ANALYSIS OF THE NEW JERSEY

FISCAL YEAR 2003 - 2004 BUDGET

DEPARTMENT OF TRANSPORTATION

PREPARED BY

OFFICE OF LEGISLATIVE SERVICES

NEW JERSEY LEGISLATURE

APRIL 2003
NEW JERSEY STATE LEGISLATURE

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Joseph R. Malone III (R), 30th District (Parts of Burlington, Mercer, Monmouth and Ocean)
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This report was prepared by the Authorities, Utilities, Transportation & Communications Section of the Office of Legislative Services under the direction of the Legislative Budget and Finance Officer. The primary author was Mark Trease.

Questions or comments may be directed to the OLS Authorities, Utilities, Transportation & Communications Section (609 984-7381) or the Legislative Budget and Finance Office (609 292-8030).
**Fiscal Summary ($000)**

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<td>State Budgeted</td>
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<td>$1,111,498</td>
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<td>852,975</td>
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<td>1,326,347</td>
<td>1,439,069</td>
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<td>Grand Total</td>
<td>$3,021,398</td>
<td>$3,320,207</td>
<td>$3,432,995</td>
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**Personnel Summary - Positions By Funding Source**

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<tr>
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<th>Actual FY 2002</th>
<th>Revised FY 2003</th>
<th>Funded FY 2004</th>
<th>Percent Change 2003-04</th>
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<tr>
<td>State</td>
<td>3,033</td>
<td>2,689</td>
<td>2,792</td>
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<tr>
<td>Federal</td>
<td>1,165</td>
<td>1,038</td>
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<td>Other</td>
<td>1,246</td>
<td>1,156</td>
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<td>Total Positions</td>
<td>5,444</td>
<td>4,883</td>
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<td>7.7%</td>
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</table>

FY 2002 (as of December) and revised FY 2003 (as of September) personnel data reflect actual payroll counts. FY 2004 data reflect the number of positions funded. Personnel summary excludes positions 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.

The Division of Motor Vehicles, having been found by an investigatory commission to be
deficient in security, performance and administrative effectiveness, was transferred from the Department of Law and Public Safety to the Department of Transportation in 1995. In 2003, a successor commission found that the DMV remained ineffective in providing basic customer service, was unable to secure its documents and was incapable of performing certain statutory duties. The commission recommended, among other things, creating a more autonomous commission to attempt to remedy the management deficiency of the DMV.

Legislation to replace the division with the New Jersey Motor Vehicle Commission was approved in January 2003 (P.L. 2003 c.13). The commission, "in but not of" the department, is an eight-member appointed body headed by a Chief Administrator. The commission will become responsible for all duties and functions assigned to the DMV.

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. NJT operates 12 rail lines, two light rail systems, and some 240 bus routes throughout the State, and estimates that its overall transit system will accommodate an average daily ridership of 380,300 people in FY 2004. 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 Governor's Budget recommends a capital appropriation of $738.8 million to the Transportation Trust Fund (TTF) for the FY 2004 capital program, a decrease of $6.2 million below FY 2003, and $180.7 million below the statutory minimum of $919.5 million established by the TTF authorization law, P.L.2000, c.73. State appropriations to support the transportation capital program have not met the planned amount of funding specified in P.L. 2000, c.73 in any year since that law's enactment.

- The $738.8 million recommended to the TTF for FY 2004 is $66.2 million less than the $805 million in constitutionally dedicated revenues provided by motor fuel taxes ($405 million), the Petroleum Products Gross Receipts Tax ($200 million), and the Sales and Use Tax ($200 million). Newly recommended budget language (Page D-429) credits $66.2 million of the recommended $260 million state appropriation to New Jersey Transit toward satisfying the constitutional minimum funding level. If approved, this would mark the first time the constitutional minimum revenue dedication was divided between the TTF and other transportation uses.

- As was the case in FY 2002 and FY 2003, the budget again fails to appropriate to the TTF an additional $114.5 million in statutorily dedicated revenues from motor vehicle registration fees ($60 million), certain diesel fuel revenues and truck fees ($30 million), and toll road contributions ($24.5 million, of which $22 million is from the New Jersey Turnpike
Key Points (cont’d)

Authority and $2.5 million is from the South Jersey Transportation Authority).

- The budget message recommends a capital program of $1.16 billion financed from the TTF for FY 2004, an increase of $54 million over FY2003. This program amount exceeds the statutory maximum of $950 million established by P.L.2000, c.73, by $212 million. The TTF has exceeded its planned spending cap every year since that law’s enactment.

Highway Operations

- The budget message recommends that Direct State Services funding for maintenance, operations and management of the State highway system be reduced by 14%, from $94 million in FY 2003 to $80.5 million in FY 2004. One significant portion of the difference is that a $5 million supplemental appropriation for snow removal is not budgeted in FY 2004.

- The department has budgeted for a mild winter next year, with a winter operations budget (including snow removal costs) of $9.8 million. For comparison, 2003 winter operations will cost over $33 million. Budget language is continued which authorizes the appropriation of $5 million in additional funds for snow removal.

- The department will shift $1.7 million in maintenance and operations costs to increased highway occupancy permit fees, which are imposed on performance of work over, under or within State highway rights-of-way and other department property. The department also anticipates saving $1 million in maintenance and operations costs by closing the Springfield Rest Area on Interstate 295 (Burlington County).

Motor Vehicle Commission

- The budget provides FY 2004 funding of $273.6 million for the Motor Vehicle Services Commission (formerly the Division of Motor Vehicles). This is an increase of $57 million above adjusted FY 2003 funding levels. Funding for Motor Vehicle Services is accounted for "Other Appropriations-All Other Funds" portion of the budget (Page D-421), consistent with the provisions of the Motor Vehicle Security and Customer Service Act (P.L. 2003, c.13). This statute provides that the Motor Vehicle Commission is to be allocated for operating resources a proportional amount of certain motor vehicle fees, fines and other revenues, initially in the amount of $200 million. The Commission is also to receive the full amount of increased revenues from a new $7 registration security surcharge and an additional $6 fee for digitized driver licenses, which together are projected to generate $42 million in FY 2004.

New Jersey Transit Corporation

- The total recommended budget for New Jersey Transit is $1.299 billion, an overall increase of $78 million. To achieve that total amount, the corporation would receive a State subsidy of $260 million, the same amount as appropriated in FY 2002 and 2003. While the net subsidy is the same as last year, for the first time, $66.2 million of the operating budget subsidy would be derived from constitutionally dedicated capital program revenues. Passenger fares, the Casino Revenue Fund, federal, and TTF sources are projected to provide 80% of the budget, or $1.04 billion, and comprise the sources of the entire increase in the
Key Points (cont’d)

- The Governor has indicated his intent to withhold $22 million, or 8.5% of this year’s operating subsidy for New Jersey Transit, to offset the impact of projected FY 2003 revenue deficits.

- Substantial new rail services are scheduled to begin operations in 2004, including rail service related to the Seacaucus Transfer, Hudson-Bergen Light Rail System, and the South Jersey Light Rail System.

Background Paper

- Transportation Trust Fund Authority p. 22
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 1995, the Division of Motor Vehicles (DMV), previously allocated to the Department of Law and Public Safety, was transferred to DOT. This year, the Motor Vehicle Security and Customer Service Act (P.L. 2003, c.13) abolished the DMV, and established the independent Motor Vehicle Services Commission.

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 $1.1 billion in FY 2003. Although P.L.2000, c.73 established an annual TTF capital program limit of $950 million for FY 2002 through FY 2004, this limit was exceeded ($1.1 billion) in the FY 2003 Appropriations Act. The FY 2004 Budget Message again recommends spending in excess of the planned cap, with a $1.162 billion capital program for the TTF to be authorized for the next fiscal year.

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 2002. For FY 2003 the TTF provided $430 million for State highway and bridge projects.

Local Aid

Municipalities and counties are also subsidized by the TTF. In FY 1988, funding was increased for the municipal aid program from $19 million to $30 million annually and $5 million of that higher amount was allocated to municipalities eligible for State urban aid assistance. Subsequently, when the TTF capital program ceiling was raised 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 through FY 2003, municipalities received $75 million from the TTF.

County assistance has also increased. From FY 1985 through FY 1990, $35 million was annually appropriated for a non-federal local aid program for counties. Although the $35 million, non-federal local aid program supplanted a federal program for the same amount, the State as well as local governments benefited. The State retained the federal monies for large State projects, allowing local governments greater flexibility in completing smaller local projects, because State standards rather than federal standards are applied to the use of the State monies. In 1991, the TTF
ceiling was raised and county assistance increased from $35 million to $50 million for FY 1991 through FY 1995. Under the further TTF increase in 1995, counties also have received at least $65 million from FY 1996 through FY 2000. For FY 2001 through FY 2003 counties 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, whose statutory chairperson 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) reinstated 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, two light rail systems, and some 240 bus routes throughout the State. NJT estimates that its overall transit system will accommodate an average daily ridership of 380,300 in FY 2004. NJ Transit fares are subsidized by the State, to offset estimated cost per trip losses of $2.20 in 2003 and $2.31 in 2004. 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, and has risen to $260 million in FY 2003. In addition, expanded support from the TTF, innovative financial arrangements such as a "cross-border lease" (a tax-advantaged lease arrangement between NJT and a lessor of equipment located in another country), management efficiencies, and a liberalized definition of the permitted use of federal funds for capital maintenance, all helped NJT avoid a fare increase from FY 1991 to FY 2001. However, based on the need for: (1) additional bus and rail service on existing routes to reduce overcrowding and to accommodate the change in travel patterns that have resulted from the September 11, 2001 terrorist attack on the World Trade Center; (2) expense increases related to contractual labor agreements; and (3) anticipated new rail service for the Montclair Connection, Secaucus Transfer, Hudson-Bergen Light Rail System, and the South Jersey Light Rail System; a 10 percent passenger fare increase went into effect on April 1, 2002.
Program Description and Overview (Cont’d)

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 reached $290 million for the period FY 1996 through FY 2000. For FY 2003 NJT received $528 million from the TTF; the proposed FY2004 budget raises this amount to $572 million.

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, receives 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, while the respective amounts for FY 1999 and FY 2000 were $3.0 million, and $6.0 million. For FY 2002 and 2003 the TTF provided $7.0 million annually. 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.

Motor Vehicle Services

This year, the Motor Vehicle Services Commission (MVS) will be assuming all responsibilities of the Division of Motor Vehicles. The division will convert from an operation of the DOT into an independently funded and managed commission. P.L. 2003, c.13, "The Motor Vehicle Security and Customer Service Act," abolishes the Division of Motor Vehicle (DMV) in the Department of Transportation (DOT) and creates the New Jersey Motor Vehicle Commission (the "commission") as a successor agency in but not of the DOT. The DMV 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.

The membership of the commission is to consist of the following eight members: the Commissioner of Transportation, the State Attorney General, the Chair, the State Treasurer and four public members. The Commissioner of Transportation, the Attorney General and the State Treasurer would be ex officio voting members. The Chair, a non-voting member, is to be appointed by the Governor with the advice and consent of the Senate and to serve at the pleasure of the Governor. The four public members are to be appointed by the Governor with the advice and consent of the Senate for four year terms and no more than two of the public members shall be of the same political party. The Chair of the commission is also the Chief Administrator of the commission, assigned to the State unclassified service, devoting full-time to the performance of duties.

The Chair and Chief Administrator of the commission is given the executive and
Program Description and Overview (cont'd)

administrative power of the commission and, except for those powers specifically given to the commission in section 13 and the power to adopt regulations, may exercise all administrative functions, powers and duties of the commission. The Chief Administrator may also be delegated powers by the commission.

The Chief Administrator, and the Deputy Chief Administrator under the Chief Administrator's direction, are charged in the law with the improvement of the safety and security of the State's motor vehicle licensing, titling, registration and inspection system and are authorized to take various steps, such as making technological improvements, including the modernization of software and hardware, the addition of surveillance cameras and alarms, increasing the number of security-related employees, implementing additional proofs of identity verification and replacing the written driver's license knowledge test with an online test.

When the DMV is abolished, all of its career service employees are to be transferred to the commission and shall retain their present career service status. Upon action of the commission, all Motor Vehicle Agency employees shall become employees of the commission and if employed by the agency on or before January 1, 2003 and assigned to career service titles shall, upon successful completion of a special probationary period, attain a permanent, regular appointment in their respective titles and shall be covered under the State of New Jersey's collective bargaining agreement. Employees who have already completed a probationary period need not complete the special probationary period. Employees of a private motor vehicle agency shall receive seniority civil service credit for all years of employment with the agency if they were employees of DMV immediately prior to its privatization and return to State service as employees of the commission. Employees entering State service as employees of the commission in career service titles, following employment after January 1, 2003 with a private motor vehicle agency, shall be considered provisional employees subject to competitive testing. Officers and employees of the commission shall be enrolled in the Public Employees' Retirement System and eligible to participate in the State Health Benefits Program. Motor vehicle agents are to be in the State unclassified service and serve at the pleasure of the Chief Administrator.

The law requires the commission to issue an annual report which is to include the latest audited financial statement and a listing of revenues remitted to the commission and to file semi-annually a report detailing the number of criminal complaints filed against any commission employee or any other person, in connection with commission related activity, providing an assessment of the quality of service provided by the commission, the number of transactions reported and, to the extent practicable, the average waiting time to process a transaction at each commission agency or facility. In addition, a financial audit of the commission books and accounts by a certified public accountant is required.

There are five advisory councils created to advise the commission, including (1) the Safety and Privacy Advisory Council, (2) the Customer Service Advisory Council, (3) the Security Advisory Council, (4) the Business Advisory Council and (5) the Technology Advisory Council.

The law also establishes a "Motor Vehicle Affordability & Fairness Task Force" to study the impact of non-driving related suspension of driving privileges, in particular the Merit Rating Plan Surcharges, on the driving public and to make recommendations for an amnesty policy and for the reform of the surcharge suspension program to increase motorist safety. The task force is also to examine "The Parking Offenses Adjudication Act" and municipal court process related thereto, as well as court actions on surcharge assessments and license suspensions related to nonpayment of fines or tickets as well as motor vehicle moving violations.
Program Description and Overview (Cont'd)

The law requires the commission to fingerprint prospective employees and current employees of the commission and employees of its agents and certain contractors and to receive criminal history record information from the FBI. The commission is to require fingerprinting and criminal history record background checks on all applicants for commercial driver's licenses with hazardous material or tank vehicle endorsements.

FISCAL PROVISIONS

The law alters the budgetary treatment of revenues from motor vehicle fees and the appropriations for the Division of Motor Vehicles (DMV). Presently, most motor vehicle fees are anticipated as General Fund revenue and a portion thereof is appropriated as Direct State Services spending authority for the DMV. This amount appropriated to the DMV is substantially less than the amount taken in as motor vehicle fees. The new method would not involve an "on-budget" appropriation to the commission for Direct State Services. Under the enacting law, a constant proportion or percentage from certain motor vehicle fees and surcharges (called "service charges") will be excluded from the anticipated General Fund revenues and made available for the sole use of the commission.

In the first fiscal year the amount to be so reserved would be $200 million. This amount would fluctuate annually based upon the revenues received from the stipulated service charges. If such revenues were to increase, the amount would be greater than $200 million; if revenues were to decrease, the amount would be less than $200 million. In FY03 the appropriation was $154 million (of approximately $425 million anticipated from fees).

In addition to this dedicated revenue, the law further reserves the revenue from the $6 fee authorized for a picture on a new or renewed digitized driver's license and from a $7 security surcharge immediately imposed by the law on new and renewed motor vehicle registrations. Seniors and the handicapped are exempt from the security surcharge. The security surcharge will sunset in ten years. The $6 fee is also to go into effect immediately irrespective of whether or not a picture is on the new or renewed license.

Finally, the law authorizes the New Jersey Economic Development Authority to issue New Jersey Motor Vehicle Commission Bonds to be secured by the Market Transition Facility Revenue Fund resources that are available when the current Market Transition Facility Bonds are retired. The Motor Vehicle Commission Bonds are to pay for the costs of any and all capital improvements to commission facilities, including building improvements and the acquisition and installation of furniture, fixtures, machinery, computers and electronic equipment, provided that the bonds are not to be issued in an amount exceeding $160 million in the aggregate without the prior approval of the Joint Budget Oversight Committee. $10 million of the amount shall be transferred to the Administrative Office of the Courts for improvements to the Automated Traffic System.

TRANSITIONAL PROVISIONS

The law provides immediate authorization for the members to be appointed to the commission. When the Commissioner of Transportation certifies to the Governor that a majority of the members of the commission are appointed or in office and that all necessary anticipatory actions have been accomplished, the organizational provisions of the law become effective, the DMV is abolished and its functions, powers and duties are transferred to the commission. The person in office as Director of the DMV is to be the first Chair and Chief Administrator of the commission without the further requirement of Senate confirmation. Most of the other provisions of the law take effect on the date of certification. The revenues from the $6 fee collected for the
Program Description and Overview (Cont'd)

digitized picture on driver's licenses are to be revenues of the commission upon enactment of this law. The additional $7 security surcharge on motor vehicle registration shall also take effect upon enactment. However, until the DMV is abolished, the digitized picture fee and the security surcharge are appropriated to the DMV.

FIX DMV REPORT

The provisions of this law address many of the concerns and problems raised in the recent report of the FIX DMV Commission. That commission, established by the Governor's Executive Order No. 19 of 2002, recommended that the DMV be "ripped up by its roots" and replaced with a commission. Of particular importance in the study was the need to improve customer services. Some of this improvement is expected to come with the upgraded facilities, additional parking, computers and on-line technology to be funded under this law.

The ending of privatized motor vehicle agencies, criminal history background checks for employees and certain specialized vehicle operators, such as those holding hazmat licensees, are recommended to ensure the integrity of the State's motor vehicle documents and data base and to protect the public safety.
Our mission is to provide reliable, environmentally and socially responsible transportation and motor vehicle services to support and improve the safety and mobility of people and goods in New Jersey.
## Fiscal and Personnel Summary

### AGENCY FUNDING BY SOURCE OF FUNDS ($000)

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<tr>
<td>Direct State Services</td>
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<td><strong>Sub-Total</strong></td>
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<td><strong>Sub-Total</strong></td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Casino Revenue Fund</strong></td>
<td>$24,821</td>
<td>$24,934</td>
<td>$25,458</td>
<td>2.6%</td>
<td>2.1%</td>
</tr>
<tr>
<td><strong>Casino Control Fund</strong></td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>State Total</strong></td>
<td>$1,073,872</td>
<td>$1,140,885</td>
<td>$1,111,498</td>
<td>3.5%</td>
<td>(2.6)%</td>
</tr>
<tr>
<td><strong>Federal Funds</strong></td>
<td>$717,487</td>
<td>$852,975</td>
<td>$882,428</td>
<td>23.0%</td>
<td>3.5%</td>
</tr>
<tr>
<td><strong>Other Funds</strong></td>
<td>$1,230,039</td>
<td>$1,326,347</td>
<td>$1,439,069</td>
<td>17.0%</td>
<td>8.5%</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>$3,021,398</td>
<td>$3,320,207</td>
<td>$3,432,995</td>
<td>13.6%</td>
<td>3.4%</td>
</tr>
</tbody>
</table>

### PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>3,033</td>
<td>2,689</td>
<td>2,792</td>
<td>(7.9)%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Federal</td>
<td>1,165</td>
<td>1,038</td>
<td>1,128</td>
<td>(3.2)%</td>
<td>8.7%</td>
</tr>
<tr>
<td>All Other</td>
<td>1,246</td>
<td>1,156</td>
<td>1,341</td>
<td>7.6%</td>
<td>16.0%</td>
</tr>
<tr>
<td><strong>Total Positions</strong></td>
<td><strong>5,444</strong></td>
<td><strong>4,883</strong></td>
<td><strong>5,261</strong></td>
<td>(3.4)%</td>
<td>7.7%</td>
</tr>
</tbody>
</table>

FY 2002 (as of December) and revised FY 2003 (as of September) personnel data reflect actual payroll counts. FY 2004 data reflect the number of positions funded. Personnel summary excludes positions data at the New Jersey Transit Corporation.

### AFFIRMATIVE ACTION DATA

Total Minority Percent
- Actual: 23.4%
- Revised: 25.4%
- Funded: 25.7%

---
## Significant Changes/New Programs ($000)

|-------------|----------------------|-----------------|---------------|---------------|-------------|

### I. Vehicular Safety: All Other Funds

#### A. Motor Vehicle Services

| Services      | $201,504 | $258,526 | $57,022 | 28.3% | D-421 |

The amount for FY 2004 reflects the abolishment of the DMV as an operation of the DOT, and establishment of the Motor Vehicle Services Commission in "Other Funds", as an independently funded commission "in but not of" DOT. See program description and key points for further details.

### II. State & Local Highway Facilities:

#### A. Grants: Statewide Livable Communities

| $9,000 | $0 | ($9,000) | (100.0)% | D-424 |

This grant program for Transportation Systems Improvements was a one-time grant, passed through to municipalities for transportation improvements, and is not recommended for funding on an ongoing basis. Municipal transportation improvement will continue to be assisted through coordination with the statewide transportation capital program.

#### B. Salaries and Wages

| $58,662 | $50,745 | ($7,917) | (13.5)% | D-424 |

This reduction comprises savings from the early retirement incentive program ($1.4 million), shifting $1.7 million in costs to new revenues from highway occupancy permit fees, closure of the Springfield (Burlington County) I-295 rest area ($1 million), and other unspecified salary savings ($3.8 million).

#### C. Maintenance and Fixed Charges

| $18,313 | $13,313 | ($5,000) | (27.3)% | D-424 |

The amount noted above represents the Maintenance and Operations component of the Maintenance and Fixed Charges account on this page. Although the FY 2003 Adjusted Appropriation included a supplemental appropriation of $5.0 million for snow removal, this amount has not been recommended going forward to the next fiscal year. Within this $13.3 million, the department budgets a part of its scheduled winter operations costs (snow removal). The department has budgeted $9.8 million in FY04 for snow removal, of which $5.2 million is included in the Maintenance and Fixed Charges line for materials and contractor services. The balance of winter operations costs, $4.6 million, is overtime in the Salaries and Wages line item.

### III. Transportation Trust Fund (TTF):

#### A. Appropriation to TTF (Capital Construction Program)

| $745,000 | $738,800 | ($6,200) | (0.8)% | D-424 |
Significant Changes/New Programs ($000)

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>The $738.8 million recommended to the TTF for FY 2004 includes only a portion of the constitutionally dedicated revenues provided by motor fuel taxes ($405 million), the Petroleum Products Gross Receipts Tax ($200 million), and the Sales and Use Tax ($200 million); the Constitution provides $805 million this year to the transportation capital program. Last year, as part of a phased increase in transportation capital spending, the minimum constitutional amount for the capital program was $745 million.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

An amount of $90 million that is statutorily dedicated to the TTF, composed of motor vehicle registration surcharge fees ($60 million), and certain diesel fuel revenues and truck fees ($30 million) is not recommended for appropriation to the TTF; this same amount was also not provided to the TTF in FY 2003. In addition, $24.5 million in toll road contributions dedicated to the TTF pursuant to contracts with the New Jersey Turnpike Authority and the South Jersey Transportation Authority are not recommended for use by the TTF but, instead, are recommended by budget language to be diverted for activities deemed eligible to be funded under the contracts but which the department finances within its Direct State Services budget.

B. Appropriation from TTF (Capital Construction Program) $1,108,000 $1,162,000 $54,000 4.9% H-47

The budget message recommends a capital construction program appropriation of $1.162 billion from the TTF Authority for FY 2004. This program amount exceeds the statutory maximum of $950 million stipulated in section 8 of P.L.1987, c.460. (C.27:1B-21.1).

IV. New Jersey Transit Corporation (NJT):

<table>
<thead>
<tr>
<th>Expenditures</th>
<th>Adj. Approp. FY 2003</th>
<th>Recomm. FY 2004</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>NJT Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Expenditures -</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Bus Operations</td>
<td>$439,464</td>
<td>$452,095</td>
<td>$12,631</td>
<td>2.9%</td>
<td></td>
</tr>
<tr>
<td>2. Rail Operations</td>
<td>461,334</td>
<td>506,994</td>
<td>45,660</td>
<td>9.9%</td>
<td></td>
</tr>
<tr>
<td>3. Corporate Operations</td>
<td>195,325</td>
<td>202,121</td>
<td>6,796</td>
<td>3.5%</td>
<td></td>
</tr>
<tr>
<td>4. Purchased Transportation</td>
<td>125,477</td>
<td>138,090</td>
<td>12,613</td>
<td>10.1%</td>
<td></td>
</tr>
<tr>
<td>Sub-Total</td>
<td>$1,221,600</td>
<td>$1,299,300</td>
<td>$77,700</td>
<td>6.4%</td>
<td>$1,246,534</td>
</tr>
<tr>
<td>5. Transportation Assistance for Senior Citizens and Disabled Residents</td>
<td>24,934</td>
<td>25,458</td>
<td>524</td>
<td>2.1%</td>
<td>$78,224</td>
</tr>
<tr>
<td>NJT Total</td>
<td>$1,246,534</td>
<td>$1,324,758</td>
<td>$78,224</td>
<td>6.3%</td>
<td></td>
</tr>
</tbody>
</table>

14
### Significant Changes/New Programs ($000)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>B. Revenues -</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. State Subsidy</td>
<td>$260,027</td>
<td>$260,027</td>
<td>$0</td>
<td>0.0%</td>
<td></td>
</tr>
<tr>
<td>2. NJT Resources:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Farebox</td>
<td>546,905</td>
<td>561,700</td>
<td>14,795</td>
<td>2.7%</td>
<td></td>
</tr>
<tr>
<td>b. Other</td>
<td>414,668</td>
<td>477,573</td>
<td>62,905</td>
<td>15.2%</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Sub-Total</strong></td>
<td><strong>$1,221,600</strong></td>
<td><strong>$1,299,300</strong></td>
<td><strong>$77,700</strong></td>
<td><strong>6.4%</strong></td>
</tr>
<tr>
<td>3. Casino Revenue Fund</td>
<td>24,934</td>
<td>25,458</td>
<td>524</td>
<td>2.1%</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>NJT Total</strong></td>
<td><strong>$1,246,534</strong></td>
<td><strong>$1,324,758</strong></td>
<td><strong>$78,224</strong></td>
<td><strong>6.3%</strong></td>
</tr>
</tbody>
</table>

The above information summarizes by major purpose the expenditure data for the New Jersey Transit Corporation followed by a summary of the revenue sources available to support these expenditures.
Language Provisions

2003 Appropriations Handbook

p. B-155 to 156

Various provisions regarding the Division of Motor Vehicles.

2004 Budget Recommendations

No comparable language.

Explanation

Sixteen language provisions from FY2003 pertaining to appropriations to the Division of Motor Vehicles have been deleted as unnecessary with the conversion of the DMV to the Motor Vehicle Commission and the movement of commission funding "off budget".

2003 Appropriations Handbook

p. B-159 to 163

Various provisions appropriating a total of $1,108,000,000 from the revenues and other funds of the New Jersey Transportation Trust Fund Authority, for capital purposes as follows:

- State Highway Projects, $430 million
- Local Highway Projects, $150 million
- NJ Transit, $528 million

2004 Budget Recommendations

p. D-426

Notwithstanding the provisions of P.L.1984, c.73 (C.27:1B-1 et al.) there is appropriated the sum of $1,162,000,000 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 $1.162 billion amount exceeds the maximum allowable program level of $950 million for the transportation capital program, established by P.L.2000, c.73, by $212 million. A similar divergence from the capital spending cap has occurred in every year since the program's inception.

Although the proposed budget language references seven project categories that are recommended for funding, the FY 2004 Appropriations Act would replace the categories with a list of specific capital projects. The projects to be funded are currently displayed in the DOT report entitled "Proposed Transportation Capital Program Fiscal Year 2004."
Language Provisions (cont'd)

2003 Appropriations Handbook

No comparable language.

2004 Budget Recommendations

p. D-429

Notwithstanding any other law to the contrary, of the amount appropriated hereinabove for the New Jersey Transit Corporation from the General Fund, $66,200,000 thereof shall be credited against constitutionally dedicated revenue to fund eligible transportation costs pursuant to Article VIII, Section II, paragraph 4 of the State Constitution.

Explanation

New Jersey Transit receives an operating budget subsidy, through the General Fund, of $260 million, as well as capital program funding through the Transportation Trust Fund of $572 million in the Executive's proposed budget. The capital program funding is provided from revenues dedicated in the State Constitution, Article VIII, Section II, paragraph 4. This year, that amount is to be $805 million.

However, the proposed budget only includes $738.8 million of that constitutional dedication to the capital program. This language is intended to budget for the required remainder ($66.2 million) by allowing that amount to replace, and not supplement, a part of the operating budget subsidy provided to New Jersey Transit.

2003 Appropriations Handbook

Such receipts as may be received by the Department of Transportation from the State's Highway Authorities as reimbursement for services that are performed by the department on behalf of the authorities, including but not limited to maintenance and operations programs, are appropriated for purposes within the department as shall be determined by the director of the Division of Budget and Accounting.

2004 Budget Recommendations

p. D-450

No comparable language.

Explanation

This language, which provides authorization for the department to receive and spend funds from the independent highway agencies, e.g., the NJ Turnpike Authority, for work performed on their behalf, is to be deleted as unnecessary and redundant to language in General Provisions.
Discussion Points

1. Article VIII, Section II, paragraph 4 of the New Jersey Constitution dedicates certain State revenues to "...the purposes of paying or financing the cost of planning, acquisition, engineering, construction, reconstruction, repair and rehabilitation of the transportation system in this State...." The revenues dedicated by this provision -- portions of the motor fuels, petroleum products and sales taxes -- total $805 million in FY 2004. The Governor's budget proposes to comply with this provision by appropriating only $738.8 million to the Transportation Trust Fund account and by "crediting" $66.2 million of the $260 million recommended appropriation for New Jersey Transit to satisfy the balance of the requirement (see budget language, page D-429).

This maneuver, which was included on a list of FY 2004 "spending solutions" that accompanied the budget message, is intended to save $66.2 million by officially reinterpreting, for the first time since the Transportation Trust Fund was established in 1984, what until now has been a widely held understanding that the Transportation Trust Fund account would receive, at a minimum, the amount of constitutionally dedicated transportation taxes.

By contrast, the annual appropriation to New Jersey Transit has always been considered a State subsidy to the corporation's operating budget. The Governor's FY 2004 recommendation of $260 million is the same amount that was appropriated to Transit this year as well as last year. Therefore, this new "credit" of dedicated revenue is replacing, not supplementing, the amount appropriated to New Jersey Transit from the General Fund.

- Question: Please provide the legal reasoning that supports this diversion of a portion of constitutionally dedicated transportation capital funds from the Transportation Trust Fund account. Is this action seen as a precedent for future opportunities to review other parts of the department's budget to see whether they can be financed directly from constitutionally dedicated sources?
- Question: What specific components of NJT's operating expenditures to be supported by $66.2 million of state funding comprise costs of planning, acquisition, etc., of the State's transportation system, that the Constitution stipulates as the only lawful uses of dedicated funds?
- Question: Has NJT established, or will it establish, a dedicated or special fund or account for this portion of its subsidy to assure that these dollars are devoted only to constitutionally sanctioned uses? If not, by what other means will the corporation and the department assure that these funds are used in accordance with the strictures of the constitution? Please provide detailed NJT budget information and data in support of the responses to these questions.

2. This year, the federal transportation capital program TEA-21 expires. Also for the first time in program history, federal formula aid is projected to decrease due to economic decline in the Revenue Aligned Budget Authority (RABA) formula, which matches outlays to receipts in the Federal Highway Trust Fund. Two important factors reported in the past are that New Jersey exported more in taxes to the program than we received in formula and discretionary aid from the federal Highway Trust Fund, and that the formula aid will be renegotiated in the successor program.

- Question: What impact will the RABA clause have on federal formula aid the State expects as TEA-21 expires, and how is that reflected in the proposed capital program?
- Question: Does the department expect the federal government to alter the formula and release Highway Trust Fund surpluses, in light of the growing federal deficit? Please be specific with regard to the expected formula reduction, federal action and the corresponding State impact.
Discussion Points (Cont’d)

- **Question:** Is New Jersey a "donor" state to the Highway Trust Fund, and if so how much did State activity (e.g. Gas Taxes) contribute to the TEA-21 Program?
- **Question:** How will the State be impacted (cost or benefit) by proposed changes in the successor program?

3. Three years ago, the Transportation Trust Fund Authority Act (N.J.S.A. 27:1B-1 et seq.) was amended. The amended law establishes the minimum capital appropriation to the TTF at $919.5 million for FY 2004. However, the Governor's Budget recommends that only certain revenues which are constitutionally dedicated for transportation purposes, totaling $738.8 million, be appropriated to the TTF; some $114.5 million in statutorily dedicated revenues and contractual contributions from the toll roads are again not recommended for appropriation to the TTF. The constitutional phased-in increase to capital funding, $66.2 million, appears to be diverted by budget language to supplement the operating budget of NJ Transit.

- **Question:** How is the proposed budget consistent with N.J.S.A. 27:1B-1 et seq.? What caused a divergence from the plan established in law?

4. N.J.S.A.27:1B-21.1 states that the total amount authorized to be appropriated from the revenues and other non-federal funds of the Transportation Trust Fund Authority (i.e., the Trust’s capital program) shall not exceed $950 million for each of the fiscal years 2002, 2003, and 2004. Despite this limitation, the Executive Branch requested and the Legislature authorized a $1.1 billion program for FY 2002 and 2003, and the Administration proposes $1.16 billion for this year.

- **Question:** How does the department justify a FY 2004 capital program in excess of the statutory maximum?
- **Question:** For what specific purposes or projects will the department use the $212 million above-cap authorization?

5. The FY 2004 budget continues the policy of recent years by providing less than the statutory minimum appropriations to the TTF, and authorizing more than the statutory maximum annual capital outlay from the TTF. In response to previous OLS questions as to whether this trend would conflict with the annual bond issuance cap of $650 million and create cash flow problems for the TTF, the department has responded that unused bond authority provided sufficient insulation from such a problem.

- **Question:** What is the presently available bonding authority?
- **Question:** When and in what amount does the TTF plan to issue additional bonds against that bonding authority between now and the end of FY 2004?

6. Senate Committee Substitute for Senate No. 2352 (passed by the Senate and awaiting Assembly consideration along with its counterpart Assembly No. 3392), proposes a consolidation of the NJ Highway Authority and the NJ Turnpike Authority, which if approved may generate operational savings as well as averting Highway Authority financial issues concerning the E-Z Pass system. The bill also redefines the mission of the Turnpike Authority, by not only vesting in it the current powers and obligations of the Turnpike Authority and the Highway Authority to maintain the Turnpike and Garden State Parkway -- "highway projects," as defined by the bill -- but also by authorizing it to undertake "transportation projects", defined as transportation facilities or activities other than highway projects. The Authority would be required to submit an annual Capital Project and Investment Plan to the Commissioner of Transportation detailing projects that further the goals of attaining coordinated and integrated Statewide and regional transportation systems. The bill would prohibit the use of Turnpike or Parkway tolls for non-highway projects, and would require
other transportation projects of the Authority to be self-sustaining, but explicitly allows for Turnpike or Parkway tolls to be used on an "interim" basis to support or finance non-highway projects. This bill is supported by the Administration.

- **Question:** What role does the department foresee the New Jersey Turnpike Authority playing in financing Statewide transportation system needs if Senate Committee Substitute for Senate No. 2352 is enacted? Could the ability granted to the Turnpike Authority to issue revenue bonds for Statewide transportation projects facilitate future plans for financing a wider range of the State's transportation needs in FY 2005 and beyond? What uses might be made for toll revenue as an "interim" source of financing for transportation projects should this bill be enacted?

7. Recent news reports note that the contractor for the Southern New Jersey Light Rail Transit System has filed claims for $140 million in cost recoveries on the project, claims that New Jersey Transit disputes. The department's budget overview (page D-416) states that the project will be completed and operational during FY 2004.

- **Question:** What is NJT's latest estimate of the costs of the South Jersey light rail system, and what was the original cost estimate?
- **Question:** Could the claims brought by the contractor against NJT delay the commencement of operations?
- **Question:** What provisions has NJT made for covering the costs of these claims in the event the contractor prevails?
- **Question:** What amount of operating costs and fare revenue for the system are reflected in NJT's FY 2004 budget?

8. The Motor Vehicle Security and Customer Service Act (P.L. 2003, c.13), will result in the creation of the Motor Vehicle Commission and the abolition of the Division of Motor Vehicle (DMV), upon certification by the Commissioner of Transportation that a) a majority of Commission members are appointed, and b) that all necessary anticipatory actions have been accomplished. The incumbent Director of the Division of Motor Vehicles has become the first Chair and Chief Administrator of the Commission, a position with extensive duties and responsibilities for organization, budgeting and strategic planning for the new Commission. The Commission is expected to correct the shortcomings of the DMV as highlighted in the report of the Fix DMV Commission, would receive about $273 million (including Security Responsibility funds) for FY 2004 operations and activities, and also can obtain for its capital needs up to $150 million from Economic Development Authority bond proceeds.

- **Question:** What preparatory steps have been taken for implementing the Motor Vehicle Security and Customer Service Act? When does the Commissioner anticipate making the "certification" that will put the full statute into effect? What goals and priorities will the Chair/Chief Administrator propose to the Commission for its first year of operation? Will EDA bonds be sold during FY 2004 to achieve these goals and priorities?

9. The Motor Vehicle Security and Customer Service Act (P.L. 2003, c.13) also provided for the imposition upon its enactment date (January 28, 2003) of the $6 digitized picture fee on driver's licenses (previously authorized by law but not collected). The Act also added a new $7 security surcharge on registrations, also to be immediately imposed. The department estimated that the digitized picture fee would raise between $8-12 million annually, and that the security surcharge
Discussion Points (Cont’d)

would raise about $37 million annually, for a total of $45-49 million. The Governor’s FY 2004 budget, on page C-20, projects $42 million in FY 2004 revenue from these "New Revenues" of the Commission.

- **Question:** Have these new fees commenced, and if so, on what date did their collection begin? How much revenues has been collected from each one thus far?
- **Question:** What portion of the total estimate of $42 million is attributable to the digitized picture fee, and what portion to the security surcharge?
- **Question:** Does the FY 2004 revenue estimate for these fees represent a more conservative forecast than the department’s earlier projections, or were there specific factors or assumptions upon which either or both of the earlier estimates were based that have been revised?
Background Paper: Transportation Trust Fund Authority

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 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, (hereinafter, "Trust Fund") 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 of $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 rapidly rising 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 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 2000 law stipulates that 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 was consistent with P.L.2000, c.73. However, in FY 2002 and 2003, the Legislature authorized a Trust Fund program in excess of the planned cap, of $1.107 and $1.108 billion, respectively. For FY 2004, the final year of this program's authorization, the Governor has again supported a capital program in excess of the planned cap, at $1.162 billion.

Planned Trust Fund Financing

To financially support the Trust Fund program, monies are annually made 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 in 2001, $80 million from the Sales and Use Tax, which increased to $140 million in 2002, and finally to $200 million on July 1, 2003, for a total of $805 million in dedicated constitutional revenues.

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 is to receive $24.5 million from contracts with two State toll road authorities (e.g., New Jersey Turnpike Authority (NJTA) - $22 million, and South Jersey Transportation Authority (SJTA) - $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. Including the statutorily planned amount in P.L. 2000, c.73, revenues for the TTF were to be $919.5 million in FY2004.

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 a process that first appropriates monies to the Trust Fund and then from the Trust Fund.

Step 1: available revenue

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
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million and $201 million. Pursuant to the legislation renewing the Trust Fund in 1988, the annual capital appropriation was planned to be $331 million. However, 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, 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, only $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 attributed 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 to the Trust Fund was consistent with P.L.2000, c.73, the $709.5 million originally appropriated in FY 2002 was $90 million below the minimum $799.5 million stipulated by P.L.2000, c.73. The $90 million not appropriated includes $30 million in truck fees and certain diesel fuel revenues, and $60 million in motor vehicle registration surcharges which are statutorily dedicated to the Trust Fund pursuant to subsection c. of section 20 of P.L.1984. c.73 (C.27:1B-20). Subsequent to the enactment of the FY 2002 Appropriations Act, the TTF appropriation was reduced by an additional $24.5 million pursuant to P.L.2002, c.12. The $24.5 million reduction represents toll road contributions dedicated to the Trust Fund through contracts with the NJTA ($22 million) and the SJTA ($2.5 million). Due to the State's fiscal difficulties, this $24.5 million instead funded activities that were eligible to be funded under the contracts but which the department had previously financed out of its operating budget. Consequently, the Trust Fund received a total appropriation of only $685 million in FY 2002.

For FY 2003, the Legislature approved a capital budget appropriation of $745 million to the TTF, an amount which is $114.5 million below the minimum of $859.5 million established by the recent Trust Fund reauthorization legislation, P.L.2000, c.73. The $745 million includes only constitutionally dedicated revenues provided by motor fuel taxes ($405 million), the Petroleum Products Gross Receipts Tax ($200 million), and the Sales and Use Tax ($140 million). The $114.5 million amount not recommended for appropriation is composed of the same $90 million in certain surcharge and truck fees, and $24.5 million on toll road contracts referenced above.

As noted, the decrease in the annual appropriation was attributed to lower than estimated debt service costs. 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%.

For FY 2004, the final year of the current program, the Governor has recommended an appropriation to the TTF of $738.8 million, $66.2 million less than the constitutionally dedicated amount of $805 million, and $180.7 million less than the $919.5 million planned. If approved, this would mark the first time since the inception of the TTF that a portion of constitutionally dedicated
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revenues bypass the TTF and flow directly to transportation purposes, in this case the annual operating budget of NJ Transit. Finally, as in FY 2003, $114.5 million in statutorily earmarked capital revenues are not appropriated, but are recommended to be used as General Fund resources. No discretionary amounts are budgeted for the capital program.

Step 2: approved spending

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 $1.108 billion for FY 2003. The requested $1.162 billion amount for FY 2004 would again exceed, by $212 million, the $950 million maximum capital program level permitted by the Trust Fund reauthorization legislation, P.L.2000, c.73.

Given the difference 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. Instead, P.L.1995, c.108 limited the Trust Fund’s annual bonding capacity 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. Despite the bonding cap, 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 imposed in 1995 was reduced to $650 million by P.L.2000, c.73, the same law that established the Trust Fund’s capital program at $900 million for FY 2001 and $950 million for FY 2002 through FY 2004.

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 the amount of maturing bonds payable had been relatively modest in the recent past, about $184 million in FY 1997, these costs increased to $449 million for FY 2003, and could rise to about $508 million for FY 2004.

At the close of Fiscal year 2002, the Authority had net assets of $636 million, compared to $1.101 billion at close of 2001. The authority had $5.136 billion in bonds outstanding at the end of 2002, an increase of 19% over the prior year, as it issued $2.2 billion in debt for current needs and to refund earlier debt at more favorable interest rates. Total outstanding debt cost, including principal and interest for maturing bonds was $7.902 billion at the close of 2002, with maturities extending to 2022.
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The following chart provides a "recap" of the financing information provided above, and may be useful to the reader as a ready reference to the financing history of the Trust Fund.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Trust Fund Program</th>
<th>State Appropriation</th>
<th>Bond Proceeds</th>
<th>Investment Earnings</th>
<th>Debt Service¹</th>
<th>Unmet Cash Need²</th>
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<tbody>
<tr>
<td>1985</td>
<td>$249</td>
<td>$198</td>
<td>$51</td>
<td>$6</td>
<td>$2</td>
<td>($4)</td>
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<tr>
<td>1986</td>
<td>323</td>
<td>153</td>
<td>0</td>
<td>20</td>
<td>9</td>
<td>159</td>
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<tr>
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<td>431</td>
<td>143</td>
<td>178</td>
<td>20</td>
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<tr>
<td>1988</td>
<td>323</td>
<td>201</td>
<td>89</td>
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<tr>
<td>1989</td>
<td>365</td>
<td>331</td>
<td>0</td>
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<td>1990</td>
<td>365</td>
<td>331</td>
<td>0</td>
<td>43</td>
<td>46</td>
<td>37</td>
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<tr>
<td>1991</td>
<td>565</td>
<td>331</td>
<td>0</td>
<td>32</td>
<td>46</td>
<td>248</td>
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<tr>
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<td>593</td>
<td>331</td>
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<td>22</td>
<td>46</td>
<td>14</td>
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<td>1993</td>
<td>537</td>
<td>155</td>
<td>495</td>
<td>15</td>
<td>87</td>
<td>(41)</td>
</tr>
<tr>
<td>1994</td>
<td>565</td>
<td>160</td>
<td>461</td>
<td>14</td>
<td>135</td>
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</tr>
<tr>
<td>1995</td>
<td>565</td>
<td>213</td>
<td>182</td>
<td>15</td>
<td>163</td>
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<tr>
<td>1996</td>
<td>700</td>
<td>197</td>
<td>611</td>
<td>15</td>
<td>87</td>
<td>(36)</td>
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<td>1997</td>
<td>700</td>
<td>305</td>
<td>674</td>
<td>18</td>
<td>184</td>
<td>(113)</td>
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<tr>
<td>1998</td>
<td>900</td>
<td>380</td>
<td>715</td>
<td>17</td>
<td>249</td>
<td>37</td>
</tr>
<tr>
<td>1999</td>
<td>700</td>
<td>464</td>
<td>718</td>
<td>17</td>
<td>305</td>
<td>(194)</td>
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<tr>
<td>2000</td>
<td>900</td>
<td>483</td>
<td>916</td>
<td>36</td>
<td>355</td>
<td>(180)</td>
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<tr>
<td>2001</td>
<td>900</td>
<td>701</td>
<td>0</td>
<td>28</td>
<td>408</td>
<td>579</td>
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<tr>
<td>2002</td>
<td>1,107</td>
<td>685</td>
<td>1,104</td>
<td>17</td>
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<td>(226)</td>
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<tr>
<td>2003</td>
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<td>745</td>
<td>650</td>
<td>16</td>
<td>448</td>
<td>145</td>
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<tr>
<td>Sub-total</td>
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<td>$6,507</td>
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<td>$3,130</td>
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<tr>
<td>2004(Est)</td>
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<td>739</td>
<td>650</td>
<td>16</td>
<td>508</td>
<td>265</td>
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<tr>
<td>Total</td>
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<td>$7,246</td>
<td>$7,766</td>
<td>$434</td>
<td>$3,638</td>
<td>1,251</td>
</tr>
</tbody>
</table>
1. 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.

2. 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 $1.25 billion to balance the total of all program and payment expenditures authorized since FY 1985 with revenues received through FY 2004.
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Individuals wishing information and committee schedules on the FY 2004 budget are encouraged to contact:

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