ANALYSIS OF THE NEW JERSEY BUDGET

DEPARTMENT OF TRANSPORTATION
AND
MOTOR VEHICLE COMMISSION

FISCAL YEAR 2010 - 2011

PREPARED BY OFFICE OF LEGISLATIVE SERVICES
NEW JERSEY LEGISLATURE • APRIL 2010
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 Joseph A. Hroncich. Thomas R. Churchelow authored the background paper on Local Aid under the Transportation Trust Fund; Maureen McMahon authored the background paper on Federal Stimulus Funding for New Jersey Transportation Projects.

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

Fiscal Summary ($000)

<table>
<thead>
<tr>
<th></th>
<th>Expended FY 2009</th>
<th>Adjusted Appropriation FY 2010</th>
<th>Recommended FY 2011</th>
<th>Percent Change 2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Budgeted</td>
<td>1,376,995</td>
<td>1,302,194</td>
<td>1,245,881</td>
<td>(4.3%)</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>1,123,823</td>
<td>1,135,623</td>
<td>1,045,165</td>
<td>(7.9%)</td>
</tr>
<tr>
<td>Other</td>
<td>2,023,700</td>
<td>1,931,430</td>
<td>1,917,016</td>
<td>(0.7%)</td>
</tr>
<tr>
<td>Grand Total</td>
<td>$4,524,518</td>
<td>$4,369,247</td>
<td>$4,208,062</td>
<td>(3.7%)</td>
</tr>
</tbody>
</table>

TO THE READER

The Office of Legislative Services presents its analysis of the New Jersey Budget for Fiscal Year 2010-2011 in truncated form due to extraordinary time constraints. Unlike those of previous years, this year’s analysis is confined to a review of significant changes in appropriations and language provisions, respectively, recommended by the Governor. It also presents one or more background papers on selected topics pertinent to this agency’s mission. Discussion points, long a feature of annual OLS budget analyses, will be made available under separate cover and on the Internet, together with agency responses, from time to time as they are received.

Link to Website: [http://www.njleg.state.nj.us/legislativepub/finance.asp](http://www.njleg.state.nj.us/legislativepub/finance.asp)

Office of Legislative Services
Legislative Budget and Finance Office
April 2010
Significant Changes/New Programs ($000)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2010</th>
<th>Recomm. FY 2011</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. State and Local Highway Facilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>D-365</td>
</tr>
<tr>
<td>Salaries and Wages</td>
<td>$26,880</td>
<td>$22,236</td>
<td>($4,644)</td>
<td>(17.3%)</td>
<td></td>
</tr>
<tr>
<td>The decrease in this line item reflects a $270,000 savings from reducing maintenance crews at the Deepwater and Knowlton Rest Areas on I-295; $1.5 million in attrition savings; a $42,000 savings achieved by closing DOT’s print shop; a $835,000 reduction in the amount of federal and Transportation Trust Fund (TTF) salary earnings budgeted for non-salary items; and $2.0 million in savings from charging the TTF for the salaries of DOT employees performing construction work.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintenance and Fixed Charges</td>
<td>$37,354</td>
<td>$7,294</td>
<td>($30,060)</td>
<td>(80.4%)</td>
<td>D-365</td>
</tr>
<tr>
<td>The decrease in this line item reflects $30 million in supplemental funding for winter operations and $60,000 in non-salary savings achieved by closing the DOT print shop.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>II. New Jersey Transit Corporation (NJT)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>D-368 to D-370</td>
</tr>
<tr>
<td>A. Expenditures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Bus Operations</td>
<td>589,700</td>
<td>587,500</td>
<td>(2,200)</td>
<td>(0.4%)</td>
<td></td>
</tr>
<tr>
<td>2. Rail Operations</td>
<td>714,200</td>
<td>738,000</td>
<td>23,800</td>
<td>3.3%</td>
<td></td>
</tr>
<tr>
<td>3. Light Rail Operations</td>
<td>21,700</td>
<td>21,000</td>
<td>(700)</td>
<td>(3.2%)</td>
<td></td>
</tr>
<tr>
<td>4. Corporate Operations</td>
<td>252,500</td>
<td>240,400</td>
<td>(12,100)</td>
<td>(4.8%)</td>
<td></td>
</tr>
<tr>
<td>5. Purchased Transportation</td>
<td>202,300</td>
<td>202,200</td>
<td>(100)</td>
<td>(0.05%)</td>
<td></td>
</tr>
<tr>
<td>Subtotal</td>
<td>$1,780,400</td>
<td>$1,789,100</td>
<td>8,700</td>
<td>0.5%</td>
<td></td>
</tr>
<tr>
<td>B. Revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. State Subsidy</td>
<td>296,200</td>
<td>276,200</td>
<td>(20,000)</td>
<td>(6.8%)</td>
<td></td>
</tr>
<tr>
<td>2. NJT Resources:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Farebox</td>
<td>758,000</td>
<td>839,300</td>
<td>81,300</td>
<td>10.7%</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>656,200</td>
<td>673,600</td>
<td>17,400</td>
<td>2.7%</td>
<td></td>
</tr>
<tr>
<td>3. Federal Economic Stimulus</td>
<td>70,000</td>
<td>0</td>
<td>(70,000)</td>
<td>(100%)</td>
<td></td>
</tr>
<tr>
<td>Subtotal</td>
<td>$1,780,400</td>
<td>$1,789,100</td>
<td>8,700</td>
<td>0.5%</td>
<td></td>
</tr>
<tr>
<td>C. Casino Revenue Fund</td>
<td>30,233</td>
<td>29,099</td>
<td>(1,134)</td>
<td>(3.8%)</td>
<td></td>
</tr>
<tr>
<td>NJT Total</td>
<td>$1,810,633</td>
<td>$1,818,199</td>
<td>7,566</td>
<td>0.4%</td>
<td></td>
</tr>
</tbody>
</table>
The above information summarizes by major purpose the expenditure data for NJ Transit followed by a summary of the revenue sources available to support these expenditures.

Total resources in FY 2011 are projected to increase by approximately $7.6 million, an amount attributable to an $81 million or 10.7% increase in “farebox revenue.” However, since publication of the FY 2011 Executive Budget recommendations, NJ Transit estimates that farebox revenue will decrease from the recommended level of $839.3 million to $824 million due to the reduction of the initially proposed systemwide fare increase from 25% to 22%; accordingly, the State subsidy will increase to make up the difference. “Other resources” includes all revenue except passenger revenue and State operating assistance received by NJ Transit. NJ Transit will not receive any additional federal economic stimulus funds that helped support rail and bus preventative maintenance functions in the current fiscal year. The corporation estimates average daily ridership will decrease by 9% for FY 2011 consisting of a 4% decline in the current year combined with a 5% assumed decline associated with the fare increase.

The Executive budget recommendations for FY 2011 contemplated that the State subsidy to NJ Transit would be $276.2 million, or $20 million below the FY 2010 level, as the agency adopts a number of saving initiatives and maximizes non-State funding sources. However with the approval, after publication of the budget, of a revised fare and service plan, farebox revenue is now projected at a level $15.7 million below the $839.3 million anticipated under the budget, indicating that the State subsidy required for FY2011 will be approximately $291.9, roughly $29 million more than the FY 2010 adjusted subsidy after February’s $33 million reduction.

III. Special Transportation Trust Fund

| Federal Funds | $1,104,210 | $1,021,865 | ($82,345) | (7.5%) | D-366 |

The Administration projects Transportation Trust Fund revenue from the federal government provided via categories outlined within the Transportation Equity Act for the 21st Century (TEA-21) to decrease, and expects decreases in State highway and local highway funds. The Administration recommends a capital appropriation to the Transportation Trust Fund of $895 million, the same level of funding provided in FY 2010.
**Significant Language Changes**

### Motor Vehicle Fees – Funding Shift

2011 Budget: p. D-362 |
|----------|-------------------------|

Notwithstanding the provisions of section 105 of P.L.2003, c.13 (C.39:2A-36) or any law to the contrary, an amount not to exceed $20,000,000 $10,000,000 from receipts derived from the increase in motor vehicle fees imposed in 2009 shall be deposited in the General Fund as State revenue.

**Explanation**

*The recommended budget language was originally added in FY 2010 to divert $20 million of receipts derived from increased motor vehicle fees, effective July 2009, from the Motor Vehicle Commission (MVC) to the General Fund as State revenue. The proposed budget reiterates this diversion in FY 2011, but the amount is reduced from $20 million to $10 million.*

### Motor Vehicle Revenue – Funding Shift

| Additions | 2010 Handbook: -  
2011 Budget: p. D-362 |
|-----------|-------------------------|

Notwithstanding the provisions of section 105 of P.L.2003, c.13 (C.39:2A-36) or any law to the contrary, $30,019,000 is appropriated from the revenues appropriated to the Motor Vehicle Commission for deposit in the General Fund to reflect savings from implementation of fiscal 2011 savings initiatives, subject to the approval of the Director of the Division of Budget and Accounting.

Notwithstanding the provisions of section 105 of P.L.2003, c.13 (C.39:2A-36) or any law to the contrary, $10,940,000 is appropriated from the revenues appropriated to the Motor Vehicle Commission for transfer to the Interdepartmental property rentals account to reflect savings from implementation of management and procurement efficiencies, subject to the approval of the Director of the Division of Budget and Accounting.

**Explanation**

*The first item of recommended budget language directs $30.019 million of MVC revenue, which would otherwise be available for support of MVC operations, to the General Fund as State revenue. Savings initiatives in an equivalent amount are assumed; no specifics regarding these initiatives are available.*

*The second language item directs $10.94 million of MVC revenue to the Interdepartmental property rentals account. This amount consists of recurring*
Significant Language Changes (Cont’d)

FY 2009 ($1.675 million) and FY 2010 ($9.265 million) MVC management and procurement efficiency savings, which are annually transferred to the Property Rentals account (Interdepartmental Accounts). This is necessary to restore funding reductions originally made to that account, in anticipation of various Statewide cost reductions, for budgeting simplicity.

### Department of Transportation – Funding Shift

| 2011 Budget: p. D-367 |

Notwithstanding the provisions of any law or regulation to the contrary, of the amounts hereinabove appropriated for the Department of Transportation from the General Fund, $20,500,000 of $12,500,000 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

Under contracts with the New Jersey Turnpike Authority and South Jersey Transportation Authority, the State will receive moneys from these authorities in an amount anticipated in the FY 2011 budget (p. C-7) at $24.5 million, a decrease of $8 million from the State’s FY 2010 estimated receipts under those contracts. The above language provides that toll road authority contract revenue is to fund General Fund appropriations to the DOT to the extent of $20 million in FY 2010 and $12.5 million in FY 2011 (a corresponding $8 million decrease). As has been the case over the last several fiscal years, the remaining $12 million of anticipated contract revenue is appropriated through budget language (p. D-366) to the TTF to support the capital construction program.

### DOT Maintenance and Operations – Funding Shift

| Addition | 2010 Handbook: -  
| 2011 Budget: p. D-368 |

Notwithstanding the provisions of section 12 of P.L.1962, c.73 (C.12:7-34.47), of the amount hereinabove appropriated for Maintenance and Operations, $2,200,000 is payable from the revenue derived from the fee increase pursuant to the amendatory provisions of section 12 of P.L.2002, c.34 deposited into the “Maritime Industry Fund.”

Capital Construction

2011 Budget: p. D-367

Notwithstanding the provisions of P.L.1984, c.73 (C.27:1B-1 et al.), there is appropriated the sum of up to $1,600,000,000 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

Airport Assets
Bridge Assets
Capital Program Delivery
Congestion Relief
Local System Support
Mass Transit Assets
Multimodal Programs
Road Assets
Safety Management
Transportation Support Facilities

Explanation

This language authorizes Transportation Trust Fund Authority support for the FY 2011 transportation capital program. Similar language in each of the four preceding fiscal years simply set the level of that support at $1.6 billion; this language establishes that amount as the maximum level of such support. The department has stated that this will permit flexibility in matching TTFA financing to the scope and needs of the capital program.

The language indicates the categories of “capital purposes” to be funded from the TTFA. (In the Appropriations Act, the projects within the several categories will be individually specified; as in past years, the list of proposed projects was not finalized in time for its inclusion in the budget recommendations.) The revision of these categories to reflect project type, rather than phase of work,
Significant Language Changes (Cont’d)

was requested by the department as being more consistent with construction project budgeting and reporting.

<table>
<thead>
<tr>
<th>Capital Construction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revision</td>
</tr>
<tr>
<td>2011 Budget: p.D-367</td>
</tr>
</tbody>
</table>

Notwithstanding the provisions of any law or regulation to the contrary, there is appropriated to the Department of Transportation the sum of $270,000,000, subject to the approval of such sums as shall be approved by the Director of the Division of Budget and Accounting, from the revenues and other funds of the New Jersey Transportation Trust Fund Authority received in connection with the issuance of the Authority’s Grant Anticipation Revenue Vehicles (GARVEE) Bonds for the Route 52 Causeway Replacement Contract B, capital projects listed above. Federal funds received in conjunction with the capital projects funded through the issuance of these GARVEE Bonds are appropriated to the Authority to pay debt service and other costs related to the GARVEE Bonds.

Explanation

The new provision provides the TTFA with the flexibility necessary to issue GARVEE bonds to fund certain projects that are included in the FY 2011 Capital Program. The limitation of the language in FY 2010 to use GARVEE bond financing for only the Route 52 Causeway Replacement Contract B project is deleted as this funding will not be used for that project. A GARVEE is a debt instrument repayable from future federal aid appropriations, issued with the approval of the Federal Highway Administration.

<table>
<thead>
<tr>
<th>Pilot Commissioners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Addition</td>
</tr>
<tr>
<td>2010 Handbook: -</td>
</tr>
<tr>
<td>2011 Budget: p. F-9</td>
</tr>
</tbody>
</table>

Notwithstanding the provisions of any law or regulation to the contrary, the amounts hereinabove appropriated to the County Boards of Taxation, Real Estate Commission, Civil Service Commission, State Commission on Investigation, Pilot Commissioners, Athletic Control Board, Public Employment Relations Commission and Appeal Board, Board of Mediation, Council on Affordable Housing, New Jersey Racing Commission, Council on Local Mandates, Garden State Preservation Trust, the various State professional boards, the Certified Psychoanalysts Advisory Committee and the Audiology and Speech-Language Pathology Advisory Committee in the Department of Law and Public Safety, shall be subject to the following conditions: 1) the base salary, per diem salary, or any other form of compensation, including that for expenses, for the board members or commissioners paid for out of State funds shall not exceed $100 per month; and 2) no State monies shall be used to pay for participation in the State Health Benefits Program by board members or

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.
Significant Language Changes (Cont’d)

commissioners. No other compensation shall be paid.

Explanation

The proposed language would effectuate the Governor’s recommendation to reduce the pay and benefits of members of numerous boards in FY 2011. Specifically, the language would end the eligibility of board members for participation in the State Health Benefits Program and cap their compensation at $100 per month.

Within the Department of Transportation, the proposed language would apply to the New Jersey Maritime Pilot and Docking Pilot Commission. It would supersede the provisions of N.J.S.A. 12:8-4, which sets the annual compensation of the members of the commission at $28,000. By effectively capping commission members’ annual compensation at an amount ($1,200) that is below the minimum salary required for enrollment in the Public Employees’ Retirement System, the language precludes the members’ receipt of pension credit based solely on their commission service. In addition, it prohibits the use of State money to pay for the commissioners’ participation in the State Health Benefits Program.
Background Paper: New Jersey Transit Corporation

Introduction

The New Jersey Transit Corporation was created by the “New Jersey Public Transportation Act of 1979,” N.J.S.A.27:25-1 et seq. Its mission is to provide safe, reliable, convenient and cost-effective public transportation service in a manner that fosters efficient coordinated commerce, conserves energy, protects the environment, and promotes sound land use and the revitalization of New Jersey’s urban centers. It is the nation’s third largest provider of bus, rail and light rail transit with 165 rail stations, 60 light rail stations and more than 18,000 bus stops linking major points in New Jersey, New York and Philadelphia. The corporation operates a fleet of 2,027 buses, 711 trains and 45 light rail vehicles on 240 bus routes, 12 commuter rail lines, three light rail lines, and provides nearly 223 million passenger trips each year. NJ Transit also administers several publicly funded transit programs for people with disabilities, senior citizens and people living in the state’s rural areas who have no other means of transportation. In addition, the agency provides support and equipment to privately-owned contract bus carriers.

The corporation is governed by an eight member board that includes: (1) the Commissioner of Transportation (chair), State Treasurer, and another member of the Executive Branch selected by the Governor, all serving ex officio; (2) four public members appointed by the Governor; and (3) one non-voting member appointed by the Governor upon the recommendation of the labor union representing the plurality of NJ Transit employees. The board selects an Executive Director to administer the entire agency. The Executive Director serves as President of all three subsidiaries (NJ Transit Bus Operations, NJ Transit Rail Operations, Inc. and NJ Transit Mercer, Inc.). The agency also employs a Chief Operating Officer to coordinate operations.

Two transit advisory committees provide the agency with additional input from the public. The North Jersey Transit Advisory Committee and the South Jersey Transit Advisory Committee are each comprised of fourteen unsalaried members. Members of the North Jersey Transit Advisory Committee serve four-year terms and members of the South Jersey Transit Advisory Committee serve three-year terms.

NJ Transit Budget

FY 2010. NJ Transit’s FY 2010 operating budget included projected expenditures of $1.79 billion offset by $872 million of passenger and other system generated revenues, $296 million in State operating assistance (“State operating subsidy”) and $621 million from other State and federal reimbursements, including $70 million from the American Recovery and Reinvestment Act (ARRA), and other federal funding made available by the New Jersey Department of Transportation. That budget called for no fare increase for riders and the maintenance of existing service levels without any major cuts to service. It allowed for a $62 million (17 percent) reduction from FY 2009 in the State operating subsidy. A total of $22.5 million in administrative savings were to be achieved through initiatives such as planned furloughs, wage freezes, labor contract savings, and other measures. At the time that its FY 2010 budget was under legislative consideration, the agency said it had reduced administrative costs to an all-time low, with expenses now accounting for only eight cents out of every operating dollar, and a full 92 cents going to service delivery. The agency also projected a 2 percent general increase in ridership for the year.
Due in large part to the severe national economic recession, the downturn of New Jersey’s economy and the State’s budget problems, the agency did not foresee a 4 percent systemwide decrease in ridership that reduced fare revenue for the current fiscal year by a corresponding amount. NJ Transit’s current farebox recovery is approximately 43 percent, which is down from a high of 50 percent in FY 1998 and FY 1999. This means that average fares cover only 43 cents of every dollar of cost for operating transit service. In addition, inflationary cost increases for items such as fuel, equipment parts, and contractual agreements have contributed to the agency’s current year budget gap. In February, the Governor announced an 11 percent reduction, about $33 million, to NJ Transit’s State operating subsidy as part of a number of steps to close the State’s FY 2010 budget deficit.

To resolve the agency’s current shortfall, NJ Transit has reported it has identified a total of more than $30 million in reductions. In addition to implementing an emergency spending freeze, which halts spending that is not directly tied to operations or that is not critical for safety, NJ Transit plans to reduce its workforce by more than 200, cut executive salaries by five percent, and reduce the agency’s contributions to employee 401(k) accounts by one-third. These reductions follow in the wake of hiring and salary freezes that began last year, as well as unpaid furloughs for administrative (non-agreement) employees. NJ Transit has also identified cost reductions in parts, fuel, utilities, and contracts that will be renegotiated to avoid escalations. Additionally, NJ Transit has approved an increase in fares on all lines of operation as described in more detail below.

For FY 2011, the insufficiency of NJ Transit’s non-subsidy revenues to cover its operating costs is projected to be even greater than in FY 2010. NJ Transit now projects a $300 million budget deficit for the coming fiscal year, up from the $200 million forecast by the Governor’s Subcommittee on Transportation in January. This is due in large part to the end of one-time ARRA stimulus grants ($70 million) and federal highway funds ($80 million) that helped cover operating costs in FY 2010. In addition, the Governor’s budget recommendation for FY2011 proposes a reduction in the State subsidy for NJ Transit. As initially proposed, the Executive budget recommendations for FY 2011 contemplated that the State subsidy to NJ Transit would be $276.2 million, or $20 million below the FY 2010 level. However, subsequent to the release of the Governor’s budget, NJ Transit approved a revised fare and service plan incorporating a reduced fare increase and necessitating a revision in the required State subsidy for FY2011. Hence, in FY 2011, the State operating subsidy to NJ Transit is now projected at approximately $291.9 million, roughly $29 million more than the FY 2010 adjusted subsidy after February’s $33 million reduction.

**Approved Fare Increases and Service Plan**

On April 14, 2010 the NJ Transit Board of Directors approved a plan to increase passenger fares and reduce service systemwide effective May 1, 2010. Systemwide passenger fare increases for bus, contract carrier, rail and light rail were reduced from the originally proposed 25 percent to an average of 22 percent. Under the plan, there will be a 10 percent increase for local bus, light rail and Access Link services. Commuter rail and interstate bus tickets will increase 25 percent. Off-peak rail roundtrip discounts will not be sold after April 30 and will no longer be accepted after May 23. Discounted 10-trip bus tickets will continue to be offered, with discounts of up to 15 percent. In addition, NJ Transit’s discounts for students and seniors will continue to be available. NJ Transit estimates that the fare increase will generate approximately $115 million in revenue, and projects that the 22 percent increase could be expected to reduce ridership by an additional 5 percent, which as mentioned
Background Paper: New Jersey Transit Corporation (Cont’d)

previously, is already down by 4 percent. The approved fare increase is one of the largest fare hikes in NJ Transit’s history and equal to the July 1981 increase shown below. According to its website, NJ Transit has raised fares eleven times since its creation in 1979. The increases were as follows:

June 2007 – 9.6 percent
July 2005 – 11.5 percent
April 2002 – 10 percent
July 1990 – 9 percent
May 1989 – 12.5 percent
May 1988 – 9 percent
July 1986 – 10.6 percent
September 1983 – 9 percent
July 1982 – 17.5 percent
July 1981 – 22 percent
July 1980 – 11 percent

On the service side, a number of train schedules will be adjusted to accommodate customers whose trains were eliminated as part of the agency’s effort to match service with current demand. The Board also approved retaining service on select bus routes in eight counties, and Access Link services for people with disabilities who are unable to use regular bus service will be maintained. In addition, NJ Transit will continue to operate its No. 68 (Old Bridge-Weehawken) and No. 138 (Old Bridge-East Brunswick-New York) bus routes. NJ Transit set a goal of reducing service in proportion to the decline in ridership. Overall, the agency’s revised service plan proposes to discontinue 36 commuter trains, eliminate or reduce service on 71 bus line operated by NJ Transit, and 19 bus lines operated by private carriers. Light rail service will decrease with the elimination of 36 weekday evening trips on the Hudson-Bergen Line, and some minor service adjustments on the Newark Light Rail and River Line will be implemented.
Background Paper: Local Aid Under the Transportation Trust Fund

Introduction

On March 23, 2006, the Legislature passed P.L.2006, c.3 which reauthorized the State’s Transportation Trust Fund for FY 2007 through FY 2011. The reauthorization law included a provision to continue the annual appropriation from the Transportation Trust Fund to municipalities and counties for local transportation improvements known as the Local Aid and Economic Development Program (“Local Aid program”). The reauthorization law set the statutory minimum for the Local Aid program at $175,000,000. In FY 2009, funding for the program increased from the minimum statutory amount to $205,000,000. In FY 2010, $253,000,000 was provided in Local Aid, resulting in awards for projects in 457 municipalities and approximately 100 county highway and bridge projects. The Local Aid program also funds special local projects concerning safety improvements, development of pedestrian and bike routes, town centers, transit villages, and other non-traditional transportation enhancements.

Municipal Aid

Municipal Aid funds are appropriated by the Legislature for municipalities according to a formula contained in subsection c. of N.J.S.A. 27:1B-25 which takes into account municipal road mileage and population. Additionally, $5,000,000 is allotted for those municipalities that qualify for Urban Aid pursuant to the provisions of P.L.1978, c.14 (C.52:27D-178 et seq.). Each Spring, the Division of Local Aid and Economic Development (the “division”) within the New Jersey Department of Transportation (“NJDOT”) announces a program for that fiscal year and invites municipalities to apply for funding. Road improvement projects such as resurfacing, reconstruction, and signalization are funded from Municipal Aid. In FY 2010, $103,751,000 was appropriated to the program and distributed according to the statutorily prescribed formula.

County Aid

County Aid funds are appropriated by the Legislature annually for the improvement of public roads and bridges under county jurisdiction. Projects involving public transportation and other initiatives are also included. Counties are allocated funds of not less than their combined total of 1984 apportioned Federal Aid Urban System funds and State match, including their portion of any State or federal funds made available to Small Urban Areas for public transportation projects. The minimum allocation is $300,000. In FY 2010, $103,750,000 was appropriated for Local County Aid.

Each county is required to develop an Annual Transportation Program (ATP). In accordance with County Aid regulation, N.J.A.C. 16:20A, the ATP lists a pool of eligible projects by name and location with a brief description of each project and an estimate of the construction cost. The total cost of the pool of projects may exceed the amount of County Aid funds available. The ATP must be approved by the Board of Chosen Freeholders and submitted to a NJDOT Local Aid District Office for approval. Annually, prior to August 31, each county is advised of the amount of county local aid funds allotted for the current State fiscal year. Counties are required to submit their applications by February 1 of the next year.
Centers of Place

The Centers of Place program is designed to assist municipalities that have formally participated in implementation of the New Jersey State Development and Redevelopment Plan (SDRP). In FY 2010, 129 municipalities were eligible for the program. The Centers of Place program provides an opportunity to apply for funds to support non-traditional transportation improvements that advance municipal growth management objectives. The NJDOT notifies eligible municipalities as to the application process administered through the division. In FY 2010, $1,000,000 was appropriated for the program.

A municipality may submit an application if it falls within one or more of the following categories of formal participation in implementation of the SDRP:

- it is a designated center with boundaries designated by the State Planning Commission (“SPC”);
- it has a Strategic Revitalization Plan and Program approved by the SPC;
- it is within an endorsed urban complex consisting of two or more municipalities and a designated center in the Metropolitan Planning Area; and
- it is a Pinelands Town or Village under the Pinelands Comprehensive Management Plan.

Review and evaluation of application for the Centers of Place program are conducted by a Centers of Place Review Committee. A recommendation is made for final approval by the Commissioner of Transportation (the “commissioner”).

Bikeway

The Bikeway Grant Program provides funds to counties and municipalities to promote bicycling as an alternate mode of transportation. A primary objective of the Bikeway Grant Program is to support the State’s goal of constructing 1,000 new miles of dedicated bike path. In an effort to establish regionally connected bicycle networks, this program is available to every municipality and county throughout the State. In FY 2010, the NJDOT awarded $2,269,000 in Bikeway grants.

Transit Village

The Transit Village Grant Program is designed to assist municipalities which have been formally designated as Transit Villages by the commissioner and the inter-agency Transit Village Task Force. In FY 2010, 10 municipalities received funding from the program. Under the program, municipalities designated as Transit Villages are awarded grants for non-traditional transportation-related projects. These are municipalities which have made a commitment to grow in the area surrounding a transit facility. The facility can service commuter rail, bus, ferry, or light rail. In FY 2010, $2,000,000 was appropriated to the program.

Safe Streets to Transit

This program provides funding to assist counties and municipalities in improving access to transit facilities and all modes of public transportation. The objectives of the program are:
Background Paper: Local Aid Under the Transportation Trust Fund

(Cont'd)

- the improvement of the overall safety and accessibility for mass transit riders walking to transit facilities;
- encouraging mass transit users to walk to transit stations; and
- the implementation of projects and activities that will improve safety in the vicinity of transit facilities (approximately one-half mile for pedestrian improvements).

Annually, the NJDOT announces the availability of grant funds to counties and municipalities. All applications are reviewed, evaluated and prioritized by the Safe Street to Transit Review Committee. A recommendation is made for final approval by the Commissioner. In FY 2010, $1,000,000 was appropriated to the program.

Safe Streets and Neighborhoods

The NJDOT Safe Streets and Neighborhoods Program provides funding to eligible municipalities for Advanced Traffic Management Systems (“ATMS”) to help communities manage congestion and incidents at key intersections, improve transportation mobility, efficiency and safety, and provide timely information to emergency operation centers through the installation and integration of traffic and surveillance cameras. The NJDOT announces annually the grant funds available to eligible municipalities. Municipalities may prepare a standard Local Aid application outlining the intended use of the funds. All applications are reviewed and evaluated by the Local Aid Safe Streets and Neighborhoods Program Review Committee. Recommendations are made by the committee for final approval by the commissioner. The distribution of funds are made through a competitive process. Funds allocated from the Local Aid Infrastructure Fund are used to support the program. In FY 2010, $1,000,000 was allocated to the program.

Historic Bridge Preservation

The Historic Bridge Preservation Program is designed to provide funding to county governments for minor repair and enhanced maintenance projects to prolong the life span of New Jersey’s historic bridges. The Historic Bridge Preservation Program funds are available for local municipal and county bridges which have been formally recognized as being historic. Preference is given to those structures that have been identified as being listed in or eligible for listing in the National Register of Historic Places as identified by the New Jersey Historic Preservation Office. In FY 2009, the NJDOT set aside $500,000 for the program.

Local Aid Infrastructure Fund

Subject to appropriation, a Local Aid Infrastructure Fund is established to address emergencies and regional needs throughout the State. Any county or municipality may apply at any time. These projects are approved at the discretion of the commissioner. Under this program a county or municipality may also apply for funding for pedestrian safety and bikeway projects. In FY 2010, $17,500,000 was appropriated to the fund.
Background Paper: Federal Stimulus Funding for New Jersey Transportation Projects

Introduction

Since the President signed the the American Recovery and Reinvestment Act of 2009 (“ARRA”) into law on February 17, 2009, over $1.075 billion in funding has been dedicated for transportation infrastructure in New Jersey: $652.1 million for highway and bridge infrastructure projects and $422.5 million for New Jersey transit projects.

As part of ARRA, a separate $1.5 billion National Surface Transportation discretionary grant program was created for grants on a competitive basis for highway, bridge, rail, and other projects that will significantly impact the nation, a metropolitan area, or a region. No single state may receive more than 20 percent of the funds authorized for this program. Under this program, ARRA provided $23 million in grant funding ($4.9 million of which is New Jersey’s share) for a project partially located in New Jersey: the Philadelphia Area Pedestrian and Bicycle Network in Philadelphia and Camden. The project will repair, reconstruct, and improve 16.3 miles of bicycle and pedestrian facilities in six counties around Philadelphia and southern New Jersey.

Funding Breakdown and Project Summary

The distribution and breakdown of funding within New Jersey is governed by the language of the American Recovery and Reinvestment Act.

Highway and bridge infrastructure projects. Of the approximately $652 million in funds allocated to these projects:

- $461 million is being utilized by the Department of Transportation (DOT) for highway and bridge projects. DOT is currently advancing a total of 43 highway and bridge projects, including 33 construction projects, 9 design projects, and 1 right-of-way acquisition. Of the total amount allocated, $436 million is for construction, $20 million is for design, and the remaining $5 million is for the right-of-way acquisition. Among the 43 projects, those scheduled for the largest amount of ARRA funding are the I-295 Gloucester/Camden Rehabilitation ($77 million), the Route 52 Causeway Replacement and Somers Point Circle Elimination ($73 million), and Route 46 and Main Street improvements in Lodi Borough ($33.4 million). All construction projects were awarded by August 15, 2009 and currently are in the construction phase. These projects include improvements to bridges and bridge decks throughout the State, resurfacing of roads, fixing drainage on the State’s highways, and installing median guard rails at various high accident locations. All 9 design projects and the right-of-way acquisition have received notices to proceed and are advancing.

- $19.6 million was authorized for non-traditional “transportation enhancement” projects, such as pedestrian and bicycle ways, streetscapes and similar projects. All $19.6 million has been obligated through the Transportation Enhancement Grant Program. Among these projects, the largest amount of ARRA funding is scheduled to fund the Peters Brook Greenway Extension and Pedestrian Bridge over Route 202/206 ($2.06 million), the Stockton Street Historic District Streetscape Infrastructure Project ($1.7 million), and the Bivalve Center Project ($1.25 million).

- $171.5 million is suballocated for urban areas designated by the Federal Highway Administration (FHWA). Each of the State’s three regional Metropolitan Planning Organizations (MPO’s) has selected projects (90 total) for support from these funds, with
Background Paper: Federal Stimulus Funding for New Jersey Transportation Projects (Cont'd)

25 local projects authorized for a total of $47.6 million. Another 25 projects are pending authorization. Fourteen of the local projects have been bid and 6 contracts have been awarded. The project scheduled for the largest amount of ARRA funding is the Court Street Bridge over the Hackensack River ($16.8 million).

The deadline for obligating 50 percent of the funds apportioned to DOT was July 1, 2009. March 2, 2010 was the deadline for obligating the remaining DOT apportioned funds and all of the suballocated funds. All of the funds were obligated prior to March 2, 2010.

Public transportation projects. New Jersey Transit has received $422.5 million in ARRA funding. As of February 2010, New Jersey Transit has obligated the full amount of ARRA funding and has expended $145 million of that amount. The largest amount of ARRA funding for public transit ($130 million) supports the construction of the new multi-billion-dollar Trans-Hudson Commuter Rail Tunnel. Other projects selected by New Jersey Transit include a new intermodal transit center in Pennsauken ($40 million), light rail line signal system and switch improvements ($39 million), rehabilitation of NJ Transit’s rail stock ($35.8 million) and bus fleet ($35 million), and rehabilitation of the Lower Hack Drawbridge in Hudson County to serve riders on the Morris and Essex lines ($30 million).

The State has created a general Recovery and Investment Plan website, www.state.nj.us/recovery; a DOT website, www.state.nj.us/transportation/capital/stimulus, provides information on the federal stimulus program as it affects transportation in New Jersey.

Build America Bonds

ARRA contains an amendment to the Internal Revenue Code establishing a new type of tax-advantaged debt instrument known as “Build America Bonds” (“BABs”). Each of the two types of BABs established by ARRA are taxable bonds that may be issued by a state or local entity to finance certain governmental purposes while allowing for a new direct federal payment subsidy. BABs are intended to reduce borrowing costs, promote economic recovery, and create jobs.

The first type of BAB (“Tax Credit BABs”) provides a federal subsidy to investors through tax credits in an amount equal to 35 percent of the total interest payable by the issuer of taxable government bonds, which represents a federal subsidy equal to approximately 25 percent of the total return to the investor. The second type of BAB (“Direct Payment BABs”) provides a larger federal subsidy than Tax Credit BABs through a refundable tax credit paid to issuers by the Treasury Department and the Internal Revenue Service in an amount equal to 35 percent (45 percent in certain economically challenged areas) of the total interest payable to investors in these taxable bonds. While the Direct Payment BABs offer a larger federal subsidy, they are also subject to more restrictions. The deadline for the issuance of either type of BAB is January 1, 2011.

Since the BAB program’s inception in April 2009 through the end of February 2010, approximately $78 billion in BABs has been issued. State and local entities in New Jersey have issued approximately $2.79 billion on BABs, which ranks New Jersey sixth among all states in terms of total value of BAB issues. The largest single issuance in New Jersey was made by the New Jersey Turnpike Authority in April 2009 in the amount of $1.375 billion. As of March 2010, the other entities in New Jersey that have issued BABs include the New Jersey
Transportation Trust Fund Authority ($773.5 million), the South Jersey Transportation Authority ($96.3 million), the Mercer County Improvement Authority ($92.4 million), the New Jersey Education Facilities Authority ($41.1 million), the South Jersey Port Corporation ($129.7 million), the Mainland Regional High School District ($28.6 million), the Atlantic City Board of Education ($50.3 million), the Cumberland County Improvement Authority ($53.6 million), Ocean County ($26.4 million), the Middlesex County Improvement Authority ($19.7 million), the Passaic Valley Water Commission ($12.2 million), the Camden County Improvement Authority ($21.1 million), and Monmouth County ($71.2 million).
OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services provides nonpartisan assistance to the State Legislature in the areas of legal, fiscal, research, bill drafting, committee staffing and administrative services. It operates under the jurisdiction of the Legislative Services Commission, a bipartisan body consisting of eight members of each House. The Executive Director supervises and directs the Office of Legislative Services.

The Legislative Budget and Finance Officer is the chief fiscal officer for the Legislature. The Legislative Budget and Finance Officer collects and presents fiscal information for the Legislature; serves as Secretary to the Joint Budget Oversight Committee; attends upon the Appropriations Committees during review of the Governor's Budget recommendations; reports on such matters as the committees or Legislature may direct; administers the fiscal note process and has statutory responsibilities for the review of appropriations transfers and other State fiscal transactions.

The Office of Legislative Services Central Staff provides a variety of legal, fiscal, research and administrative services to individual legislators, legislative officers, legislative committees and commissions, and partisan staff. The central staff is organized under the Central Staff Management Unit into ten subject area sections. Each section, under a section chief, includes legal, fiscal, and research staff for the standing reference committees of the Legislature and, upon request, to special commissions created by the Legislature. The central staff assists the Legislative Budget and Finance Officer in providing services to the Appropriations Committees during the budget review process.

Individuals wishing information and committee schedules on the FY 2011 budget are encouraged to contact:

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