ANALYSIS OF THE NEW JERSEY

FISCAL YEAR 2000 - 2001 BUDGET

DEPARTMENT OF TRANSPORTATION

PREPARED BY

OFFICE OF LEGISLATIVE SERVICES

NEW JERSEY LEGISLATURE

APRIL 2000

NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF TRANSPORTATION

Budget Pages....... C-11 to 12, C-20, C-26, C-28, D-387 to D-405

Fiscal Summary ($000)

	Expended FY 1999	Adjusted. Appropriation FY 2000	Recommended FY 2001	Percent Change 2000-01
State Budgeted	$899,202	$871,997	$1,195,078	37.1%
Federal Funds	525,511	740,000	740,000	0.0%
Other	753,216	919,686	850,575	(7.5)%
Grand Total	$2,177,929	$2,531,683	$2,785,653	10.0%

Personnel Summary - Positions By Funding Source

	Actual FY 1999	Revised FY 2000	Funded FY 2001	Percent Change 2000-01
State	3,958	3,867	4,136	7.0%
Federal	1,171	1,142	1,196	4.7%
Other	0	0	0	—
Total Positions	5,129	5,009	5,332	6.4%

FY 1999 (as of December) and revised FY 2000 (as of September) personnel data reflect actual payroll counts. FY 2001 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, passenger rail lines, buses, and general aviation airports. DOT also administers a rail-freight assistance program and has developed expertise in the area of intermodal and marine transportation. Further, 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, mass transit passenger fares, and federal monies.

As an additional responsibility, the Division of Motor Vehicles has been incorporated into the department subsequent to its transfer from the Department of Law and Public Safety.

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 24-hour half-fare subsidy program for senior citizens and disabled persons using public or private mass transit facilities. The corporation also assists counties with local county transit services for senior citizens and disabled 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, disabled riders.

Key Points

Transportation Trust Fund

! There is no statutory provision that "ends" the life of the Transportation Trust Fund (TTF) in June, 2000. The TTF has "no date certain" that limits its functions. It is authorized to finance an annual capital construction program of $700 million beyond June, 2000 and to issue $700 million in TTF bonds each year. However, the TTF is subject to adjustments made by the annual appropriation act, such as the change in the amount of the capital construction program and additional financial support from the General Fund.

! The capital budget appropriation to the TTF would be $698.6 million; the current amount is $477.8 million. The increase would support a greater portion of the TTF capital construction program with pay-as-you-go financing. For comparison, about 12 percent of the FY 2000 TTF capital construction program is financed as pay-as-you-go and 88 percent with TTF bonds; the proposed capital construction program for FY 2001 would have a 32 percent pay-as-you-go component and a TTF bonded portion of 68 percent.

! The Administration indicates that the $698.6 million capital budget appropriation to the TTF would be composed of $474.5 million from the four revenue sources specifically dedicated to the TTF and $224.1 million from the General Fund. Although the motor fuels tax, contracts with the State's three toll road authorities, certain truck fees, and certain motor vehicle surcharges are the four specifically dedicated revenue sources, the General Fund is also a revenue source available to the TTF in an amount as necessary to carry out the provisions of the TTF act. This availability is so referenced in TTF legislation at section 20 of P.L.1984. c.73 (C.27:1B-20).

! The capital construction program authorized to be appropriated from the TTF for FY 2001 would be $830 million. In addition, the TTF program is to be augmented with a $170 million appropriation from the 1999 Statewide Transportation and Local Bridge Bond Fund.

! The resulting total of $1.0 billion in State funds available for FY 2001 capital construction purposes is comparable to the FY 2000 amount of $980 million, i.e. $900 million from the TTF and an $80 million appropriation from the above noted 1999 bond fund currently pending as Assembly Bill No. 1673(1R) of 2000 and Senate Bill No. 813 of 2000. However, the State amount would be further augmented in FY 2000 by the $125 million

Key Points (Cont'd)

appropriation for "local bridge projects" also pending as part of the referenced Assembly and Senate bills.

! Recommended budget language would require that any TTF monies used "...for work necessary for preserving or maintaining the useful life of transportation projects ensure the useful life of the project for not less than five years." Current budget language requires only a useful life extension of two years. As a result of this change in the length of the project's useful life, about $45 million in New Jersey Transit Corporation capital maintenance costs currently financed by the TTF would be ineligible for continued TTF financing. However, funding for these ineligible costs is now included in the overall amount recommended to be provided to the corporation as a State grant-in-aid.

Highway Operations

! The appropriation for the program to pick up and dispose of dead deer increases to $503,000 from $253,000. The increase is based on greater than expected numbers of dead deer that must be removed from roadways and changes in disposal requirements.

! The proposed $15 million for the new Gateway Enhanced Maintenance Program is an initiative to increase maintenance activities, such as litter patrol, drain clean-out, grass mowing, landscaping and other services to enhance the appearance of highways which are considered to be gateways or corridors to New Jersey. The amount would support 296 positions, and provide funds for materials and equipment.

! Recommended budget language would authorize the Clean Communities Account Fund to provide $1.0 million to offset the cost of the department's highway litter pickup program. For the current year, the account provides $2.0 million for that program.

! Recommended budget language would authorize the Director of the Division of Budget and Accounting to appropriate an amount not to exceed $3.0 million for snow removal. Because of limited departmental carry forward balances and the restrictive use of TTF monies, $2.2 million has been appropriated, to date, for snow removal costs pursuant to similar language.

Motor Vehicle Services

! Based on the anticipated operation of the vehicle enhanced inspection and maintenance program for an entire year in FY 2001 as contrasted to the six-month period for FY 2000, additional monies from the federal Congestion Mitigation and Air Quality Fund would be received. Consequently, the appropriation for the Vehicle Inspection Program account is recommended to decrease to $26.949 million from $41.073 million.

! Because of difficulties experienced by the Vehicle Inspection Program in implementing the enhanced inspection and maintenance program at the State's centralized vehicle inspection stations, the Administration has received federal permission to institute a hybrid vehicle inspection program through June, 2000. However, the federal permission to use the "old" inspection program standards at certain State facilities would reduce the portion of the inspection program eligible for federal reimbursement. When this reduction in federal funds is coupled with the Administration's policy to provide a $25 State subsidy to private garages through June, 2000 for each vehicle inspected at such garages and to pay for that subsidy from the appropriation for the Vehicle Inspection Program, the inspection program

Key Points (Cont'd)

may experience a funding shortfall this fiscal year. Consequently, any shortfall arising from these circumstances may require the Director of the Division of Budget and Accounting to appropriate additional funds pursuant to budget language in the FY 2000 appropriations act. In FY 2000, $8.693 million of the $41.073 million amount for the inspection program is shown as being appropriated by the director pursuant to this budget language.

! Recommended budget language would continue to permit the Director of the Division of Budget and Accounting to appropriate such additional sums as necessary to fund portions of the vehicle enhanced inspection and maintenance program ineligible for federal reimbursement.

! The appropriation for the Ten Year Digitized Driver's License program is recommended to increase to $3.6 million from $2.9 million. Pursuant to P.L.1999, c.28, issuance of the new 10- year driver licenses to replace over five million 4-year licenses begins January 1, 2001. The additional monies continue the preparation efforts to meet the statutory start-date.

! A new recommended appropriation of $2.349 million for Graduated Drivers License would be used to modify computer systems to accommodate the provisions of P.L.1998, c.108, the Graduated Drivers License Act. This act changes the process under which young drivers obtain a drivers license and is designed to phase-in increasingly complex driving tasks under supervised conditions. The statutory date for this program to begin is January 1, 2001.

! The On-Line Registration program would receive an appropriation of $2.1 million for payment to IBM to handle the 10 percent of vehicle registrations anticipated to be made on-line by telephone or on the Internet. However, there is also budget language that would permit the Director of the Division of Budget and Accounting to appropriate such additional sums if IBM were to handle a greater percentage of the On-Line Registration program. The supplemental appropriation of $1.0 million for this program in FY 2000 was approved by the Joint Budget Oversight Committee pursuant to budget language in the FY 2000 appropriations act.

! New budget language would authorize the Director of the Division of Budget and Accounting to appropriate an amount not to exceed $5.0 million to implement the Motor Vehicle Services Organizational Study. The purpose of the study is to recommend improvements to the organizational structure of Motor Vehicle Services, along with upgrades in technology, fiscal controls and safeguards, and operational procedures.

! Recommended budget language provides that the amount appropriated for the Vehicle Inspection Program is payable from the Motor Vehicle Inspection Fund and that balances in the fund are available for other Clean Air purposes. Consequently, of the total estimated amount of $70.245 million to be deposited in the fund in FY 2001, $26.949 million is recommended to be appropriated for Vehicle Inspection Program and, according to the Office of Management and Budget in the Department of The Treasury, the remaining $43.296 million would be a component of the State grant-in-aid to the New Jersey Transit Corporation.

Key Points (Cont'd)

New Jersey Transit Corporation

- The total recommended budget for the corporation is $1.084 billion, an overall increase of $112.5 million. To achieve that total amount, the corporation would receive a State grant-in-aid amount of $248.1 million, an increase of $96.9 million. Other revenue sources, e.g. passenger fares, the Casino Revenue Fund, and various federal and TTF resources, would contribute an estimated $457.4 million, $23.7 million, and $354.5 million, respectively, a combined increase of $15.6 million.

- The major component of the corporation's overall budget increase is the transfer of $45 million in maintenance costs from the TTF because of budget language qualifying the use of TTF monies for maintenance. In addition, labor agreements, the new Hudson-Bergen Light Rail service, increases in the levels of bus and rail service, the 24-hour reduced fare program for senior citizens and disabled persons, and expansion of service required by the federal Americans with Disabilities Act also contribute to the overall budget increase.

Background Paper

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 address the needs of the overall transportation system in the State, DOT manages a significant capital construction program which provides funding for improvements to highways, bridges, rail freight lines, general aviation airports, and mass transit services offered by buses and passenger rail lines. DOT also provides transportation financial assistance to local governments. Prior to FY 1985, annual capital budget 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 bond referenda in 1989 and 1999 which provided $115 million and $500 million, respectively, for bridge repairs, the purchase of railroad rights-of-way and other transportation improvements statewide, the department's capital construction program is essentially supported by the New Jersey Transportation Trust Fund Authority (TTF) 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 $900 million in FY 2000. Although legislation in 1995 established the annual TTF capital program at a maximum level of $700 million, the Legislature waived this level for FY 1998 and FY 2000 when the TTF was authorized to finance capital programs of $900 million. Another waiver would be required for FY 2001 to authorize the Governor's request for an $830 million TTF program.

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 State highways and bridges, which averaged about $265 million annually in the earliest years, averaged about $350 million under the programs authorized for FY 1996 through FY 2000.

Local Aid

Municipalities are also served by the TTF. In FY 1988, 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. Subsequently, when the TTF capital program cap was raised in 1991, municipal aid increased to $50 million for FY 1991 through FY 1995. Under a further TTF cap increase in 1995, 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

Program Description and Overview (Cont'd)

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 legislation in 1991 raising the TTF cap increased county assistance from $35 million to $50 million for FY 1991 through FY 1995. Under the further TTF cap increase in 1995, counties also 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; (8) anticipates the start of passenger service on the new Hudson-Bergen Light Rail Transit System between Bayonne and Jersey City in April, 2000; and (9) expects to commence construction work on new passenger rail service between Trenton and Camden in the spring of 2000.

As a consequence of its varied transit responsibilities, NJT currently operates 12 passenger 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 24-hour, 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 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 the 1990's, 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 of 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 averaged $290 million for the period FY 1996 through FY 2000.

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, TTF legislation enacted in 1995 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, and the respective amounts for FY 1999 and FY 2000 are $3.0 million and $6.0 million. The bureau uses both the ASF and TTF to match available 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 insure the continued fitness of persons to operate motor vehicles; and (4) the security responsibility program that enforces compulsory insurance requirements and identifies uninsured motorists.

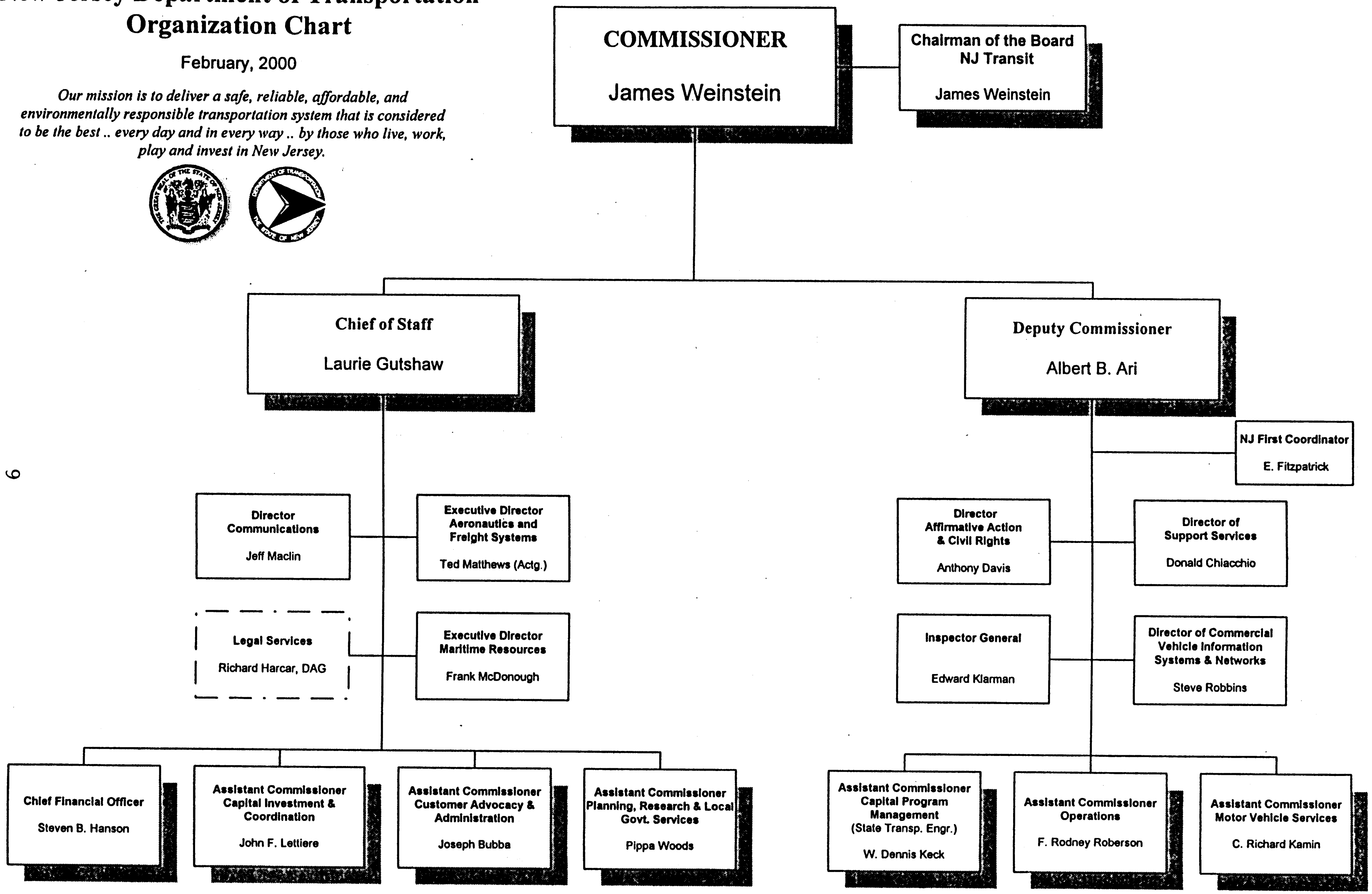
Although the DMV has extensive responsibilities related to various motor vehicle operations, a significant part of DMV's overall responsibility involves the inspection of passenger motor vehicles to insure safe operation and conformance with emission requirements established by the Federal Clean Air Act. In November, 1998, the operation of the centralized motor vehicle inspection facilities by the State ceased and was contracted to a private vendor.

On December 13, 1999, the vendor began implementation of the required Enhanced Inspection and Maintenance Program (EIMP). However, difficulties experienced in implementing the EIMP at the State's centralized facilities prompted the Administration to request and then receive federal permission to institute a hybrid vehicle inspection program through June, 2000. The 10 most congested stations and the five single lane facilities reverted on January 31, 2000 to using the "old" vehicle inspection standards in effect prior to December 13, 1999 while the remaining State facilities use the "new" enhanced vehicle inspection standards. All centralized facilities are expected to use EIMP standards by July 1, 2000.

New Jersey Department of Transportation
Organization Chart

February, 2000

Our mission is to deliver a safe, reliable, affordable, and environmentally responsible 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.



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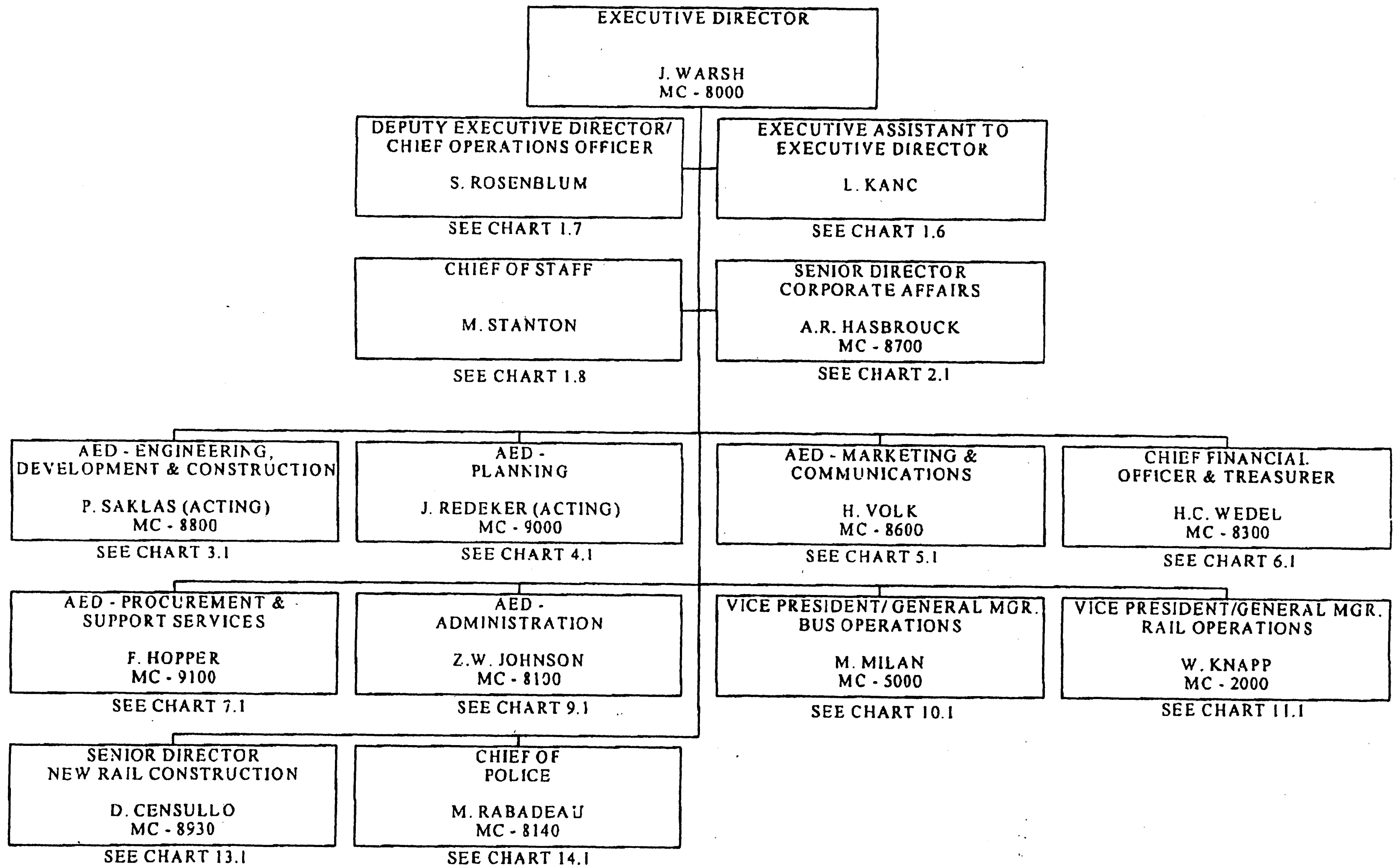
NJ TRANSIT
The Way To Go.

FEBRUARY 9, 2000



Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS ($000)

	Expended FY 1999	Adj. Approp. FY 2000	Recom. FY 2001	Percent Change 1999-01	Percent Change 2000-01
General Fund					
Direct State Services	$217,086	$219,791	$224,627	3.5%	2.2%
Grants - In - Aid	194,379	151,594	248,097	27.6%	63.7%
State Aid	0	0	0	0.0%	0.0%
Capital Construction	465,231	477,801	698,600	50.2%	46.2%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	$876,696	$849,186	$1,171,324	33.6%	37.9%
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	$22,506	$22,811	$23,754	5.5%	4.1%
Casino Control Fund	$0	$0	$0	0.0%	0.0%
State Total	$899,202	$871,997	$1,195,078	32.9%	37.1%
Federal Funds	$525,511	$740,000	$740,000	40.8%	0.0%
Other Funds	$753,216	$919,686	$850,575	12.9%	-7.5%
Grand Total	$2,177,929	$2,531,683	$2,785,653	27.9%	10.0%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 1999	Revised FY 2000	Funded FY 2001	Percent Change 1999-01	Percent Change 2000-01
State	3,958	3,867	4,136	4.5%	7.0%
Federal	1,171	1,142	1,196	2.1%	4.7%
All Other	0	0	0	0.0%	0.0%
Total Positions	5,129	5,009	5,332	4.0%	6.4%

FY 1999 (as of December) and revised FY 2000 (as of September) personnel data reflect actual payroll counts. FY 2001 data reflect the number of positions funded. Personnel Summary excludes position data at the New Jersey Transit Corporation.

AFFIRMATIVE ACTION DATA

Total Minority Percent	20.0%	23.1%	21.8%	----	----

Significant Changes/New Programs ($000)

Budget Item	Adj. Approp. FY 2000	Recomm. FY 2001	Dollar Change	Percent Change	Budget Page
I. Motor Vehicle Services:					
A. Services Other Than Personal	$13,261	$14,128	$867	6.5%	D-392

The Motor Vehicle Services component of the Services Other Than Personal account on this page is based on an estimate of costs developed by the Office of Information Technology (OIT) in the Department of the Treasury, the increase represents the additional amount requested by OIT in order to provide Motor Vehicle Services with the current level of information system services.

Budget Item	Adj. Approp. FY 2000	Recomm. FY 2001	Dollar Change	Percent Change	Budget Page
B. Special Purpose - Vehicle Inspection Program	$41,073	$26,949	($14,124)	(34.4)%	D-392

The Enhanced Inspection and Maintenance Program (EIMP) is expected to operate for an entire year in FY 2001 as contrasted to a six-month period for FY 2000. Due to the longer time period, it is also expected that additional monies would be received from the federal Congestion Mitigation and Air Quality Fund to reimburse the EIMP for eligible expenses charged to that federal funding source. As a result of these additional federal funds, the appropriation for this account is recommended to decrease by $14.124 million.

The amount noted above for FY 2000 includes $32.380 million from the original appropriation while $8.693 million was appropriated by the Director of the Division of Budget and Accounting pursuant to budget language, i.e. Director Letters No. 00-122. However, Director Letter No. 00-64, which appropriated $100,000 to this account, was inadvertently excluded. Consequently, a total of $41.173 million is currently available for this account. The referenced language authorizes the director to appropriate additional sums as necessary to fund EIMP activities ineligible for federal reimbursement. Similar budget language is recommended for FY 2001.

However, difficulties experienced in implementing the EIMP at the State's centralized vehicle inspection stations prompted the Administration to request and then receive federal permission to institute a hybrid vehicle inspection program through June, 2000. The 10 most congested stations and the five single lane facilities reverted on January 31, 2000 to using the "old" vehicle inspection standards in effect prior to December 13, 1999 while the remaining State facilities use the "new" enhanced vehicle inspection standards.

A consequence of receiving federal permission to use the "old" inspection program standards at certain State facilities is a reduction in the portion of the inspection program eligible for federal reimbursement. When this reduction in federal funds is coupled with the Administration's policy of providing a $25 State subsidy to private garages through June, 2000 for each vehicle inspected at such garages and to pay for that subsidy from the appropriation to this account, the account may experience a funding shortfall this fiscal year. Consequently, the director may appropriate additional funds for the vehicle inspection program to offset any shortfall arising from these unanticipated circumstances.

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

Budget Item	Adj. Approp. FY 2000	Recomm. FY 2001	Dollar Change	Percent Change	Budget Page
C. Special Purpose - Somerville Inspection Station	$650	$0	($650)	(100.0)%	D-393

The appropriation for FY 2000 is a legislative initiative. Budget language in the appropriation act for FY 2000 authorizes the Director of the Division of Budget and Accounting to appropriate an amount, not to exceed $650,000, for the relocation of the motor vehicle station in Somerville, Somerset County. However, a Director's letter to appropriate the noted amount has not yet been issued.

Budget Item	Adj. Approp. FY 2000	Recomm. FY 2001	Dollar Change	Percent Change	Budget Page
D. Special Purpose - Ten Year Digitized Driver's License	$2,900	$3,600	$700	24.1%	D-393

Pursuant to P.L.1999, c.28 , effective January 1, 2001, the Division of Motor Vehicles (DMV) will issue ten-year digitized driver licenses. To replace over five million, current four-year licenses with ten-year licenses, DMV must make substantial changes to its systems and data communications network, and obtain equipment to place digitized driver photographs on the new licenses. Funding for this license program began in FY 2000; the FY 2001 funding continues the efforts to meet the statutory start-date.

Budget Item	Adj. Approp. FY 2000	Recomm. FY 2001	Dollar Change	Percent Change	Budget Page
E. Special Purpose - Graduated Drivers License	$0	$2,349	$2,349	—	D-393

Pursuant to P.L.1998, c.108, effective January 1, 2001, DMV will begin implementing the graduated motor vehicle licensing program. This program changes the process under which young drivers obtain a driver's license. It is designed to phase-in exposure to increasingly complex driving tasks and environments as new drivers mature and develop their driving skills under supervised conditions. Funds are required to modify computer systems to accommodate this new program and to meet the statutory start-date.

Budget Item	Adj. Approp. FY 2000	Recomm. FY 2001	Dollar Change	Percent Change	Budget Page
F. Special Purpose - On-Line Registration	$1,000	$2,100	$1,100	110.0%	D-393

Budget language in the appropriation act for FY 2000 authorizes the Director of the Division of Budget and Accounting, subject to the approval of the Joint Budget Oversight Committee, to appropriate an amount, not to exceed $1,000,000, for a public-private initiative to deliver certain selected motor vehicle services to the public. On September 30, 1999 the committee approved the

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

Budget Item	Adj. Approp. FY 2000	Recomm. FY 2001	Dollar Change	Percent Change	Budget Page

appropriation of $1,000,000 for an agreement between the department and IBM to develop a system whereby residents could annually renew, with a credit card, motor vehicle registrations on-line over the Internet or by telephone. The amount for FY 2001 represents the estimated payment to IBM to handle the 10 percent of vehicle registration renewals anticipated to be made on-line. In addition to this proposed $2.1 million appropriation, there is budget language on page D-394 of the Administration's proposed FY 2001 budget that permits the Director of the Division of Budget and Accounting to appropriate such additional sums as are necessary to implement the On-Line Registration program. The Office of Management and Budget in the Department of the Treasury has noted that this language has been requested to cover additional costs that would be incurred should IBM handle on-line vehicle registrations that are in excess of 10 percent.

Budget Item	Adj. Approp. FY 2000	Recomm. FY 2001	Dollar Change	Percent Change	Budget Page
II. Security Responsibility:					
Services Other Than Personal	$2,126	$2,344	$218	10.3%	D-392

The Security Responsibility component of the Services Other Than Personal account on this page is based on an estimate of costs developed by the Office of Information Technology (OIT) in the Department of the Treasury, the increase represents the additional amount requested by OIT in order to provide the Security Responsibility program with the current level of information system services. All expenses incurred by the Security Responsibility program are billed to the insurance industry for full reimbursement.

Budget Item	Adj. Approp. FY 2000	Recomm. FY 2001	Dollar Change	Percent Change	Budget Page
III. Maintenance and Operations:					
A. Special Purpose - Disposal of Dead Deer	$253	$503	$250	98.8%	D-397

The number of dead deer picked up along State as well as county and local roads has surpassed initial estimates. When coupled with changes in regulations promulgated by the federal Department of Agriculture concerning the disposal of deer carcasses, the annual expenditures for this program have increased and are now closer to the $503,000 level.

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

Budget Item	Adj. Approp. FY 2000	Recomm. FY 2001	Dollar Change	Percent Change	Budget Page
B. Special Purpose - Gateway Enhanced Maintenance Program	$0	$15,000	$15,000	—	D-397

This initiative will increase maintenance activities along highways which are considered to be gateways or corridors to New Jersey. Specifically, the initiative includes bi-monthly road sweeping, weekly litter patrol, grass mowing every 15 days, annual drain clean-out, plus other enhanced services. The proposed appropriation would support 296 positions, and provide funds for materials and maintenance equipment. In a previous, complementary initiative, the Transportation Trust Fund allocated $14 million in FY 2000 to rehabilitate the Route 30 Gateway in the City of Camden from the Ben Franklin Bridge toll plaza to east of Airport Circle; that effort is intended to enhance the scenic qualities along the noted portion of Route 30.

Budget Item	Adj. Approp. FY 2000	Recomm. FY 2001	Dollar Change	Percent Change	Budget Page
C. Capital Construction - Transportation Trust Fund Account	$477,801	$698,600	$220,799	46.2%	D-398

The recommendation to increase the annual appropriation to the Transportation Trust Fund (TTF) is a shift in policy to reduce the current level of reliance on TTF bond financing to support the TTF capital program. In FY 2000, about $370.0 million of the appropriation is allocated for debt service on outstanding TTF bonds and the remaining $107.8 million is available for pay-as-you-go capital program financing. Based on a total $900 million capital program authorized to be appropriated from the TTF for FY 2000, about 12 percent is financed as pay-as-you-go. Under the FY 2001 proposal, of the $698.6 million appropriated to the TTF, about $432.7 million is estimated to be required for TTF debt service, thereby providing $265.9 million for pay-as-you-go capital financing. With a total capital program of $830 million recommended to be appropriated from the TTF for FY 2001, the pay-as-you-go financing component would increase to about 32 percent.

The Administration recommends that the $698.6 million appropriation to the TTF consist of $474.5 million from the four revenue sources specifically dedicated to the TTF and $224.1 million from the General Fund. The dedicated revenue sources are: (1) a portion of the tax on motor fuels, i.e. the amount derived from $0.09 per gallon: (currently, the tax is $0.105 per gallon for gasoline and $0.135 for diesel fuel); (2) contracts with the State's three toll road authorities; (3) certain truck fees; and (4) certain motor vehicle registration surcharges. However, the General Fund is also a revenue source available to the TTF in an amount necessary to carry out the provisions of the TTF act and is so referenced at section 20 of P.L.1984, c.73 (C.27:1B-20).

The Administration also recommends that there be appropriated $830 million in FY 2001 from the revenues and other funds of the New Jersey Transportation Trust Fund Authority to support the transportation capital program. Although the TTF capital program has a statutory cap of $700 million per year, the Legislature waived this limit for FY 1998 and FY 2000 when TTF capital

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

Budget Item	Adj. Approp. FY 2000	Recomm. FY 2001	Dollar Change	Percent Change	Budget Page

programs of $900 million were authorized for each of those years.

Budget Item	Adj. Approp. FY 2000	Recomm. FY 2001	Dollar Change	Percent Change	Budget Page
IV. New Jersey Transit Corporation:					D-401 D-402
A. Expenditures -					
1. Bus Operations	$347,736	$372,000	$24,264	7.0%	
2. Rail Operations	349,568	392,800	43,232	12.4%	
3. Corporate Operations	164,578	190,600	26,022	15.8%	
4. Purchased Transportation	86,558	104,600	18,042	20.8%	
Sub-Total	$948,440	$1,060,000	$111,560	11.8%	
5. Transportation Assistance for Senior Citizens and Disabled Residents	22,811	23,754	943	4.1%	
Total	$971,251	$1,083,754	$112,503	11.6%	
B. Revenues -					
1. State Approp.	$151,237	$248,097	$96,860	64.0%	
2. Federal Assistance	248	0	(248)	(100.0)%	
3. NJT Resources -					
a. Farebox	450,400	457,400	7,000	1.6%	
b. Other	346,555	354,503	7,948	2.3%	
Sub-Total	$948,440	$1,060,000	$111,560	11.8%	
4. Casino Revenue	22,811	23,754	943	4.1%	
Total	$971,251	$1,083,754	$112,503	11.6%	

The above information summarizes by major purpose the expenditure data for the New Jersey Transit Corporation followed by a summary of how these expenditures are funded.

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

Budget Item	Adj. Approp. FY 2000	Recomm. FY 2001	Dollar Change	Percent Change	Budget Page

A. Expenditure Changes

The major component of the corporation's overall budget increase is the transfer of $45 million in maintenance costs from the Transportation Trust Fund (TTF) to the corporation's operating budget. New TTF budget language would make certain corporation maintenance work currently financed by the TTF ineligible for continued TTF financing. The new language would require that maintenance work extend the useful life of a transportation project for at least five years; the current language requires only a useful life extension of two years. Additional factors contributing to the overall budget increase include labor agreements, the new Hudson-Bergen Light Rail service, increases in the levels of bus and rail service, funding the 24-hour reduced fare program for senior citizens and disabled persons for an entire year and expansion of service required by the federal Americans with Disabilities Act.

B. Revenue Changes

Because of the State's sound economy, low unemployment rate, and the absence of a fare increase for the tenth straight year, the corporation anticipates that passenger fares and the Casino Revenue Fund would increase to provide about $457.4 million and $23.7 million, respectively. The Other Resources component of $354.5 million would include reimbursements for eligible expenses charged to the TTF and federal revenues, and amounts from various additional funding sources such as leases, investment income, advertising, and a subsidy from Metro Rail North in New York.

V. Administration and Support Services:

Budget Item	Adj. Approp. FY 2000	Recomm. FY 2001	Dollar Change	Percent Change	Budget Page
A. Services Other Than Personal	$4,464	$4,776	$312	7.0%	D-404

Based on an estimate of costs developed by the Office of Information Technology (OIT) in the Department of the Treasury, the increase represents the additional amount requested by OIT in order to provide Administration and Support Services with the current level of information system services.

Budget Item	Adj. Approp. FY 2000	Recomm. FY 2001	Dollar Change	Percent Change	Budget Page
B. Grant-In-Aid Railroad Museum Master Plan, Phillipsburg	$357	$0	($357)	(100.0)%	D-404

The appropriation for FY 2000 is a legislative initiative to fund a master plan for the development of a railroad museum in Phillipsburg, Warren County.

Language Provisions

2000 Appropriations Handbook	2001 Budget Recommendations
p. B-123	p. D-393
No comparable language.	In addition to the amount appropriated hereinabove for Motor Vehicle Services, such additional sums as may be required are appropriated for implementing the Motor Vehicle Services Organizational Study, not to exceed $5,000,000, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The language refers to the "Organizational Study and Analysis, Motor Vehicle Services, Final Report" dated July, 1999 conducted by KPMG. Although the language states that an amount, not to exceed $5 million, would be used to implement the recommendations identified by KPMG, the report does not include cost estimates for the various recommendations. The department has been requested to provide a more definitive response relating the proposed appropriation to specific objectives.

2000 Appropriations Handbook	2001 Budget Recommendations
p. B-124	p. D-394
In addition to the amount appropriated hereinabove for the Vehicle Inspection Program, such additional sums as may be required are appropriated for the relocation of the motor vehicle station in Somerville, Somerset County, not to exceed $650,000, subject to the approval of the Director of the Division of Budget and Accounting.	No comparable language.

Explanation

This is a one-time legislative initiative. An FY 2000 supplemental appropriation for $650,000 to relocate the Somerville station is shown on page D-392 of the Administration's proposed FY 2001 budget as being appropriated by the director pursuant to this budget language.

Language Provisions (Cont'd)

2000 Appropriations Handbook

p. B-124

Notwithstanding any other provision of law, there is appropriated such amounts not to exceed $1,000,000 as are necessary to participate in a joint venture to provide delivery of certain selected motor vehicle services to the public under a public-private initiative pursuant to P.L.1997, c.136 (C.27:1D-1 et seq.), or otherwise allowable by law, subject to the approval of the Director of the Division of Budget and Accounting and the Joint Budget Oversight Committee.

2001 Budget Recommendations

p. D-394

Notwithstanding any other provision of law, in addition to the amount appropriated for On-Line Registrations, such sums as are necessary are appropriated to implement the program pursuant to P.L.1997, c.136 (C.27:1D-1 et seq.), or otherwise allowable by law, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

On September 30, 1999 the Joint Budget Oversight Committee approved the appropriation of $1,000,000 for an agreement between the department and IBM to develop a system whereby residents could annually renew, with a credit card, motor vehicle registrations on-line over the Internet or by telephone. For FY 2001 the Administration proposes the direct appropriation of $2.1 million to pay IBM to handle the estimated 10 percent of vehicle registration renewals anticipated to be made on-line. However, the proposed FY 2001 budget language is intended to permit "such sums as are necessary" to be appropriated for the On-Line Registration program, subject to the approval of the Director of the Division of Budget and Accounting, should IBM handle vehicle registration renewals that are in excess of the estimated 10 percent.

2000 Appropriations Handbook

p. B-126

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.

2001 Budget Recommendations

p. D-399

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, $1,000,000 is appropriated from the Clean Communities Fund to offset the cost of the Department's litter pickup program.

Explanation

This fund is administered by the Department of Environmental Protection (DEP) and 90 percent of the monies in the fund are to be distributed to local governments for litter pickup and removal. Prior to FY 2000, the only State agency authorized by the Legislature to receive monies from the fund was DEP, which, in turn, used the monies for a litter pickup and removal program in State parks. Beginning in FY 2000, the Legislature expanded the fund's purposes by also authorizing the Department of Transportation to receive monies from the fund for the litter pickup program along

Language Provisions (Cont'd)

State highways. According to page H-4 of the Administration's proposed FY 2001 budget, the fund is projected to have a $3.0 million balance as of June 30, 2000; the balance as of June 30, 1999 was $6.5 million.

2000 Appropriations Handbook	2001 Budget Recommendations
p. C-45	p. D-402
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.	No comparable language.

Explanation

Certain available balances in the Petroleum Overcharge Reimbursement Fund (PORF) were transferred from the Department of Human Services to assist the New Jersey Transit Corporation (NJT) with the corporation's operation of new compressed natural gas buses. Use of PORF monies by NJT is consistent with previous legislative policy, e.g. $33.9 million of such PORF monies were appropriated to the corporation by section 3 of P.L.1991, c.514 for the purchase of buses.

2000 Appropriations Handbook	2001 Budget Recommendations
p. E-12	p. D-399
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.	No comparable language.

Explanation

Certain available balances in the Petroleum Overcharge Reimbursement Fund (PORF) were transferred from the Department of Human Services to assist the New Jersey Transit Corporation (NJT) with the corporation's purchase of new compressed natural gas buses. Use of PORF monies by NJT is consistent with previous legislative policy, e.g. $33.9 million of such PORF monies were appropriated to the corporation by section 3 of P.L.1991, c.514 for the purchase of buses.

Language Provisions (Cont'd)

2000 Appropriations Handbook	2001 Budget Recommendations
p. E-12 and E-13	p. D-399
Four discrete budget language items concerning the reappropriation of certain unexpended balances for State and local bridges from the 1983 and 1989 bridge bond funds.	No comparable language.

Explanation

The Administration recommends deletion of the four budget language items related to the 1983 and 1989 bridge bond funds. These items, previously inserted into recent appropriation acts, would be replaced by similar language inserted into the following current and anticipated future bills:

1. Assembly Bill No. 1673 (1R) of 2000 and its identical counterpart Senate Bill No. 813 of 2000, which appropriate $205 million from the 1999 Statewide Transportation and Local Bridge Bond Fund for local bridge projects and public transportation projects, also reappropriate the unexpended balances that remain from local bridge projects that were financed by the 1983 and 1989 bridge bond funds. However, according to the identical bills, a formula for the redistribution of the unexpended balances in the 1983 and 1989 bond funds would be established by the department, subject to the approval by the Joint Budget Oversight Committee (JBOC). Currently, JBOC approves the transfer of unobligated bond funds to specific projects.

2. It is anticipated that a further legislative bill, augmenting the proposed $830 million Transportation Trust Fund capital program for FY 2001 with $170 million for State highways from the 1999 Statewide Transportation and Local Bridge Bond Fund, would also contain language concerning the reappropriation of unexpended balances that remain from State bridge projects that were financed by the 1983 and 1989 bridge bond funds.

Consequently, the continuation of the budget language in an appropriation act would be obviated by these bills.

Language Provisions (Cont'd)

2000 Appropriations Handbook

p. E-13 to E-18

Language appropriating a total of $900 million, $540 million for State and local highway projects, and $360 million for New Jersey Transit Corporation public transportation projects, from the revenues and other funds of the New Jersey Transportation Trust Fund Authority for listed capital projects.

2001 Budget Recommendations

p. D-399

Pursuant to the provisions of P.L.1984, c.73 (C.27:1B-1 et al.) there is appropriated the sum of $830,000,000 from the revenues and other funds of the New Jersey Transportation Trust Fund 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

Although the total amount proposed for appropriation from the Transportation Trust Fund (TTF) is reduced by $70 million from the FY 2000 amount, the amount is still $130 million higher than the $700 million statutory cap on the annual TTF capital program. However, the Legislature has previously permitted waivers to this annual cap. As part of the appropriation acts for FY 1998 and FY 2000, TTF capital construction programs totaling $900 million were authorized for each of those years.

Nevertheless, the "apparent" TTF capital program reduction would be offset with a proposed $170 million for State highway purposes from the 1999 Statewide Transportation and Local Bridge Bond Fund. This complementary bond fund appropriation would then make a total of $1.0 billion in State funds available for capital construction purposes in FY 2001. It is anticipated that the $170 million for State highway purposes from the 1999 bond fund will be the subject of separate appropriation legislation prior to the start of FY 2001.

For comparison to FY 2000 capital construction funds, it is estimated that the total amount of State funds available in FY 2000 year would be $980 million, i.e. $900 million from the TTF and an $80 million appropriation, currently pending as Assembly Bill No. 1673 (1R) of 2000 and its identical counterpart Senate Bill No. 813 of 2000, from the referenced 1999 bond fund.

However, neither the total State amount noted above for FY 2000 ($980 million) nor the proposed total amount for FY 2001 ($1.0 billion) includes the $125 million appropriation for "local bridge projects" also pending as part of the referenced Assembly and Senate bills.

Language Provisions (Cont'd)

2000 Appropriations Handbook	2001 Budget Recommendations
p. E-16	p. D-399
From the amounts appropriated from the revenues and other funds of the New Jersey Transportation Trust Fund Authority for the Fiscal Year 2000 transportation capital construction program, the Commissioner of Transportation shall allocate and transfer from a part or all of any item or items up to $3,000,000 for installation of a sound barrier on Route 55 in Elk Township.	No comparable language.

Explanation

This is a legislative initiative for FY 2000 and is not continued in FY 2001.

2000 Appropriations Handbook	2001 Budget Recommendations
p. E-19	p. D-400
Notwithstanding the provisions of subsection r. of section 3 of P.L.1984, c.73 (C.27:1B-3), sums from the Transportation Trust Fund shall be available, subject to the approval of the Director of the Division of Budget and Accounting, for work necessary for preserving or maintaining the useful life of transportation projects that ensures the useful life of the project for not less than **two** years.	Notwithstanding the provisions of subsection r. of section 3 of P.L.1984, c.73 (C.27:1B-3), sums from the Transportation Trust Fund shall be available, subject to the approval of the Director of the Division of Budget and Accounting, for work necessary for preserving or maintaining the useful life of transportation projects that ensures the useful life of the project for not less than **five** years.

Explanation

The recommendation that monies from the Transportation Trust Fund (TTF) preserve or maintain the useful life of a project for "**five**" years rather than "**two**" years addresses a policy concern about the intended use of the TTF. For FY 2000 about $70 million from the TTF is allocated to the New Jersey Transit Corporation for capitalized maintenance projects that extend the useful life of a project for at least two years. However, the Governor acknowledges this concern about using the TTF for operating type expenses and noted in her budget speech that "That's not the intent of the fund." As a result of the change in the length of a project's useful life, about $45 million in corporation maintenance costs currently financed by the TTF would be ineligible for continued TTF financing. However, funding to pay the costs of those maintenance activities that would become ineligible for TTF support in FY 2001 is included in the overall amount recommended to be provided as a State grant-in-aid payment to New Jersey Transit. Therefore, despite a reduction in TTF support because of the change in the length of a project's useful life, sufficient funds would still be available in FY 2001 for the corporation to continue its current level of maintenance work.

Language Provisions (Cont'd)

The proposed "five" year useful life requirement is slightly longer than the "four" year useful life required by the statute referenced in the language.

2000 Appropriations Handbook	2001 Budget Recommendations
p. E-19	p. D-400
From the amounts appropriated from the revenues and other funds of the New Jersey Transportation Trust Fund Authority for the Fiscal Year 2000 transportation capital construction program, the Commissioner of Transportation shall allocate and transfer from a part or all of any item or items up to $1,500,000 for the functional relocation of the Toms River inspection station in order to provide for the expansion of Route 166 and improve intersection safety, Ocean County.	No comparable language.

Explanation

This is a legislative initiative and is not continued in FY 2001.

2000 Appropriations Handbook	2001 Budget Recommendations
p. E-19	p. D-400
From the amounts appropriated from the revenues and other funds of the New Jersey Transportation Trust Fund Authority for the Fiscal Year 2000 transportation capital construction program, the Commissioner of Transportation shall allocate and transfer from a part or all of any item or items up to $1,500,000 for the functional relocation of the Freehold inspection station in order to improve intersection safety on Route 79, Monmouth County.	No comparable language.

Explanation

This is a legislative initiative for FY 2000 and is not continued in FY 2001.

Discussion Points

1. Full implementation of the Enhanced Inspection and Maintenance Program (EIMP) at all centralized State inspection facilities has been delayed because of various difficulties. As a consequence of this delay, federal permission has been received to operate a hybrid inspection system through June, 2000. Vehicles can now receive an "old" idle test at 15 designated high-use State facilities, or the "new" enhanced test at the other State facilities and at private inspection facilities.

! *Question:* Please provide the status on the installation of improvements that would ensure that the "new" enhanced inspection test can be successfully implemented by the end of June, 2000 at the 15 designated State facilities that have temporarily reverted to using the "old" idle test. Please indicate the amounts of State and federal funds that are available this fiscal year for the EIMP and how much from each funding source is allocated for the various program expenditures (e.g. construction, salaries, equipment, materials, etc.). If federal reimbursements are reduced this fiscal year due to the operation of a hybrid inspection system that continues to use the "old" idle test, would State funds in excess of the current $41.1 million be required? If so, how much and to cover what costs? Please provide a similar breakout of anticipated EIMP expenditures by funding sources for FY 2001.

2. The State appropriation for the Vehicle Inspection Program in FY 2001 would be reduced by $14.1 million because of the anticipated increase in federal reimbursements from the Congestion Mitigation and Air Quality Fund (CMAQ) . This increase in federal funds is predicated on the operation of the EIMP for an entire fiscal year rather than the initial six-month start-up period projected for FY 2000.

! *Question:* Since the $45 million in CMAQ funds requested for EIMP in FY 2001 is the same as the amount appropriated for EIMP in FY 2000, how can the State appropriation be reduced based on the receipt of "additional" CMAQ funds? Please indicate how many years federal CMAQ funds are available for the EIMP. If there is a time limit on the use of CMAQ monies for the EIMP, when would additional State funds be requested to offset the eventual loss of federal funds? How much would be requested and for what purposes?

3. Recommended budget language would authorize the Director of the Division of Budget and Accounting to appropriate an amount, not to exceed $5.0 million, to implement the Motor Vehicle Services Organizational Study. However, the referenced study, "Organizational Study and Analysis, Motor Vehicle Services, Final Report," dated July, 1999, conducted by the firm of KPMG does not appear to provide an estimate of costs for the implementation of the study's recommendations.

! *Question:* What are the costs associated with implementing the study's recommendations? How were these costs estimated? What specific study recommendations would be financed in FY 2001? Are the recommendations to be funded in FY 2001 the only ones for which funding would be requested? If not, what are the estimates of costs for the anticipated, additional requests for funding? What study recommendations would be funded in succeeding fiscal years?

Discussion Points (Cont'd)

4. The requested amount for the new Gateway Enhanced Maintenance Program is $15.0 million. This initiative is intended to increase the level of maintenance along highways considered to be gateways to New Jersey and thereby improve their scenic quality. The amount is anticipated to support 296 positions, and to provide related funds for materials and equipment.

! *Question:* Please provide a list of the highways considered to be gateways to New Jersey. Would the entire lengths of these highways within the State be eligible for funding under this initiative? If not, what portion of a gateway highway would be eligible? How would such portion be determined? How would the proposed appropriation for FY 2001 be allocated between employee salaries, materials, and equipment? Would any portion of the appropriation be used to hire private landscaping or other contractors to perform the intended maintenance work? Which gateways would receive enhanced maintenance in FY 2001?

5. The Office of Information Technology (OIT) in the Department of the Treasury developed estimates of costs to continue the current level of various information system services that it provides to the department. These estimates require an increase of over $1.0 million for OIT to continue those current efforts.

! *Question:* What factors account for the increase in the cost of OIT current services? Does OIT provide sufficient supporting data to confirm its estimates? Are the estimates reviewed independently by the department or by the Office of Management and Budget in the Department of the Treasury?

6. Recommended budget language would continue to permit the department to use bond money from the Transportation Rehabilitation and Improvement Fund of 1979 for costs associated with department personnel working on the planning and design of projects financed by that fund.

! *Question:* Why is language concerning a bond fund authorized over 20 years ago still needed? How much of the referenced 1979 bond fund was used to pay the cost of department personnel in FY 2000? How much is estimated for FY 2001? How much of this bond fund remains unobligated?

7. The Administration recommends that $698.6 million be appropriated to the Transportation Trust Fund (TTF). The Administration also recommends that $830 million be appropriated from the TTF for the FY 2001 capital program.

! *Question:* How long could the TTF finance an annual capital program of $830 million if the Legislature appropriated $698.6 million each year to the TTF and there are no changes to the TTF debt issuance parameters?

8. The department 's operating budget request anticipates that $1.2 million would be available from the TTF for maintenance of vehicles in FY 2001, the same amount anticipated for FY 2000. However, the department assumed that budget language authorizing the use of TTF monies to preserve or maintain the useful life of transportation projects for not less than two years would be continued. The useful life period for maintenance projects would be changed to five years by the recommended budget language.

Discussion Points (Cont'd)

! *Question:* How does the longer useful life standard for maintenance projects impact the operating budget request for the department? Would the department request an additional $1.2 million or a lesser amount from the General Fund to offset the potential loss of TTF operating support?

9. As noted above, language is recommended that would require any TTF money used to preserve or maintain transportation projects ensure the useful life of the project for not less than five years rather than two years, as required by language in the FY 2000 appropriation act. The current and recommended language override subsection r. of section 3 of P.L.1984, c.73 (C.27:1B-3) which requires a useful life of not less than four years.

! *Question:* Why was a "five-year" useful life selected over the "four-year" useful life required by permanent TTF legislation? How does the "five-year" standard impact the request by the department to have the TTF provide $3.3 million for Equipment Fleet Repair that would maintain equipment used for bridge and highway purposes, and about $75 million for various bus and rail capital maintenance projects?

10. The TTF capital program request for $830 million is proposed to be augmented with a request for $170 million from the 1999 Statewide Transportation and Local Bridge Bond Fund. These amounts would provide a total of $1.0 billion in State capital program funds for FY 2001. However, as a result of the current and anticipated bills appropriating monies from the 1999 bond fund for various State and local purposes, all monies authorized by the 1999 bond fund for State purposes are likely to be appropriated by June 30, 2000. The remaining 1999 bond funds would be available only for local bridge purposes.

! *Question:* Does the department consider the monies for State purposes from the 1999 bond fund to be a one-time infusion of additional capital monies for FY 2001 or would the TTF be requested to replace the $170 million in FY 2002 with additional TTF money? Why is an annual TTF capital program of $830 million, already $130 million over the current TTF limitation of $700 million, insufficient? What is the amount of additional federal funds that the department would receive for a TTF capital program of $830 million? How much would be received for a $700 million program? What is the minimum amount of annual State dollars required to match or obtain federal highway and transit funds available each year?

11. Capital program requests submitted by the New Jersey Transit Corporation since FY 1998 have exceeded the amounts of funds annually appropriated from the TTF for public transportation projects. The displays of projects in recent annual appropriation acts reflect amounts which, when totaled, exceed the actual appropriation to the corporation by about $50 million each year. Because this "over-programming" is inconsistent with the intent of permanent TTF legislation, i.e. section 8 of P.L.1987, c.460 (C.27:1B-21.1), special budget language must be crafted to accommodate the "over-programming." The subsequent language requires the corporation to adjust its capital program to fit within the funding limitation and to resubmit, within six months, a capital program adhering to the appropriation limit and to receive approval of the Joint Budget Oversight Committee in certain instances.

! *Question:* Please discuss the continued basis for "over-programming." Why is the flexibility in the budget language permitting the corporation to transfer monies between projects within its appropriation pursuant <u>only</u> to the approval by the Director of the Division of Budget and Accounting insufficient to have the total of individual project

Discussion Points (Cont'd)

amounts listed in the appropriation act equal the TTF appropriation for the corporation?

12. In FY 2000 the corporation received $5.7 million from the Petroleum Overcharge Reimbursement Fund for use on its compressed natural gas (CNG) bus program. These funds augmented previous amounts provide for this program by the TTF.

! *Question:* Please provide a status report on the CNG bus program. How many buses are part of this initiative? How do the costs to operate CNG buses compare to the diesel buses in the corporation fleet? What is the difference in the purchase price between a CNG bus and a diesel bus? Does the corporation intend to expand the use of CNG buses? What air quality improvements do CNG buses provide that "state-of-the-art" diesel buses cannot?

13. The Transportation Assistance for Senior Citizens and Disabled Residents account is recommended to receive $23.8 million from the Casino Revenue Fund (CRF). However, this sum appears to be less than the amount the account would receive if, according to section 11 of P.L.1983, c.578, a sum equal to 7.5 percent of the revenues deposited in the CRF during the previous year were appropriated to this account.

! *Question:* If the 7.5 percentage is factored against the actual amount of $324.6 million in gross revenue deposited in the CRF in FY 1999, the account would receive $24.3 million. Please comment on the apparent $592,000 shortfall.

14. Language concerning the use of CRF money to reimburse counties for para-transit services for sheltered workshop clients continues to be recommended.

! *Question:* Why is language concerning county reimbursement for para-transit services for sheltered workshop clients needed? Is the intent of the language to have counties request sheltered workshop client reimbursement from the counties allocation of CRF money or from the NJT allocation?

Background Paper: Transportation Trust Fund Authority

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Introduction

In 1984, the Legislature determined that it was important to provide stable and assured funding to the Department of Transportation for improvements to the transportation system in the State. During the preceding years transportation projects competed for funding, as part of the annual appropriations' act process, with other capital improvement program requests submitted by the various State departments. However, this process generally resulted in an appropriation of State funds for transportation purposes that was just sufficient to match federal funds.

For transportation capital programs that were deemed essential and overdue, but which could not be funded through the annual capital program process because of State budgetary constraints, the use of general obligation bonds became an important financing alternative. Nevertheless, since such bonds require voter approval, the ability to provide substantial amounts of State funds for needed transportation improvements on a regular basis could not be assured. Without this assurance, the planning and construction of improvements was a lengthy and uncertain process. Consequently, the Legislature decided that the proper solution to this funding dilemma was the creation of a unique entity responsible for and empowered to finance the transportation needs of the State. This decision led to the creation of the Transportation Trust Fund Authority.

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 is 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.

Nevertheless, 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 1995 reauthorization legislation, the annual Trust Fund program level was established

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at $700 million. In addition, its funding purposes were 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 $900 million programs for FY 1998 and FY 2000. As a consequence of these larger capital program levels, highway and bridge projects received an average annual amount of $350 million, mass transit facilities $290 million, general aviation airports $8 million, and local governments a minimum of $130 million for the five year period from FY 1996 through FY 2000.

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 the transportation system in the State, which began at 2.5 cents per gallon in December, 1984, increased to 7.0 cents per gallon on July 1, 1996, to 8.0 cents per gallon on July 1, 1998, and then to 9.0 cents per gallon on July 1, 1999. 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, 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 by the Legislature to be appropriated each year from the Trust Fund. The Trust Fund carries out this financing function through the following process that first appropriates monies <u>to</u> the Trust Fund and then <u>from</u> the Trust Fund:

Step 1

The revenue sources noted above provide the monies for the annual capital budget appropriation <u>to</u> the Trust Fund. 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 consistent with debt service estimates made in 1995 regarding future Trust Fund expenses, 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. In subsequent years, while the FY 1998 appropriation of $380.3 million was consistent with the 1995 funding estimate, the $463.7 million appropriation for FY 1999 was below the $511.6 million estimate made in 1995. The lower amount for FY 1999 was also attributable to lower than anticipated Trust Fund debt service costs. For Fiscal Year 2000 a continuation of lower than estimated debt service costs resulted in an appropriation of $483.1 million, rather than the originally projected amount of $525.3 million. However, the total "debt service savings" of $148.4 million - - $58.3 million in FY 1997, $47.9 million in FY 1999, and $42.2 million in FY 2000 - - were subsequently used for non-Trust Fund purposes. If the Trust Fund had received the original, larger appropriations, the overall sale of Trust

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Fund bonds since 1996 could have been reduced by $148.4 million.

The costs for debt service have been lower than projected since FY 1996 because the original interest rate assumptions of 6.5% to 8.5% on Trust Fund bonds made by the Department of the Treasury proved to be too high; instead, interest rates on Trust Fund bonds sold since FY 1996 have varied from 4.61% to 5.70%.

Along with the capital budget appropriation to the Trust Fund, the annual appropriation act also establishes the level of the capital program by appropriating monies from the Trust Fund. Since its inception, the annual program level has increased steadily from $249 million in FY 1985 to $900 million for FY 2000. Although the Commissioner of Transportation submitted a total capital program request of $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 capital program for FY 2000 is $900 million.

Step 2

Given the difference then between the annual appropriation to the Trust Fund and the amount from the Trust Fund, a second step of financing is required. 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. Notwithstanding that bond issuance restriction, the $700 million annual amount was increased to $900 million for one year pursuant to P.L.1999, c. 147 to accommodate the FY 2000 Trust Fund program of $900 million.

Consequently, the Trust Fund uses 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 $370 million for FY 2000, and are expected to rise to about $432 million for FY 2001.

Trust Fund Continuation

When the amount of the Trust Fund construction program was increased pursuant to P.L.1995, c.108 and additional revenue sources identified to support the increase, it was anticipated that those sources, excluding general revenues of the State, would be sufficient to finance the annual transportation capital construction program through FY 2000. In fact, the Trust Fund could support a $700 million program in FY 2001 with its current revenue sources because of the previously noted lower than expected debt service levels. However, the FY 2001 proposal is to significantly increase the capital appropriation to the Trust Fund, i.e. $698.6 million contrasted to $477.8 million for FY 2000, and to appropriate $830 million from the Trust Fund. As a consequence of this proposal, the percentage of the annual transportation construction program

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supported by pay-as-you-go financing would increase to 32 percent in FY 2001 from 12 percent in FY 2000. Concurrently, the percentage supported by the issuance of Trust Fund bonds would then decrease from 88 percent in FY 2000 to 68 percent in FY 2001.

Because of the proposed changes in TTF funding levels, the Legislature may wish to consider the requests to appropriate monies to and from the Trust Fund in FY 2001 with certain complementary issues. These issues include contemplated program funding levels for FY 2002 and beyond, subsequent increases in Trust Fund debt service expenses, and the number of years that a larger Trust Fund program should encompass. Given the relative importance of these issues, they are significant legislative considerations for the remaining portion of FY 2000, and probably into and through FY 2001.

An important part of any reconsideration of Trust Fund legislation should be an affirmation of legislative intent concerning the amount of monies that are to be provided from the various revenue sources dedicated 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 estimated to generate about $49 million in FY 2001, the Administration still recommends an appropriation from the motor fuels tax based on the $40 million per penny amount. The $9 million difference is important because the portion of the motor fuels tax dedicated for transportation purposes is $0.09 per gallon and, therefore, $81 million in "dedicated" revenue 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 wish to articulate its intent on the preferred use of this "difference," e.g. Trust Fund or non-Trust Fund purposes.

Likewise, the motor vehicle registration surcharge, referred to in the FY 2001 Budget as 'Good Driver' and displayed in the Schedule I State Revenues for the department, generates more revenue than the amount recommended to be provided to the Trust Fund, e.g. $67.7 million in anticipated revenue for FY 2001 but only $60 million included as part of the $698.6 million proposed capital appropriation to the Trust Fund in FY 2001. Since the continuation of the surcharge (previously due to expire on December 31, 1996) was part of the 1995 Trust Fund legislation, the Legislature may also wish to affirm if part or all of those surcharge revenues are now to go to the Trust Fund.

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Trust Fund Recap

The table on the this page provides a recap of Trust Fund program authorizations, appropriations, and bond-related financing data since its creation in FY 1985.

Trust Fund Recap
(amounts rounded in $ millions)

Fiscal Year	Trust Fund Program	Annual State Approp.	Bond Sale Proceeds	Trust Fund Earnings	Debt Service Payment	Unmet Cash Need*
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	163	318
96	700	197	611	15	87**	-36
97	700	305	674	18	184	-113
98	900	380	715	17	249	37
99	700	464	718	17	305	-194
00	900	483	900	19	370	-132
Sub-total	8,781	4,376	5,346	340	1,815	534
01(Est)	830	699	580	17	433	-33
Total	9,611	5,075	5,926	357	2,248	501

* Unmet Cash Need represents the additional amount required to balance Trust Fund expenditures, i.e. Trust Fund Program and Debt Service Payment, with Trust Fund revenues, i.e. Annual State Appropriation, Bond Sale Proceeds, and Trust Fund Earnings. Although many of

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the projects supported by the Trust Fund require several years to complete, the Trust Fund only keeps an amount of cash on hand sufficient to pay 12 to 15 months of construction activity. As available cash is used, the Trust Fund then schedules annual sales of its bonds when it nears having only about a two month supply of cash on hand. Consequently, the Trust Fund would need $534 million to balance the total of all program and payment expenditures authorized since Fiscal Year 1985 with revenues received to date during that same time period. The need would be reduced to $501 million in FY 2001 based on the estimated Trust Fund revenues and expenditures.

** 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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