| B. Airport Safety Fund | $300 | $965 | $665 | 221.7% | D-286 |

The increase denotes that all anticipated ASF money would be allocated for the operation of the Bureau of Aviation. For Fiscal Year 1998, the ASF revenue was shared between bureau operating expenses and grants-in-aid to general aviation airports. For Fiscal Year 1999, no ASF money would be used for grants-in-aid to general aviation airports. However, grants-in-aid to such airports would continue to be supported by the $10 million annually allocated since Fiscal Year 1996 for aviation

## Significant Changes/New Programs ($000)

| Budget Item | Adj. Approp. FY 1998 | Recom. FY 1999 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|

purposes by the Transportation Trust Fund and also with matching federal funds.

Management and Administrative Services:

| Budget Item | Adj. Approp. FY 1998 | Recom. FY 1999 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| A. Personal Services - Salaries and Wages | $4,219 | $3,005 | ($1,214) | (28.8)% | D-286 |

This decrease represents savings accruing from streamlining and consolidating various functions such as human resources, the correspondence unit, the authorities unit, and legislative analysis, and also from the continuation of an attrition program initiated in Fiscal Year 1998.

| Budget Item | Adj. Approp. FY 1998 | Recom. FY 1999 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| B. Affirmative Action and Equal Employment Opportunity | $552 | $461 | ($91) | (16.5)% | D-286 |

This decrease is replaced by a reallocation of federal funds from the Disadvantaged Business Enterprises program.

New Jersey Transit Corporation:

| Budget Item | Adj. Approp. FY 1998 | Recom. FY 1999 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| Expenditures: | | | | | |
| A. Bus Operations | $319,600 | $326,000 | $6,400 | 2.0% | E-61 |
| B. Rail Operations | $327,300 | $333,950 | $6,650 | 2.0% | E-61 |
| C. Corporate Operations | $143,800 | $141,300 | ($2,500) | (1.7)% | E-61 |
| D. Purchased Transportation | $71,200 | $76,700 | $5,500 | 7.7% | E-61 |
| Totals | $861,900 | $877,950 | $16,050 | 1.9% | E-61 |
| Revenues: | | | | | |
| A. State Subsidy | $165,500 | $194,250 | $28,750 | 17.4% | E-61 |
| B. Federal Subsidy | $17,600 | $0 | ($17,600) | (100.0)% | E-61 |
| C. NJT Resources | | | | | |
| 1. Fares | $420,600 | $425,300 | $4,700 | 1.1% | E-61 |

# Significant Changes/New Programs ($000)

| Budget Item | Adj. Approp. FY 1998 | Recom. FY 1999 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| 2. Other Sources | $258,200 | $258,400 | $200 | 0.1% | E-61 |
| Totals | $861,900 | $877,950 | $16,050 | 1.9% | E-61 |

A. Expenditure Changes

Bus Operations anticipate a net increase of $6.4 million attributable to the following factors: (1) pursuant to the approved labor agreement contract and to annualize the non-agreement employee merit pay raises, labor and fringe benefits increase by $9.5 million; (2) cleaning buses and bus facilities on a more frequent cycle would require $1.0 million; and (3) as an offset to the increases, reductions in areas such as overtime, travel, equipment, and administrative personnel would provide a $4.1 million decrease in funding requirements.

Rail Operations project a net increase of $6.65 million attributable to the following factors: (1) pursuant to the anticipated labor agreement settlement and to annualize the non-agreement employee merit pay raises, labor and fringe costs increase by $9.25 million; (2) fees to Amtrak for access to the Northeast Corridor rail line increase by $1.2 million; (3) cleaning rail cars and rail facilities on a more frequent cycle would require $1.0 million; and (4) as an offset to the increases, reductions in areas such as management, travel, and electric propulsion costs would provide a $4.8 million decrease in funding requirements.

Corporate Operations anticipate a net decrease of $2.5 million attributable to the following factors: (1) pursuant to current bus and anticipated rail labor agreements, to annualize non-agreement employee merit pay increases, and the police union agreement, labor and fringe costs increase by $2.0 million; (2) maintenance on data system hardware and software such as ticket vending machines, variable message signs, and IBM and DEC systems increases by $2.0 million; (3) legal representation by the Division of Law increases by $0.5 million; and (4) as an offset to the increases, a reduction of 40 positions in various administrative departments, and also reductions in areas such as management consultants, travel, and office furniture and supplies would provide a $7.0 million decrease in funding requirements.

Purchased Transportation projects a $5.5 million increase attributable to the following factors: (1) a new program to reimburse private carriers who honor NJT monthly bus cards would require an estimated $4.0 million; (2) the statewide Access Link program which provides demand-response bus paratransit to disabled residents has an increase of $1.0 million; and (3) the reimbursement of Amtrak for NJT tickets honored on Amtrak trains increases by $0.5 million.

B. Revenue Changes

The State operating subsidy increases by $28.75 million. This subsidy increase would avoid a fare increase when the following changes in other NJT revenue sources are considered: (1) ridership levels, while at an all-time high point for the agency, are estimated to grow by only one percent instead of the recent rates of three to four percent, and, as a result, fare revenue from ridership growth is expected to increase by about $4.7 million; (2) direct, federal operating subsidy assistance which has declined over the past few years and is anticipated to end next year can be replaced only

## Significant Changes/New Programs ($000)

| Budget Item | Adj. Approp. FY 1998 | Recom. FY 1999 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|

in the year it occurs on a dollar-for-dollar basis by the Transportation Trust Fund (this replacement amount is reflected in Revenues: Other Sources); (3) carry-forward funds, which amounted to $33.2 million for Fiscal Year 1998, are expected to decline to $12.5 million next year; and (4) an additional $3.3 million from increases attributable to services provided to Metro North for passengers bound for New York, and from increases in retail leases and rail station parking fees.

Access and Use Management:

| | | | | | |
|---|---|---|---|---|---|
| A. Airport Safety Fund | $300 | $0 | ($300) | (100.0)% | E-62 |

No Airport Safety Fund (ASF) money would be used for grants-in-aid because the $965,000 in revenue estimated to be generated by the $0.02 per gallon tax on aviation fuel is to be used to support the operating budget for the Bureau of Aviation. Consequently, no general fund matching money is needed to support that bureau. For Fiscal Year 1998, the ASF revenue was shared between bureau operating expenses and grants-in-aid to general aviation airports. For Fiscal Year 1999, no ASF money would be used for grants-in-aid to general aviation airports. However, grants-in-aid to such airports would continue to be supported by the $10 million annually allocated since Fiscal Year 1996 for aviation purposes by the Transportation Trust Fund and also with federal funds.

| | | | | | |
|---|---|---|---|---|---|
| B. NJ Citizens for Environmental Research - Aircraft Noise Abatement Study | $50 | $0 | ($50) | (100.0)% | E-62 |

This appropriation was a legislative initiative to provide funds to a specific public interest group for an aircraft noise abatement study.

| | | | | | |
|---|---|---|---|---|---|
| Transportation Trust Fund Account | $380,300 | $463,700 | $83,400 | 21.9% | G-19 |

A $463.7 million capital budget appropriation is recommended for the Transportation Trust Fund Account. This amount would be derived from: (1) the motor fuels tax that is constitutionally dedicated to the State's transportation system (on July 1, 1998 the portion so dedicated increases from 7.0 cents per gallon to 8.0 cents per gallon; on July 1, 1999 the dedicated portion further increases to 9.0 cents per gallon and then remains at that level); (2) $24.5 million from contracts with the State's three toll road authorities; (3) $30 million from certain increases in diesel fuel taxes and truck registration fees; and (4) revenue from "Good Driver" surcharges. The "Good Driver" vehicle registration surcharge, originally scheduled to expire on December 31, 1996, was permanently extended, but at a declining rate, as part of the legislation which reauthorized the Transportation Trust Fund (TTF). It is a statutory funding source that is available, as needed, for the TTF. This increase is consistent with the funding needs of the TTF.

# Language Provisions

| 1998 Appropriations Handbook | 1999 Budget Recommendations |
| --- | --- |
| p. B-202 | p. B-276 |
| Receipts derived pursuant to section 2 of P.L.1989, c.202 (C.39:3-33.9) are appropriated for the preparation and issuance of reflectorized license plates, subject to the approval of the Director of the Division of Budget and Accounting. | No comparable language. |

Explanation

The language is no longer relevant. The $0.40 surcharge for reflectorized plates placed on motor vehicle registrations expired on June 30, 1996 and has not been renewed. To help offset this loss of revenue, there is other budget language that directs that receipts in excess of the amount anticipated for certain special license plates be appropriated for reflectorized license plates.

| 1998 Appropriations Handbook | 1999 Budget Recommendations |
| --- | --- |
| p. B-202 | p. B-276 |
| The unexpended balance as of June 30, 1997 in the Decal Refund - Axle Tax program is appropriated for the payment of claims directed against the State, subject to the approval of the Director of the Division of Budget and Accounting. | No comparable language. |

Explanation

According to Motor Vehicle Services, the claims associated with this program had been satisfied by 1995 and there is no longer an unexpended balance . Consequently, there appears to be no need to retain this language.

# Language Provisions

| 1998 Appropriations Handbook | 1999 Budget Recommendations |
|---|---|
| p. B-202 | p. B-277 |
| Receipts in excess of the amount anticipated for the Commercial Driver License Program are appropriated to offset the costs of administering the program pursuant to the Commercial Motor Vehicle Safety Act, P.L.1990, c. 103 (C.39:3-10.9 et seq), subject to the approval of the Director of the Budget and Accounting. | No comparable language. |

## Explanation

To ease the administration of this program, an amount of $1.689 million related to this language has been moved on-budget. Consequently, there is no need to retain this language. As a result of moving the program on-budget, the processing of related documents and reports needed to place funds in the appropriate operational accounts can be eliminated.

| 1998 Appropriations Handbook | 1999 Budget Recommendations |
|---|---|
| p. B-203 | p. B-277 |
| Notwithstanding the provisions of the " Motor Vehicle Inspection Fund" established pursuant to subsection j. of R.S.39:8-2, balances in the fund are available for non-Clean Air purposes, subject to the approval of the Director of the Division of Budget and Accounting. | Same language except "non-Clean Air purposes" changed to read " other-Clean Air purposes." |

## Explanation

The language change from "non-Clean Air purposes" to "other-Clean Air purposes" reflects an intent to allocate money in the Motor Vehicle Inspection Fund (MVIF) not used for its intended statutory vehicle inspection purposes for other uses that promote cleaner air. Of the estimated $64.4 million to be credited to the Motor Vehicle Fund in Fiscal Year 1999, about $21.4 million would be used for the vehicle enhanced inspection and maintenance program and the remaining $43.0 million is intended to be used as part of the proposed $194.25 million State subsidy to New Jersey Transit.

## Language Provisions

| 1998 Appropriations Handbook | 1999 Budget Recommendations |
|---|---|
| p. B-202 | p. B-277 |
| No comparable language. | The amount hereinabove for the In-Terminal School Bus Inspection Program is payable from receipts derived from In-Terminal School Bus Inspection fees, and receipts in excess of the amount anticipated from In-Terminal School Bus Inspection fees are appropriated, subject to the approval of the Director of the Division of Budget and Accounting. If receipts are less than anticipated, the appropriation may be reduced proportionately. |

### Explanation

This is a new program and is intended to be self-supporting. The program proposes to improve the efficiency of the State's vehicle inspection facilities and reduce public and private bus operator costs for school bus inspections by inspecting school buses on-site at a bus operator's property rather than at State inspection facilities. The estimated $1.5 million needed to support the program would be based on the receipt of revenue generated from a $50 per bus fee per on-site inspection. The new fee should be offset by eliminating the expenses associated with the time involved for an operator's employees to drive school buses to State inspection facilities and wait for a bus inspection.

| 1998 Appropriations Handbook | 1999 Budget Recommendations |
|---|---|
| p. B-203 | p. B-277 |
| No comparable language. | Upon implementation of the Enhanced Inspection and Maintenance Program, one half of the receipts derived from fines and penalties received from complaints or summonses issued by county or local enforcement officers, pursuant to P.L.1995, c.112 (R.S.39:8-9), are appropriated for payment to the county or municipality initiating the complaint or summons. |

### Explanation

This language is consistent with the intent of subsection d.(7) of R.S.39:8-9 concerning the disbursement of revenue to counties and municipalities from fines imposed pursuant to the State's new vehicle enhanced inspection and maintenance program.

## Language Provisions

| 1998 Appropriations Handbook | 1999 Budget Recommendations |
|---|---|
| p. B-203 | p. B-277 |
| No comparable language. | The amount appropriated hereinabove for the Vehicle Inspection Program is payable from the Motor Vehicle Inspection Fund. The increased cost of implementation of the Enhanced Inspection and Maintenance Program will be funded from federal Congestion and Mitigation and Air Quality Improvement funds. |

### Explanation

The State would use federal funds to pay for those eligible costs of the new enhanced inspection and maintenance program that exceed the $21.4 million that the State currently provides to support its existing vehicle inspection program.

| 1998 Appropriations Handbook | 1999 Budget Recommendations |
|---|---|
| p. C-31 | p. E-62 |
| The amount hereinabove for the Airport Safety Fund is payable out of the "Airport Safety Fund" established pursuant to section 4 of P.L.1983, c.264 (C.6:1-92). If receipts to the fund are less than anticipated, the appropriation shall be reduced proportionately. | No comparable language. |

### Explanation

The $965,000 in revenue estimated to be generated by the $0.02 per gallon tax on aviation fuel sold at general aviation airports, which excludes Newark and Atlantic City International Airports, and deposited in the Airport Safety Fund, is to be used to support the operating budget of the Bureau of Aviation. Consequently, no general fund appropriation is needed to support that bureau. For Fiscal Year 1998, ASF revenue was shared between bureau operating expenses and grants-in-aid to general aviation airports. For Fiscal Year 1999, no ASF money would be used for grants-in-aid to general aviation airports. However, grants-in-aid to such airports would continue to be supported by the $10 million annually allocated for aviation purposes since Fiscal Year 1996 by the Transportation Trust Fund along with federal matching funds.

# Language Provisions

| 1998 Appropriations Handbook | 1999 Budget Recommendations |
|---|---|
| p. E-12 and E-16 | p. G-20 |
| Notwithstanding the provisions of P.L.1984, c.73 (C.27:1B-1 et al.) to the contrary, there is appropriated the sum of $617,000,000 from the revenues and other funds of the New Jersey Transportation Trust Fund Authority for the specific projects identified under the six general program headings as follows: See project display on pages E-12 to E-15.<br><br>Notwithstanding the provisions of P.L.1984, c.73 (C.27:1B-1 et al.) to the contrary, there is appropriated the sum of $283,000,000 from the revenues and other funds of the New Jersey Transportation Trust Fund Authority for the specific projects identified as follows: See project display on pages E-16 to E-17. | Pursuant to the provisions of P.L.1984, c.73 (C.27:1B-1 et al.) there is appropriated the sum of $700,000,000 from the revenues and other funds of the New Jersey Transportation Trust Fund Authority for transportation capital purposes as follows:<br>Highway Construction Projects<br>Highway Design Projects<br>Highway Right-of-way Acquisition Projects<br>Project Development<br>Highway Planning<br>Local Aid Projects<br>Public Transportation Projects |

## Explanation

The Legislature authorized a total appropriation of $900 million in Fiscal Year 1998 from the New Jersey Transportation Trust Fund Authority to help finance certain projects that were part of the previous Fiscal Year 1997 project list that totaled $1.05 billion. The projects on that previous year's list could not all be financed at that time because the Legislature only authorized the TTF to provide the statutory $700 million in capital program funding for Fiscal Year 1997. The Fiscal Year 1999 appropriation of $700 million from the New Jersey Transportation Trust Fund Authority would represent a return to the statutory appropriation level. In addition, the proposal to provide funding for the seven transportation capital purposes noted above for Fiscal Year 1999 would be replaced in the appropriation act by a project list and amounts to be expended on the projects subsequent to the submission of a project list by the Commissioner of Transportation and a review by the Legislature.

## Language Provisions

| 1998 Appropriations Handbook | 1999 Budget Recommendations |
|---|---|
| p. B-16 | p. G-20 |
| Notwithstanding the provisions of any other law to the contrary, there is allocated from the Unanticipated design, right-of-way, and construction expenses project hereinabove under the Construction program heading, $21,000 for the construction of a turnaround on Route 42 north of County Road 555 near Martin dealerships. | No comparable language. |

### Explanation

This Fiscal Year 1998 language provided legislative intent on the expenditure of certain funds authorized to be appropriated from the New Jersey Transportation Trust Authority.

| 1998 Appropriations Handbook | 1999 Budget Recommendations |
|---|---|
| p. E-16 | p. G-20 |
| Notwithstanding the provisions of any other law to the contrary, there is allocated from the Unanticipated design, right-of-way, and construction expenses project hereinabove under the Construction program heading and from the Emerging projects project in the Design program heading hereinabove, such sums as are necessary to fund the following items: construction on Route 322 in Monroe Township; Park and Ride at Deptford; Park and Ride at Berlin-Cross Keys Road and the Atlantic City Expressway; bypass at Berlin-Cross Keys Road in Washington Township (Gloucester County) | No comparable language. |

### Explanation

This Fiscal Year 1998 language provided legislative intent on the expenditure of certain funds authorized to be appropriated from the New Jersey Transportation Trust Authority.

# Discussion Points

1. The Budget Message indicates that the capital construction program supported by the Transportation Trust Fund (TTF) will be $700 million for Fiscal Year 1999. This would be a return to the $700 million TTF statutory capital program level following a presumed one-time increase to $900 million authorized by the Legislature for Fiscal Year 1998. Although the amount of federal matching funds for highway and transit purposes must still await the reauthorization of the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) or a comparable federal funding authorization act, the Senate recently passed a transportation reauthorization bill that would annually provide over $1.0 billion to the State for highways and mass transit; this amount represents an increase of about $180 million over the current annual federal transportation funding level.

! *Questions:* Would the anticipated increase in federal funds from the expected six year reauthorization of ISTEA or comparable federal act avoid the need for larger appropriations from the TTF during that six year period? Under the current department method of matching federal funds through its "maintenance of effort," are additional TTF funds needed to match the projected $180 million increase in federal aid? Under what circumstances might an increase in TTF funds be requested? Would any increase in TTF appropriations require a waiver on the current TTF annual bonding limit of $700 million? If so, by how much?

Explain the reason for and the impact of the recent federal restriction on adding/changing projects to the department's Transportation Improvement Plan.

2. New Jersey Transit (NJT) has undertaken a significant program related to new rail construction. Most notable is the Phase I construction of the Hudson-Bergen Light Rail Transit System (HBLRTS) between Bayonne and Hoboken. In addition, NJT is preparing other rail initiatives including Phase II of the HBLRTS, the Trenton - Camden Light Rail Transit System, and the Newark - Elizabeth Rail Line (NERL) for construction in the immediate future.

! Is there sufficient capacity under the federal transportation reauthorization bill recently passed by the Senate to accommodate the funding needs of these pending NJT light rail initiatives without requesting additional TTF funding or unduly affecting the remainder of the NJT capital plan? Would NJT need to "over program" its capital program for Fiscal Year 1999 as it did for Fiscal Years 1997 and 1998? What are the estimated annual capital costs that NJT might incur through Fiscal Year 2001 for these three new rail initiatives?

3. Budget language is again recommended that would appropriate receipts " ...not to exceed $5.0 million as may be received by the Department of Transportation from the State Highway Authorities as reimbursement for services that are performed by the department on behalf of the authorities..." This language was also part of the Fiscal Year 1997 and 1998 Appropriation Acts.

! *Questions:* Since the department has not received any reimbursements pursuant to this language for Fiscal Years 1997 or 1998, what activities would the department perform in Fiscal Year 1999 that would generate reimbursements from the authorities?

4. The department allocated approximately $12.6 million for snow and ice controls in Fiscal Year 1998. Given the mild winter, a major portion of the allocation should not be needed for that purpose during the remainder of this fiscal year.

! *Questions:* How much of the $12.6 million for snow and ice controls has been expended to date? If the remaining "snow season" remains mild, how much does the department

## Discussion Points

still have to expend to meet any minimum payments pursuant to contracts with private snow plow operators? How much will remain from the snow and ice control funding allocation after all expenses are paid? How would the remaining funds be used?

5. According to the Department of the Treasury summary data describing major appropriation changes in the department, there is an apparent operating fund deficit of about $4.95 million attributed to the department for Fiscal Year 1998. According to the summary, this deficit would be eliminated by the requested appropriation for Fiscal Year 1999.

! *Questions:* What are the reasons for this current operating fund deficit? In which program areas are the deficits and for what amounts? How will the deficit be reconciled this year? How is it being redressed in the Fiscal Year 1999 budget proposal?

6. As part of a recent settlement of a class action lawsuit involving a claimed violation of the federal Americans with Disabilities Act, the State agreed to refund about $1.5 million to about 274,000 disabled persons who had paid $10 for a disabled person's license plate or $4 for a disabled person's placard. The refunds are to be made by mid-April, 1998.

! *Questions:* Since a supplemental appropriation for this purpose has not yet been introduced, how would the department meet the timing requirement for refunds? What funding source would be used for the refund, absent a timely supplemental appropriation?

7. The Governor proposes that the current four-year driver licenses costing $16 be replaced with 10-year driver licenses costing $35. The 10-year licenses would use "smart card" technology.

! *Questions:* Since motor vehicle license fees are estimated to generate about $23.9 million in Fiscal Year 1998, would switching to a higher cost driver license generate greater revenue for the State over the next four years but then result in a downturn for the succeeding six years? If not, why not? Please indicate what requirements are being considered regarding the issuance of the proposed licenses. Will, for example, a photograph of the licensed driver be required? If so, will the process to affix a photo to the license differ from the current method? Is it anticipated that vision testing every 10 years as required by State law be a component of the licensure provisions? What are the projected costs for insuring that a driver receiving a new 10-year license has passed a vision test and that the license can also be used as a photo identification? Are these costs part of the $35 issuing expense?

Has the private sector expressed any interest in "leasing" space on the proposed driver license "smart card?" What types of additional information would the private sector wish to incorporate onto the "smart cards." Are there examples of other states deriving revenue from issuing similar "smart card" driver licenses? What level of annual revenue could the State anticipate from "leasing" space on a "smart card" to the private sector?

8. The department issued a Request For Proposal (RFP) for the vehicle Enhanced Inspection and Maintenance Program (EIMP) on February 18, 1998. Responses from the private sector are due by May 12, 1998. As an incentive to complete work on the EIMP early, the vendor that is awarded the EIMP contract would receive a bonus if the requirements for the EIMP are completed ahead of schedule, up to a maximum bonus of $3.0 million if completed 90 days ahead of schedule.

## Discussion Points

! *Questions:* What is the anticipated schedule for the award of an EIMP contract, the completion of facility construction, and the installation of equipment for the new EIMP? Since it is anticipated that lanes would be upgraded to EIMP standards at different times during the contract period, when would the new EIMP vehicle inspection become mandatory rather than voluntary, i.e. at the end of the contract period when all lanes are upgraded or at a date certain regardless if all lanes are upgraded to EIMP standards?

If the department awards a contract for the implementation of the new EIMP by July, 1998, would the federal Environmental Protection Agency still impose a 2-for-1 emission offset sanction on new stationary air pollution sources or restrict access to federal matching funds for certain transportation construction purposes? At what points in time might these two sanctions be imposed? How much and for what purposes might federal funding aid for transportation be restricted?

9. The department proposes to initiate a new $1.5 million program that would inspect school buses in the terminals of the private and public school bus operators instead of continuing the current system of inspecting school buses at State inspection lane facilities. By removing school buses from in-lane inspections, there may also be a reduction in excessive waiting times for other vehicles awaiting inspection. Although a new $50 per bus inspection fee will be incurred to pay for this program, school bus operators may benefit by the elimination of the need and expense of drivers transporting and then waiting for school buses to be inspected.

! *Questions:* Please explain the basis on which the $1.5 million revenue estimate was derived. If program costs exceed $1.5 million, please explain what cost savings might be realized as a result of reduced school bus inspection volumes in the inspection lanes. Since $2.0 million in new revenue from fines under "School Bus Failure to Pass Inspection" is anticipated, could the new on-site inspection program be self-supporting just through fines assessed because of school bus inspection failures? Has the department been able to estimate how much the new on-site bus inspection program might save or cost the average school bus operator compared to the current in-lane bus inspection system?

10. Excluding about 402 full-time employees associated with the current motor vehicle inspection program who, statutorily, must be offered full-time employment by a contractor awarded the operation of the Enhanced Inspection and Maintenance Program, the department estimates that it can save about $1.4 million by privatizing 236 positions related to motor vehicle data processing, highway land surveys, right-of-way appraisals, and heating and ventilation services.

! *Questions:* Regarding the privatization of motor vehicle data processing positions, how would the department insure that the contractor protects sensitive driver records in accordance with the federal Driver's Privacy Protection Act? What percent of the other functions noted above that would be privatized are already performed for the department by the private sector? If these functions become completely privatized, would the department still retain the technical expertise to review the contracted work? If additional funds became available, on what priority basis would the department reinstate some or all of these employee positions?

# Background Paper: Transportation Trust Fund Authority

Budget Pages..... G-19 and G-20

## Background

The Transportation Trust Fund Authority, established pursuant to P.L.1984, c. 73, is a financing mechanism intended to support the annual transportation capital construction program. The Trust Fund was designed to finance improvements to the State's road, bus and rail transportation networks, and to support local government transportation projects. As envisioned in 1984, the Trust Fund program was to provide an average $250 million per year over a four-year period for the transportation construction program. However, the original program was subsequently funded as a three-year program and a one year extension with each year at different funding levels. In January 1988, the Trust Fund was renewed pursuant to P.L.1987, c.460. Under that renewal, the department, beginning in FY 1989, was to receive $365 million each year for seven years, compared to an average $332 million during the Trust Fund's first four years.

Subsequent amendatory legislation, P.L. 1991, c.40, authorized an increase in the Trust Fund program for FY 1991 and FY 1992, and as a consequence of that legislation, $565 million and $593 million, respectively, were made available for those years. A mid-course review of the renewed Trust Fund program had indicated that a two-year increase in the Trust Fund program level was justified to support accelerating infrastructure construction demands. In addition, Trust Fund officials felt that since the amount of Trust Fund bonds issued up to that time was less than anticipated, and construction contracts awarded in amounts below Trust Fund estimates, an increase in the construction program level would be possible without any additional appropriations from the State's General Fund. However, given the continued recessionary problems then confronting the State, further legislation, P.L. 1992, c. 10, permitted the Trust Fund program level to remain at an average $565 million amount through FY 1995.

To continue the Trust Fund program in FY 1996 and several years thereafter, P.L.1995, c.108 was enacted. This legislation increased the annual Trust Fund program level to $700 million and expanded its funding purposes. The new, higher program level permits DOT and NJT to share an additional $105 million, and increases the local government aid portion by $30 million. Further, the expansion of Trust Fund purposes now includes specific support for general aviation airports, and permission to supplant, on a dollar for dollar basis, reductions in annual federal operating subsidies that NJT may experience. Although P.L.1995, c.108 does not contain a specific reauthorization period, the legislative intent is to insure that the Trust Fund can finance at least a five-year program, from FY 1996 through FY 2000.

To financially support the Trust Fund program, monies are available from several revenue sources. The constitutional dedication of 2.5 cents per gallon from the motor fuels tax for State transportation purposes, in effect since December 1984, increased to 7.0 cents per gallon on July 1, 1996, and will increase to 8.0 cents per gallon on July 1, 1998, to 9.0 cents per gallon on July 1, 1999, and then continue at the 9.0 cent level thereafter. In addition, the Trust Fund is supported with $30 million from 5.5 cents per gallon in statutorily dedicated diesel fuel taxes and certain increases in truck registration fees, and $24.5 million from contracts with the State's three toll road authorities (e.g., Turnpike @ $12 million, Parkway @ $10 million, and Expressway @ $2.5 million). Furthermore, pursuant to P.L.1995, c.108, the Trust Fund is to be credited with certain revenues, as needed, from motor vehicle registration fee surcharges and from the General Fund.

In turn, the Trust Fund leverages these annual revenues with the Trust Fund's bond issuing

# Background Paper: Transportation Trust Fund Authority

capacity to finance the amount of the construction program authorized to be appropriated each year from the Trust Fund Authority by the Legislature. The Trust Fund carries out this financing function through the following two-step process.

## Trust Fund Financing

First, the Trust Fund receives an annual appropriation from the State. From FY 1985 to FY 1988, this annual amount varied between $143 million and $201 million. However, pursuant to the legislation renewing the Trust Fund program in January 1988, the annual State appropriation in the capital construction budget to the Transportation Trust Fund Account was scheduled to be $331 million. Nevertheless, due to budgetary constraints, the amount appropriated to the Transportation Trust Fund Account was decreased to $155 million for FY 1993, $160 million in FY 1994, and $213 million in FY 1995, resulting in a total three year diversion of $465 million from the Trust Fund.

For FY 1996, and in conformance with the intent of P.L.1995, c.108, the capital appropriation to the Trust Fund Account was $196.6 million. Although the FY 1997 capital appropriation was anticipated to be at least $362.8 million at the time P.L.1995, c.108 was enacted, the Governor subsequently recommended, and the Legislature appropriated, $304.5 million for FY 1997. This reduced amount was justified on the basis of lower than projected debt service costs on outstanding Trust Fund bonds. While the FY 1998 appropriation of $380.3 million to the account is consistent with funding estimates made in 1995, the proposed $463.7 million appropriation for FY 1999 is slightly below the $511.6 million estimate also made in 1995. However, the lower amount for FY 1999 is again being attributed to lower than anticipated debt service costs on outstanding Trust Fund bonds. Debt service has been lower than projected since FY 1996 because the original interest rate assumptions of 6.5% to 8.5% on Trust Fund bonds proved to be too high; instead, interest rates on Trust Fund bonds sold since FY 1996 have varied from 4.95 % to 5.61%.

Along with the General Fund appropriation <u>to</u> the Trust Fund Account, the annual appropriation act also appropriates monies <u>from</u> the Trust Fund Authority to support the recommended capital program. Since the inception of the Trust Fund in FY 1985, the amount of the annual capital program has increased steadily from $249 million to the $700 million level authorized to begin in FY 1996 pursuant to P.L.1995, c.108. Notwithstanding that current statutory $700 million amount, DOT submitted a program that totaled $1.050 billion for FY 1997. Nevertheless, for FY 1997 the Legislature appropriated only $700 million and stipulated that the department submit a revised program list that totaled $700 million. Although DOT did submit a revised capital program for FY 1997, a subsequent consequence of project "over programming" in FY 1997 resulted in the Legislature authorizing an appropriation of $900 million for FY 1998 to help address the FY 1997 "over programming" problem. While the FY 1999 Budget Message requests a capital program of $700 million, the Commissioner of Transportation had not submitted, as of March 27, 1998, the FY 1999 capital plan that would either confirm or revise that $700 million request amount.

The difference then between the annual appropriation <u>to</u> the Transportation Trust Fund Account and the amount <u>from</u> the Trust Fund Authority requires the second step of financing. To obtain the needed additional monies to support the legislatively approved construction programs, the Trust Fund Authority must issue bonds. Although earlier legislation restricted the amount of Trust Fund bonds that could be outstanding at one time to $1.7 billion, the restriction was eliminated by P.L.1995, c.108. However, P.L.1995, c.108 does restrict the authority's bond issuing amount to not more than $700 million in any fiscal year, except that if any portion of that amount is not issued in a fiscal year, it may be issued in subsequent fiscal years.

# Background Paper: Transportation Trust Fund Authority

Consequently, the Trust Fund is expected to use all of its resources - State appropriations, bond proceeds and investment earnings - to finance the transportation construction program. It must also be noted that the Trust Fund uses its State appropriations as well as investment earnings to pay the annual debt service costs on its outstanding bonds. While debt service costs had been relatively modest in the recent past, about $46 million in FY 1992, these costs increased to $249 million for FY 1998, and are expected to rise to about $365 million by FY 2000 as the result of providing an estimated $3.4 billion in Trust Fund bond proceeds for the transportation construction program between FY 1996 and FY 2000.

Trust Fund Recap
(amounts rounded in $ millions)

| FY | Trust Program $ | State Approp. $ | Bond Proceeds $ | Trust Earnings $ | Debt Service $ | Bond Needs $ |
|---|---|---|---|---|---|---|
| 85 | 249 | 198 | 51 | 6 | 2 | -4 |
| 86 | 323 | 153 | 0 | 20 | 9 | 159 |
| 87 | 431 | 143 | 178 | 20 | 14 | 104 |
| 88 | 323 | 201 | 89 | 28 | 26 | 31 |
| 89 | 365 | 331 | 0 | 39 | 46 | 41 |
| 90 | 365 | 331 | 0 | 43 | 46 | 37 |
| 91 | 565 | 331 | 0 | 32 | 46 | 248 |
| 92 | 593 | 331 | 272 | 22 | 46 | 14 |
| 93 | 537 | 155 | 495 | 15 | 87 | -41 |
| 94 | 565 | 160 | 461 | 14 | 135 | 65 |
| 95 | 565 | 213 | 182 | 15 | 168 | 323 |
| 96 | 700 | 197 | 611 | 15 | 130* | 7 |
| 97 | 700 | 305 | 674 | 18 | 183 | -114 |
| 98 | 900 | 380 | 715 | 18 | 249 | 36 |
| Sub-total | 7,181 | 3,429 | 3,728 | 305 | 1187 | 906 |
| 99(Est) | 700 | 464 | 700 | 18 | 305 | -177 |
| Total | 7,881 | 3,893 | 4,428 | 323 | 1,492 | 729 |

* The reduction in debt service costs between FY 1995 and FY 1996 reflects the issuance of 20 year Trust Fund bonds in July and August of 1995 to refinance previously issued 10 year Trust Fund bonds.

# Background Paper: Enhanced Inspection and Maintenance Program

Budget Pages.... D-276 and D-277

## Federal Involvement

In response to the federal "Clean Air Act Amendments of 1990" (CAAA), the Division of Motor Vehicles proposes to help improve the air quality within the State by increasing the effectiveness of the State's motor vehicle emission inspection program. Because most of the State falls within the "severe non-attainment" category for ozone and because the State also contains areas with a "moderate" non-attainment classification for carbon monoxide, the CAAA require the State to implement a more effective motor vehicle inspection program, commonly referred to as the enhanced inspection and maintenance program (EIMP). Failing to comply with these CAAA requirements would, under current federal legislation, jeopardize the continued receipt of certain federal highway funds, cause the imposition of two-for-one emission offsets on new stationary air pollution sources related to industrial development and expansion, and invite the imposition of a federal air pollution implementation plan on the State.

Although the United States Environmental Protection Agency (EPA) originally designated the IM240 test-only motor vehicle inspection program as the EIMP to be implemented by the State, the projected high implementation costs of that program plus ancillary program problems led to further negotiations with the EPA about the type of enhanced vehicle inspection program that would be implemented by New Jersey. The negotiations between the State and EPA eventually resulted in an agreement in December 1994 to allow New Jersey to substitute a faster ASM 5015 test in place of the IM240 test. The agreement also permitted the continued participation of some 3,750 private test-and-repair inspection facilities as part of the vehicle inspection program.

Subsequent to the December 1994 agreement, the National Highway System Designation Act, was signed by the President in November 1995. This 1995 federal act allows states additional flexibility to design and evaluate the effectiveness of their enhanced emission inspection systems, and eliminates the automatic 50 percent discount of ozone emission reduction credits which, previously, had been applied to any state implementation plan (SIP) that included test-and-repair facilities as part of its enhanced vehicle inspection program. Moreover, the NHSDA precludes the EPA from requiring that the IM240 test-only inspection program be adopted or implemented by a state as a means of complying with the CAA amendments. As a further consequence of the 1995 federal act, states were given 120 days to revise their SIPs to conform to the changes authorized in the act. New Jersey submitted its revised SIP in March 1996.

## State Initiative

As a complement to the submission of the State's SIP, and revisions thereto, the State enacted the "Federal Clean Air Mandate Compliance Act," P.L.1995, c.112. This State legislation conforms New Jersey to the standards and requirements of the CAAA. It also established the "Motor Vehicle Inspection Fund" which was to be credited with $11.50 from each motor vehicle registration fee received after June 30, 1995. The Inspection Fund revenues, estimated to total about $70 million annually, were to be provided from existing registration fees paid each year by motorists and were to be appropriated by the Legislature to pay the reasonable and necessary expenses of the implementation and operation of the enhanced motor vehicle inspection program. However, due to extensive State/EPA negotiations, the 1995 federal legislation affecting the EIMP, the State's revision of its SIP, and the State's rejection of the single bid submitted in August 1997 in response to an EIMP Request For Proposal issued in February 1997, mandatory implementation

## Background Paper: Enhanced Inspection and Maintenance Program

of the EIMP by the State has been delayed but is now expected to begin by January 2000. As a consequence of the delay in implementing the EIMP, budget language was inserted into the FY 1997 and FY 1998 Appropriation Acts permitting fund balances in the Motor Vehicle Inspection Fund to be used for other purposes. Similar, permissive budget language is proposed for FY 1999.

The law that established the Motor Vehicle Inspection Fund, P.L.1995, c.112, authorizes the State Treasurer to determine who should inspect motor vehicles at EIMP test-only facilities. The three options to be considered by the State Treasurer are: (1) assign to the State the full responsibility of the EIMP; (2) assign the full responsibility to the private sector through contract; or (3) assign shared responsibilities between the State and the private sector. To help reach that determination, the State issued a revised Request for Proposal for the EIMP on February 18, 1998; responses to this revised request are due on May 12, 1998. Subsequent to a review of the responses, a decision on the award of any contract together with an economic analysis of the three options would then be submitted to the Legislature at least seven business days prior to the award of a contract to operate or maintain official, test-only motor vehicle inspection facilities. This decision is especially important to about 402 full-time State employees who are involved with the current motor vehicle inspection program. Whether such State employees remain as State employees, or accept employment pursuant to the statutory requirement that any take-over of test-only facilities by the private sector must include an offer of employment to State inspection employees whose jobs are terminated as a result of privatization, hinges on the State Treasurer's decision.

## Background Paper: Enhanced Inspection and Maintenance Program

Current versus Enhanced Inspection Programs

| | Current Inspection Program | Enhanced Inspection Program |
|---|---|---|
| Type of inspection | Curb idle emissions test; catalytic converter tampering check; gas cap check on vehicles originally equipped with sealed gas cap; safety inspection | For 1980 & older vehicles, 1981 and newer vehicles unable to safely undergo ASM5015 or 2500 RPM test, and heavy duty gas vehicles: Curb idle emissions test<br><br>For 1981 & newer vehicles: ASM5015 dynamometer emissions test; also evaporative purge test subsequent to successful development by EPA<br><br>For 1981 & newer vehicles equipped with full-time 4-wheel drive and other vehicles unable to safely undergo ASM5015 test: 2500 RPM high idle test; also an evaporative pressure test<br><br>All 1975 and newer gas vehicles with catalytic converter receive emission control apparatus compliance test<br><br>All vehicles originally equipped with sealed gas cap receive gas cap test<br><br>All vehicles receive safety inspection and visible smoke test |
| Vehicles exempt | Historic vehicles | Collector vehicles (new category); historic vehicles |
| Frequency | Every year | Every two years |
| Where | Central lanes or private inspection center (PIC) | Central lanes or private inspection facility (PIF) |
| Cost to Driver | Free at central lanes; half of hourly labor rate at PIC | Free at central lanes; PIF rate to be determined by regulation |
| Waiver Policy | No waivers granted; must pass curb idle emissions test | No waiver for 1980 & older vehicles: must pass curb idle emissions test<br><br>For 1981 & newer vehicles: until Jan.1, 2000, must incur vehicle repair charges of at least $200; after that date, amount increases to about $650; must still pass curb idle emissions test |

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