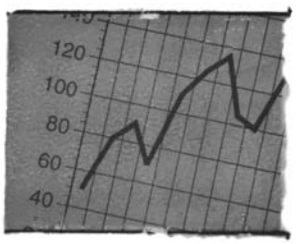

ANALYSIS OF THE NEW JERSEY BUDGET

DEPARTMENT OF TRANSPORTATION AND MOTOR VEHICLE COMMISSION

FISCAL YEAR 2006 - 2007

PREPARED BY OFFICE OF LEGISLATIVE SERVICES
NEW JERSEY LEGISLATURE • APRIL 2006

NEW JERSEY STATE LEGISLATURE

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This report was prepared by the Authorities, Utilities, Transportation and Communications Section of the Office of Legislative Services under the direction of the Legislative Budget and Finance Officer. The primary author was Mark J. Trease.

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

DEPARTMENT OF TRANSPORTATION AND MOTOR VEHICLE COMMISSION

Budget Pages....... C-15; C-23; C-31; C-32; C-35; C-36; C-37; D-385 to D-400; H-39; H-41; H-67

Fiscal Summary ($000)

	Expended FY 2005	Adjusted. Appropriation FY 2006	Recommended FY 2007	Percent Change 2006-07
State Budgeted	$1,227,591	$1,217,007	$1,317,078	8.2%
Federal Funds	779,347	959,570	1,047,156	9.1%
Other	1,624,351	1,487,692	1,883,775	24.6%
Grand Total	$3,631,289	$3,664,269	$4,248,009	15.9%

Personnel Summary - Positions By Funding Source

	Actual FY 2005	Revised FY 2006	Funded FY 2007	Percent Change 2006-07
State	2,890	2,856	2,728	(4.5%)
Federal	1,023	1,041	1,083	4.0%
Other	2,488	2,754	2,882	4.6%
Total Positions	6,401	6,651	6,693	.6%

FY 2005 (as of December) and revised FY 2006 (as of September) personnel data reflect actual payroll counts. FY 2007 data reflect the number of positions funded.

Key Points

Transportation Trust Fund

- Under the Executive budget proposal for FY 2007, $1.6 billion is budgeted for capital infrastructure spending **from** the Transportation Trust Fund (TTF), an increase of $395 million (32.8 percent) from the FY2006 adjusted appropriation. This spending level represents the maximum amount authorized for such spending under recently enacted legislation (P.L.2006, c.3) establishing a five-year plan for financing transportation capital construction through the TTF. The total amount is allocated among project categories as follows: State highway projects, $750 million (an increase of

Key Points (cont'd.)

$224 million, or 42.6 per cent); local highway projects, $175 million (an increase of $30 million, or 20.7 percent); and mass transit, $675 million (an increase of $141 million, or 26.4 percent).

- $895 million is recommended for appropriation **to** the TTF, representing most of the constitutionally dedicated revenues, and excluding $102.5 million in statutorily dedicated revenues.

  As in past years, the FY2007 Executive Budget recommends language directing the appropriation **to** the TTF account to be provided from revenues dedicated under the Constitution and under specified State laws, and from funds receivable under contract from various "transportation-oriented" (i.e., toll road) authorities. Amounts so dedicated under the Constitution include (1) $200 million from sales and use tax revenue, (2) $200 million from petroleum products gross receipts tax revenue, and (3) an amount equal to $0.09 per gallon of revenue from the motor fuels tax. As part of the new five-year financing plan, P.L.2006, c.3 amended one of the specified statutes to increase the amount of motor fuels tax revenue dedicated to the TTF to the equivalent of $.105 per gallon, or a minimum of $483 million. These amounts together provide a minimum $883 million; the remaining $12 million of the $895 million total appropriation is expected to be funded out of payments that the TTF will receive from the toll road authorities.

- The OLS projects that at the end of FY2006 there would be an unmet cash need for projects authorized **from** the TTF in the past of about $1.4 billion. The recently enacted statute (P.L.2006, c.3) providing increased funding for the Transportation Trust Fund Authority (TTFA) authorizes appropriations from the fund of up to $1.6 billion per year in Fiscal Years 2007-2011, or up to $8 billion over the five-year period. In statements or letters to Legislative committees, the Commissioner of Transportation indicated that the TTFA is expected to raise $6.4 billion in debt through the issuance of bonds over the planned period, and the State Treasurer estimated that the "new money" from bonds would be $6.2 billion. In other materials provided to the Legislature, the Executive has indicated that $601 million will be available to the TTFA for pay-as-you-go spending during the same five year period. Taken together, the "unmet need", or cumulative annual deficit for the new five-year plan appears to be about $1 billion.

Highway Operations

- The $11.8 million budgeted through Maintenance and Operations for snow response, together with supplemental appropriation authority of $10 million,

Key Points (cont'd.)

is unchanged from last year, and indicates that the administration is planning for a very mild winter of 2007. FY2005 snow and ice control costs were about $34 million.

New Jersey Transit

- The budget recommends a Grant-In-Aid appropriation to the New Jersey Transit Corporation (NJ Transit) of $300.7 million, an increase of $27 million (9.9 percent) from FY2006. With NJ Transit's total budget increasing to $1.53 billion, up $118 million (8.4 percent), the State's budget subsidy will comprise about the same percentage of total operations (19.6 percent) as in FY2006.

- Transportation Assistance for Senior Citizens and Disabled Residents is recommended to increase by $578,000 (1.7 percent), to $34.9 million. The program is funded by a statutory earmarking of about 7.5 percent of Casino Revenue Fund income.

Motor Vehicle Commission

- The Motor Vehicle Commission is recommended to receive operating revenues of $277.8 million, a $1.1 million increase from FY2006. Most MVC revenues are set by statute at a portion of a variety of driving and security related fees and fines. The FY2007 operations budget adopted by MVC in September 2005 is about $319 million, with year-end unexpended balances accounting for the difference between total operations and FY2007 revenues.

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS ($000)

	Expended FY 2005	Adj. Approp. FY 2006	Recom. FY 2007	Percent Change 2005-07	Percent Change 2006-07
General Fund					
Direct State Services	$118,513	$103,955	$86,448	(27.1%)	(16.8%)
Grants-In-Aid	278,791	273,700	300,700	7.9%	9.9%
State Aid	0	0	0	0.0%	0.0%
Capital Construction	805,000	805,000	895,000	11.2%	11.2%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	**$1,202,304**	**$1,182,655**	**$1,282,148**	**6.6%**	**8.4%**
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	$25,287	$34,352	34,930	38.1%	1.7%
Casino Control Fund	$0	$0	$0	0.0%	0.0%
State Total	**$1,227,591**	**$1,217,007**	**$1,317,078**	**7.3%**	**8.2%**
Federal Funds	779,347	959,570	1,047,156	34.4%	9.1%
Other Funds	1,624,351	1,487,692	1,883,775	16.0%	26.6%
Grand Total	**$3,631,289**	**$3,664,269**	**$4,248,009**	**17.0%**	**15.9%**

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2005	Revised FY 2006	Funded FY 2007	Percent Change 2005-07	Percent Change 2006-07
State	2,890	2,856	2,728	(5.6%)	(4.5%)
Federal	1,023	1,041	1,083	5.9%	4.0%
All Other	2,488	2,754	2,882	15.8%	4.6%
Total Positions	**6,401**	**6,651**	**6,693**	**4.6%**	**0.6%**

FY 2005 (as of December) and revised FY 2006 (as of September) personnel data reflect actual payroll counts. FY 2007 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent	24.8%	24.4%	24.0%	—	—

Significant Changes/New Programs ($000)

Budget Item	Adj. Approp. FY 2006	Recomm. FY 2007	Dollar Change	Percent Change	Budget Page
I. State and Local Highways					
Salaries and Wages	**$56,627**	**$51,992**	**($4,635)**	**(8.2%)**	**D-393**

The decrease in this line item reflects savings expected from attrition and not backfilling vacancies. The DOT expects a total of $7 million in reduced Direct State Services category costs, although no programmatic impact is expected from the reduction.

Budget Item	Adj. Approp. FY 2006	Recomm. FY 2007	Dollar Change	Percent Change	Budget Page
Maintenance and Fixed Charges	**$25,063**	**$14,189**	**($10,874)**	**(43.4%)**	**D-393**

The decrease in this line item primarily reflects the practice of relying on supplemental appropriations language authority of $10 million for Snow and Ice Control costs. The recommended budget provides $21.8 million for Snow and Ice control costs (included in Maintenance and Fixed Charges), the same as in FY 2006. $10 million is excluded from the base budget and would be added via supplemental appropriation, as was the case in FY 2006 FY2005 winter operations cost over $33 million. Therefore, if FY2007 winter conditions are more severe than those of this past winter,, the supplemental funding as well as additional funding will be required. The decrease in this line item also reflects savings of $730,000 from discontinuing removal of deer carcasses from county and local roads.

Budget Item	Adj. Approp. FY 2006	Recomm. FY 2007	Dollar Change	Percent Change	Budget Page
II. Capital Construction					
Transportation Trust Fund Authority	**$805,000**	**$895,000**	**$90,000**	**11.2%**	**D-393**

The recommended spending represents an increased appropriation to support capital construction through the TTF. Pursuant to P.L.2006, c.3, revenue to support the appropriation increase will be provided from a $78 million increase in revenue from the motor fuels tax, and $12 million will come from the Toll road authorities via contracts with the State Treasurer.

Budget Item	Adj. Approp. FY 2006	Recomm. FY 2007	Dollar Change	Percent Change	Budget Page
III. New Jersey Transit Corporation (NJT):					**D-395 to D-398**
A. Expenditures -					
1. Bus Operations	**$474,976**	**$521,200**	**$46,224**	**9.7%**	
2. Rail Operations	**$542,435**	**$584,300**	**$41,865**	**7.7%**	
3. Light Rail	**$64,913**	**$75,200**	**$10,287**	**15.8%**	

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

Budget Item	Adj. Approp. FY 2006	Recomm. FY 2007	Dollar Change	Percent Change	Budget Page
Operations					
4. Corporate Operations	**$330,676**	**$350,300**	**$19,624**	**5.9%**	
Sub-Total	**$1,413,000**	**$1,531,000**	**$118,000**	**8.4%**	
B. Revenues -					
1. State Subsidy	**$273,700**	**$300,700**	**$27,000**	**9.9%**	
2. NJT Resources:					
a. Farebox	**$623,100**	**$666,200**	**$43,100**	**6.9%**	
b. Other	**$516,200**	**$564,100**	**$47,900**	**9.3%**	
Sub-Total	**$1,413,000**	**$1,531,000**	**$118,000**	**8.4%**	
C. Casino Revenue Fund	**$34,352**	**$34,930**	**$ 578**	**1.7%**	
NJT Total	**$1,447,352**	**$1,565,930**	**$118,578**	**8.2%**	

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.

Total resources are projected to increase by $118 million in FY2007. Farebox revenue, the single largest source of operating revenue, is projected to increase 6.9 percent, while other major revenue sources will increase at a higher rate. Total revenue per mile system-wide is projected to increase 6.7 percent, while total costs per mile will rise at a slightly higher rate of 7.4 percent. The system-wide cost recovery ratio will remain about the same at 52 percent. Average daily ridership is projected to increase to about 435,000, an increase of about 8 percent.

IV. Special Transportation Trust Fund

Budget Item	Adj. Approp. FY 2006	Recomm. FY 2007	Dollar Change	Percent Change	Budget Page
Federal Funds	**$889,923**	**$977,509**	**$87,586**	**9.8%**	**D-394**

The Administration projects TTF revenues from federal sources (Federal Highway Administration or Department of Transportation) to increase significantly. The recently

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

Budget Item	Adj. Approp. FY 2006	Recomm. FY 2007	Dollar Change	Percent Change	Budget Page

enacted federal transportation plan SAFETEA-LU increased revenues available for State use over the next several years.

V. Transportation Trust Fund

Budget Item	Adj. Approp. FY 2006	Recomm. FY 2007	Dollar Change	Percent Change	Budget Page
State & Local Highways	**$671,000**	**$925,000**	**$254,000**	**37.9%**	**D-394**
Public Transportation	**$534,000**	**$675,000**	**$141,000**	**26.4%**	**D-397**
Total Capital Construction	**$1,205,000**	**$1,600,000**	**$395,000**	**32.8%**	

The Administration has proposed a capital construction program of $1.6 billion for FY2007, pursuant to the Transportation Trust Fund plan, renewed under P.L. 2006, c.3. Accordingly, spending for both NJ Transit projects and State Highways is increased. Funds available to subsidize local roads through the Local Aid program are increased by $30 million, to $175 million.

Language Provisions

2006 Appropriations Handbook	2007 Budget Recommendations
p. B-169	**p. D-390**
Receipts in the "Commercial Vehicle Enforcement Fund" established pursuant to section 17 of P.L.1995, c.157 (C.39:8-75), are appropriated to offset all reasonable and necessary expenses of the Division of State Police and the Motor Vehicle Commission in the performance of commercial truck safety and emission inspections, subject to the approval of the Director of the Division of Budget and Accounting.	Receipts in the "Commercial Vehicle Enforcement Fund" established pursuant to section 17 of P.L. 1995, c.157 (C.39:8-75), are appropriated to offset all reasonable and necessary expenses of the Division of State Police, the Motor Vehicle Commission, the Department of Transportation, and the Department of Environmental Protection in the performance of commercial truck safety and emission inspections, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The Office of Management and Budget notes that the recommended language change represents a correction to the language in the FY2006 Appropriations Act. The DOT and the Department of Environmental Protection are entitled to access the Commercial Vehicle Enforcement Fund for costs associated with that program, and have been reimbursed annually from this Fund in the past.

2006 Appropriations Handbook	2007 Budget Recommendations
	p. D-390
No comparable language.	Notwithstanding any other law to the contrary, $21,000,000 of the amounts credited to the New Jersey Emergency Medical Service Helicopter Response Program Fund on or after July 1, 2006, is available to the General Fund as State revenue.

Language Provisions (Cont'd)

Explanation

The recommended language relates to revenue from new additional motor vehicle registration charges imposed by P.L. 2005, c.311, totaling $3 per vehicle, that yield a total of $21 million. Under the language, this revenue is anticipated for general State purposes, and is not allocated for the purposes to which it is dedicated by the statute (New Jersey Emergency Medical Helicopter Response Program, $14 million; new State Police trooper classes, $7 million).

2006 Appropriations Handbook	2007 Budget Recommendations
	p. D-390
No comparable language.	Notwithstanding the provisions of section 105 of P.L.2003, c.13 (C.39:2A-36) or any law to the contrary, pursuant to pending legislation, receipts that are derived from the surcharge on luxury and fuel-inefficient vehicles shall be deposited in the General Fund as State revenue.

Explanation

The Budget-in-Brief describes proposed legislation that would impose, beginning in FY 2007, a separate ad valorem registration fee of 0.4 percent on certain newly-registered motor vehicles. The fee would apply to two types of vehicles: those with a sticker price of $45,000 or more, and fuel-inefficient vehicles with an EPA rating of less than 15 miles per gallon. Without this language, a portion of the revenue from the new fee would be remitted to the Motor Vehicle Commission. The Administration has projected that the new fee would raise $17 million.

2006 Appropriations Handbook	2007 Budget Recommendations
p. B-170	**p. D-394**
Notwithstanding any other law to the contrary, of the amounts appropriated	Notwithstanding any other law to the contrary, of the amounts appropriated

Language Provisions (Cont'd)

2006 Appropriations Handbook	2007 Budget Recommendations
p. B-170	**p. D-394**
hereinabove for the Department of Transportation from the General Fund, \$2,500,000 thereof shall be paid from funds received or receivable from the various transportation–oriented authorities pursuant to contracts between the authorities and the State as are determined to be eligible for such funding pursuant to such contracts, as shall be determined by the Director of the Division of Budget and Accounting.	hereinabove for the Department of Transportation from the General Fund, \$37,500,000 thereof shall be paid from funds received or receivable from the various transportation-oriented authorities pursuant to contracts between the authorities and the State as are determined to be eligible for such funding pursuant to such contracts, as shall be determined by the Director of the Division of Budget and Accounting.

Explanation

The recommended language reflects a portion of the increase in receipts anticipated from the New Jersey Turnpike and South Jersey Transportation authorities pursuant to contracts between those authorities and the State of New Jersey. The recommended budget anticipates \$52 million (page C-15) from those contracts, an increase of \$49.5 million from FY2006. This language would provide \$37.5 million to fund a portion of the Maintenance and Operations portion of the budget of the Department of Transportation, an increase of \$35 million from FY2006, although the total budget of the Maintenance and Operations department is decreased by 17 percent (\$15.6 million). This recommendation would result in the Turnpike and South Jersey Transportation Authorities supporting about 50 percent of the Maintenance and Operations budget.

The remainder of the anticipated contract receipts is appropriated through language on page D-394 to support the appropriation to the capital construction program through the Transportation Trust Fund.

2006 Appropriations Handbook	2007 Budget Recommendations
p. B-170	**p. D-394**
The sum provided hereinabove for the Transportation Trust Fund account shall first be provided from revenues received	The sum provided hereinabove for the Transportation Trust Fund account shall first be provided from revenues received

Language Provisions (Cont'd)

2006 Appropriations Handbook	2007 Budget Recommendations
p. B-170	**p. D-394**
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, 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 2006 debt service, bond reserve requirements, and other fiscal obligations of the New Jersey Transportation Trust Fund Authority.	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, <u>and from funds received or receivable from the various transportation–oriented authorities pursuant to contracts between the authorities and the State,</u> 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 2007 debt service, bond reserve requirements, and other fiscal obligations of the New Jersey Transportation Trust Fund Authority.

Explanation

The revision to this language provision, which describes the sources of revenue that comprise the annual appropriation to the TTF Authority, reflect the inclusion of $12 million received pursuant to contracts with the New Jersey Turnpike Authority and the South Jersey Transportation Authority. This is consistent with the 5-year TTF renewal plan enacted by P.L. 2006, c.3.

Discussion Points

1. At this time last year, the Office of Legislative Services (OLS) projected that at the end of Fiscal Year 2006 the Transportation Trust Fund (TTF) would have an unmet cash need for projects authorized through Fiscal Year 2006 of about $1.4 billion. The unmet cash need represents the difference between trust fund expenditures (i.e., annual trust fund program and debt service costs) and trust fund resources (i.e., annual State appropriations, bond sale proceeds, and trust fund earnings). In other words, it appeared to OLS that the TTF had over $1.4 billion in authorization for projects without any remaining resources to pay for those projects.

- ***Question:*** Was the OLS analysis correct? If not, why not? If so, how is the unmet need being addressed? Does addressing this need consume resources that are intended to fund the next five years of TTF projects?

2. The recently enacted statute (P.L.2006, c.3) providing increased funding for the Transportation Trust Fund Authority (TTFA) authorizes appropriations from the fund of up to $1.6 billion per year in Fiscal Years 2007-2011, or up to $8 billion over the five-year period. In statements or letters to Legislative committees, the Commissioner of Transportation indicated that the TTFA is expected to raise $6.4 billion in "new money" through the issuance of bonds over the five-year period, and the State Treasurer estimated that the "new money" from bonds would be $6.2 billion. In other materials provided to the Legislature, the Executive has indicated that $601 million will be available to the TTFA for pay-as-you-go spending during the same five year period.

- ***Question:*** How will $8 billion of projects be paid for with the $6.2 or $6.4 billion of borrowing and $601 million of pay-as-you-go? Will there be an additional unmet need of $1 billion or more to be paid for in future years?

3. Under the provisions of P.L.2006, c.3, one criterion by which the Financial Policy Review Board is to evaluate the TTFA's fiscal discipline is whether the amount expended on "permitted maintenance" under the Annual Transportation Capital Program in FY 2008 and thereafter exceeds the amount expended in FY 2007. According to the department, expenditures for permitted maintenance totaled about $174.6 million in FY 2005.

- ***Question:*** What is the amount of projected spending on "permitted maintenance" for FY 2006, for the department and NJ Transit, respectively? How much is allocated to each entity for "permitted maintenance" in the proposed Annual Transportation Capital Program for FY 2007? Please indicate the specific line items in the proposed FY 2007 program that include funds for "permitted maintenance", and the specific amount included in each.

4. Traditionally, government agency debt issued to fund the acquisition of long-term assets has an amortization period that does not exceed the useful life of the assets

Discussion Points (Cont'd)

in question. P.L.2006, c.3 increased the maximum duration of Transportation Trust Fund Authority (TTFA) bonds from 21 years to 31 years.

- ***Question:*** How does the Department determine the lifespan of individual projects? How is an average lifespan calculated for any given annual capital program? For any particular TTFA bond issue? Do federal standards or criteria determine the useful life of an asset or project, and are those standards or criteria binding on the Department?

- ***Question:*** How will transportation construction be altered to create an average asset lifespan of 31 years? When the maximum debt amortization period was altered in 1995 from 11 years to 21 years, were there any associated construction changes? If not, can the TTFA envision projects funded with 40-year debt?

5. The FY 2006 Appropriations Act included language provisions relating to the issuance by the Transportation Trust Fund Authority of Grant Anticipation Revenue Vehicles (GARVEEs) that were to provide up to $175 million toward funding the Route 52 Causeway Replacement project. This same language is recommended for FY 2007.

- ***Question:*** Please provide a status report on the Route 52 Causeway Replacement project. What obstacles or circumstances have thus far prevented the TTFA from issuing GARVEEs in FY 2006 for this project? Why is financing this project through GARVEEs a viable option in FY2007 if the TTFA was unable to proceed with GARVEEs in FY 2006? Why is it advisable to proceed with the project in this way in FY 2007, rather than through the capital program and conventional TTF financing? Since the language in question authorizes a TTF project of $175 million *in addition to* the capital program of $1.6 billion, why does the Department believe that this language recommendation is consistent with the letter and spirit of section 6 of P.L.2006, c.3, which sets forth as a standard for State of Condition of Transportation Financing certification that total appropriations from TTF resources not exceed $1.6 billion annually?

6. The capital construction responsibilities of the Department of Transportation are to a substantial extent met by private design firms, construction companies, etc., providing services under contract. Payments under these contracts account for a substantial portion of the department's budget, and the awarding of these contracts is itself an important departmental responsibility.

- ***Question:*** Has the Department undertaken any significant review in the last 10 years of its procedures for awarding construction contracts? How do its practices in this area compare with those of other states? To what extent does the Department currently rely on negotiated bidding for its contract offerings? Could competition in the process for bidding on transportation projects be

Discussion Points (Cont'd)

enhanced? If so, are there any organizational or statutory impediments to the implementation of such enhancements?

- ***Question:*** What rules and procedures, if any, secure contractors' guarantees for road-building quality? Has the Department considered moving towards a European model, under which contractors guarantee roads for a set number of years and assume all repair and resurfacing costs?

7. The budget proposes a staff reduction for the Department, anticipated to reduce costs by $1,374,000.

- ***Question:*** Please provide specific detail about this proposed reduction. Is it permanent? In which agencies of the Department will the reductions occur, and how will those agencies' operations be affected? Which titles or positions will be removed?

8. The budget proposes a $27 million increase to the NJ Transit's operating subsidy, $5 million of which is to replace a one-time revenue. Farebox revenue is projected to increase by $43.1 million, and system-wide revenue per trip per rider is expected to be constant at $2.94.

- ***Question:*** What is the policy of the department for the target amount of cost recovery through fares for NJ Transit?

9. In Fiscal Year 2006, funding for Transportation Assistance for Senior Citizens and Disabled Residents increased to $34.4 million, up 36 percent from the FY 2005 funding level. The program's appropriation for FY 2007 is recommended to increase again, by about 2 percent, to $34.9 million. The program's recommended funding is tied to the level of revenue realized by the Casino Revenue Fund.

A review of financial records for this program for the period FY 1999-FY 2006 shows that some moneys appropriated for each year remain unspent, although all these unspent moneys are obligated, and that 25 percent of total funding for that eight-year period – $52.6 million out of $208 million appropriated – remains unspent. Most of the unspent funds are from FY 2005 and FY 2006 appropriations. Through April 7, 2006, $43.3 million of the $59.6 million appropriated for those two years remained unspent. There are no evaluation data presented in the Executive Budget proposal that detail the program's activities or accomplishments.

- ***Question:*** Please explain in detail the manner for determining the annual amount of funding recommended for this program. Please also describe how funding is allocated, what specific services or activities are funded and by whom they are provided. What new or expanded transportation services for the elderly and disabled are being supported with the increase in funding that was provided in FY 2006? What are the reasons for the apparent delay between

Discussion Points (Cont'd)

appropriation of funds and expenditure of funds for services? Should the Legislature be concerned that these funds are being appropriated too far in advance of the time when services are actually provided?

10. As displayed in the Governor's Budget (p. D-397), the operating budget for New Jersey Transit will increase by $118 million, or 8.4 percent, in FY 2007. Personal services funding – salaries and wages and, presumably, employee benefits – is increasing at 6.3 percent, and accounts for $54.2 million of the total increase.

- ***Question:*** How will the size of the NJ Transit workforce change under the FY 2007 budget if adopted as proposed? How much overtime, in hours and in spending, was incurred in FY 2005? Has been incurred to date and is projected for FY 2006? Is budgeted for FY 2007? What increase in rates of compensation, under terms of negotiated union labor contracts, are reflected in FY 2007 personal services funding? What change in compensation packages for NJ Transit executive management/non-union labor is reflected in FY 2007 funding? What other factors are driving the increase in this part of NJ Transit's budget?

11. In responses to an OLS discussion point regarding the FY 2006 Executive Budget proposal, the Motor Vehicle Commission (MVC) informed the Legislature that the commission was in the beginning stages of developing a facilities development and siting implementation plan, having received and accepted as a tool for guidance a major consultant's study on the subject, as well as a five-year capital plan. The MVC also informed the Legislature that its FY 2006 budget plan included $23.7 million in costs related to facilities development, of which $23.3 million were capital outlays for construction or fit-out of six new agencies, and improvements at 14 other agencies or sites.

- ***Question:*** Please provide an update of the planning efforts described above. If both plans have been completed, please provide a copy of each. If not, when is completion anticipated? What is the status of the capital projects the MVC identified as being funded in FY 2006? What specific projects are included in the FY 2007 budget plan for the MVC? After the completion of these projects (both FY 2006 and FY 2007), what does the MVC estimate will be the available balance in the Trust Fund for MVC capital projects? If the five-year capital plan is completed, what does the commission conclude as to the adequacy of this balance to meet the capital spending needs identified therein? Does the MVC foresee a time when it must return to the Legislature for additional capital funding to meet its needs, and if so, when and for what amount?

12. a. The Budget recommends $277.8 million in funding for the Motor Vehicle Commission in FY 2007, an increase of $1.1 million or 0.4% above FY 2006. According to detailed information supplied to OLS, recommended funding for MVC workforce costs - salaries and wages and fringe benefit costs – totals $178.5 million, an increase of $21.5 million or 13.7 percent above the FY 2006 level.

Discussion Points (Cont'd)

- ***Question:*** Please explain the components of change in MVC funding for salaries and benefit costs, i.e., how much of this increase is for contractual wage increases, staff growth, and fringe benefit increases, respectively. How many additional full-time and part-time staff will be funded in FY 2007 compared to FY 2006? If new staff are to be hired in FY 2007, please explain why further staff growth is needed.

b. The MVC's 2005 Annual Report and Service Assessment, issued in September 2005, also sets forth budget information for FY 2005-2007. While fully consistent with the Governor's budget, this information further notes that for FY 2007, the Commission expects to spend about $319 million for operating purposes while receiving about $280 million from current revenues, with the difference attributed principally to unexpended FY 2006 funds. The MVC projects that an opening "carryforward" balance of $45 million will be reduced to a closing "surplus" for operating purposes of about $14 million. This seems to suggest the MVC may be facing a structural deficit in FY 2008.

- ***Question:*** Is the MVC concerned that it faces a structural budget deficit in FY 2008 if it fully implements its FY 2007 spending plan? To what extent and for what purposes are costs included in the FY 2007 budget that will not recur in FY 2008? What revenue growth, if any, does the MVC project in FY 2008, exclusive of new or increased fees? What cost increases does the MVC project in FY 2008 to maintain current services?

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Individuals wishing information and committee schedules on the FY 2007 budget are encouraged to contact:

Legislative Budget and Finance Office
State House Annex
Room 140 PO Box 068
Trenton, NJ 08625
(609) 292-8030 • Fax (609) 777-2442