ANALYSIS OF THE NEW JERSEY

FISCAL YEAR 2001 - 2002 BUDGET

DEPARTMENT OF TRANSPORTATION

PREPARED BY

OFFICE OF LEGISLATIVE SERVICES

NEW JERSEY LEGISLATURE

APRIL 2001

NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF TRANSPORTATION

Budget Pages....... C-11 to 12, C-19 to 20, C-26, C-28,
D-435 to 453, H-46

Fiscal Summary ($000)

	Expended FY 2000	Adjusted. Appropriation FY 2001	Recommended FY 2002	Percent Change 2001-02
State Budgeted	$897,428	$1,193,679	$1,262,090	5.7%
Federal Funds	671,066	812,174	840,195	3.5%
Other	906,742	920,294	1,019,926	10.8%
Grand Total	$2,475,236	$2,926,147	$3,122,211	6.7%

Personnel Summary - Positions By Funding Source

	Actual FY 2000	Revised FY 2001	Funded FY 2002	Percent Change 2001-02
State	3,883	4,208	4,332	2.9%
Federal	1,142	1,141	1,216	6.6%
Other	0	0	0	—
Total Positions	5,025	5,349	5,548	3.7%

FY 2000 (as of December) and revised FY 2001 (as of September) personnel data reflect actual payroll counts. FY 2002 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, mass transit facilities, 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 was transferred from the Department of Law and Public Safety to the department in 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 366,000. 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

! The budget message recommends a capital budget appropriation of $709.5 million to the Transportation Trust Fund (TTF) for FY 2002, an amount which is $90 million below the minimum of $799.5 million established by the recent TTF reauthorization legislation, P.L.2000, c.73.

! The $709.5 million recommended to the TTF for FY 2002 includes only constitutionally dedicated revenues provided by motor fuel taxes, the Petroleum Products Gross Receipts Tax, and the Sales and Use Tax, and contractual contributions provided by State toll road authorities. There is $90 million in motor vehicle registration fees and diesel fuel revenues which is statutorily dedicated to the TTF but which is not recommended.

! The budget message recommends a capital construction program appropriation of $1.0 billion from the TTF for FY 2002. This program amount exceeds by $50 million the statutory maximum of $950 million established in P.L.2000, c.73 for the TTF in FY 2002.

! The recommended capital budget appropriation to the TTF and the program appropriation from the TTF would translate into an anticipated need for the TTF to issue about $735 million in new debt in FY 2002 to meet its estimated cash expenditures in that year.

! Although $650 million is the maximum annual amount of debt statutorily permitted by P.L.2000, c.73 to be issued by the TTF in any fiscal year, the TTF is, however, permitted an exception and may issue a higher amount, if in previous fiscal years the TTF did not issue the maximum amount and has carried forward that authorized, but unissued balance. The TTF has approximately $348 million in authorized, but unissued debt that has carried forward since FY 1996, when the TTF issued less than the annual maximum.

! Pursuant to P.L.2000, c.73, TTF support for salaries and overhead of the department and the New Jersey Transit Corporation (NJT) shall not exceed 13 percent of the annual TTF capital construction program. Under the TTF program limit of $950 million established by this act for FY 2002, $123.5 million would be permitted for salaries and overhead. The recommended $1.0 billion TTF program could permit an additional $6.5 million or a total of $130 million for these purposes.

Key Points (Cont'd)

Highway Operations

- The budget message recommends that the Gateway Enhanced Maintenance Program receive about $7.9 million in FY 2002, a $3.3 million decrease below the $11.2 million FY 2001 appropriation. The $3.3 million decrease reflects certain expenditures for equipment in FY 2001 which do not have to be repeated in FY 2002.

- The budget message continues budget language which authorizes the appropriation of additional funds for snow removal. However, the proposed language would cap the additional amount for FY 2002 at $3.0 million whereas the current language for FY 2001 caps the amount at $1.5 million. The $1.5 million for snow removal was appropriated in FY 2001 pursuant to Director's Letter 01-058.

- The Materials and Supplies account would increase from $11.3 million in FY 2001 to $11.9 million in FY 2002 to support the growth in electric energy costs attributable to additional highway lighting and traffic signals.

- The Clean Communities Fund (CCF) would no longer offset the cost of the department's litter pickup program. The CCF has been credited with the revenue derived from the tax on litter-generating products. However, this tax expired on December 31, 2000. Consequently, the General Fund would replace the $1.0 million that is being provided by the CCF in FY 2001.

- The budget message recommends an appropriation of $7.9 million for Transportation Systems Improvements. This new item is for salaries of departmental personnel working on the transportation capital program and is a shift of personnel costs, currently funded in the TTF. This is consistent with the Legislature's intent to limit the amount of TTF money that can be used for personnel salaries and overhead costs of the department and NJT.

Motor Vehicle Services

- The appropriation for the Vehicle Inspection Program, which is responsible for the State's enhanced motor vehicle inspection program, would decrease to $27.3 million from its FY 2001 adjusted appropriation amount of $36.9 million. However, the decrease assumes a FY 2001 supplemental appropriation, which has not yet occurred, of $10 million for program expenses that are ineligible for federal reimbursement.

- The Vehicle Inspection Program is also anticipated to be supported with an estimated $50 million in federal funds in FY 2002. However, the cost sharing agreement that the department entered into with the federal government in December, 1999 for this program is for three years. Consequently, if federal participation decreases in FY 2003 and is eliminated in FY 2004, demands may be placed on the General Fund to replace these federal funds.

- Funds to reimburse private inspection facilities for enhanced inspections of motor vehicles are not recommended for FY 2002. $3.0 million was appropriated for FY 2001 as part of a settlement agreement between the department and the Gasoline Retailers Association concerning the inspection of private motor vehicles. The reimbursement program ended September 30, 2000.

Key Points (Cont'd)

- The appropriation for the Ten-Year Digitized Driver License Program would decrease to $900,000 from the FY 2001 amount of $3.6 million. Although scheduled to begin implementation by January 1, 2001, the amount for FY 2002 provides for final program startup costs. Further, new budget language would permit such sums as needed to be appropriated to continue the current photo license program, including the charging of fees, until the Ten-Year Digitized Driver License Program is implemented.

- The appropriation for the Graduated Driver License Program would decrease to $1.7 million from the $9.3 million FY 2001 adjusted appropriation. Although the FY 2001 amount assumes a supplemental appropriation of $6.9 million, this has not yet occurred. The adjusted amount for FY 2001 would support modifications to the computer mainframe, a public information program and guidebook, and test procedures. The amount for FY 2002 would continue technology improvements to further enhance program effectiveness.

- The budget message recommends an appropriation of $5.5 million to modernize motor vehicle agencies. Of this amount, $4.8 million is a capital budget item and $700,000 is a direct state services budget item. These monies would be used to: (1) develop and implement a new information system; and (2) install a customer queuing system to reduce the time the public must wait to complete vehicle-related transactions. This is a new initiative and is based on the findings contained in the "Organizational Study and Analysis, Motor Vehicle Services, Final Report" dated July, 1999 that was conducted by KPMG LLP.

- The capital budget also recommends $2.7 million for improvements at various motor vehicle facilities for roof replacements, heating and ventilation improvements, and related preservation investments, and for the construction of a new office at the Delanco inspection station in Burlington County.

- The Services Other Than Personal account would increase from $13.5 million in FY 2001 to $14.2 million in FY 2002 to provide nine additional technical support staff in the Office of Information Technology (OIT) to service the increased needs of Motor Vehicle Services (MVS) resulting from new programs such as the Graduated Driver License Program and the Ten-Year Digitized Driver License Program. The amount would also support salary increases for the existing OIT staff that provides current services to MVS.

Security Responsibility

- The budget message recommends a $500,000 appropriation to conduct a feasibility study for an insurance verification system. In addition, budget language would permit such additional sums as needed to be appropriated to implement the system. The establishment of an electronic data base concerning real-time information on private passenger automobile insurance is required by section 7 of P.L.1998, c.22 (C.17:33B-41).

- Although additional budget language directs that the amount appropriated for the Security Responsibility program classification is to be reimbursed from receipts received from associations and companies writing motor vehicle liability insurance within the State, the costs for the insurance verification system will be supported by the General Fund. The Department of the Treasury and the Department of Insurance have determined that these system costs are not reimbursable by the vehicle insurance industry.

Key Points (Cont'd)

Aviation

- An amount of $2.5 million was appropriated in FY 2001 pursuant to P.L.2000, c.165 for the purchase of development rights associated with any privately owned and any county or municipally owned unrestricted public use airport. Although this Grant-in-Aid program is not recommended in FY 2002, the department may allocate TTF or federal monies for this purpose, if needed.

Administration and Support Services

- The Services Other Than Personal account would increase from $4.8 million in FY 2001 to $5.1 million in FY 2002 for Office of Information Technology salary increases and technical services provided to the department.

New Jersey Transit Corporation

- The total recommended budget for the corporation is $1.170 billion, an overall increase of $111 million. To achieve that total amount, the corporation would receive a State grant-in-aid amount of $280 million, an increase of $71 million. Other revenue sources, e.g. passenger fares, the Casino Revenue Fund, and various federal and TTF resources, would contribute an estimated $489 million, $25 million, and $376 million, respectively, for a combined increase of $40 million.

- The corporation increase provides for: (1) additional bus and rail service on existing routes to reduce overcrowding; (2) new bus and rail routes; (3) more frequent cleaning and maintenance programs; (4) meeting mandated federal and State safety programs; (5) support for a portion of the personnel salary costs formerly financed by the TTF; (6) updating communications capability by opening a new rail operations center; and (7) contractual labor expenses.

- New budget language would permit the appropriation of an amount not to exceed $4.0 million to adjust service levels in response to overcrowding on bus and rail lines.

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. The department supports these capital program activities essentially with monies provided by the New Jersey Transportation Trust Fund Authority (TTF) and federal funds. However, bond referenda in 1989 and 1999 provided an additional $115 million and $500 million, respectively, for bridge repairs, the purchase of railroad rights-of-way and other transportation improvements statewide.

Since its creation in July, 1984, 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 2001. Although legislation enacted in July, 2000 established a TTF capital program limit of $950 million for FY 2002 through FY 2004, the FY 2002 Budget Message recommends a $1.0 billion capital program for the next fiscal year. However, notwithstanding the budget message recommendation, the Commissioner of Transportation submitted to the Legislature the Proposed Transportation Capital Program, Fiscal Year 2002, dated March 1, 2001, which has a capital program recommendation of $950 million. Clarification of the inconsistency in the capital program amount for FY 2002 has been requested from the commissioner and the Department of the Treasury.

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.

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. For FY 2001 the TTF provided $358 million for State highway and bridge projects.

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 received at least $65 million each year from FY 1996 through FY 2000. For FY 2001 municipalities received $75 million from the TTF.

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 at least $65 million from FY 1996 through FY 2000. For FY 2001 counties also received $75 million from the TTF.

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) began passenger service on the new Hudson-Bergen Light Rail Transit System between Bayonne and Jersey City in April, 2000; and (9) commenced construction work on new passenger rail service between Trenton and Camden.

As a consequence of its varied transit responsibilities, NJT currently operates 12 passenger rail lines and 174 bus routes to accommodate an estimated 366,000 daily riders. In addition, NJT currently allocates about 1,000 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 $251 million in FY 1993. Since then the subsidy amount was able to decline because economic conditions 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. For FY 2001 NJT received $390 million from the TTF.

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 2001 are $3.0 million, and $6.0 million. For FY 2001 the TTF provided $2.0 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.

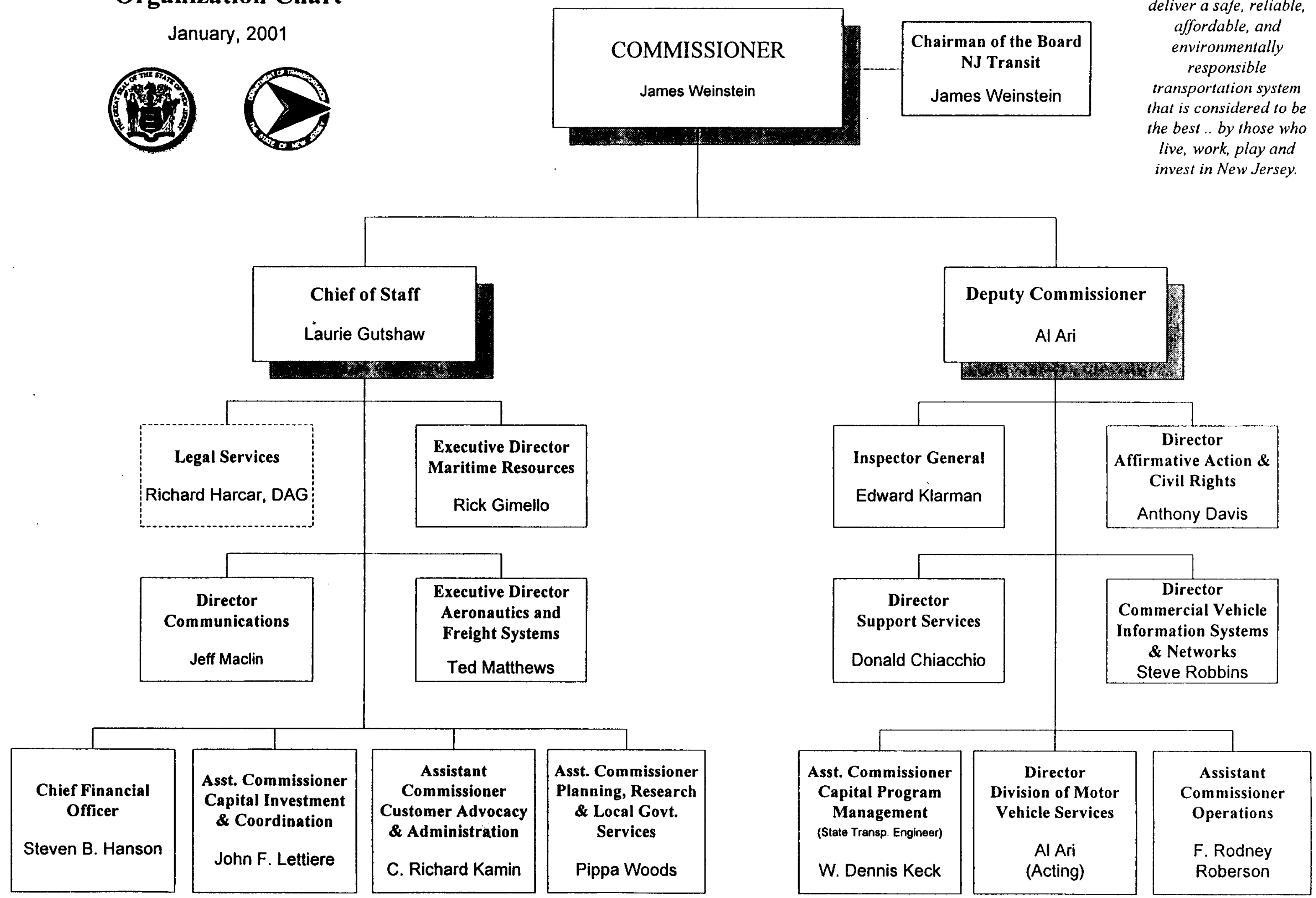
Although the DMV has extensive responsibilities related to various motor vehicle operations, a significant part of DMV's overall responsibility involves the inspection of passenger motor vehicles to insure safe operation and conformance with emission requirements established by the Federal Clean Air 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. The difficulties experienced by the EIMP have been resolved and all centralized facilities now use EIMP standards.

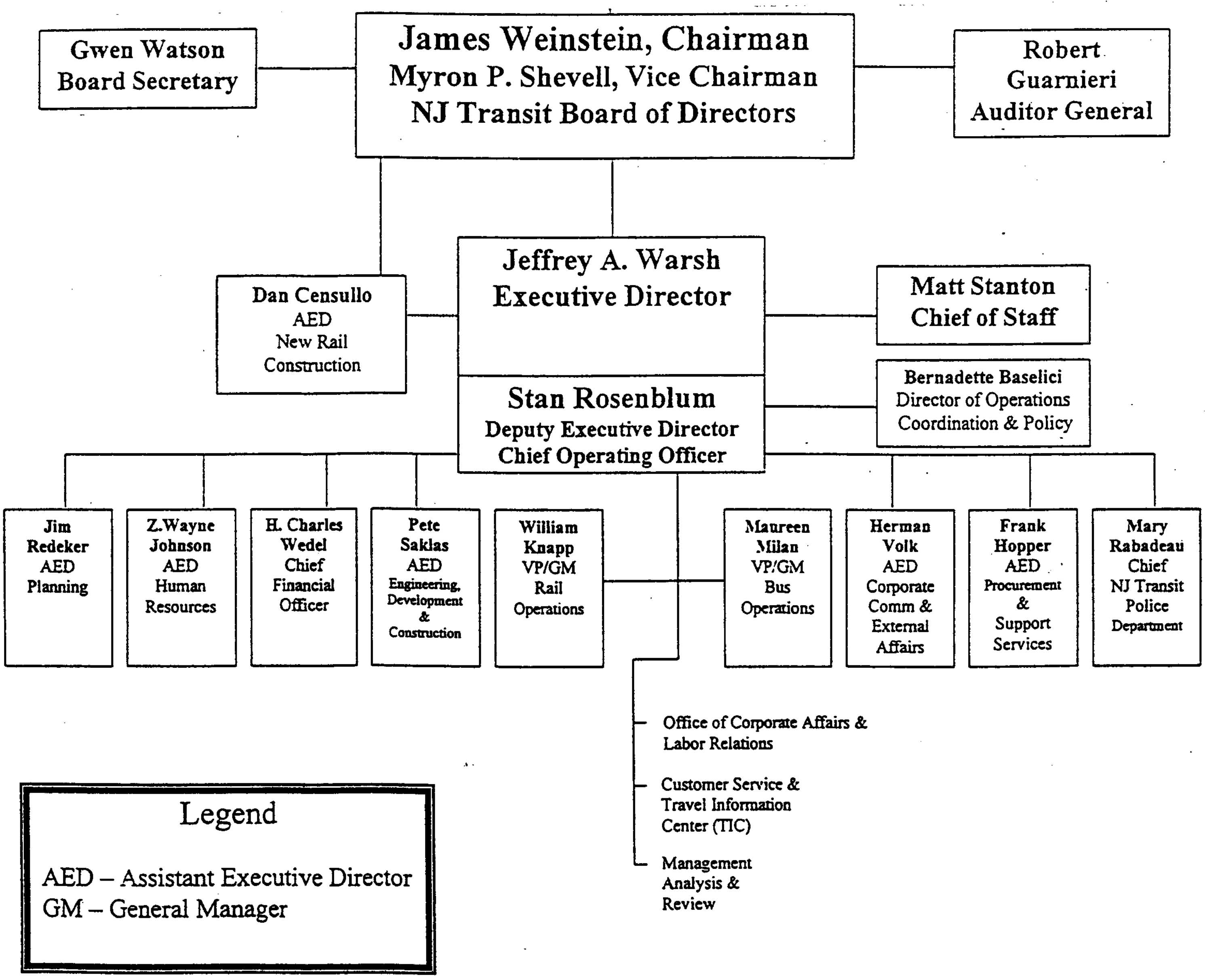
New Jersey Department of Transportation
Organization Chart

January, 2001

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



New Jersey Transit Corporation
Organization Chart
January, 2001



Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS ($000)

	Expended FY 2000	Adj. Approp. FY 2001	Recom. FY 2002	Percent Change 2000-02	Percent Change 2001-02
General Fund					
Direct State Services	$246,866	$256,928	$240,582	(2.5)%	(6.4)%
Grants-In-Aid	149,750	211,597	279,707	86.8%	32.2%
State Aid	0	0	0	0.0%	0.0%
Capital Construction	478,001	701,400	716,980	50.0%	2.2%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	$874,617	$1,169,925	$1,237,269	41.5%	5.8%
Property Tax Relief Fund					
Direct State Services	$0	$0	$0	0.0%	0.0%
Grants-In-Aid	0	0	0	0.0%	0.0%
State Aid	0	0	0	0.0%	0.0%
Sub-Total	$0	$0	$0	0.0%	0.0%
Casino Revenue Fund	$22,811	$23,754	$24,821	8.8%	4.5%
Casino Control Fund	$0	$0	$0	0.0%	0.0%
State Total	$897,428	$1,193,679	$1,262,090	40.6%	5.7%
Federal Funds	$671,066	$812,174	$840,195	25.2%	3.5%
Other Funds	$906,742	$920,294	$1,019,926	12.5%	10.8%
Grand Total	$2,475,236	$2,926,147	$3,122,211	26.1%	6.7%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2000	Revised FY 2001	Funded FY 2002	Percent Change 2000-02	Percent Change 2001-02
State	3,883	4,208	4,332	11.6%	2.9%
Federal	1,142	1,141	1,216	6.5%	6.6%
All Other	0	0	0	0.0%	0.0%
Total Positions	5,025	5,349	5,548	10.4%	3.7%

FY 2000 (as of December) and revised FY 2001 (as of September) personnel data reflect actual payroll counts. FY 2002 data reflect the number of positions funded. Personnel Summary excludes position data at the New Jersey Transit Corporation.

AFFIRMATIVE ACTION DATA

Total Minority Percent	25.6%	24.8%	24.0%	----	----

Significant Changes/New Programs ($000)

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
I. Motor Vehicle Services:					
A. Services Other Than Personal	$13,493	$14,172	$679	5.0%	D-440

The amount noted above represents the Motor Vehicle Services (MVS) component of the Services Other Than Personal account on this page. The additional amount for FY 2002 would be used to support salary increases for existing Office of Information Technology (OIT) staff that provides current services to MVS and for new technical staff to address needs resulting from the required implementation of the Graduated Driver License Program and the Ten-Year Digitized Driver License Program. The estimate for these costs was developed by OIT in the Department of the Treasury.

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
B. Special Purpose - Vehicle Inspection Program	$36,949	$27,278	($9,671)	(26.2)%	D-441

The Adjusted Appropriation amount for FY 2001 assumes a supplemental appropriation, which has not yet occurred, of $10 million for program expenses that are ineligible for federal reimbursement. This additional amount would be provided pursuant to budget language that permits the Director of the Division of Budget and Accounting to make such an appropriation. The program amount for FY 2002 is reduced because certain one-time expenses related to program development and implementation have been previously funded.

The Vehicle Inspection Program is also anticipated to be supported with an estimated $50 million in federal funds in FY 2002. However, the cost sharing agreement that the department entered into with the Federal Highway Administration in December, 1999 for this program is for three years. Consequently, if federal participation decreases in FY 2003 and is eliminated in FY 2004, demands may be placed on the General Fund to replace these federal funds.

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
C. Special Purpose - Private Inspection Facility Reimburse-ment Program	$3,000	$0	($3,000)	(100.0)%	D-441

Funds to reimburse private inspection facilities for enhanced inspections of motor vehicles are not recommended for FY 2002. $3.0 million was appropriated for FY 2001 as part of a settlement agreement between the department and the Gasoline Retailers Association concerning the inspection of private motor vehicles. The reimbursement program ended September 30, 2000.

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

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
D. Special Purpose - Ten Year Digitized Driver's License	$3,600	$900	($2,700)	(75.0)%	D-441

Although the Ten Year Digitized Driver's License program was scheduled to begin implementation by January 1, 2001, the program has been delayed. To complete the additional work needed to implement this new license program, the budget message recommends $900,000 in FY 2002 for work on information technology and final startup costs. Pending implementation of the ten-year digitized driver license program, there is also budget language that would appropriate such sums as needed to continue the current four year photo license program, and to permit the charging of related photo fees to support the existing driver license program.

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
E. Special Purpose - Graduated Driver's License	$9,300	$1,750	($7,550)	(81.2)%	D-441

The Adjusted Appropriation amount for FY 2001 assumes that a supplemental appropriation of $6.9 million, which is contained in Assembly Bill No. 3032 of 2000, would be enacted. The adjusted amount for FY 2001 would support modifications to the computer mainframe, a public information program and guidebook, and test procedures. The amount for FY 2002 would continue technology improvements to further enhance program effectiveness.

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
F. Special Purpose - Agency Modernization	$0	$757	$757	—	D-441

This amount is part of a total recommendation of $5.5 million to begin to modernize the 45 motor vehicle agencies in the State. The additional amount for this modernization effort is recommended in the capital construction budget. These direct state services and capital construction monies would be used to: (1) develop and implement a new information system; and (2) install a customer queuing system to reduce the time the public must wait to complete vehicle-related transactions. This is a new initiative and is based on the findings contained in the "Organizational Study and Analysis, Motor Vehicle Services, Final Report" dated July, 1999 that was conducted by KPMG LLP.

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
G. Capital Construction -					D-441
1. Roof Replacement, Various Facilities	$0	$500	$500	—	

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

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
2. Heating, Ventilation, Air Conditioning (HVAC) Improvements	0	377	377	—	
3. Facility Preservation	0	1,490	1,490	—	
4. DMV Office Construction	0	350	350	—	
5. Agency Modernization	0	4,763	4,763	—	
Total	$0	$7,480	$7,480	—	

The capital construction budget recommendations would be used for the following purposes to improve various motor vehicle facilities:

1. Roof Replacement at facilities in Asbury Park, Bridgeton, Cape May, and Millville.
2. HVAC Improvements at facilities in Bridgeton, Cape May, Cherry Hill, Eatontown, Jersey City, Millville, Salem, and Wayne.
3. Facility Preservation at various facilities includes: (1) paving, curbing, sidewalk, and signage improvements; (2) replacement of windows and exterior lighting; (3) exterior painting; and (4) replacement of exterior doors and masonry repair.
4. DMV Office Construction would provide for a new office at the Delanco inspection station to replace trailers that are set on concrete blocks.
5. Agency Modernization would: (1) develop and implement a new information system; and (2) install a customer queuing system to reduce the time the public must wait to complete vehicle related transactions. This is a new initiative and is based on the findings contained in the "Organizational Study and Analysis, Motor Vehicle Services, Final Report" dated July, 1999 that was conducted by KPMG LLP.

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
II. Security Responsibility:					
Special Purpose - Insurance Verification System	$0	$500	$500	—	D-441

The recommended amount would be used to conduct a feasibility study for an insurance verification system. In addition, budget language would permit such additional sums as needed to be appropriated to implement the system. The establishment of an electronic data base concerning real-time information on private passenger automobile insurance is required by section 7 of P.L.1998, c.22 (C.17:33B-41).

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

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page

Although additional budget language directs that the amount appropriated for the Security Responsibility program classification is to be reimbursed from receipts received from associations and companies writing motor vehicle liability insurance within the State, the costs for the insurance verification system will be supported by the General Fund. The Department of the Treasury and the Department of Insurance have determined that these system costs are not reimbursable by the vehicle insurance industry.

III. Maintenance and Operations:

A. Materials and Supplies	$8,045	$8,413	$368	4.6%	D-446

The amount noted above represents the Maintenance and Operations component of the Materials and Supplies account on this page. The increase would be used to support the growth in electric energy costs attributable to additional highway lighting and traffic signals.

B. Maintenance and Fixed Charges	$12,318	$10,818	($1,500)	(12.2)%	D-446

The amount noted above represents the Maintenance and Operations component of the Maintenance and Fixed Charges account on this page. The decrease reflects a $1.5 million supplemental appropriation for snow removal in FY 2001 authorized by budget language on page B-185 of the FY 2001 Appropriation Handbook and subsequently provided pursuant to Director's Letter 01-058.

C. Special Purpose - Gateway Enhanced Maintenance Program	$11,200	$7,968	($3,232)	(28.9)%	D-446

The $3.3 million decrease reflects certain expenditures for equipment in FY 2001 which do not have to be repeated in FY 2002. This program was a new initiative in FY 2001 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 corridors in or gateways to New Jersey.

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

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
IV. Physical Plant:					
Materials and Supplies	$3,230	$3,522	$292	9.0%	D-446

The amount noted above represents the Physical Plant component of the Materials and Supplies account on this page. The increase would be used to support the growth in electric energy costs attributable to additional highway lighting and traffic signals.

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
V. Transportation Systems Improvements:					
Salaries and Wages	$0	$7,900	$7,900	—	D-445

This new item is for salaries of departmental personnel working on the transportation capital program and is a shift of personnel costs, currently funded in the Transportation Trust Fund (TTF). This is consistent with the Legislature's intent to limit the amount of TTF money that can be used for personnel salaries and overhead costs of the department and New Jersey Transit.

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
VI. Transportation Trust Fund (TTF):					
A. Appropriation to TTF Account	$701,400	$709,500	$8,100	1.2%	D-446
B. Appropriation from TTF Authority	$900,000	$1,000,000	$100,000	11.1%	D-448 H-46

A. The $709.5 million recommended to the TTF Account for FY 2002 in the budget message includes only the constitutionally dedicated revenues provided by motor fuel taxes, the Petroleum Products Gross Receipts Tax, and the Sales and Use Tax, and the contractual contributions provided by State toll road authorities. There is $90 million in motor vehicle registration fees and diesel fuel revenues which is statutorily dedicated to the TTF but which is not recommended to the account.

The recent TTF reauthorization legislation, P.L.2000, c.73, stipulates that a minimum of $799.5 million shall be credited to the TTF Account in FY 2002.

B. The budget message recommends a capital construction program appropriation of $1.0 billion from the TTF Authority for FY 2002. This program amount exceeds the statutory maximum of $950 million established in P.L.2000, c.73 for the appropriation from the TTF Authority in FY 2002. However, the Proposed Transportation Capital Program Fiscal Year 2002, dated March 1, 2001,

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

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page

submitted by the Commissioner of Transportation recommends that the TTF Authority provide $950 million for the FY 2002 transportation capital construction program. Clarification of this difference in capital program levels has been referred to the department as part of the request for response to the Discussion Points.

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
VII. New Jersey Transit Corporation:					
A. Expenditures -					D-449 D-450
1. Bus Operations	$365,500	$397,100	$31,600	8.6%	
2. Rail Operations	382,900	441,300	58,400	15.3%	
3. Corporate Operations	178,400	192,300	13,900	7.8%	
4. Purchased Transportation	108,700	114,600	5,900	5.4%	
Sub-Total	$1,035,500	$1,145,300	$109,800	10.6%	
5. Transportation Assistance for Senior Citizens and Disabled Residents	23,754	24,821	1,067	4.5%	
Total	$1,059,254	$1,170,121	$110,867	10.5%	
B. Revenues -					
1. State Subsidy	$209,097	$279,707	$70,610	33.8%	
2. NJT Resources - a. Farebox	474,200	489,100	14,900	3.1%	
b. Other	352,203	376,493	24,290	6.9%	
Sub-Total	$1,035,500	$1,145,300	$109,800	10.6%	
3. Casino Revenue Fund	23,754	24,821	1,067	4.5%	
Total	$1,059,254	$1,170,121	$110,867	10.5%	

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

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page

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.

A. Expenditure Changes

The corporation expenditure increase provides for: (1) additional bus and rail service on existing routes to reduce overcrowding; (2) new bus and rail routes; (3) more frequent cleaning and maintenance programs; (4) meeting mandated federal and State safety programs; (5) support for a portion of the personnel salary costs formerly financed by the Transportation Trust Fund; (6) opening a new rail operations center to update communications capability; and (7) contractual labor expenses.

In addition there is new budget language that would permit the appropriation of an amount not to exceed $4.0 million to adjust service levels in response to overcrowding on bus and rail lines.

B. Revenue Changes

The total recommended budget for the corporation is $1.170 billion, an overall increase of $111 million. To achieve that total amount, the corporation would receive a State grant-in-aid amount of $280 million, an increase of $71 million. Other revenue sources, e.g. passenger fares, the Casino Revenue Fund, and various federal and TTF resources, would contribute an estimated $489 million, $25 million, and $376 million, respectively, for a combined increase of $40 million.

VIII. Access and Use Management:

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
Purchase Airport Development Rights	$2,500	$0	($2,500)	(100.0)%	D-453

The amount, appropriated pursuant to P.L.2000, c.165 for FY 2001, is for the purchase of development rights associated with any privately owned and any county or municipally owned unrestricted public use airport. Although this Grant-in-Aid program is not recommended in FY 2002, the department may allocate TTF or federal monies for this purpose, if needed.

IX. Administration and Support Services:

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
Services Other Than Personal	$4,775	$5,067	$292	6.1%	D-452

The amount noted above represents the Administration and Support Services component of the Services Other Than Personal account on this page and is based on an estimate of costs developed

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

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page

by the Office of Technology (OIT) in the Department of the Treasury. The additional amount for FY 2002 would be used to support salary increases for existing OIT staff that provides current services for the department's information technology requirements.

Language Provisions

2001 Appropriations Handbook	2002 Budget Recommendations
p. B-184	p. D-442
Receipts in excess of the amount anticipated for photo licensing, derived pursuant to section 2 of P.L.1979, c. 261 (C.39:3-10g), are appropriated to administer the program, subject to the approval of the Director of the Division of Budget and Accounting.	Notwithstanding any other law, if on January 1, 2001, the ten-year digitized license program is not implemented pursuant to P.L.1999. c.28 such sums are appropriated as are necessary to enable the Director of Motor Vehicles to continue the existing photo license program, including the charging of fees, until such time that the ten-year digitized license program becomes implemented, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

Although the ten-year digitized driver license program was scheduled to begin implementation by January 1, 2001, the program has been delayed. To complete the additional work needed to implement this new license program, the budget message recommends $900,000 in FY 2002 for work on information technology and final startup costs. Pending implementation of the ten-year digitized driver license program, the budget language would appropriate such sums as are needed to continue the current four year photo license program, and to permit the charging of related photo license fees to support the existing driver license program.

2001 Appropriations Handbook	2002 Budget Recommendations
p. B-184	p. D-442
Upon implementation of the Enhanced Inspection and Maintenance Program, one half of the receipts derived from fines and penalties received from complaints or summonses issued by county or local law enforcement officers, pursuant to paragraph (7) of subsection d. and subsection e. of R.S.39:8-9, are appropriated for payment to the county or municipality initiating the complaint or summons.	No comparable language.

Explanation

The Executive branch has determined that: (1) the FY 2001 budget language essentially restates the specific authority noted in paragraph (7) of subsection d. and in subsection e. of R.S.39:8-9 which require certain payments to counties and municipalities; and (2) omitting the noted language from the annual appropriations act would not interrupt these payments.

Language Provisions (Cont'd)

2001 Appropriations Handbook	2002 Budget Recommendations
p. B-184	p. D-443
No comparable language.	The unexpended balances as of June 30, 2001 in the Graduated Driver's License account are appropriated.

Explanation

The Graduated Driver's License (GDL) account received a $2.3 million appropriation in FY 2001. However, a $6.9 million supplemental appropriation for this account is currently pending as part of Assembly Bill No. 3032. Although a General Provision language item on page F-3 of the budget message would reappropriate balances in accounts of appropriations enacted subsequent to April 1, 2001, this language item would ensure that all unexpended balances in the GDL account would be reappropriated, irrespective of the date funds were appropriated.

2001 Appropriations Handbook	2002 Budget Recommendations
p. B-184	p. D-443
No comparable language.	Notwithstanding any other provision of law, in addition to the amount hereinabove appropriated for Insurance Verification System, such sums as are necessary are appropriated to implement the program, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The budget message recommends a special purpose appropriation of $500,000 for the Security Responsibility program classification to conduct a feasibility study for an insurance verification system. Pending timely completion of this study in FY 2002, the budget language would permit additional sums to be appropriated to implement the system. The establishment of an electronic data base concerning real-time information on private passenger automobile insurance is required by section 7 of P.L.1998, c.22 (C.17:33B-41).

Although additional budget language directs that the amount appropriated for the Security Responsibility program classification is to be reimbursed from receipts received from associations and companies writing motor vehicle liability insurance within the State, the costs of the insurance verification system will be supported by the General Fund. The Department of the Treasury and the Department of Insurance have determined that these system costs are not reimbursable by the vehicle insurance industry.

Language Provisions (Cont'd)

2001 Appropriations Handbook	2002 Budget Recommendations
p. B-185	p. D- 447
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.	No comparable language.

Explanation

The Clean Communities Fund (CCF) has been credited with the revenue derived from the tax on litter-generating products. However, this tax, originally imposed pursuant to section 6 of P.L.1985, 533 (C.13:1E-99.1), expired on December 31, 2000. Consequently, the budget message recommends that the General Fund provide an additional $1.0 million in FY 2002 to replace the amount being provided by the CCF in FY 2001 for the department's litter pickup program.

2001 Appropriations Handbook	2002 Budget Recommendations
p. B-185	p. D-447
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 $1,500,000, subject to the approval of the Director of the Division of Budget and Accounting.	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 the Director of the Division of Budget and Accounting.

Explanation

The language would authorize an additional appropriation of up to $3.0 million for snow removal costs rather than the current limit of $1.5 million. The higher amount would enable the department to anticipate winter storms that are more frequent or severe than average. This $1.5 million increase is also reflected in the department's total snow and ice control program which is recommended to be $12.2 million in FY 2002; for FY 2001 the program anticipated a need for $10.7 million. The added amount would permit the department to acquire an adequate supply of snow and ice control materials, and to respond quickly to snow removal call-outs stemming from winter storms.

Language Provisions (Cont'd)

2001 Appropriations Handbook	2002 Budget Recommendations
p. B-186	p. D-447
The sum provided hereinabove for the Transportation Trust Fund account shall first be provided from revenues received from motor fuel taxes pursuant to Article VIII, Section II, paragraph 4 of the State Constitution, and from funds received or receivable from the various transportation-oriented authorities pursuant to contracts between the authorities and the State, together with such additional sums pursuant to P.L.1984, c.73 (C.27:1B-1 et al.) and R.S.54:39-27 as amended, as may be necessary to satisfy all fiscal year 2001 debt service, bond reserve requirements, and other fiscal obligations of the New Jersey Transportation Trust Fund Authority.	The sum provided hereinabove for the Transportation Trust Fund account shall first be provided from revenues received from motor fuel taxes, **the petroleum products gross receipts tax, and the sales and use tax** pursuant to Article VIII, Section II, paragraph 4 of the State Constitution, and from funds received or receivable from the various transportation-oriented authorities pursuant to contracts between the authorities and the State, together with such additional sums pursuant to P.L.1984, c.73 (C.27:1B-1 et al.) and R.S.54:39-27 as amended, as may be necessary to satisfy all fiscal year 2002 debt service, bond reserve requirements, and other fiscal obligations of the New Jersey Transportation Trust Fund Authority.

Explanation

The FY 2002 budget language modifies current language to acknowledge the approval by the voters in November, 2000 to constitutionally dedicate the revenues from the Petroleum Products Gross Receipts Tax and a portion of the Sales and Use Tax for transportation purposes.

Language Provisions (Cont'd)

2001 Appropriations Handbook	2002 Budget Recommendations
p. B-186	p. D-448
Notwithstanding the provisions of subsection d. of section 21 of P.L.1984, c.73 (C.27:1B-21), in order to provide the department with flexibility in administering the appropriations identified, the Commissioner of Transportation may transfer funds, subject to the approval of the Director of the Division of Budget and Accounting, from projects included in the approved program to the Hudson-Bergen Light Rail Transit system project in an amount sufficient to satisfy the New Jersey Transportation Trust Fund Authority's obligation to pay debt service on the grant anticipation notes issued or to be issued by the New Jersey Transit Corporation but only to the extent that monies are not otherwise available for the payment of debt service from non-State funds received for the Hudson-Bergen Light Rail Transit System.	No comparable language.

Explanation

As a result of the New Jersey Transit Corporation (NJT) refinancing its Series 1997A capital grant anticipation notes (GANS) with Series 2000A GANS, the Standby Agreement and the Memorandum of Understanding between the New Jersey Transportation Trust Fund Authority (TTF) and NJT were terminated. These documents concerned GANS debt service payments by the TTF under certain conditions and were entered into in case timely payments under the federal full funding agreement for the Hudson-Bergen Light Rail Transit System were delayed. However, it has been determined by the TTF and NJT that these agreements are no longer needed. The refinancing also enables the TTF to remove the restriction on some $348 million in TTF bond issuing authority that had been reserved for repayment on the Series 1997A GANS.

2001 Appropriations Handbook	2002 Budget Recommendations
p. B-187	p. D-448
The unexpended balances as of June 30, 2000 in this department are appropriated.	No comparable language.

Explanation

There is a General Provision language item on page F-3 of the budget message that would

Language Provisions (Cont'd)

reappropriate the unexpended balances in the capital construction accounts of all departments and agencies. The Executive branch has determined that this specific provision obviates the need to repeat essentially similar language for each department's capital budget.

2001 Appropriations Handbook

p. B-187 to B-192

Language appropriating a total of $900 million for capital projects, $445 million for State and local highway projects, $385 million for New Jersey Transit Corporation projects, and $70 million pursuant to a further budget language appropriation for various transportation projects, from the revenues and other funds of the New Jersey Transportation Trust Fund Authority.

2002 Budget Recommendations

p. D-448

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

Highway Design Projects
Highway Construction Projects
Highway Right-of-way Acquisition Projects
Project Development
Highway Planning
Local Aid Projects
Public Transportation Projects

Explanation

The budget message proposes a $100 million increase in the annual transportation capital construction program. Of the total proposed $1.0 billion capital program, $385 million would be allocated for State highways, bridges and general aviation, $150 million for local aid, and $465 million for public transportation. However, the $1.0 billion amount exceeds by $50 million the statutory maximum program level of $950 million established in P.L.2000, c.73 for the Transportation Trust Fund in FY 2002.

Notwithstanding the budget message recommendation of $1.0 billion, the Proposed Transportation Capital Program Fiscal Year 2002, dated March 1, 2001, submitted by the Commissioner of Transportation recommends that the TTF Authority provide $950 million for the FY 2002 transportation capital construction program. Clarification of this difference in capital program levels has been referred to the department as part of the request for response to the Discussion Points.

Further, although the proposed budget language references seven project categories that are recommended for funding, the Fiscal Year 2002 Appropriations Act would replace the categories with a list of specific capital projects. The projects to be funded are currently displayed in the report entitled "Proposed Transportation Capital Program Fiscal Year 2002," dated March 1, 2001.

Language Provisions (Cont'd)

2001 Appropriations Handbook	2002 Budget Recommendations
p. B-192	p. D-450
No comparable language.	In addition to the amount appropriated hereinabove for Public Transportation, an amount not to exceed $4,000,000 is appropriated to enable New Jersey Transit to adjust service levels in response to overcrowding on the mass transit system, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

Although funding has been provided within the overall operating budget for the New Jersey Transit Corporation to address bus and rail overcrowding issues, specific circumstances may develop which require a more focused need of investment to remedy an overcrowding situation. This language would provide the flexibility to immediately address such a situation.

Discussion Points

1. The budget message recommends that $1.0 billion be appropriated from the revenues and other funds of the Transportation Trust Fund Authority (TTFA) for the FY 2002 transportation capital construction program. However, pursuant to and consistent with the recent Trust Fund reauthorization legislation, P.L.2000, c.73, the Commissioner of Transportation submitted the Proposed Transportation Capital Program Fiscal Year 2002, dated March 1, 2001, which recommends that the TTFA finance a $950 million capital program in FY 2002.

! *Question:* Please explain the difference in TTFA appropriations recommended by the budget message and the Proposed Transportation Capital Program Fiscal Year 2002. Which TTFA amount is intended to be appropriated? Is the additional $50 million recommended by the budget message for a specific purpose? If $1.0 billion is the intended amount, would that eliminate the $50 million in "overprogramming" that the New Jersey Transit Corporation has annually proposed as part of its capital program?

2. The Proposed Transportation Capital Program Fiscal Year 2002, dated March 1, 2001, identifies the specific projects and programs that would be financed by the TTFA in FY 2002. The following questions are based on that proposal:

! *Question:* Please clarify the $124.7 million recommended to be appropriated for the Hudson Bergen Light Rail Transit System, Minimum Operating System II. Of this total amount, $17.2 million has a funding source listed as "Other" and $107.5 million as TTF (GANS), i.e. Grant Anticipation Notes. Please identify the "Other" source? If the $107.5 million is to be appropriated from the TTF, would this require the overall TTFA program amount for FY 2002 to increase by $107.5 million over the $1.0 billion or $950 million amounts recommended respectively for the TTFA in the budget message and the Proposed FY 2002 Capital Program?

Since P.L.2000, c.73 limits the amount of Trust Fund resources that can be used for salaries and overhead of the department and the New Jersey Transit Corporation (NJT) to 13 percent of the annual Trust Fund capital program, would the department and NJT base the amount for these purposes on the program's statutory limitation of $950 million or the $1.0 billion recommended in the budget message? Aside from the specific Trust Fund allocation of $67 million for the department and $23 million for NJT recommended for salaries and overhead in FY 2002, which combined total is less than 13 percent of either the $950 million or $1.0 billion TTFA program, are other funds for these purposes contained in other Trust Fund project or program allocations for FY 2002? If so, in which projects or programs, and in what amounts?

There is no FY 2002 funding request for the Main/Bergen/Passaic Valley Lines Upgrade. Although there also was no funding request for this project in FY 2001, NJT subsequently requested, and the Joint Budget Oversight Committee (JBOC) approved, the transfer of $14.5 million in Trust Fund money to that project on January 23, 2001. Does NJT anticipate the submission in FY 2002, as it did in FY 2001, of a transfer request to the JBOC to provide additional funds for this project?

The project description for the Main/Bergen Connector references an agreement whereby NJT would essentially advance the funds to construct this project and then be reimbursed by the developer of Allied Junction. What is the source of the advance funds? What is the status of this project?

Discussion Points (Cont'd)

3. The budget message recommends an FY 2002 capital appropriation of $709.5 million to the Transportation Trust Fund Account. However, P.L.2000, c.73 which reauthorized the Transportation Trust Fund, established the minimum capital appropriation to that account at $799.5 million for FY 2002.

! *Question:* Since the legislation places greater emphasis on pay-as-you-go capital financing for transportation and reduces the amount of bonds authorized to be annually issued by the Trust Fund Authority from $700 million to $650 million, please discuss the impact of reducing the pay-as-you-go component by $90 million in revenues that are statutorily dedicated to the Trust Fund Account.

4. As a result of the $90 million shortfall in resources for the Trust Fund Account and the recommendation in the budget message for a $1.0 billion capital program, the Trust Fund Authority anticipates the need to issue $735 million in bonds in FY 2002, $85 million over the annual statutory limitation.

! *Question:* What events have occurred in the six months since the July, 2000 enactment of the Trust Fund reauthorizing legislation that now require changes in the amount of the appropriation to the Trust Fund Account, the size of the capital program, and the level of bond issuance?

5. Recent changes in the use of federal funds have enabled NJT to allocate these funds for various operating-type activities such as maintenance which previously had been supported by State operating subsidies, operating revenue of the corporation, and allocations from the Transportation Trust Fund (TTF). It is noted that the March 1 project submission proposes the use of $143 million in federal funds, about one-third of all federal funds anticipated to be received by NJT for FY 2002, for maintenance on bus and rail stock in FY 2002.

! *Question:* Given the traditional orientation of federal funds to capital projects, how does the allocation of $143 million for maintenance impact the capital program of NJT? Does this $143 million amount represent a capital program shortfall that must be financed by another source? Is the additional $50 million in the $1.0 billion TTF capital program recommended in the budget message intended to help address the shortfall? How much of the federal funds can be used for non-capital purposes? Since the TTF now funds maintenance only if the useful life of a project is extended for at least five years, how much of the federal funds can be used for maintenance activities that extend the useful life of a project for less than five years?

6. NJT would receive an additional $71 million in State grant-in-aid funds in FY 2002. Among the reasons provided by NJT for the increase are: (a) to reduce the overcrowding on bus and rail lines; and (b) to provide additional bus and rail services.

! *Question:* Regarding bus and rail services, what one-time service reductions made in FY 2001 would be reinstated in FY 2002? What prompted the reductions in FY 2001? What new services would be added in FY 2002?

7. There is recommended budget language that would authorize the appropriation of an amount not to exceed $4.0 million to adjust service levels in response to overcrowding on the mass transit system operated by NJT.

Discussion Points (Cont'd)

! *Question:* When and on what basis would the appropriation of $4.0 million recommended by budget language to adjust service levels be activated?

8. The department notes in its Proposed Capital Investment Strategy (CIS), dated March 1, 2001, that it is not feasible to reduce by one-half, within four years, the number of structurally deficient bridge repair projects.

! *Question:* Since that level of reduction is a CIS goal established in July, 2000 by P.L.2000, c.73, what has occurred in the intervening eight months to require a longer period of time to achieve the goal? What is the time period now considered to be needed to reduce, by one-half, the number of structurally deficient bridge repair projects?

9. Director's Letter No. 01-058 provided $1.5 million in FY 2001 for the department's snow removal program. However, a further need has developed for snow removal funds and $1.3 million has been transferred from a salary account, as a temporary response, to address this need. For FY 2002, budget language would permit $3.0 million to be appropriated for snow removal.

! *Question:* How much has the department expended to date on snow removal? What is the additional amount the department estimates that it would expend in FY 2001? How much did the department allocate for snow removal in FY 2001? Given the need for additional FY 2001 snow removal funds, is the $3.0 million authorized by language for appropriation in FY 2002 sufficient? If not, what amount would better support historic costs?

10. The budget message recommends $500,000 for the Security Responsibility program classification to conduct a feasibility study for an insurance verification system. Recommended budget language would appropriate such additional sums as needed to implement the system. Although other budget language states that the amount appropriated for Security Responsibility shall be reimbursed from the motor vehicle insurance industry, the Department of the Treasury and the Department of Insurance have determined that these system costs are not reimbursable by that industry.

! *Question:* What is the estimate of cost to implement the insurance verification system? Is additional or clarifying budget language needed for FY 2002 that acknowledges that the costs of the feasibility study and system implementation are the responsibility of the State and would not be a charge to the vehicle insurance industry?

11. The Ten Year Digitized Driver's License, scheduled to begin implementation by January 1, 2001, has been delayed. However, budget language would appropriate such sums as needed to continue the current four year license program, including the charging of fees, if the Ten Year license program is not implemented by January 1, 2001.

! *Question:* What is the estimate of cost to continue the four year license program in FY 2002? What fee would be charged?

12. Section 2 of P.L.1979, c.261 (C.39:3-10g), which authorized a fee of $1.50 for a driver's license color photograph, was repealed effective January 1, 2000 by section 18 of P.L.1999, c.28. That repeal does not appear to have been delayed pursuant to the August 7, 2000 memo signed by the Acting Director of Motor Vehicle Services (MVS).

Discussion Points (Cont'd)

! *Question:* Since the MVS has collected the $1.50 fee between January 1, 2000 and January 1, 2001, by what authority has the fee been collected? Did MVS stop collecting the fee after January 1, 2001? If not, by what authority is the fee still being collected?

13. The Vehicle Inspection Program is anticipated to be supported with an estimated $50 million in federal funds in FY 2002. However, the cost sharing agreement that the department entered into with the federal government in December, 1999 for this program is for three years. Consequently, if federal participation decreases in FY 2003 and is eliminated in FY 2004, demands may be placed on the General Fund to replace these federal funds.

! *Question:* What portion of the federal cost sharing agreement would the State have to assume in FY 2003? In FY 2004?

Background Paper: Transportation Trust Fund Authority

Budget Pages D-446 to D-448

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 confronted 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

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

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.

Given the legislative intent to reauthorize the Trust Fund by FY 2001, further legislation, P.L.2000, c.73, was enacted. This legislation increases the amount of the annual Trust Fund capital program but authorizes funding for only the four year period from FY 2001 through FY 2004. During this interval, the Trust Fund program is not to exceed $900 million in FY 2001, and $950 million in each of the years from FY 2002 through FY 2004. The $900 million program authorized by the Appropriations Act for FY 2001 is consistent with P.L.2000, c.73. For FY 2002, the budget message recommends a Trust Fund program of $1.0 billion. However, this $1.0 billion amount is inconsistent with the $950 million amount authorized by P.L.2000, c.73 and the $950 million amount recommended in the Proposed Transportation Capital Program Fiscal Year 2002, dated March 1, 2002, submitted to the Legislature by the Commissioner of Transportation. Clarification of this inconsistency has been requested of the commissioner and the Department of the Treasury.

Trust Fund Financing

To financially support the Trust Fund program, monies are annually available for appropriation from several revenue sources. First, the Trust Fund receives revenues that are constitutionally dedicated for the transportation system in the State; these revenues include: (1) a portion of the motor fuels tax 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 finally to 9.0 cents per gallon on July 1, 1999; (2) beginning on July 1, 2001, the annual revenues, but not less than $200 million, from the Petroleum Products Gross Receipts Tax; and (3) also beginning July 1, 2001, $80 million from the Sales and Use Tax, which amount will increase to $140 million on July 1, 2002, and finally to $200 million on July 1, 2003. Second, the Trust Fund is to receive certain statutorily dedicated revenues; these revenues include: (1) $30 million from diesel fuel taxes and certain increases in truck registration fees; and (2) $60 million from certain motor vehicle registration fee surcharges. Third, the Trust Fund receives $24.5 million from contracts with two State toll road authorities (e.g., Turnpike - $22 million, and Expressway - $2.5 million). The previous annual contribution of $10 million by the Parkway to the Trust Fund ceased December 31, 2000. However, the Turnpike has increased its contribution from $12 million to $22 million to offset the cancellation of the Parkway's contribution. Finally, pursuant to P.L.1995, c.108, additional amounts, as needed, are to be appropriated to the Trust Fund from the 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:

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

Step 1

The revenue sources noted above provide the monies for the annual capital budget appropriation to 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 Fund bonds between FY 1997 and FY 2000 could have been reduced by $148.4 million.

Although the $701.4 million appropriation in FY 2001 is consistent with the intent of the most recent Trust Fund authorization (P.L.2000, c.73), the $709.5 million recommended by the budget message for FY 2002 is $90 million below the minimum $799.5 million stipulated by P.L.2000, c.73.

As noted, the variations in the annual appropriations are attributed to lower than estimated debt service costs. However, 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 2001. 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 programs for FY 2000 and FY 2001 were $900 million.

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

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 restricted 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.

The $700 million annual bond issuance limitation originally imposed by P.L.1995, c.108 has now been superseded by an annual limitation of $650 million imposed by P.L.2000, c.73.

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 $408 million for FY 2001, and are expected to rise to about $468 million for FY 2002.

Trust Fund Recap
(amounts rounded in $ millions)

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

Fiscal Year	Trust Fund Program	Annual State Approp.	Bond Sale Proceeds	Trust Fund Earnings	Debt Service Payment	Unmet Cash Need*
1985	$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

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

Fiscal Year	Trust Fund Program	Annual State Approp.	Bond Sale Proceeds	Trust Fund Earnings	Debt Service Payment	Unmet Cash Need*
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
2000	900	483	900	36	355	-164
01	900	701	650	35	408	-78
Sub-total	9,681	5,077	5,996	392	2,208	424
02(Est)	1,000	710	735	35	468	-12
Total	10,681	5,787	6,731	427	2,676	412

Note: The estimated amount for FY 2002 reflects the $1.0 billion budget message recommendation and not the $950 million capital program for FY 2002 described by the Commissioner of Transportation in the commissioner's March 1, 2001 submission to the Legislature of projects proposed to be funded in FY 2002.

* 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 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 $424 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 $412 million in FY 2002 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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