ANALYSIS OF THE NEW JERSEY

FISCAL YEAR 1999 - 2000 BUDGET

DEPARTMENT OF TRANSPORTATION

PREPARED BY

OFFICE OF LEGISLATIVE SERVICES

NEW JERSEY LEGISLATURE

MARCH 1999

NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF TRANSPORTATION

Budget Pages....... C-11, C-19, C-25 to C-26, C-27; D-355 to D-371; E-19 to E-21

Fiscal Summary ($000)

	Expended FY 1998	Adjusted. Appropriation FY 1999	Recommended FY 2000	Percent Change 1999-00
State Budgeted	$748,328	$872,867	$853,770	(2.2)%
Federal Funds	499,711	716,000	708,000	(1.1)%
Other	855,078	719,497	918,586	27.7%
Grand Total	$2,103,117	$2,308,364	$2,480,356	7.5%

Personnel Summary - Positions By Funding Source

	Actual FY 1998	Revised FY 1999	Funded FY 2000	Percent Change 1999-00
State	4,512	4,442	4,230	(4.8)%
Federal	1,133	1,103	1,183	7.3%
Other	0	0	0	—
Total Positions	5,645	5,545	5,413	(2.4)%

FY 1998 (as of December) and revised FY 1999 (as of September) personnel data reflect actual payroll counts. FY 2000 data reflect the number of positions funded. Personnel Summary excludes position data at the New Jersey Transit Corporation.

Introduction

The Department of Transportation (DOT) is responsible for managing the State's transportation system of highways and bridges, 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 State Transportation Trust Fund, the Casino Revenue Fund, the Airport Safety Fund, mass transit passenger fares, and federal monies.

As an additional responsibility, the DOT has incorporated the Division of Motor Vehicles subsequent to its transfer from the Department of Law and Public Safety pursuant to Reorganization Plan, No. 002-1995.

Introduction (Cont'd)

The State's mass transit facilities are the direct responsibility of the New Jersey Transit Corporation (NJT). Although the Commissioner of Transportation is the ex-officio chairperson of the Corporation's seven-member governing board, the corporation functions independently of the department. At present, NJT operates 12 rail lines and some 174 bus routes throughout the State to accommodate an average, estimated daily ridership of 360,000. 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 handicapped persons using public or private mass transit facilities. The corporation also receives 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 provides additional transit services throughout the State for eligible, handicapped riders.

Key Points

Transportation Trust Fund

! A total capital budget appropriation of $483.1 million is recommended for the Transportation Trust Fund (TTF). This amount would be derived from two sources. The first is a regular line item appropriation of $477.8 million composed of: (a) $360 million in motor fuels tax revenue that is constitutionally dedicated for the State's transportation system; (b) $24.5 million from contracts with the State's three toll road authorities; (c) $30 million from certain previous increases in diesel fuel taxes and truck registration fees; (d) $60 million in revenue from motor vehicle registration surcharges; and (e) $3.3 million from general revenues of the State. Secondly, a "language appropriation" would provide $5.3 million from balances in the Petroleum Overcharge Reimbursement Fund (PORF).

! On July 1, 1999 the portion of the motor fuel taxes constitutionally dedicated for transportation purposes increases from 8.0 cents per gallon to 9.0 cents per gallon and then remains at that level.

! When the TTF was renewed and extended in 1995, the maximum size of the capital program was established at $700 million. However, the Governor's budget calls for a $900 million capital program in Fiscal Year 2000. The Legislature also authorized a $900 million program amount for Fiscal Year 1998.

! Based on the proposed $900 million capital program for Fiscal Year 2000, the Administration may seek legislative authority to permit the TTF to issue $900 million in bonds in the next fiscal year, a $200 million increase over its current annual statutory limit of $700 million. The increase in the debt level limitation would support the higher capital program proposed for next year.

! Fiscal Year 2000 would be the fifth year of funding under the TTF reauthorization act of May, 1995. It was anticipated at that time that Fiscal Year 2000 would be the last year in which certain revenues identified in the 1995 act would be sufficient to finance the annual TTF capital construction program. However, since TTF bonds have been sold at lower interest rates than originally estimated, overall TTF debt service has been less than projected. Consequently, the TTF may not reach its financing limit until Fiscal Year 2001.

Key Points (Cont'd)

Highway Operations

! The department's $13.2 million recommended net increase in Direct State Services is primarily attributable to the additional $14 million recommended for highway and bridge maintenance. The amount for highway and bridge maintenance would offset the anticipated reallocation of federal funds from a federal reimbursement program that supported a limited number of eligible maintenance projects to the transportation capital construction program. Consequently, there may not be an actual increase in the overall level of the department's annual maintenance program, only a change in funding sources.

! The litter control tax was last renewed in 1996. Revenues from the litter tax are deposited in the Clean Communities Account and 90 percent of the account funds are to be annually distributed to local governments for litter removal. Previously, the Legislature allocated the remaining amount only for litter pickup in State parks. However, for Fiscal Year 2000 the budget would continue to use that account for litter pickup in State parks but would now use $2.0 million from account balances for a new purpose, litter pickup on State highways. This account is projected to have a $7.5 million balance as of June 30, 1999.

! The proposed Fiscal Year 2000 budget contains $12.7 million for snow and ice control. Budget language would authorize the appropriation of an additional amount, not to exceed $3.0 million, for snow removal costs should weather conditions next winter warrant the need for additional funds for snow and ice operations.

! The budget display for the department's current year Adjusted Appropriation of $190.9 million includes about $16.4 million in supplemental appropriations that have not yet been enacted. Of that amount, $13.8 million would be appropriated by a Directory Letter, pursuant to budget language, and used by the Vehicle Inspection Program to offset federal Congestion Mitigation and Air Quality funds which are not available until the inspection program is fully implemented, and for certain related inspection program equipment costs. The department will also seek a direct appropriation of $2.6 million to offset the reallocation of federal funds from highway maintenance to its capital program.

New Jersey Transit Corporation

! The total recommended budget for the New Jersey Transit Corporation (NJT) is $901 million. Of this total, the State would provide a direct line item subsidy appropriation of $149.1 million and a "language appropriation" would transfer $377,590 in Petroleum Overcharge Reimbursement Fund balances from the Department of Human Services. The remaining revenue sources, e.g. passenger fares, the Casino Revenue Fund, and various federal and Transportation Trust Fund resources, would contribute an estimated $447.4 million, $22.8 million and $281.3 million respectively.

! The Administration proposes to lapse, i.e., withhold, $10.8 million from the Fiscal Year 1999 State subsidy of $194.3 million to NJT because of greater than expected fare revenue from increased ridership in the current fiscal year and management efficiencies. For the next fiscal year, revenue gains from further anticipated ridership increases, continued management efficiencies, expanded use of federal funds for maintenance expenses, and lower amounts needed for insurance and claims permit a $34.0 million net decrease ($10.8 million lapse assumed) in the regular State subsidy to NJT.

Key Points (Cont'd)

! NJT has been able to avoid a passenger fare increase since Fiscal Year 1991 by reliance on federal and Transportation Trust Fund monies for maintenance activities, greater passenger fares from increased ridership levels, innovative financial arrangements such as "cross-border leases," and management efficiencies. No fare increase is anticipated in Fiscal Year 2000.

Motor Vehicle Services

! Budget language would again permit balances in the Motor Vehicle Inspection Fund (MVIF) to be used for "other Clean Air purposes," namely the State operating subsidy to the New Jersey Transit Corporation. With estimated MVIF total revenues of $66.1 million for Fiscal Year 2000, the fund display on page I-44 of the Governor's Fiscal Year 2000 Budget indicates that $33.9 million would be provided for the Vehicle Inspection Program while the remaining $32.2 million would be contributed towards NJT's regular line item appropriation of $149.1 million.

! The Division of Motor Vehicles anticipated that the new In-Terminal School Bus Inspection Program, which received an appropriation of $1.5 million in Fiscal Year 1999, would have that cost offset by estimated revenues of $1.5 million in School Bus Inspection Fees. However, since the inspection program is related to the "School Bus Enhanced Safety Inspection Act," P.L.1999, c.5, which was not enacted until January 21, 1999, revised revenue estimates indicate that only $561,000 in inspection fees are now expected this fiscal year. For the next fiscal year, the Office of Management and Budget (OMB) in the Department of the Treasury anticipates that inspection fee revenue would increase to about $1.0 million. Also, according to OMB, the lower inspection fee amount for this fiscal year is offset by departmental balances, and offset next fiscal year by general revenue support.

! The Governor recommends that private motor vehicle agencies receive an additional appropriation of $800,000 for employee merit raises and additional staff, where needed. A legislative initiative that would have appropriated $886,000 in Fiscal Year 1999 for a five percent cost-of-living-adjustment for private agencies was vetoed by the Governor last June because it was considered premature to increase spending at the agencies before savings alternatives could be explored; a study on this issue has not yet been completed.

! The Vehicle Inspection Program is anticipated to be fully operational in December, 1999. Consequently, $3.7 million in federal Congestion Mitigation and Air Quality funds are expected to be available to offset the proposed reduction of a similar amount in State funds for that inspection program.

Federal Funds

! The federal Transportation Equity Act for the 21st Century (TEA-21) authorizes a 6-year, $218 billion highway and mass transit improvement program to cover fiscal years 1998 through 2003. Its funding predecessor, the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA), was authorized to provide $155 billion over a 6-year period from fiscal year 1992 through 1997. As a result of TEA-21, the budget estimates that the amount of federal funds available to New Jersey for highway and mass transit purposes for Fiscal Year 2000 is $985 million, compared to about $835 million appropriated by the budget for fiscal year 1997, the last year of ISTEA funding.

Background Paper

! Transportation Trust Fund Authority Pg. 23

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.

To address the needs of the overall transportation system in the State, DOT manages a significant capital construction program which includes components for highways and bridges, local governments, and mass transit. Prior to FY 1985, annual capital appropriations from the State's general revenues 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 supported by the Transportation Trust Fund (TTF), created pursuant to P.L.1984, c.73, and federal monies.

Since its creation, the TTF has been authorized to finance annual construction programs that have varied over time from $249 million in FY 1985 to $700 million in FY 1999. Although recent TTF legislation, P.L.1995, c.108, established the current annual capital program at a maximum level of $700 million, the Legislature authorized a $900 million TTF program for FY 1998 and the Governor has requested a $900 million program for FY 2000.

Highways and Bridges

Regarding the specific TTF areas of investment, the State highway and bridge construction program has 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 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 the earliest years, would average about $360 million under the programs currently authorized for FY 1996 through FY 1999, and the proposed FY 2000 program.

Local Aid

Municipalities are also served by the TTF. In FY 1989, TTF 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 TTF legislation in 1991, municipal aid increased to about $50 million for FY 1991 through FY 1995. Under 1995 TTF legislation, municipalities have received a minimum, annual allocation of at least $65 million since FY 1996.

Counties also continue to be 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. Subsequent TTF legislation in 1991 increased county assistance from $35 million to $50 million for FY 1991

Program Description and Overview (Cont'd)

through FY 1995. Under later TTF legislation, counties have received a minimum, annual allocation of at least $65 million since FY 1996.

Mass Transit

The New Jersey Transit Corporation (NJT), created pursuant to P.L.1979, c.150, 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 360,000 daily riders. In addition, NJT currently allocates about 1,100 buses at no cost to private carriers and also administers a half-fare subsidy program for senior citizens and disabled persons. Further, NJT is 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. Due to unfavorable economic conditions in the early part of this decade, the subsidy amount reached its peak of $251 million in FY 1993. Since then the subsidy amount has declined because economic conditions have rebounded and generated notable increases in passenger fare revenues from ridership growth. In addition, expanded support from the TTF, innovative financial arrangements such as "cross-border leases," management efficiencies, and a liberalized definition on the permitted use of federal funds for maintenance purposes have also allowed NJT to avoid a fare increase since FY 1991.

Regarding the NJT capital program, the TTF provided an average $65 million per year during the TTF's first four-year period. Since then the annual average rose to $195 million for FY 1992 through FY 1995, and would be about $290 million for the FY 1996 through FY 2000 period.

Program Description and Overview (Cont'd)

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. First, the bureau receives revenue from the Airport Safety Fund (ASF). The ASF, established by the New Jersey Airport Safety Act of 1983, anticipates about $965,000 annually 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, therefore, excluded from the tax) the amount of ASF revenue was deemed to be insufficient to meet the program needs of the bureau. Consequently, to provide additional financial assistance for the bureau's purposes, the 1995 TTF legislation 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, while the amount for FY 1999 decreased to $3.0 million. The bureau can use both of these State funding sources to obtain matching federal aviation money. As a result, 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

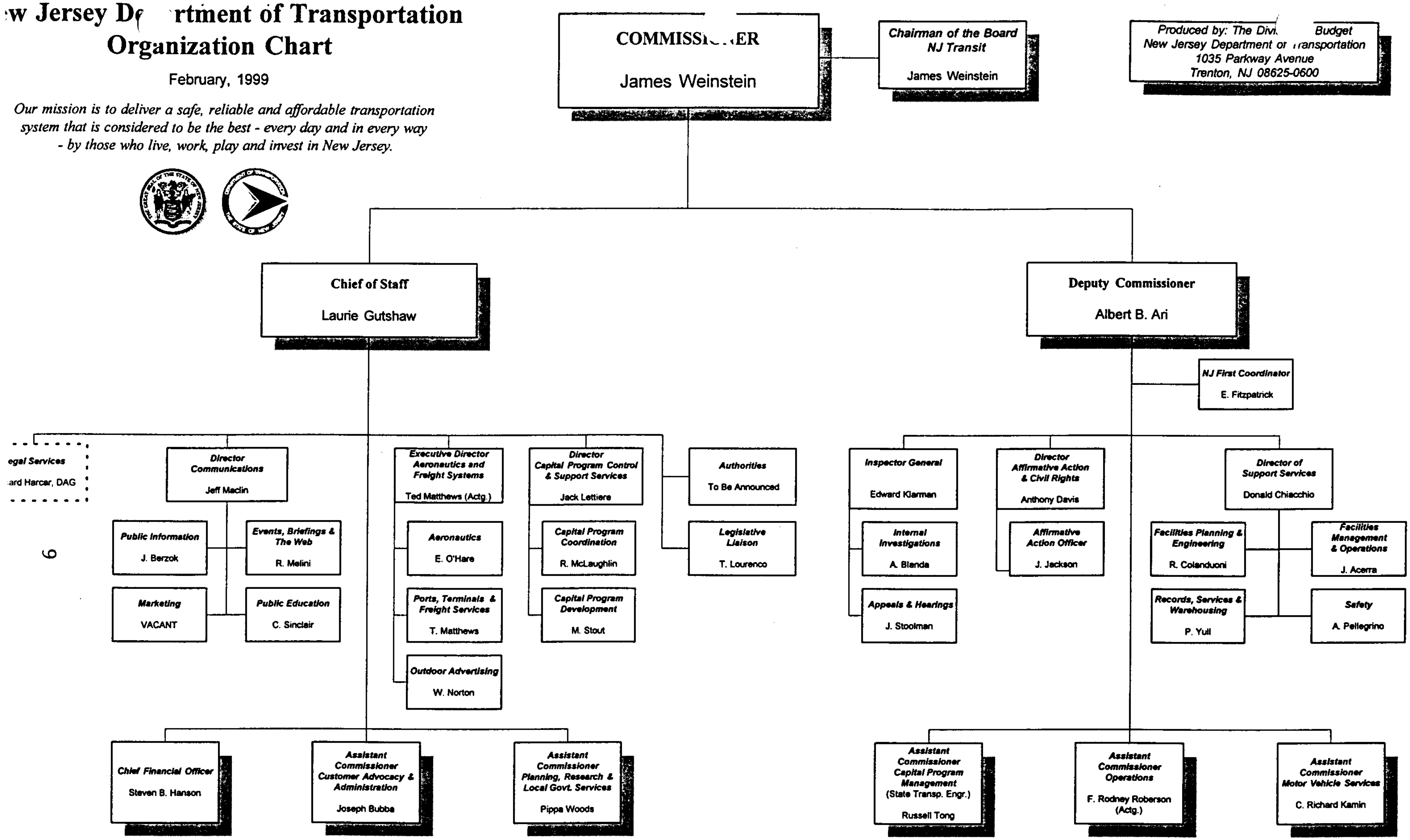
The division has four major areas of responsibility: (1) the management of all automated revenue and information systems that are needed to support the administration of the various programs related to the operation of motor vehicles; (2) motor vehicle licensing, registration and inspection; (3) driver 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 various motor vehicle operations, a significant part of DMV's overall responsibility involves the inspection of passenger motor vehicles to insure safe operation and conformance with exhaust emission requirements established by the Federal Clean Air Act. In November, 1998 the motor vehicle inspection and maintenance program ceased as a State-run operation and was contracted to a private vendor. It is anticipated that by December, 1999 all inspection facilities under the contractor's control will be upgraded and capable of performing the new, enhanced inspection.

...w Jersey D... ...rtment of Transportation Organization Chart

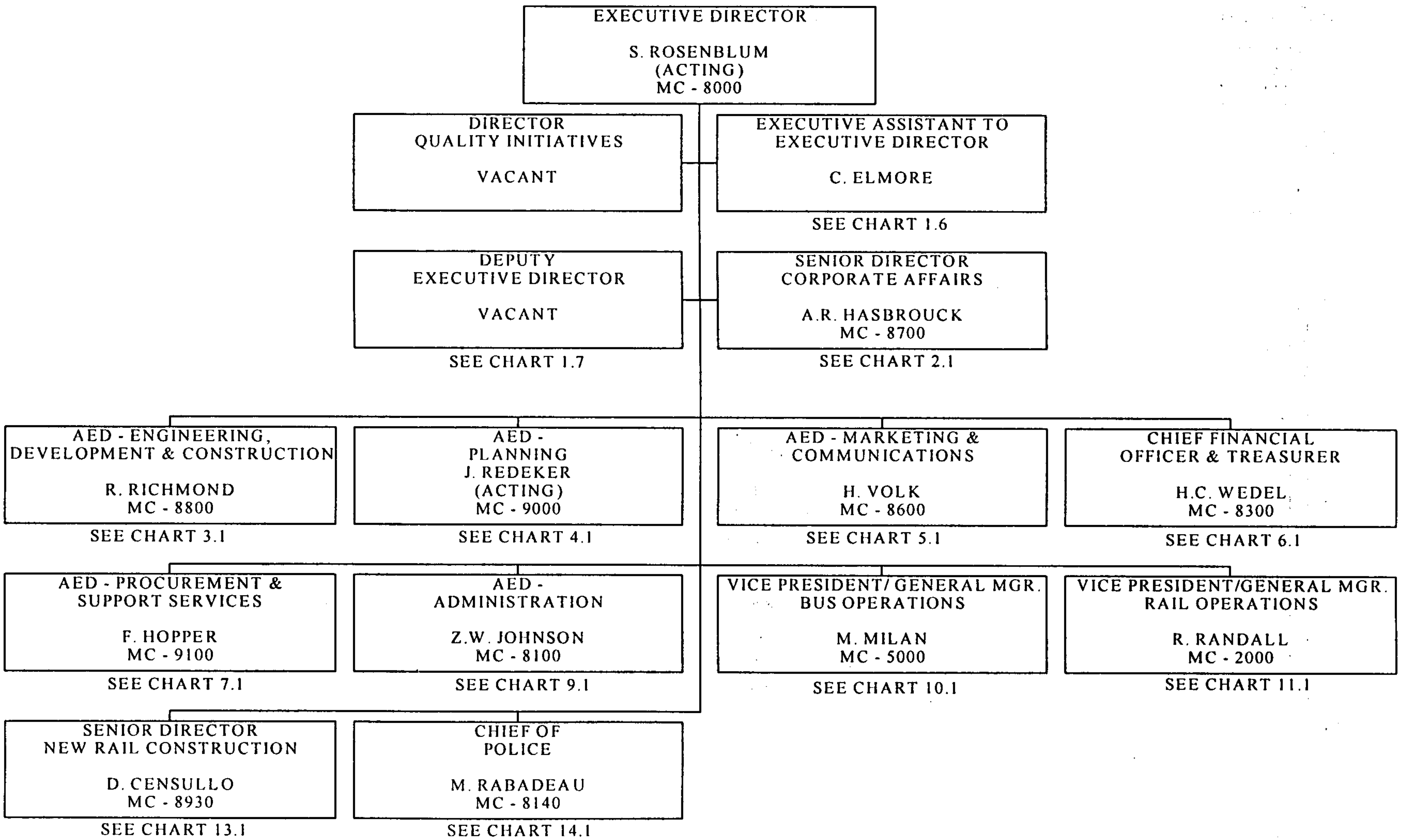
February, 1999

Our mission is to deliver a safe, reliable and affordable transportation system that is considered to be the best - every day and in every way - by those who live, work, play and invest in New Jersey.



NJ TRANSIT
The Way To Go.

JANUARY 7, 1999



Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS ($000)

	Expended FY 1998	Adj. Approp. FY 1999	Recom. FY 2000	Percent Change 1998-00	Percent Change 1999-00
General Fund					
Direct State Services	$180,012	$190,880	$204,061	13.4%	6.9%
Grants - In - Aid	165,767	194,250	149,097	-10.1%	-23.2%
State Aid	0	0	0	0.0%	0.0%
Capital Construction	380,322	465,231	477,801	25.6%	2.7%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	$726,101	$850,361	$830,959	14.4%	-2.3%
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	$22,227	$22,506	$22,811	2.6%	1.4%
Casino Control Fund	$0	$0	$0	0.0%	0.0%
State Total	$748,328	$872,867	$853,770	14.1%	-2.2%
Federal Funds	$499,711	$716,000	$708,000	41.7%	-1.1%
Other Funds	$855,078	$719,497	$918,586	7.4%	27.7%
Grand Total	$2,103,117	$2,308,364	$2,480,356	17.9%	7.5%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 1998	Revised FY 1999	Funded FY 2000	Percent Change 1998-00	Percent Change 1999-00
State	4,512	4,442	4,230	-6.3%	-4.8%
Federal	1,133	1,103	1,183	4.4%	7.3%
All Other	0	0	0	0.0%	0.0%
Total Positions	5,645	5,545	5,413	-4.1%	-2.4%

FY 1998 (as of December) and revised FY 1999 (as of September) personnel data reflect actual payroll counts. FY 2000 data reflect the number of positions funded. Personnel Summary excludes position data at the New Jersey Transit Corporation.

AFFIRMATIVE ACTION DATA

Total Minority Percent	22.4%	22.2%	23.9%	----	----

Significant Changes/New Programs ($000)

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
I. Vehicular Safety:					
A. Services Other Than Personal	$15,012	$15,387	$375	2.5%	D-359

The increase represents the additional costs for information system services that are provided by the Office of Information Technology in the Department of the Treasury.

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
B. Special Purpose: Vehicle Inspection Program	$36,109	$32,380	($3,729)	(10.3)%	D-360

The reduction in State funding support would be offset by federal Congestion Mitigation and Air Quality funds. These federal monies will become available when the motor vehicle Enhanced Inspection and Maintenance Program begins full operation, which is expected by December, 1999. However, the apparent reduction assumes that the FY 1999 Adjusted Appropriation amount includes a supplementary appropriation of $13.4 million to fund portions of the inspection program ineligible for federal funding. This supplementary appropriation has not yet occurred.

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
C. Special Purpose: Debt Service for Equipment Purchases	$333	$2,005	$1,672	502.1%	D-360

The additional funds reflect the payment on a line of credit arranged for the purchase of safety and emissions equipment for the motor vehicle Enhanced Inspection and Maintenance Program, and Year 2000 compliant equipment for private motor vehicle agencies.

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
D. Special Purpose: Agency Operations	$14,209	$15,009	$800	5.6%	D-360

To retain existing experienced staff, the funding increase would provide merit raises for employees at private motor vehicle agencies. In addition, agencies would be able to hire additional staff where necessary. A legislative initiative that would have appropriated $886,000 in Fiscal Year 1999 for a five percent cost-of-living-adjustment for private agencies was vetoed by the Governor last June because it was considered premature to increase spending at the agencies before savings alternatives could be explored; a study on this issue has not yet been completed.

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

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
E. Capital Project: Enhanced Inspection and Maintenance	$1,531	$0	($1,531)	(100.0)%	E-20

Pursuant to a language provision on page B-139 of the Fiscal Year 1999 Appropriations Handbook concerning the new motor vehicle enhanced inspection and maintenance program, a supplementary appropriation of $1.531 million was provided for certain facility lease costs that were subsequently determined to be ineligible for federal Congestion Mitigation and Air Quality Improvement funds. A similar language provision is contained on page D-361 of the Fiscal Year 2000 Budget.

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
II. State and Local Highway Facilities:					
Personal Services - Salaries and Wages	$36,113	$50,025	$13,912	38.5%	D-364

The increase would offset the anticipated reallocation of federal funds from the annual highway and bridge maintenance program that supported a limited number of eligible maintenance projects to the transportation capital construction program. Consequently, there may not be an actual increase in the overall level of the department's annual maintenance program as a result of these additional State funds, only a change in funding sources.

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
III. New Jersey Transit Corporation:					
A. Expenditures -					
1. Bus Operations	$331,935	$338,400	$6,465	1.9%	D-367
2. Rail Operations	334,048	337,737	3,689	1.1%	D-367
3. Corporate Operations	145,576	131,650	(13,926)	(9.6)%	D-367
4. Purchased Transportation	73,841	70,000	(3,841)	(5.2)%	D-367

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

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
5. Transportation Assistance for Senior Citizens and Disabled Residents	22,506	22,811	305	1.4%	D-367
Totals	$907,906	$900,598	($7,308)	(0.8)%	D-367
B. Revenues -					
1. State Subsidy	$194,250	$149,097	($45,153)	(23.2)%	D-367
2. Federal Subsidy	1,150	300	(850)	(73.9)%	D-367
3. NJT Resources					
a. Fares	433,800	447,400	13,600	3.1%	D-367
b. Other Sources	256,200	280,990	24,790	9.7%	D-367
c. Casino Revenue	22,506	22,811	305	1.4%	D-367
Totals	$907,906	$900,598	($7,308)	(0.8)%	D-367

A. Expenditure Changes

The additional amounts for Bus Operations and Rail Operations essentially reflect increases based on salary and wage contract agreements. The reductions for Corporate Operations are based on a decrease in anticipated expenses related to insurance and claims, and on the reduction of non-union personnel through an employee attrition program. The Purchased Transportation program decrease represents a transfer of certain previously contracted bus services to regular Bus Operations or entirely to a private sector operator.

B. Revenue Changes

After factoring in the Administration's proposal to lapse, i.e. withhold, $10.8 million from the State Subsidy in FY 1999, but which is not reflected in the original $194.25 million amount depicted under the FY 1999 Adjusted Appropriation column heading, the State subsidy to NJT next fiscal year would decrease by about $34 million. The proposed lapse this fiscal year is offset by greater than expected fare revenues from ridership gains and management efficiencies. For the next fiscal year, revenue gains from further anticipated ridership increases, continued management efficiencies, expanded use of federal funds for maintenance expenses, and lower amounts needed for insurance and claims permit the $34 million decrease in the regular State subsidy to NJT.

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

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
IV. Regulation and General Management					
A. Services Other Than Personal	$4,450	$4,559	$109	2.4%	D-370

The increase represents the additional costs for information system services that are provided by the Office of Information Technology in the Department of the Treasury.

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
B. Federal Funds	$24,000	$12,000	($12,000)	(50.0)%	D-370

The "Federal Funds" amount is composed of monies from two federal sources, e.g. the motor carrier safety assistance program and the federal aviation grant program. The amount from the motor carrier program remains constant at $4 million per year, but the estimated aviation grant amount decreases from $20 million to $8 million. The lower amount from federal aviation grants more accurately reflects the level of federal support that is expected for this program. Based on discussions with federal aviation officials last year, the department assumed an amount for Fiscal Year 1999 that is now higher than will likely be received.

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
V. Transportation Trust Fund Account	$463,700	$477,801	$14,101	3.0%	E-20

A total capital budget appropriation of $483.1 million is recommended for the Transportation Trust Fund Account. This amount would be derived from two sources. The first is a regular line item appropriation of $477.8 million composed of: (a) $360 million in motor fuels tax revenue that is constitutionally dedicated to the State's transportation system - - on July 1, 1999 the portion so dedicated increases from 8.0 cents per gallon to 9.0 cents per gallon and then remains at that level; (b) $24.5 million from contracts with the State's three toll road authorities; (c) $30 million from certain previous increases in diesel fuel taxes and truck registration fees; (d) $60 million in revenue from motor vehicle registration surcharges; and (e) $3.3 million in general revenues of the State. The remaining $5.3 million would be provided through a "language appropriation" which would transfer available balances in the Petroleum Overcharge Reimbursement Fund from the Department of Human Services to the New Jersey Transit Corporation for public transportation purposes.

In addition, the budget recommends that the Trust Fund use this appropriation to help finance a $900 million capital program in Fiscal Year 2000, a $200 million increase over the $700 million program level for Fiscal Year 1999. The list of specific capital projects to be funded under the proposed $900 million program is displayed in the report entitled "Proposed Fiscal Year 2000 Transportation Capital Program," dated March 1, 1999, and will be included in the Fiscal Year 2000 Appropriations Act.

Language Provisions

1999 Appropriations Handbook	2000 Budget Recommendations
p. B-138	p. D-360
Receipts in excess of the amount anticipated from motorbus petition and inspection fees are appropriated for the purpose of administering the Motorbus Regulation program, subject to the approval of the Director of the Division of Budget and Accounting.	Receipts from motorbus petition and inspection fees are appropriated for the purpose of administering the Motorbus Regulation program, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The Motorbus Regulation program would keep all receipts from related inspection fees. Essentially, this program would receive an estimated, additional amount of $145,000, which previously was anticipated revenue credited to the General Fund. The amount would enable the program to hire about five people to provide additional enforcement of commercial bus laws and regulations.

1999 Appropriations Handbook	2000 Budget Recommendations
p. B-138	p. D-361
No comparable language.	Receipts in excess of the amount anticipated for the Uninsured Motorist Program are appropriated for the purpose of implementing an Insurance Verification System, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

Pursuant to section 7 of P.L.1998, c.22 (C.17:33B-41), the Director of the Division of Motor Vehicles is directed to establish an electronic data base containing certain passenger automobile insurance data, and to use the Uninsured Motorist Prevention Fund to finance the data base. This language would implement that directive.

Language Provisions (Cont'd)

1999 Appropriations Handbook	2000 Budget Recommendations
p. B-140	p. D-365
No comparable language.	Notwithstanding the provisions of P.L.1985, c.533 (C.13:1E-99.1 et seq.) or any other law to the contrary, of the amount hereinabove for Maintenance and Operations, $2,000,000 is appropriated from the Clean Communities Fund to offset the cost of the Department's litter pickup program.

Explanation

This fund, administered by the Department of Environmental Protection, is to distribute 90 percent of its monies to local governments for litter pickup. Previously, the Legislature allocated the remaining amount only for litter pickup in State parks. However, for Fiscal Year 2000 the budget would continue to use that account for litter pickup in State parks but would now use $2.0 million from account fund balances for a new use, litter pickup on State highways. This account fund is projected to have a $7.5 million balance as of June 30, 1999.

1999 Appropriations Handbook	2000 Budget Recommendations
p. B-140	p. D-365
No comparable language.	In addition to the amount appropriated hereinabove for Maintenance and Operations, such additional sums as may be required are appropriated for snow removal costs, not to exceed $3,000,000, subject to the approval of Director of the Division of Budget and Accounting.

Explanation

For Fiscal Year 2000, the budget proposes that $12.7 million be appropriated for snow and ice controls. This recommended budget language would provide additional funds, not to exceed $3.0 million, for snow removal in case weather conditions next winter are much harsher than those experienced in recent years.

Language Provisions (Cont'd)

1999 Appropriations Handbook	2000 Budget Recommendations
p. C-40	p. D-368
No comparable language.	In addition to the amount hereinabove, a total of $377,590 is charged to Petroleum Overcharge Reimbursement funds transferred from the Department of Human Services, for the purpose of increasing the use of public transportation.

Explanation

Unexpended balances in the Petroleum Overcharge Reimbursement Fund (PORF) would be transferred from the Department of Human Services to the New Jersey Transit Corporation for public transportation purposes. Use of PORF monies by the New Jersey Transit Corporation is consistent with previous legislative policy, e.g. $33.9 million of such monies were appropriated to the corporation by section 3 of P.L.1991, c.514 for the purchase of buses.

1999 Appropriations Handbook	2000 Budget Recommendations
p. B-141	p. D-371
Such amount as is necessary from the Management and Administrative Services program classification in the Regulation and General Management State-wide program in the department is allocated for the Commissioner of Transportation to identify the most congested and most dangerous traffic locations in the State, after consultation with the Division of State Police in the Department of Law and Public Safety and local traffic enforcement officials, and to make recommendations to the Governor and the Legislature on measures to remedy these most congested and dangerous traffic locations.	No comparable language.

Explanation

This Fiscal Year 1999 language provided legislative intent on the use of certain funds appropriated to the department.

Language Provisions (Cont'd)

1999 Appropriations Handbook	2000 Budget Recommendations
p. E-11	p. E-20
No comparable language.	In addition to the amount hereinabove, a total of $5,299,237 is charged to Petroleum Overcharge Reimbursement funds transferred from the Department of Human Services, for the purpose of increasing the use of public transportation.

Explanation

Unexpended balances in the Petroleum Overcharge Reimbursement Fund (PORF) would be transferred from the Department of Human Services to the New Jersey Transit Corporation for public transportation purposes. Use of PORF monies by the New Jersey Transit Corporation is consistent with previous legislative policy, e.g. $33.9 million of such monies were appropriated to the corporation by section 3 of P.L.1991, c.514 for the purchase of buses.

1999 Appropriations Handbook	2000 Budget Recommendations
p. E-12 to E-17	p. E-21
Language appropriating a total of $700 million, $412 million for State and local highway projects, and $288 million for New Jersey Transit Corporation public transportation purposes, from the revenues and other funds of the New Jersey Transportation Trust Fund Authority for listed capital projects.	Pursuant to the provisions of P.L. 1984, c.73 (C.27:1B-1 et al) there is appropriated the sum of $900,000,000 from the revenues and other funds of the New Jersey Transportation Trust Fund Authority, for transportation capital purposes as follows: Highway Construction Projects Highway Design Projects Highway Right-of-way Acquisition Projects Project Development Highway Planning Local Aid Projects Public Transportation Projects

Explanation

The Governor proposes a $200 million increase in the annual transportation capital construction program to address "... critical highway and mass transportation infrastructure needs." Of the total proposed $900 million capital program, $406 million would be allocated for State highway purposes,$130 million for local aid, $6 million for general aviation and $358 million to New Jersey Transit Corporation for public transportation purposes. The list of specific capital projects is displayed in the report entitled "Proposed Fiscal Year 2000 Transportation Capital Program," dated March 1, 1999, and will be included in the Fiscal Year 2000 Appropriations Act.

Discussion Points

1. The Governor recommends that the Transportation Trust Fund (TTF) finance a $900 million capital construction program in Fiscal Year 2000, a $200 million increase over its 1995 statutory annual limit of $700 million. To accommodate this increased construction program, the TTF is likely to request approval for the issuance of $900 million in bonds next year, an amount which exceeds its current bond issuing limit of $700 million per year. Further, as a result of relying on bond financing for at least 85 percent of the money for annual TTF capital programs since Fiscal Year 1996, TTF debt service costs are increasing each year by about $60 million. As a result of this level of increase, the total TTF debt service cost is expected to reach $370 million for Fiscal Year 2000. If this funding pattern were to continue for successive TTF capital programs, a straight line extrapolation would translate into an annual TTF debt service cost that would reach at least $1.25 billion by 2015. This equates to an increase in the gas tax from $0.105 per gallon to $0.30 per gallon, and the subsequent dedication of that total amount to pay debt service on outstanding TTF bonds.

! *Question:* In view of the increase proposed for next year's capital program, why is the entire increase to be financed with bond funds and not supported, at least partially, with pay-as-you-go funds? Would future transportation capital programs continue to rely on the current level of bond fund support or would greater emphasis be placed on pay-as-you-go financing that could slow the annual rise in debt service costs by reducing the amount of bonds required to be issued each year to support the TTF?

2. Notwithstanding periodic TTF reauthorizations that have set limits on the size of the annual TTF construction programs, the annual limits have often been exceeded when authorized in the Appropriations Act or amendatory legislation. Given the costs of the new NJT light rail transit systems, e.g. the Hudson- Bergen system, the Newark-Elizabeth system, and the South Jersey system, and the continuing needs of other highway, mass transit, and local government transportation programs, the next TTF reauthorization request level may have to reach $1.0 billion or more per year to support these identified transportation projects and initiatives.

! *Question:* Is the continued upward expansion of the TTF inevitable in order to accommodate the perceived "immediate transportation needs?" What is the practical limit on the amount of State and federal funds that can be effectively managed? What are the TTF capital program levels that are anticipated to be proposed for Fiscal Years 2001 through 2005?

3. The revenues of the TTF will not all be needed in Fiscal Year 2000 for debt service costs. Consequently, if the TTF were to receive $501.5 million in Fiscal Year 2001 from its identified financing sources, namely: (a) $387 million from the receipts produced by $0.09 per gallon of the motor fuels tax (based on a collection rate of $43 million per penny); (b) $24.5 million from contracts with the three toll road authorities; (c) $30 million from previous truck taxes and fees; and (d) $60 million generated by the motor vehicle registration surcharge referred to as "Good Driver," the TTF may not reach its financing limit until Fiscal Year 2001.

! *Question:* What is the maximum capital program that the TTF could sustain in Fiscal Year 2001 with $501.5 million from the existing revenue sources noted above?

4. The department estimates the need for a $2.6 million supplemental appropriation in Fiscal Year 1999 to offset the anticipated reallocation of federal funds from annual highway maintenance purposes to the transportation capital construction program. For Fiscal Year 2000, the department anticipates that it would reallocate about $14 million in federal funds from its Maintenance and

Discussion Points (Cont'd)

Operations program to its capital program, thereby requiring an apparently equivalent increase in State budget support to offset the reallocation.

! *Question:* Why has the department decided to reallocate federal funds from highway maintenance purposes to its capital program? What types of highway maintenance work are eligible for federal reimbursement? Is there a backlog in these types of work? What highway maintenance activities are not eligible for federal reimbursements but which the department considers of equal or greater importance than federally reimbursable work? What is the backlog for these other types of work? Does the additional $14 million in State budget support for Maintenance and Operations in Fiscal Year 2000 represent an absolute increase in the overall funding level for annual highway maintenance activities?

5. The Governor proposes to transfer about $5.7 million in unexpended balances, in the Petroleum Overcharge Reimbursement Fund (PORF) from the Department of Human Services (DHS) to the New Jersey Transit Corporation (NJT) for public transportation purposes, e.g. $5.3 million for capital projects and $0.4 million for operating expenses.

! *Question:* For what specific public transportation purposes does NJT intend to use the transferred PORF money? Would NJT expend the entire amount in Fiscal Year 2000?

6. The department would allocate $12.7 million from the Fiscal Year 2000 budget for snow and ice controls, the same amount it allocated for Fiscal Year 1999. However, proposed budget language (p. D-365) would authorize the appropriation of an additional amount, not to exceed $3.0 million, for snow removal costs should weather conditions next winter warrant the need.

! *Question:* How would the budget language appropriation be "triggered?" Would the entire $12.7 million snow and ice control allocation, and any departmental balances be expended before the additional appropriation occurred? Given the relatively mild winter experienced this year, are there anticipated savings or funds from this year's "snow account" that will be reappropriated into Fiscal Year 2000 which could mitigate or avoid the proposed budget language?

7. Proposed budget language (p. D-365) would appropriate $2.0 million in balances in the Clean Communities Account Fund for litter pickup along State highways, a new use for these monies. Pursuant to current legislation, 90 percent of the account funds are to be annually distributed to local governments for litter pickup. The Legislature has previously appropriated a remaining amount for litter pickup at State parks.

! *Question:* Is this proposed use of Clean Communities balances a one-time expenditure or is it anticipated to become an on-going expense of that fund? Why is the proposed use restricted to State highway cleanup, precluding use by NJT for cleanup along tracks and rail stations? Is the litter tax generating revenues in excess of the capacity of the Department of Environmental Protection to either distribute them or spend them on State recreational lands?

8. The Governor recently signed legislation, P.L.1999, c.23, which restructures the electric utility industry and requires customer electric rates to be reduced by at least five percent beginning no later than August 1, 1999, with further reductions in future years.

Discussion Points (Cont'd)

! *Question:* Given the large use of electricity by the New Jersey Transit Corporation for rail propulsion, how much savings in Fiscal Year 2000 does the corporation estimate that it may achieve for that purpose under the "energy deregulation" legislation? In addition to rail propulsion savings, what further electric utility expense savings may the corporation and the department anticipate?

9. The proposed Fiscal Year 2000 budget for NJT includes a request for $10.8 million for Insurance and Claims. For Fiscal Year 1999, $20.86 million is available for this purpose. Although $24.728 million was expended for Insurance and Claims in Fiscal Year 1997, the expenditure for this purpose declined to $12.367 million in Fiscal Year 1998.

! *Question:* Because of the recent fluctuations in the expenditure amounts for Insurance and Claims, what is the basis for assuming that next year's expense for this purpose would have a significant decrease rather than remain at this year's level? Does the amount available for this fiscal year exceed the amount that will actually be needed? How would NJT accommodate Insurance and Claims expenses next fiscal year if those expenses were in the $20-25 million range?

10. Proposed budget language (p. D-361) directs that any receipts in excess of the amount anticipated to be collected for the Uninsured Motorist Program be appropriated to implement an Insurance Verification System. The use of those monies for that purpose is required by section 7 of P.L.1998, c.22 (C.17:33B-41).

! *Question:* What is the expected cost of the Insurance Verification System? What are the one-time and ongoing costs for this system? How much in excess receipts are expected? If this amount of excess receipts is not received, how will the department fund the difference to insure timely implementation of the required insurance verification system?

11. The motor vehicle Enhanced Inspection and Maintenance Program is now the responsibility of Parsons Infrastructure and Technology Group, Inc, a private contractor. It is expected that all inspection facilities under the contractor's control will be capable of performing the required enhanced inspection by December, 1999.

! *Question:* Please provide an update on the status of this inspection program. In particular, please provide data on equipment reliability and vehicle lane capacity for those facilities that now perform the new inspection tests. Are improvements to the remaining facilities and test lanes on schedule and within contract guidelines? Also, please provide data on: (1) the number of previous State employees who were vehicle inspectors and who opted to become employees of the contractor; (2) those previous State vehicle inspector employees who remained as State employees; and (3) those previous vehicle inspector State employees who were laid off. Regarding the funding of this program, proposed budget language (p. D-361) indicates that portions of the enhanced inspection program are eligible for federal Congestion Mitigation and Air Quality Improvement money. For what purposes may the federal funds be used, how much is anticipated, and for what period of years are federal funds anticipated to be available for this inspection program?

Background Paper: Transportation Trust Fund Authority

Budget Pages F-20 and F-21

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. It was originally designed to finance improvements to the State's road, bus and rail transportation networks, and to support local government transportation projects. Although envisioned in 1984 as providing an average $250 million per year over a four-year period for transportation capital improvements, the Trust Fund subsequently financed 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 capital construction program, beginning in FY 1989, was to receive $365 million each year for seven years, compared to an average $332 million received during the Trust Fund's first four years.

However, subsequent legislation, P.L.1991, c.40, authorized a further increase in the Trust Fund program, and $565 million and $593 million were made available for FY 1991 and FY 1992, respectively. A mid-course review of the renewed Trust Fund program indicated that a two-year increase in the Trust Fund program level was justified to support accelerating infrastructure construction demands. In addition, since the amount of Trust Fund bonds issued up to that time was less than anticipated, and construction contracts were awarded in amounts below Trust Fund estimates, an increase in the construction program level was possible without any additional appropriations from the general revenues of the State. However, given the recessionary problems that continued to confront the State at that time, 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 beyond FY 1995, P.L.1995, c.108 was enacted. Although this legislation does not contain a specific reauthorization period, the Legislature intended that the Trust Fund be able to finance at least a five-year program, from FY 1996 through FY 2000. Further, as part of the reauthorization legislation, the annual Trust Fund program level was established at $700 million and its funding purposes expanded to include specific support for general aviation airports, and permission to supplant, on a dollar for dollar basis, reductions in annual federal operating subsidies to the New Jersey Transit Corporation. However, notwithstanding the $700 million program level, the Legislature authorized a $900 million program for FY 1998 and the Governor has proposed a $900 million program for FY 2000. Under the revised program levels for the five year period through FY 2000, highway and bridge projects will have received an average annual amount of $350 million, mass transit facilities $290 million, general aviation airports $8 million, and local governments $132 million.

Trust Fund Financing

To financially support the Trust Fund program, monies are annually available for appropriation from several revenue sources. First, the portion of the motor fuels tax constitutionally dedicated for State transportation purposes, which began at 2.5 cents per gallon in December, 1984, increased to 7.0 cents per gallon on July 1, 1996, and to 8.0 cents per gallon on July 1, 1998, will increase to 9.0 cents per gallon on July 1, 1999, and then remain at that level. In addition, the Trust Fund is supported with $30 million from 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,

Background Paper: Transportation Trust Fund Authority (Cont'd)

as needed, from motor vehicle registration fee surcharges and from general revenues of the State.

In turn, the Trust Fund leverages these annual revenues with the Trust Fund's bond issuing 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 that appropriates funds <u>to</u> the Trust Fund and <u>from</u> the Trust Fund:

Step 1

The Trust Fund receives an annual capital budget appropriation supported by the revenue sources noted above. From FY 1985 to FY 1988, this amount varied between $143 million and $201 million. Pursuant to the legislation renewing the Trust Fund in 1988, the annual capital appropriation was to be $331 million. Nevertheless, due to budgetary constraints, the appropriation decreased to $155 million in FY 1993, and remained at reduced levels of $160 million in FY 1994, and $213 million in FY 1995.

For FY 1996, and based on debt service estimates made in conjunction with the 1995 Trust Fund reauthorization legislation, the capital appropriation was $196.6 million. Although the FY 1997 capital appropriation was anticipated to be $362.8 million, the Governor subsequently recommended, and the Legislature appropriated, $304.5 million for FY 1997. This reduced amount reflected lower than projected debt service costs on outstanding Trust Fund bonds. While the FY 1998 appropriation of $380.3 million was consistent with the 1995 funding estimate, the $463.7 million appropriation for FY 1999 is slightly below the $511.6 million estimate made in 1995; the lower amount for FY 1999 is also attributable to lower than anticipated debt service costs on outstanding Trust Fund bonds. For Fiscal Year 2000 a continuation of lower than estimated debt service costs is reflected in the recommended appropriation of $481.5 million, rather than the originally projected need for $525.3 million. Debt service costs have 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 4.61% to 5.61%.

Along with the capital budget appropriation <u>to</u> the Trust Fund, the annual appropriation act also establishes the level of the capital program by appropriating monies <u>from</u> the Trust Fund. Since its inception, this annual level has increased steadily from $249 million in FY 1985 to the current $700 million amount. Although the Commissioner of Transportation submitted a capital program request which totaled $1.05 billion for FY 1997, the Legislature appropriated only $700 million for that year and stipulated that the department submit a revised program consistent with the $700 million amount. However, a subsequent consequence of project "over programming" in FY 1997 resulted in the Legislature authorizing an appropriation of $900 million from the Trust Fund for FY 1998 to address the FY 1997 "over programming" problem. While the Trust Fund capital program returned to the $700 million level for FY 1999, the Governor requests a FY 2000 capital program of $900 million. The specific list of projects for this program request is outlined in the "Proposed Fiscal Year 2000 Transportation Capital Program," dated March 1, 1999.

Background Paper: Transportation Trust Fund Authority (Cont'd)

Step 2

The difference then between the annual appropriation <u>to</u> the Trust Fund and the amount <u>from</u> the Trust Fund requires the second step of financing. To obtain the additional monies to support the legislatively approved construction programs, the Trust Fund must issue bonds. Although earlier legislation restricted the amount of Trust Fund bonds that could be outstanding at one time to $1.7 billion, this restriction was eliminated by P.L.1995, c.108. However, P.L.1995, c.108 does restrict the Trust Fund's annual bond issuing amount to $700 million, except that if any portion of that amount is not issued in a fiscal year, it may be issued in subsequent fiscal years. This $700 million annual amount would be increased to $900 million for one year pursuant to pending legislation to accommodate the proposed FY 2000 Trust Fund program.

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 $305 million for FY 1999, and are expected to rise to about $370 million for FY 2000 if $900 million in bonds are issued in the next fiscal year.

Trust Fund Reauthorization

When the Trust Fund was last reauthorized in May, 1995 by P.L.1995, c.108, it was anticipated that FY 2000 would be the final year in which the funding sources identified within that 1995 legislation, excluding general revenues of the State, would be sufficient to finance the annual capital construction program. However, due to lower than expected debt service levels, this funding limitation may now occur in FY 2001.

Nevertheless, the amount of a FY 2001 capital program that the current Trust Fund could finance may be considered by the Legislature in concert with contemplated changes in future program funding levels, subsequent increases in Trust Fund debt service expenses, and the number of years that the next Trust Fund reauthorization period should encompass. Given the relative importance of these issues, they are likely to become significant legislative considerations in FY 2000.

An important part of this impending Trust Fund reauthorization should be an affirmation of legislative intent concerning the amount of monies that are to be provided from the various revenue sources identified to support the Trust Fund. This is especially relevant for motor fuels tax revenue. Legislation stipulates that the Trust Fund is to receive the "equivalent" amount of revenue from each penny of that tax dedicated to the Trust Fund, provided that the amount is not less than $40 million per penny. Although each penny of that tax is currently estimated to generate about $43 million, the Administration has consistently recommended an appropriation from the motor fuels tax based on the $40 million per penny amount. The $3 million difference is important because the portion of the motor fuels tax dedicated for transportation purposes increases from $0.08 per gallon to $0.09 per gallon, effective July 1, 1999, and, therefore, $27 million could annually be at issue. Previous comments from the Administration on this topic indicated that the difference supported other improvements to the transportation system of the State which are funded in the operating budget. Consequently, the Legislature may want to articulate its intent on the preferred use of this "difference."

Background Paper: Transportation Trust Fund Authority (Cont'd)

Likewise, the motor vehicle registration surcharge, referred to in the FY 2000 Budget as 'Good Driver' and displayed in the Schedule I State Revenues for the department, generates more revenue than the amount provided to the Trust Fund, e.g. $77.6 million in anticipated revenue for FY 2000 but only $60 million included as part of the $477.8 million regular capital appropriation to the Trust Fund. Since the continuation of the surcharge (previously due to expire on December 31, 1996) was part of the 1995 legislation reauthorizing the Trust Fund, the Legislature may also want to affirm if part or all of those surcharge revenues are now to go to the Trust Fund.

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	714	17	249	38
99	700	464	718	17	305	-194
Sub-total	7,881	3,893	4,445	321	1492	714
00(Est)	900	483	900	19	370	-132
Total	8,781	4,376	5,345	340	1,862	582

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

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