NJ Department of Transportation &
Motor Vehicle Commission

OFFICE OF LEGISLATIVE SERVICES
ANALYSIS OF THE NEW JERSEY BUDGET
FISCAL YEAR 2011-2012

SUPPLEMENTAL BUDGET QUESTIONS FOR
THE DEPARTMENT OF TRANSPORTATION
MOTOR VEHICLE COMMISSION
NEW JERSEY TRANSIT

1. The FY 2011 Appropriations Act reduced Department of Transportation funding for Salaries & Wages within the Maintenance & Operations program class by $4,515,000 to $21,658,000. This included a reduction of the maintenance and operations program staff by 57 budgeted positions for an expected savings of $1,454,783. These staff reductions were expected to result in snow and ice packing on some highways, rather than the preferred "black pavement" policy during winter snow storms. In the DOT response to the FY 2011 OLS Discussion Points, it was also noted that these same employees are responsible for routine maintenance functions such as drainage maintenance, road and bridge repairs, sign repair, electrical repairs, and moveable bridge repairs. While the DOT has its own schedule for implementing these various maintenance functions, it also has a phone hotline and web reporting tool for citizens to report safety and maintenance issues that they observe at
http://www.state.nj.us/transportation/commuter/potholeform.shtm

- **Question: What impacts have these staff reductions had on the DOT's ability to maintain pavement conditions this year?**

The planned reduction of 57 Maintenance and Operations staff in the current fiscal year has not seriously impacted the department's ability to remove snow and perform road repairs. The primary challenge to our snow removal operation this year was the extreme nature of the winter weather that New Jersey experienced, as several of the snow storms were of historic proportions. As a point of reference, the 2010 - 2011 snow season ranks in the top 5 of the past 80 years when considering the sheer amount of snowfall. With regard to road repairs, DOT is aggressively applying new technology to improve the productivity of its maintenance crews. For example, the department has expanded its use of new pothole-filling equipment which requires only one operator per unit. This technology, which uses a special emulsion mix that lasts for several years, accelerates DOT's ability to respond to potholes and provides management with the flexibility to redistribute the remaining crew members to other pressing maintenance needs.

- **Question: Has the DOT incurred personnel expenses beyond the amount budgeted ($21,658,000) for FY 2011 in order to handle winter storms or resultant pothole repairs this year? Specifically, have there been any additional overtime costs?**

Within the $21,658,000 Direct State Services appropriation for salaries in Maintenance and Operations, a total of $4.3 million is budgeted for snow overtime. Through March 15, 2011, actual expenditures for overtime totaled $7.5 million, or $3.2 million beyond the budgeted amount. This additional cost was attributable to snow removal operations and will be reimbursed through supplemental funding.

- **Question: What is the number of commuter reports of pothole and other highway maintenance issues between December 1, 2010 and March, 2011 on a monthly basis compared with the same period a year ago?**

Roadway Emergencies					
	December	**January**	**February**	**March**	**Total**
Current Year	2,250	2,393	2,043	1,485 est.	8,171
Previous Year	2,346	1,195	2,375	1,680	7,596

Based on a comparison of the same four months of December-March in the current fiscal year versus fiscal 2010, roadway emergencies are projected to increase by 575 (8%). Some of the increase can be attributed to the harsh weather conditions during the months of December and January. In addition, the Department has increased public awareness about the highway maintenance reporting application located on the NJDOT's website. This method of reporting is more user-friendly when compared to writing a letter, or making a phone call. Therefore citizens are more inclined to report a roadway emergency.

The information being reported includes all non-electrical roadway emergencies including pothole repair, dead deer removal, sign replacement, responding to icing conditions, unclogging inlets, and setting up safety for flooded roadways.

- **Question: Has there been an increase in average response time for fixing commuter reported highway maintenance issues from the previous year? What was the average response in January 2010 and January 2011?**

Roadway Emergencies Average Response Time (in Hours/Minutes)		
	All Emergencies	**Pothole Repair Only**
FY 2011	1 hr. 59 mins.	4 hrs. 54 mins.
FY 2010	2 hrs. 8 mins.	5 hrs. 30 mins.

As noted in the chart above, the FY 11 average response time for all roadway emergencies has been reduced by 7% when compared against FY 10. As to the second question, the average response time for the month of January 2011 of 1 hour

43 minutes has been reduced nearly 11% when compared to the January 2010 figure of 2 hours 14 minutes.

Average response time is measured from the time the call is received until the issue is resolved.

2. In the MVC response to FY 2011 OLS Discussion Points, the MVC announced that it would be closing four locations in FY 2011. The expected closing date for these locations was January 2011, and the savings were expected to be $1.7 million. According to news announcements by MVC on their website, the Lodi location closed on December 4, 2010; the Wyckoff location closed on December 11, 2010; the Bridgeton and Elizabeth locations closed on December 31, 2010.

- **Question: Have these closings resulted in any cost savings so far, and if so are these savings in line with expectations?**

  For clarification purposes, the Lodi agency was closed for a two-week period to accommodate the construction of the new agency. This site is open and is working at capacity.

  MVC has realized cost savings in FY11 from the closure of five leased agencies Wyckoff, Bridgeton Elizabeth, Randolph and Morristown. Morristown and Randolph were leased properties MVC terminated in December, 2010 when the new facility was completed in Randolph on State-owned property. This resulted in a savings of $402,000. Wyckoff was a leased property in which MVC were served an eviction notice. Our Oakland office was expanded and those expenditures were taken into consideration when estimating a savings. The closings of Wyckoff along with Elizabeth and Bridgeton produced an overall savings of $1.6M. These savings came from a reduction of 43 FTEs, rent and security.

- **Question: What impact have these closings had on customer traffic at the MVC locations closest to the ones that closed?**

  Surrounding agencies have seen an increase in customer volume since the agency closures. Customer volumes have mainly increased at Edison, Newark and Springfield due to the closure of Elizabeth. Rahway has a slightly increased volume as well. The closure of Bridgeton has increased the volume at the Vineland and Salem Agencies. The Oakland Agency’s volume has increased significantly due to the closure of the Wyckoff Agency. The Oakland Agency was recently expanded, and in anticipation of the increased volume, we have doubled the number of DDL stations at that site.

3. Director Weinstein stated before the Assembly Budget Committee during the FY 2011 budget hearings that NJ Transit would focus on developing underutilized real estate assets that were currently sitting fallow. He specifically referred to working with communities on developing land around existing transportation facilities. The development of this land would presumably bring in additional lease revenue from the use of the land, while increasing ridership by increasing activity around the station. He also stated that NJ Transit should be doing a better job of promoting travel and tourism in New Jersey and cited summer service to the New Jersey shore, Six Flags, and other transportation services to attractions around the State.

- **Question: What progress has NJ Transit made in developing its real estate assets? Please list any upcoming development projects, the current progress, an estimate of when they might be finished, and any estimate of revenue (or cost) that will be generated by these projects.**

- **Question: What are the potential recurring revenues that NJ Transit believes it could obtain from developing underutilized real estate assets and how long would it take to realize those revenues?**

- **Question: Has NJ Transit created any new services to travel and tourism locations this past year, and does it have plans to create any new ones in FY 2012?**

4. Director Weinstein also announced before the Senate Budget Committee, during the FY 2011 budget hearings, a plan to investigate partnerships with private firms to operate some of its 45,000 parking spaces. He noted that parking operations were not necessarily a core function of NJ Transit. The partnerships for management of the Trenton and Metropark parking facilities were used as examples of the types of partnerships that NJ Transit would be looking to replicate/duplicate with other facilities. He also noted that such partnerships would not be a move to sell parking facilities.

- **Question: What progress has been made in seeking out new partnerships and what are the expected savings/revenues to NJ Transit from these partnerships?**

- **Question: Which parking lots are under consideration for these private management partnerships and what impact might these partnerships have on parking rates?**

- **Question: Have any RFP's been issued to solicit partnership arrangements? If so, please provide copies. If not, what process is the NJT using to solicit participation?**

5. During the Assembly Budget Committee FY 2011 budget hearing, Commissioner Simpson claimed that a cost-benefit approach was being developed at DOT for highway projects, similar to that being utilized at NJ Transit with the “New Starts” program. A cost-benefit approach to highway projects could more clearly identify the projected benefits of a capital project and balance those benefits against the monetary and possibly environmental costs of constructing the project. It would also theoretically provide metrics to compare projects to one another, ensuring more prudent project selection.

- **Question: When will this approach be fully implemented for highway projects?**

At NJDOT we are utilizing Transportation Asset Management as our business approach to transportation investment. Transportation Asset Management, or TAM, is a systematic, performance-based approach to managing and upgrading the transportation system.

Through this TAM approach, NJDOT is utilizing lifecycle cost analyses to determine the timing and types of repairs that are most cost effective in prolonging the life of our infrastructure. This work is already happening.

Also through the use of TAM, our capital investment strategy is guided by the predicted performance of our transportation system. Through our management systems we are able to predict the future condition of our system as whole based on alternative investment scenarios. For example, we can predict the condition of our bridges as a whole based on various annual investment levels. This, for example, helps us weigh the benefits of investing in bridges versus pavement versus congestion.

The Department continues to work on the development of a cost-benefit analysis or other methodology to compare the value of one highway project to another.

One challenge to developing such a system is how does one weigh the benefits of a pavement project against a safety project, or a bridge project against a congestion project? There are a number of things to consider here. First, it may not be easy to compare the benefits of one type of a project to another. Second, not all projects fit neatly into one category or another. NJDOT is working on ways to evaluate projects in a way that allows comparison, recognizing that there are many factors that need to be considered in the ultimate decision to program that project. If for instance, we went with pure condition of our infrastructure, or pure congestion figures, we may end up programming an inordinately high number of projects in one part of our state, when it is also important that investment is balanced across the state. To effectively compare projects to one another, the decision making process cannot be rigid but rather needs to account for a variety of factors.

- **Question: A cost-benefit approach will necessarily entail some quantification of expected benefits of a project. Will this approach result in DOT publicly providing additional project-level details about the projected value/benefits of individual projects? If so, where would these details be published?**

Whatever tool NJDOT develops to support decision making, NJDOT will make the methodology available. Providing project scores in absence of any context could certainly lead to misunderstandings of why certain projects may be selected over others with higher scores.

As we move further with the development of this approach we will certainly keep in mind how we share our approach publicly.

6. During the department's FY 2011 budget hearings before both the Senate and Assembly Budget Committees, there were discussions of potential new sources of funding for the Transportation Trust Fund. Commissioner Simpson stated that $40-100 million might be found in NJ Turnpike Authority operating efficiencies, such as the development of an internal employee appraisal system. Commissioner Simpson said that on the Capital side design-build could result in significant savings and that up to 10% of the cost of individual capital projects could be saved through improved procurement practices. Commissioner Simpson also stated that up to $100 million in potential revenue could be realized through new rest area concessions. Commissioner Simpson stated that current rest areas were not friendly to truck drivers and often lacked adequate truck parking facilities, so truck drivers often travel through the state without stopping. Truck friendly rest areas would entice a much larger number of truck drivers to refuel and rest inside New Jersey rather than waiting until they reach another state. This could generate additional lease and tax revenue for the State, while addressing an existing shortage of available truck parking in the State.

- **Question: What operational efficiencies have been found and implemented at the Turnpike Authority for the upcoming year, and what cost savings will be realized as a result of these efficiencies?**

- **Question: Has the implementation of improved procurement practices resulted in the scheduled cost of any projects in the capital program being reduced? If so, please list the projects and the budgeted amount before and after the change.**

- **Question: What progress has been made to address the adequacy of tractor-trailer related conveniences and parking spaces? Are any new rest areas being developed? Is there an update on the amount of revenue that may be generated through these facilities?**

7. During the FY 2011 budget hearings before the Senate and Assembly Budget Committees, Commissioner Simpson made reference to $4.1 billion in State transit projects currently under development or consideration that did not have a federal match. The reason these projects lack a federal match is presumably because the projects do not meet the federal standards necessary to qualify for a federal match. Commissioner Simpson also stated that the Obama administration has loosened restrictions so that it is now easier for transit projects to qualify for federal matching funds than it was under the Bush administration. Given that the State contribution to transit capital projects from the Transportation Trust Fund over the last few years has been stable at $600 million per year, a future commitment of $4.1 billion to projects without a federal match would have a significant fiscal implications, especially if the State would also forego $2.05 billion worth of federal matching funds over the period in which these projects are constructed. Without knowing the identity of these projects and the time period in which they are planned for construction, the full implications of prioritizing them is unclear.

- **Question: Please identify each project Commissioner Simpson referred to that does not qualify for a federal match, the planned years in which it will be constructed, and the reason it does not have a federal match.**

- **Question: What progress has been made over the last year in making each of these projects eligible for federal matching funds?**

8. During FY 2011 NJ Transit increased fares by 22% and eliminated certain fare discounts, including the off-peak round trip discount for train service. This was expected to generate an additional $126.6 million in fare revenue. The fare increase was also expected to result in a decrease in ridership due to the fare increases. Director Weinstein stated before the Senate Budget Committee in the FY 2011 budget hearing that using generally accepted models, it was expected that a 3.5% decrease in ridership would be experienced due to the fare increases.

- **Question: What impacts have fare increases had on ridership in the past year? Please provide monthly ridership numbers by rail, light rail, and bus for the month prior to the fare increase and each month since the fare increase, including the change in ridership from the previous year for each month and mode of travel.**

Discussion Points w Answers (April 20, 2011)

1. The Motor Vehicle Commission's 2010 Annual Report (released in January 2011) provided a draft budget for FY 2012 that anticipated $67 million in support for the general State budget, down from $71 million in FY 2011. The FY 2012 Governor's Budget Recommendation redirects $136 million in MVC revenue to the General Fund or other departments through proposed language provisions, $65 million more than in FY 2011 and very close to the $63.7 million reduction in the MVC's total appropriation for FY 2012 from all funding sources, from $376.5 million to $312.8 million (p. D-340). The FY 2012 budget draft provided in the MVC Annual Report also lists an expected surplus of $55.2 million at the end of FY 2012.

- ***Question:*** **How will MVC operations accommodate the proposed $63.7 million budget reduction for FY 2012? Specifically, what impact will the reduction have on motor vehicle fees, employment, and services provided?**

Answer: The Commission strives to achieve its goal by advocating fiscal responsibility in the decision-making process and promoting a statewide view in the management of state resources. Like other State agencies, the Commission has instituted efficiencies and reductions in its operating programs. Most of the reductions were attained through operational modifications. MVC made changes to the vehicle inspection process whereby new vehicle inspections were extended from four to five years and also eliminated mechanical inspections. MVC also changed its hours of operation at the agencies resulting of savings of $4.1 million. Public relations costs were reduced, the purchasing of new vehicles was deferred and agencies were closed. Communications with the motoring public through our website and mail inserts ensured a smooth transition through these changes.

The FY 2012 Budget will not have any impact on fees.

- ***Question:*** **The expected surplus at the end of FY 2012 was $55.2 million before the release of the FY 2012 budget document. Given the increase in the MVC's contributions to the State budget and the decrease in the size of the MVC's recommended FY 2012 budget appropriation, what does the MVC project its surplus will be at the end of FY 2012?**

Answer: MVC is projecting its surplus to be $2.787 million at the end of FY 2012.

- ***Question:*** **There are two new language appropriations in the FY 2012 budget concerning appropriations from the MVC to the General Fund as State revenue. One provides $20 million to NJ Transit; the second provides $50 million to the General Fund. Are these provisions expected to take place in FY 2012 only, or are they expected to be ongoing and included in future budgets as well?**

Answer: The Commission has been advised that the $20.0 million to New Jersey Transit and the $50.0 million to the General Fund are the appropriations for FY 2012 Budget. There has been no discussion of appropriations for FY 2013.

2. The Motor Vehicle Commission has introduced officially licensed sports license plates which allow drivers to obtain a license plate with the logo of their favorite NASCAR, NBA, NFL, NHL, or MLB franchise. The cost of a sports plate is $60 per year with an additional fee of $50 to have the plate personalized.

Discussion Points (Cont'd)

- *Question:* **Please provide an overview of how the sports license plate program has progressed to this point. How many plates have been sold, how many plates does the MVC expect to sell in FY 2012, what is the estimated revenue to be collected in FY 2011, and what revenue does the MVC expect to collect in FY 2012 from sports plates?**

Answer: Some of our sports plates sales began in October, 2010. Many were delayed because of the negotiation process with each sports affiliation. MVC received approval from the organizations regarding logos and are considered the sole source. As of January, 2011 plates can be ordered on-line or by mail. To date in FY 2011 (March 31), there have been approximately 1,000 plate transactions recorded with gross revenues collected of $69,364 before royalty fees and MVC administrative costs. Estimated revenue for FY 2011 is $100,000. MVC has increased its marketing efforts for these plates.

In FY 2012, MVC has estimated revenue for sports plates to be $150,000.

3. Since the cancellation of the Access to the Region's Core (ARC) tunnel project, two alternative Hudson River tunnel project ideas have been proposed. The first is a plan that the Metropolitan Transportation Authority (MTA) is working on which would extend New York City's No. 7 subway line from a new 11th Avenue station across the Hudson River to the Lautenberg Station at Secaucus Junction. The New York City Economic Development Corporation has budgeted up to $250,000 for a feasibility study of the tunnel. The second plan is part of Amtrak's proposed Gateway Project. This plan focuses on alleviating bottlenecks in the northeast corridor rail network and increasing the capacity for train movement across the Hudson River. A major part of this plan is a Gateway Tunnel which would follow the same footprint as the ARC tunnel through New Jersey and under the Hudson River, but follow a slightly different path in New York to the Moynihan Station expansion of the Pennsylvania Station at 34th street in Manhattan. The current estimated cost of the full Gateway Project is $13.5 billion.

- *Question:* **What level of involvement does NJ Transit, DOT, or the State have in the development of these two plans?**

Answer: NJDOT and NJ Transit are participating in working group meetings as part of the No. 7 Subway Extension feasibility study. The NJDOT and NJT have not been involved in Amtrak's proposed Gateway Tunnel, as this proposed project has not yet entered the feasibility planning phase. However, NJT will be an active participant should this project progress given the impacts to the NE corridor and the potential for additional capacity to NY Penn Station.

- *Question:* **Are any of the funds that were previously designated for the ARC tunnel available for use on either of these projects? Under what conditions would the State take an active roll in either the financing or construction of either project?**

Answer: None of the funds previously dedicated to the ARC project are available for either the No. 7 Subway Extension or the Amtrak Gateway Tunnel. Neither the No. 7 Subway Extension or Amtrak Gateway Tunnel have progressed to a point whereby the State of New

Discussion Points (Cont'd)

Jersey has enough information regarding the cost/benefit of either project to render a decision at this time on potential future financial contributions.

4. The FY 2012 Governor's Budget Recommendation includes a language provision on page D-345 that would appropriate funds received from the Port Authority of New York and New Jersey (PANYNJ) to the Department of Transportation for transportation system improvements. The State Transportation Capital Plan, displayed on page H-8 of the budget indicates a PANYNJ contribution of $343 million in funding for FY 2012.

The projects to be supported by the Port Authority include the Wittpenn Bridge, Pulaski Skyway, Rt. 139, and Portway Rd, as was noted at a January 2011 press conference by the Administration. The PANYNJ funding represents the difference between the level of the State funded portion of the Transportation Trust Fund capital program in FY 2011 of $1.6 billion and the FY 2012 level of $1.257 billion.

- *Question:* **Has the PANYNJ officially approved $343 million in funding for the projects specified (WittPenn, Pulaski Skyway, Rt. 139 and Portway Road)? If not, when is it expected that the PANYNJ will officially sign a contract to construct these projects?**

Answer: Yes, the PANYNJ Board has officially approved $343 million in funding for the four projects specified above.

- *Question:* **How will the PANYNJ be contributing to the transportation capital plan? Will PANYNJ provide funding to the State which will then be used by NJ DOT to perform the construction work, or will the PANYNJ perform the construction of these projects directly? Who will retain ownership of these projects once completed, and who will be responsible for the maintenance of these projects?**

Answer: Discussions are being held with the PANYNJ to determine who will perform the construction work for the four projects. Once completed, whether the construction work is performed by NJDOT or PANYNJ, these transportation assets will continue to be State owned and as such will be maintained by the NJDOT.

5. The Governor's proposed five year plan for the Transportation Trust Fund (TTF) from FY 2012-2016, recommends a level $1.6 billion in State funded projects per year. This is the same level of funding that was provided by the last five-year TTF authorization. The capital transportation funds provided by the State are generally matched by the federal government for a total transportation capital program each year of roughly $3.2 billion. A display of the State's Capital Plan on p. H-8 of the Governor's FY 2012 Budget Recommendation reflects a total transportation capital program of $3.36 billion. The North Jersey Transportation Planning Authority released its long range regional transportation plan, Plan 2035, in August 2009. This plan provides a long term projection for the State of transportation infrastructure, movement patterns, and land use in the NJTPA region (Sussex, Warren, Hunterdon, Somerset, Morris, Passaic, Bergen, Hudson, Essex, Union, Middlesex, Ocean, and Monmouth Counties) over the

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next 25 years. The plan breaks down the state of the region's infrastructure based upon three different funding scenarios. Their lowest funding scenario, the baseline scenario, assumes annual capital transportation plan funding growth of 2% per year, less than inflation. This is a plan that assumed that the ARC tunnel would be completed on schedule and does not account for its cancellation, the resultant loss of federal funds, or the use of formerly ARC-dedicated funds to support the $1.6 billion annual transportation capital program. It would involve a modest gradual increase of the State capital program from $1.6 billion in FY 2010 to roughly $2.3 billion in FY 2035. Under that scenario, on page 118 of the plan it states:

> "The baseline [scenario] assumes an investment level for both highways and transit below what is needed to maintain the condition level of the existing networks, so network performance worsens and the backlog of needed investment will grow – for example, the number of deficient bridges in the NJTPA region will increase. The baseline also reflects no new bus or fixed guideway transit services in the region other than those already programmed, and it assumes that effective highway capacities are reduced by 5 percent over their current levels due to reduced levels of infrastructure maintenance and preservation."

Other impacts of the baseline scenario as described on page 53 include:

> –A more than 50% increase in vehicle miles travelled (VMT) on roads experiencing extreme congestion (Level-of-Service "F");
> –A 29% increase in the regional Vehicle Hours Travelled (VHT). This means overall network speeds will decrease by 2035, as hours traveled will increase significantly faster than miles travelled. Average highway speeds would be reduced by about 10 percent;
> –Significantly greater automobile congestion (and associated delay) would occur by 2035 on an already stressed highway network;
> –The region would fail to address its backlog of maintenance needs on bridges and pavement.

Additionally, The Delaware Valley Regional Planning Commission (DVRPC) provides an estimate of the cost to fund transportation needs over the 26 year period from 2009-2035. The DVRPC region covers the Philadelphia area and the NJ counties of Mercer, Burlington, Camden, and Gloucester. In their long range plan called "Connections," the DVRPC projects funding levels in their region by using the trend in funding over the previous 30 years. The resulting trend is roughly a 3% annual increase each year from the base level funding provided in 2008, for a 2010-2015 total of $3 billion in the four county region. They estimate a total transportation funding need over 2010-2015 of $4.81 billion. Funding under the proposed five year capital program will result in no increase of funding from 2006-2016, so the actual funding expected for 2010-2015 will be less than $3 billion on a projected need of $4.8 billion.

- ***Question:*** **What is the position of the NJDOT and NJ Transit with regard to these projections? Is our current level of funding for transportation sufficient to address the backlog of maintenance needs on bridges and pavement? Will our current level of investment prevent a gradual increase in congestion and traffic delays? Will our**

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current level of investment prevent a gradual decrease in the quality of our roads and bridges?

Answer: The capital program provides sufficient funding to address both NJ TRANSIT's infrastructure backlog and capacity needs for the next five years. At existing funding levels there is sufficient funding to make significant progress in reducing the backlog of unmet infrastructure needs including the purchase of new buses, the replacement of railcars and the replacement or rehabilitation of our worst bridges. The program also provides for cost effective increases in capacity by replacing aging single level railcars with multilevel equipment.

NJTPA or DVRPC developed their predictions on many assumptions, and we are not arguing their conclusions. The scope of their transportation network is not clear and likely includes facilities beyond the state highway and transit network, such as county, municipal and private roads.

NJDOT's efforts to implement a Transportation Asset Management approach to doing business have given us reliable data on the inventory and condition of our bridges and roads. We have also implemented management systems that help us synthesize that data and predict future performance. Utilizing these management systems we are confident that the level of funding in the five-year capital plan will allow us to improve the condition of our roads and bridges. The choice to ensure the state-of-good repair of our infrastructure requires us to make difficult choices and leave us in a position where we cannot fund all the congestion related improvements we would like. However, we are providing funding for major regional transportation connections, like improvements to the Route I-295/76/42 Interchange. We are also looking at low-cost, quick-fix solutions, as well as the use of technology, to help us reduce congestion on our system.

- ***Question:*** **Given that the Governor's currently proposed five year transportation capital program already is trending *below* the NJTPA's baseline funding scenario, and *below* the funding level that the DVRPC region has historically received, what does NJ DOT expect the change in functionally obsolete and structurally deficient bridges to be at the end of the 5 year plan?**

Answer: NJ DOT projects that the funding outlined in the five-year capital plan will help reduce the number of structurally deficient state highway bridges to less than 300 and reduce the square footage of deficient bridges from 5 million square feet to approximately 4.5 million square feet.

Functional obsolescence of a bridge is important, but does not relate to the weight load it can carry. Functional obsolescence relates to its ability to accommodate traffic, both vehicles and pedestrians. This is no different than a road's capacity to carry traffic. If we applied the same "obsolescence" definition to roads, we would characterize many roads throughout the state as functionally obsolete. Therefore, we choose to focus on structural deficiency of bridges as our top priority.

- ***Question:*** **According to evaluation data in the Executive Budget (p. D-342) the percentage of State highway pavement in acceptable condition was 50% in FY 2010, 48% in FY 2011, and estimated to be 45% in FY 2012. Under the Governor's**

Discussion Points (Cont'd)

proposed 5 year plan, are sufficient resources available to increase this number? What is a reasonable expectation for the percent of State highways in acceptable condition after FY 2016 under the plan?

Answer: The Governor's five-year plan includes robust and sustained roadway preservation funding. It includes $284 million in Fiscal Year 2012 and $1.35 billion over the five-year period. With this level of funding, we project that over 60% of our state highway pavements can reach an acceptable condition in five years and nearly 80% acceptable in 10 years.

6. The Governor's five-year transportation capital plan proposes to increase the "pay as you go" component of the Capital program each year until it reaches $605 million for FY 2016. The plan also proposes to borrow nearly $4.4 billion to fund projects over the 5 year period. The total amount borrowed, $4.4 billion, will require new revenue sources, as all of the $895 million per year appropriated in recent years to meet constitutional and statutory dedication requirements will be needed to pay outstanding TTF debt service obligations. The table below shows the increase and total amount of State funds that will be necessary each fiscal year to cover the debt service and "pay as you go" components of the Governor's five-year plan. The new debt service numbers are estimated based upon the amounts borrowed in the Governor's proposal and assumes a 5% interest rate and 30 year level annual payments.

New Cash Needed Funding for Transportation Capital Program ($ millions)					
Year	Bonds	New Debt Service	PAYGO	Old Debt Service	**TOTAL**
2012	$1,181	$140	$76	$895	**$1,111**
2013	$986	$64	$261	$895	**$1,360**
2014	$849	$55	$375	$895	**$1,529**
2015	$735	$47	$490	$895	**$1,691**
2016	$627	$40	$605	$895	**$1,846**

Discussion Points w Answers (April 20, 2011)

- ***Question:*** **Are the numbers in the table's cells accurate? If not, please correct and explain.**

Answer: No, the numbers in the table are not correct. In particular, the debt service assumptions understate the annual costs in the years after FY2012 since, unlike the pay as you go amounts listed, they do not reflect the total annual value that is required. The correct information is as follows:

NJ CAPITAL TRANSPORTATION PROGRAM						
SOURCES AND USES						
- Sources -						
	Fiscal Year					FY 12-16
Description	2012	2013	2014	2015	2016	Total
Construction						
Bonds	1,181.0	986.4	849.2	735.3	626.8	4,378.7
Pay-As-You-Go (PAYGO)	76.0	260.6	374.8	489.7	605.2	1,806.3
Total TTFA:	1,257.0	1,247.0	1,224.0	1,225.0	1,232.0	6,185.0
Port Authority of NY & NJ Projects	343.0	353.0	376.0	375.0	368.0	1,815.0
NJ Capital Transportation Program:	1,600.0	1,600.0	1,600.0	1,600.0	1,600.0	8,000.0
- Uses -						
	Fiscal Year					FY 12-6
Description	2012	2013	2014	2015	2016	Total
NJ Transportation Trust Fund						
DOT/NJT Program	1,057.0	1,047.0	1,024.0	1,025.0	1,032.0	5,185.0
Local Projects	200.0	200.0	200.0	200.0	200.0	1,000.0
Total TTFA:	1,257.0	1,247.0	1,224.0	1,225.0	1,232.0	6,185.0
Port Authority of NY & NJ Projects	343.0	353.0	376.0	375.0	368.0	1,815.0
NJ Capital Transportation Program:	1,600.0	1,600.0	1,600.0	1,600.0	1,600.0	8,000.0

Discussion Points (Cont'd)

NJ Capital Transportation Program
Composition of Appropriations

	Fiscal Year					FY 12-16 Total
	2012	2013	2014	2015	2016	
Description						
Sources						
NJ Turnpike	76.0	260.6	324.0	324.0	324.0	1,308.6
State Appropriations						
Motor Fuels Tax	52.0	40.8	40.8	40.8	40.8	215.2
Petroleum Products Gross Receipts	22.5	22.5	22.5	22.5	22.5	112.5
Sales and Use Tax	65.8	152.7	248.2	407.3	566.4	1,440.4
Subtotal, State Appropriations	140.3	216.0	311.5	470.6	629.7	1,768.1
Total TTFA:	216.3	476.6	635.5	794.6	953.7	3,076.7
Port Authority of New York/New Jersey	343.0	353.0	376.0	375.0	368.0	1,815.0
NJ Capital Transportation Program:	559.3	829.6	1,011.5	1,169.6	1,321.7	4,891.7
Uses						
Pay-As-You-Go (PAYGO)	76.0	260.6	374.8	489.7	605.2	1,806.3
Debt Service	140.3	216.0	260.7	304.9	348.5	1,270.4
Total TTFA:	216.3	476.6	635.5	794.6	953.7	3,076.7
Port Authority of New York/New Jersey	343.0	353.0	376.0	375.0	368.0	1,815.0
NJ Capital Transportation Program:	559.3	829.6	1,011.5	1,169.6	1,321.7	4,891.7

- ***Question:*** **As can be seen, the amount of additional State revenue to be raised each year for the capital program is substantial with $950 million more in state revenue being required in FY 2016 than in FY 2011. If the plan proposes to redirect existing State revenue to make up the difference, will this necessitate a reduction in the operating budget of NJ Transit or NJ DOT? If the plan proposes to generate new State revenue to make up the difference, what is the anticipated source of that revenue?**

Answer: Based on the original chart provided, it is unclear how the $950 million figure was arrived at. Nonetheless, it is important to note that the NJ Turnpike Authority (NJTA) will be providing a total of $1.3 billion in support over the five years of the program, all of which will be in the form of pay as you go funding. The increase in State appropriations from fiscal 2011 until the end of the program in fiscal 2016 totals $630 million. The NJTA's annual contribution to the TTF will increase to a maximum of $324 million beginning in fiscal 2014 and that amount will be sustained thereafter through fiscal 2016.

Concerning the programs that may be affected by the commitment of General Fund resources to the transportation capital program, it is very difficult to project future revenue trends and spending requirements with the degree of accuracy that is required to properly answer this question. Each State Budget is unique, and the set of choices that ultimately will be presented is hard to predict in

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advance. That said, it should be noted that the New Jersey Turnpike Authority will be providing much of the pay as you go funding that is reflected in the proposed transportation capital plan. With all of these considerations in mind, the State Treasurer believes that the impact on the General Fund will be manageable.

- *Question:* **Language in the FY 2012 TTF financial plan identifies appropriation increases derived from constitutionally-dedicated General Fund sources as the source of increased appropriations to fund debt service on bonds issued for the remainder of FY 2011 and for FY 2012. One of these sources is the sales and use tax on the sale of new motor vehicles. What is the total amount of State revenue that is expected to be generated by the sales and use tax on new motor vehicles in FY 2012?**

Answer: Past analysis of new car sales from calendar year 2005 through 2010 suggests that the annual average collection of Sales and Use Tax in New Jersey on new motor vehicles totals approximately $917 million.

7. The FY 2012 financial plan from the Transportation Trust Fund Authority (NJTTFA) provides a summary of the results for NJTTFA's operations for fiscal years 1985 through 2010 and expected results for FY 2011 on page 1 of the plan. The unfunded balance calculation of $2.1 billion is described as the cumulative amount of capital program appropriations that have not yet been disbursed less estimated remaining TTFA funds available as of June 30, 2011 to fund those obligations. In other words, this is money that the State has already promised to pay for projects in prior years, but the need to actually make the payments has not yet occurred, and for which there are no funds available from the current funding stream.

- *Question:* **The five year capital plan portrays the amount that it plans to bond as though all of the spending and bonding take place in that fiscal year. The TTFA FY 2012 plan shows that the amount of bonding is different when displayed based upon the actual changes in cash position. The FY 2012 plan amount is $1.181 billion in bonding compared with an actual need to bond of $1.3 billion in FY 2012. When looking forward at the future issues facing the TTF the practice is often to look at the current bond indebtedness and then look at the bonding needs based on the plan based approach. The result is that projections of future TTFA indebtedness commonly evaluate how much debt has been incurred and how much debt the TTFA plans to incur over future fiscal years; however it does not evaluate how much debt must be incurred based on funding that has already been authorized in prior fiscal years but where the spending has not yet taken place (the $2.1 billion unfunded balance). Please provide a table that shows over the FY 2012-2016 period the debt service due as a result of bonds already issued, debt service for bonds to be issued over the five-year plan, the amount of pay-go funding by year, and the amount of annual debt service that would be required if the unfunded balance were to be fully funded in FY 2012.**

Answer: Over the FY2012 to FY2016 period, the total TTF debt service due for bonds previously issued and for bonds to be issued over those five fiscal years equals approximately $5.4 billion (excluding NJ Transit certificates of participation and Build

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America Bond subsidies). That includes roughly $.9 billion in FY2012, $1.1 billion in FY2013 through FY2015, and $1.2 billion in FY2016. Annual pay as you go amounts are noted in the chart provided in the answer to question 6 above.

- *Question:* **The annual amount of unfunded balance that the TTFA carries from year to year seems as though it would depend in large part on the nature of the projects under construction at any given time. Between the recently expired stimulus money, which presumably pulled project timelines forward with the emphasis on shovel ready projects, and the cancellation of the ARC tunnel whose funding will likely be replaced with projects that are going to be completed at a more distant date, it would appear that the State may have a short term drop in cash flow obligations. Based upon NJ DOT and NJ Transit's knowledge of the progress of projects in the capital program will this be the case? Does the TTFA expect its unfunded balance to increase, decrease, or remain the same over the next 5 years?**

Answer: The unfunded balance that exists at any point in time within the TTF represents the value of projects that are authorized but have not yet reached the disbursement stage. There could be a variety of reasons for this, including timing issues, scope adjustments, and project delays. Cash disbursement always lags the obligation of the funds. After obligating funds, it takes time to start up work and process the first billing. That said, the cash need for TTF - supported projects may decline slightly in the short term but not because of the recently-expired stimulus program or the cancellation of the ARC Tunnel project. Rather, that potential impact is more accurately attributed to the advent of Port Authority funding as part of the NJ Transportation Capital Plan.

8. The NJTTFA FY 2010 audit report indicated that as of June 30, 2010 the TTFA would be making a $797 million debt service payment for FY 2012 that consists of $332.8 million in principal and $464.2 million in interest. At the end of FY 2015 the debt service payment was expected to be $813.4 million with $409.1 million going to principal and $404.3 million going to interest.

- *Question:* **What is the expected principal and interest split on the TTF debt service for FY 2012 after taking into account the bond issuances in October 2010, and expected issuances of $600 million for the remainder of FY 2011 and $1.3 billion for FY 2012? Taking into account current and future bond issuances what are the projected principal and interest payments on the FY 2016 debt service at the end of the proposed 5 year transportation capital plan?**

Answer: Excluding Build America Bond subsidies and debt service related to certificates of participation secured by NJ Transit, the expected principal and interest payment on TTF debt in fiscal 2012 are $342.4 million and $598.1 million, respectively. For fiscal 2016, the expected principal and interest payments are $497.6 million and $704.5 million, respectively.

9. The NJ Transit 2010 annual report provides a chart on page 27 which describes NJ Transit's outstanding Certificate of Participation (COP) debt obligations and the amount payable for FY 2010. The table identifies a total amount due within one year of $165.1 million. Information

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that NJ Transit provided to this office indicates that $284.7 million on COP obligations is due in FY 2012, composed of $186.8 million in principal and $97.9 million in interest. The FY 2012 financial plan of the TTFA identifies $94.4 million due as a disbursement for NJT COP debt service. The revenue raised through the issuance of these COPs is secured against different revenue streams. TTF capital funding is dedicated to some of these COP obligations, while farebox revenue is dedicated to others.

- ***Question:*** **Please provide a table identifying the amount of cumulative NJ Transit COP debt service due each year until the final maturity of the currently outstanding COP debt. Also please provide the TTF's portion of COP debt service over the same period.**

Answer: The following chart outlines the NJ Transit COP debt service payments to be incurred by NJ TRANSIT for the purchase of rail, bus and light rail rolling stock as well as the construction of the RiverLine.

TOTAL NJT COPs COSTS
(000's)

Year	TTF	*TOTAL*
2012	$94,440	*$289,689*
2013	$93,650	*$290,957*
2014	$92,858	*$289,983*
2015	$75,804	*$272,778*
2016	$75,873	*$262,552*
2017	$71,051	*$182,936*
2018	$73,466	*$185,309*
2019	$58,985	*$170,770*
2020	$0	*$111,807*
2021	$0	*$111,760*
2022	$0	*$85,132*
2023	$0	*$64,220*
2024	$0	*$33,080*
2025	$0	*$33,067*
2026	$0	*$33,074*
2027	$0	*$33,072*
2028	$0	*$33,070*
2029	$0	*$33,077*
2030	$0	*$33,075*

- ***Question:*** **What is the breakdown of revenue streams dedicated to NJ Transit's FY 2012 COP debt service? How much is from TTF funds, how much from farebox revenue, etc?**

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Answer: For FY 2012 the $289.7 million in COPs related debt service costs is offset by federal funds ($195.3 million) and an allocation from the TTF ($94.4 million).

- *Question:* **Is the TTF portion of NJ Transit COP debt service paid by the TTF to NJ Transit as part of the support provided to it through the transportation capital plan or as part of the money that the TTF pays as debt service? If it is paid through the $622 million in State funds allocated to NJ Transit through the capital plan, why is this $94.4 million not considered part of the "pay go" component of the plan?**

Answer: The TTF portion of the debt service attributable to certificates of participation issued by NJ TRANSIT is funded on a pay-as-you-go basis. Since it is a mandatory "fixed" cost it is netted from the purely discretionary pay-as-you-go funded projects which vary by year.

10. In recent years NJ DOT and Transit have promoted programs that advance principles of transit oriented development (TOD) and smart growth. The largest of these programs is the Transit Village Initiative (TVI) which designates municipalities that meet specified criteria and have multiple TOD projects as Transit Villages and then provides assistance and coordination from a group of State agencies that seek to help these transit villages meet their development goals. In addition to the Transit Village program, NJ DOT has other programs promoting a greater consideration of land use planning when designing transportation projects. Among them are the NJ FIT (Future in Transportation) program and the use of Context Sensitive Design.

- *Question:* **What level of funding will be provided by NJ DOT and NJ Transit to the Transit Village Initiative either through projects in TVI communities or support to municipalities in developing TOD style plans during FY 2012? How does this level of support compare with previous years? Is funding for the initiative expected to increase or decrease? What are the future plans of NJ Transit and DOT for this initiative going forward? Will the program continue to identify new communities as transit villages?**

Answer: The Transit Village grant program was funded at $1 million in FY2011. We want to be clear that NJDOT does support Transit Villages. NJDOT will support identification of new communities and does have other avenues available to support transit village projects. Designated transit villages do receive additional consideration in our Municipal Aid Program. Transit village projects are eligible for funding under the federal Transportation Enhancement program and Transit Village communities may apply for funding under the Municipal Aid Program. We would expect well over $1 million to be spent annually on Transit Villages.

- *Question:* **What future plans does NJ Transit and DOT have for integrating land use considerations into capital planning operations, smart growth initiatives, and TOD? As the programs currently in place develop, how does DOT see its role in land use, smart growth, and transit oriented development changing?**

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Answer: NJ TRANSIT considers land use factors when pursuing transit supporting development to complement investments in facilities and services. NJ TRANSIT goes beyond a simple acknowledgement of land use patterns by focusing on definable market such that transit is convenient and can operate successfully. In essence, good land use planning yields higher levels of transit riders.

Also, NJ TRANSIT actively works with communities on land use planning around our rail stations and major bus stops so that programmed investments will address state of good repair issues in many of these older communities which will assist in sustaining many downtowns and neighborhood centers.

- *Question:* **What plans going forward does NJ DOT have for the promotion of alternate fuel vehicles and eco-friendly development?**

Answer: Regarding alternate fuels, NJDOT participates on the Clean Vehicles and Fuels workgroup of the Transportation & Climate Initiative (TCI), an organization of transportation, environmental and energy agencies from the Northeast and Mid-Atlantic states. One of the TCI core projects is to advance an electric vehicle infrastructure network throughout the region, from Maine through Maryland. As a key corridor state in this region, New Jersey's participation is critical to the initiative's success.

In terms of support for eco-friendly development, the department provides support through various local aid programs, such as the Transportation Enhancement Program, by implementing pedestrian and bicycle improvements on state highways and on local roads, and by providing planning assistance that help municipalities make better land use choices. As we move forward, we will continue to look for opportunities that support sustainable development across the state.