



ANALYSIS OF THE NEW JERSEY BUDGET

**DEPARTMENT OF TRANSPORTATION
AND
MOTOR VEHICLE COMMISSION**

FISCAL YEAR

2011 - 2012

NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF TRANSPORTATION AND MOTOR VEHICLE COMMISSION

Budget Pages..... C-3;C-7;C-15;C-24 to C-28; D-335 to
351; H-8

Fiscal Summary (\$000)

	Expended FY 2010	Adjusted Appropriation FY 2011	Recommended FY 2012	Percent Change 2011-12
State Budgeted	1,268,653	1,285,818	1,425,206	10.8%
Federal Funds	839,120	1,147,378	1,069,300	(6.8%)
<u>Other</u>	<u>1,981,330</u>	<u>2,076,290</u>	<u>1,745,525</u>	<u>(15.9%)</u>
Grand Total	\$4,089,103	\$4,509,486	\$4,240,031	(6.0%)

Personnel Summary - Positions By Funding Source

	Actual FY 2010	Revised FY 2011	Funded FY 2012	Percent Change 2011-12
State	1,809	1,689	1,713	1.4%
Federal	878	855	899	5.1%
Other	652	613	672	9.6%
MVC	2,346	2,217	2,287	3.2%
<u>NJ Transit</u>	<u>11,859</u>	<u>11,362</u>	<u>11,411</u>	<u>0.4%</u>
Total Positions	17,544	16,736	16,982	1.5%

FY 2010 (as of December) and revised FY 2011 (as of January) personnel data reflect actual payroll counts. FY 2012 data reflect the number of positions funded.

Link to Website: <http://www.njleg.state.nj.us/legislativepub/finance.asp>

Highlights

Motor Vehicle Commission (MVC)

- MVC is recommended to receive operating revenues of \$312 million in FY 2012, a reduction of \$63.7 million from the current year. Most MVC revenues are set by statute at a portion of a variety of driving and security related fees and fines. In FY 2012, the total amount of money being redirected through budget language from the MVC to other departments or the General Fund is \$136.6 million, an increase of \$65 million over FY 2011. Of the \$136 million, \$85.8 million is transferred from the MVC to the General Fund as State revenue, \$20 million is transferred from the Commercial Vehicle Enforcement Fund to NJ Transit, and \$30.9 million is transferred from MVC revenues to a variety of other departments.

Department of Transportation (DOT)

- State appropriations for maintenance and operation of State and local highway facilities by the DOT are decreased by \$39.8 million in FY 2012 from an adjusted appropriation of \$77.6 million in FY 2011. The bulk of this reduction is attributed to \$38 million in supplemental funding for winter operations in FY 2011, reflecting the standard practice of providing limited up-front funding for snow removal. In FY 2012, as in prior years, the budget contains language authorizing the DOT to obtain supplemental funding for winter operations as needed, but instead of a \$10 million limit on such funding without further legislative action, no limit is proposed.

Transportation Trust Fund (TTF)

- The FY 2012 budget recommends a \$1.035 billion appropriation to the Transportation Trust Fund Account to fund capital projects, an increase of \$140 million from the \$895 million amount appropriated in recent years. Additional funding will be provided from the General Fund through an increase in the appropriation of revenues derived from the Motor Fuels Tax, the Petroleum Products Tax, and the Sales and Use Tax. The recommended appropriation is equal to the expected debt service requirement of \$1.035 billion for FY 2012.
- The FY 2012 budget proposes \$1.257 billion for new capital spending, a decrease of \$343 million from recent years. This decrease is a result of \$343 million in anticipated funding from the Port Authority of New York and New Jersey for the construction of highway and bridge projects inside the port district. As a result, the State's eligibility for federal capital transportation funds will remain relatively stable at \$1.54 billion in FY 2012, compared with \$1.76 billion in FY 2011.
- The appropriation of funds from the New Jersey Turnpike Authority to the TTF will increase from \$12 million in FY 2011 to \$89 million in FY 2012. According to the Governor's FY 2012 capital transportation plan, the \$76 million increase in funds will make up the "pay as you go" portion of the \$1.257 billion FY2012 program that will not be funded through bond issuances.

Highlights (Cont'd)

New Jersey Transit

- The State operating subsidy to support NJ Transit for FY 2012 will be \$319 million, an increase of \$43 million (or 15%) from the FY 2011 subsidy of \$276 million. Pursuant to proposed budget language, this increase is recommended to be funded through a \$20 million transfer from the MVC, and a \$29 million transfer from the NJ Turnpike Authority.
- The total increase in operating costs for NJ Transit in FY 2012 is \$48 million. The increase in costs is proposed to be funded through the \$43 million increase in the State subsidy, a \$10 million increase in farebox revenue, and a \$5 million decline in other reimbursements. The funds will be used to cover cost increases in wages, materials and supplies, and other operating expenses.

Toll Road Authority Contributions to Transportation Funds

- The contribution of toll road authority resources to State transportation funding external to their direct spheres of responsibility will total \$225 million in FY 2012, an increase of \$125 million to come entirely from the NJ Turnpike Authority. This \$125 million increase is composed of \$76 million to the Transportation Trust Fund for pay as you go funding, \$20 million to NJ DOT, and \$29 million to NJ Transit.

Background Paper

- New Jersey Transit – Capital Programp. 19

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 2010	Adj. Approp. FY 2011	Recom. FY 2012	Percent Change	
				20010-12	2011-12
<u>General Fund</u>					
Direct State Services	\$81,920	\$85,519	\$45,385	-44.6%	-46.9%
Grants-In-Aid	261,500	276,200	319,400	22.1%	15.6%
State Aid (Delete?)	0	0	0	-	-
Capital Construction	895,000	895,000	1,035,300	15.7%	15.7%
Debt Service	0	0	0	-	-
Sub-Total	\$1,238,420	\$1,256,719	\$1,400,085	13.1%	11.4%
<u>Property Tax Relief Fund</u>					
Direct State Services	\$0	\$0	\$0	-	-
Grants-In-Aid	0	0	0	-	-
State Aid	0	0	0	-	-
Sub-Total	\$0	\$0	\$0	-	-
Casino Revenue Fund	\$30,233	\$29,099	\$25,121	-16.9%	-13.7%
Casino Control Fund	\$0	\$0	\$0		
State Total	\$1,268,653	\$1,285,818	\$1,425,206	12.3%	10.8%
Federal Funds	\$839,120	\$1,147,378	\$1,069,300	27.4%	-6.8%
Other Funds	\$1,981,330	\$2,076,290	\$1,745,525	-11.9%	-15.9%
Grand Total	\$4,089,103	\$4,509,486	\$4,240,031	3.7%	-6.0%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2010	Revised FY 2011	Funded FY 2012	Percent Change	
				2010-12	2011-12
State	1,809	1,689	1,713	-5.3%	1.4%
Federal	878	855	899	2.4%	5.1%
Other	2,998	2,830	2,959	-1.3%	4.6%
NJ Transit	11,859	11,362	11,411	-3.8%	0.4%
Total Positions	17,544	16,736	16,982	-3.2%	1.5%

FY 2010 (as of December) and revised FY 2011 (as of January) personnel data reflect actual payroll counts. FY 2012 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent	27.0%	28.0%	28.9%	7.0%	3.2%
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Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2011</u>	<u>Recomm.</u> <u>FY 2012</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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I. Vehicular Safety - Motor Vehicle Commission**Motor Vehicle****Services – All other****Funds**

	\$353,335	\$289,105	(\$64,230)	(18.2%)	D-340
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The decrease in this line item reflects transfers of MVC resources to the General Fund pursuant to proposed budget language. Specifically, language provides for the transfer of \$20 million from the Commercial Vehicle Enforcement Fund to New Jersey Transit via the General Fund, and increased transfers of \$45.73 million from other MVC revenues to the General Fund. These increases are composed of a new \$50 million transfer to the General Fund through a new language provision and a \$4.27 million reduction to a language provision that transferred \$30.019 million in FY 2011 and \$25.75 million in FY 2012. The revenues directed to the General Fund are deposited as State revenue pursuant to the proposed budget language.

II. State and Local Highway Facilities**Maintenance and****Operations - DSS**

	\$77,669	\$37,873	(\$39,796)	(51.2%)	D-343
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The decrease in this line item reflects \$38 million in FY 2011 supplemental funding for winter operations and \$1,854,000 in savings on personal services. As in previous years, the recommended budget for Maintenance & Operations appears to be substantially reduced from the adjusted current year appropriation, reflecting budget language authorization to seek supplemental funding for winter operations as needed. Such language is continued in the FY 2012 Budget Recommendation.

III. Special Transportation Trust Fund**Transportation Trust****Fund Account –****Capital Construction**

	\$895,000	\$1,035,300	\$140,300	15.7%	D-343
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In addition to the constitutionally and statutorily required amounts dedicated to the Transportation Trust Fund of \$895 million, recommended budget language provides for an additional \$140 million through increases to the amounts appropriated from those same sources of revenue. The language increases the contribution from the petroleum products gross receipts tax by \$22.5 million to \$222.5 and the sales and use tax appropriation by \$65.8 million to \$265.8 million. The amount contributed from the motor fuels tax is not specified through language but is set at \$535 million, an increase of \$52 million over FY 2011. All of the revenue collected under this line item is expected to be utilized for debt service on TTF bonds. The increase to the motor fuels tax is based upon information provided in the Transportation Trust Fund's FY 2012 financial plan.

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2011</u>	<u>Recomm.</u> <u>FY 2012</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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**Project Cost – Other
Parties – All Other**

Funds	\$100,000	\$0	(\$100,000)	(100.0%)	D-343
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The \$100 million reduction in Project Cost under the Capital Program represents funding the NJ Turnpike Authority provided to NJ DOT in FY 2010 and FY 2011 for the purposes of feeder road highway projects that will not be provided in FY 2012. This money enabled DOT to redirect \$100 million in federal highway funds, which it provided to NJ Transit for preventative maintenance. NJ DOT was unable to identify additional qualifying projects for this money in FY 2012, so the NJ Turnpike authority is providing the \$100 million to the State General Fund which will appropriate the funds to NJ Transit.

**Transportation
Systems**

Improvements	\$390	\$76,390	\$76,000	19487.2%	D-343
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The \$76 million increase in funds for this line item comes from a transfer by the NJ Turnpike Authority to the NJ Transportation Trust Fund Authority (TTFA) through budget language. This \$76 million represents the portion of “pay as you go” funding contained within the Governor’s proposed transportation capital plan for FY 2012, as stated in the Transportation Trust Fund Authority’s FY 2012 Financial Plan. Additionally, that plan assumes \$1.181 billion in TTFA bonds and \$343 million in Port Authority of New York and New Jersey funding for a total of \$1.6 billion in support for new capital projects for the 2012 fiscal year.

**Transportation Trust
Fund – State highway**

Funds	\$800,000	\$435,000	(\$365,000)	(45.6%)	D-344
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The reduction in Transportation Trust Fund monies allocated to State Highways is primarily made possible by an expected contribution of \$343 million that the Port Authority of New York and New Jersey (PANYNJ) will make as part of the Governor’s FY 2012 transportation capital plan. The expected availability of \$343 million in PANYNJ funds is the result of the cancellation of the ARC tunnel which was cancelled in the fall of 2010. A press conference by the Administration in January 2011 outlined a proposed 5 year TTF funding plan that anticipated between \$343 million and \$376 million per year from the PANYNJ for FY 2012 through FY 2016, for a total of \$1.805 billion in total contributions from the PANYNJ. This expected contribution anticipates that the funds will be used for the construction of four projects in the port area: the Pulaski Skyway, the Wittpenn Bridge, construction on Rt. 139, and construction of a new Portway road inside the port district. The remaining \$22 million reduction for FY 2012 reflects a shift of \$22 million in the appropriation to the transit portion of the TTF capital program from \$600 million to \$622 million.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2011</u>	<u>Recomm. FY 2012</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
IV. Public Transportation - NJ Transit					
NJ Transit – Distribution by Fund and Object					
D347- D-348					
A. Expenditures					
1. Bus Operations	\$606,700	\$623,544	\$16,844	2.8%	
2. Rail Operations	\$749,300	\$756,697	\$ 7,397	0.9%	
3. Light Rail Operations	\$20,000	\$20,486	\$ 486	2.4%	
4. Corporate Operations	\$242,100	\$256,673	\$14,573	6.0%	
5. Purchased Operations	\$191,800	\$200,700	\$ 8,900	4.6%	
Subtotal	\$1,809,900	\$1,858,100	\$48,200	2.7%	
B. Revenues					
1. State Subsidy	\$276,200	\$319,400	\$43,200	15.6%	
2. NJT Resources:					
Farebox	\$867,700	\$878,000	\$10,300	1.2%	
Other Commercial	\$75,000	\$75,000	0	—	
Other Reimbursements	\$591,000	\$585,700	(\$5,300)	(0.9%)	
Subtotal	\$1,809,900	\$1,858,100	\$48,200	2.7%	
C. Casino Revenue Fund					
1. Transportation Assistance for Senior Citizens and Disabled Residents					
	\$29,099	\$25,121	(\$3,978)	(13.7%)	
NJT Total	\$1,838,999	\$1,883,221	\$44,222	2.4%	

The \$48.2 million increase in total operations for NJ Transit is made possible by a \$43.2 million increase in the State subsidy and a \$10.3 million increase in farebox revenue. The increase in the State operating subsidy is derived largely from a \$29 million transfer from the NJ Turnpike Authority and a \$20 million transfer from Commercial Vehicle Enforcement Fund receipts collected by the Motor Vehicle Commission. This increase in funding is being used to increase spending in all operating segments, with the bulk of funds going to bus operations and corporate operations. Salaries and wages appear to be the major driver of these increases with \$29 million of the increase going to this budget line item.

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2011</u>	<u>Recomm.</u> <u>FY 2012</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
Other- Railroad and Bus Operations	\$0	\$100,000	\$100,000	—	D-347

The increase of \$100 million in this line item is provided from the NJ Turnpike Authority to NJ Transit for preventative maintenance activities. This is part of a reallocation of funds between the Turnpike Authority, NJ DOT, and NJ Transit that took place in FY 2010 and FY 2011 to accommodate feeder road projects (roads that direct traffic from low volume areas to high volume highways) and gain flexibility in the expenditure of federal highway funds.

In FY 2010 and FY 2011, NJ DOT received \$100 million in Turnpike funds for feeder road projects. This funding enabled NJ DOT to expend \$100 million in federal highway funds for non-highway purposes. NJ DOT provided NJ Transit with that \$100 million in federal highway funds for preventative maintenance. In FY 2012, NJ DOT could not identify sufficient feeder road projects, so the \$100 million from the NJ Turnpike Authority for these feeder road projects is now being provided to NJ Transit for preventative maintenance activities pursuant to budget language on page D-348. The \$100 million in federal highway funding is no longer being provided to NJ Transit, but will be used by NJ DOT for highway projects.

V. Regulation and General Management**Affirmative Action
and Equal
Employment
Opportunity**

\$280	\$0	(\$ 280)	(100.0%)	D-350
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According to a footnote in the FY 2012 Budget (p. D-350), the functions funded under this line item will continue, but the line item is being combined with the general Administration and Support Services line item in the budget, and the functions provided under this line item will be supported through resources available within Administration and Support Services. However, the Administration and Support Services line item does not reflect an apparent increase to compensate for this added cost.

Significant Language Changes (Cont'd)

Motor Vehicle Revenue – Funding Shift	
Revision	2011 Handbook: p. B-169 2012 Budget: p. D-340

Notwithstanding the provisions of any law or regulation to the contrary, \$20,000,000 of monies received in the "Commercial Vehicle Enforcement Fund" established pursuant to section 17 of P.L.1995, c.157 (C.39:8-75) shall be deposited in the General Fund as State revenue, and existing Commercial Vehicle Enforcement Fund balances are appropriated to offset all reasonable and necessary expenses of the Division of State Police, the Motor Vehicle Commission, the Department of Transportation, and the Department of Environmental Protection in the performance of commercial ~~truck~~ vehicle safety and emission inspections and Other-Clean Air purposes, subject to the approval of the Director of the Division of Budget and Accounting.

Notwithstanding the provisions of any law or regulation to the contrary, of the amount appropriated for New Jersey Transit, \$20,000,000 thereof shall be paid from Commercial Vehicle Enforcement Fund receipts pursuant to section 17 of P.L.1995, c.157 (C.39:8-75), as shall be determined by the Director of the Division of Budget and Accounting.

Explanation

The first recommended language provision directs the transfer of \$20 million in receipts from the Commercial Vehicle Enforcement Fund (CVEF) to the General Fund as State revenue. This revenue will then be directed from the General Fund to NJ Transit pursuant to the second language provision.

The Commercial Vehicle Enforcement Fund is a nonlapsing dedicated account in the General Fund which is intended to support the Commercial Vehicle Enforcement Program administered by the Motor Vehicle Commission (MVC). Pursuant to NJSA 39:8-75, 40 percent of the revenues collected by the fund are intended for use by the MVC with the balance to be distributed to support programs and activities of the Department of Law and Public Safety, the Department of Transportation, the commission and the Department of Environmental Protection. However, pursuant to the proposed budget language, it appears that NJ Transit will receive almost all CVEF revenue in FY 2012.



EXPLANATION: FY 2011 language not recommended for FY 2012 denoted by strikethrough.
Recommended FY 2012 language that did not appear in FY 2011 denoted by underlining.

Significant Language Changes (Cont'd)

Motor Vehicle Revenue – Funding Shift

Revision

2011 Handbook: p. B-169
2012 Budget: p. D-340

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~~ \$25,750,000 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, \$50,000,000 is appropriated from the revenues appropriated to the Motor Vehicle Commission for deposit in the General Fund as State revenue, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The first item of recommended budget language reduces the amount transferred from the MVC to the General Fund as State revenue from \$30.0 million in FY2011 to \$25.8 million in FY2012, amounts which would otherwise be available for support of MVC operations. Savings initiatives in an equivalent amount are assumed; however, no specifics regarding these initiatives are available.

The second language item directs an additional \$50 million of MVC revenue, which would otherwise be available for support of MVC operations, to the General Fund as State revenue.



State and Local Highway Facilities – Funding Shift

Revision

2011 Handbook: p. B-170
2012 Budget: p. D-344

The unexpended balances at the end of the preceding fiscal year in ~~excess of \$1,000,000~~ in the accounts hereinabove are appropriated for Maintenance and Operations, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The recommended budget language authorizes funds in DOT Maintenance & Operations and Physical Plant and Support Services accounts that are unspent at the end of the year to be appropriated for Maintenance and Operations. In FY 2011, only amounts in excess of \$1 million were reappropriated.



EXPLANATION: FY 2011 language not recommended for FY 2012 denoted by strikethrough. Recommended FY 2012 language that did not appear in FY 2011 denoted by underlining.

Significant Language Changes (Cont'd)

State and Local Highway Facilities – Funding Shift

Revision

2011 Handbook: p. B-170
2012 Budget: p. D-344

In addition to the amount hereinabove appropriated for Maintenance and Operations, such additional sums as may be required are appropriated for winter operations, including snow removal costs, ~~not to exceed \$10,000,000~~, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The recommended budget language appropriates additional money to DOT's Maintenance and Operations budget for winter operations. In FY 2011, the amount of the additional appropriation that could be approved by the Executive Branch without Legislative concurrence was limited to \$10 million; the language change eliminates this limitation. The projected supplemental amount for FY 2011 is \$38 million.

State and Local Highway Facilities – Funding Shift

Revision

2011 Handbook: p. B-170
2012 Budget: p. D-344

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, ~~\$16,500,000~~ \$36,500,000 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 monies from these authorities in an amount anticipated in the FY 2012 budget (p. C-7 "Autonomous Transportation Authorities") of \$77.5 million, an increase of \$49 million from FY 2011. The above language provides that toll road authority contract revenue to fund General Fund appropriations to the DOT of \$36.5 million in FY 2012 (an increase of \$20 million). Of the remaining anticipation, as in prior years, \$12 million of contract revenue is appropriated through budget language (p. D-344) to the TTF for the capital construction program, while \$29 million of the \$49 million increase is appropriated through new budget language (p. D-348) to New Jersey Transit as part of the State operating subsidy.

EXPLANATION: FY 2011 language not recommended for FY 2012 denoted by strikethrough.
Recommended FY 2012 language that did not appear in FY 2011 denoted by underlining.

Significant Language Changes (Cont'd)

State and Local Highway Facilities – Funding Shift

Deletion 2011 Handbook: p. B-170
2012 Budget:

~~The department is permitted to transfer an amount approved by the Director of the Division of Budget and Accounting from funds previously appropriated for State highway projects from the "Transportation Rehabilitation and Improvement Fund of 1979," established pursuant to section 15 of P.L.1979, c.165, for planning, engineering, design, right-of-way acquisition, or other costs related to the construction of projects financed from that fund.~~

Explanation

According to the Office of Management and Budget, the removal of this budget language is a result of the closure of the Transportation Rehabilitation and Improvement Fund of 1979 and will have no programmatic effect on the FY 2012 budget.

State and Local Highway Facilities – Funding Shift

Revision 2011 Handbook: p. B-170
2012 Budget: p. D-344

Of the amount hereinabove appropriated for Maintenance and Operations, ~~\$10,000,000~~ \$9,000,000 for winter operations, including snow removal costs, is ~~payable~~ appropriated from the receipts of the New Tire Surcharge pursuant to P.L.2004, c.46 (C.54:32F-1 et seq.).

Explanation

The recommended budget language decreases the amount of money directed to NJ DOT from the New Tire Surcharge by \$1 million, from \$10 million to \$9 million. These funds go to Maintenance and Operations for winter operations.

The New Tire Surcharge imposes a \$1.50 fee on the purchase of new motor vehicle tires subject to sales tax, and tires purchased as part of a purchased or leased motor vehicle. After collection costs, the first \$2.3 million in fees collected are deposited into the Tire Management and Cleanup Fund. Additional fee revenues go to the Department of Transportation to support snow removal operations. The revenue collected through this fee is estimated to realize \$9 million for both FY 2011 and FY 2012 (p. C-7).

EXPLANATION: FY 2011 language not recommended for FY 2012 denoted by strikethrough. Recommended FY 2012 language that did not appear in FY 2011 denoted by underlining.

Significant Language Changes (Cont'd)

Capital Program – General Fund	
Revision	2011 Handbook: p. B-171 2012 Budget: p. D-344

The amount hereinabove appropriated for the Transportation Trust Fund account shall first be provided from revenues received from (i) motor fuel taxes, (ii) \$222,500,000 from the petroleum products gross receipts tax, and the sales and use tax which is hereby appropriated for such purposes pursuant to Article VIII, Section II, paragraph 4 of the State Constitution, and from; (iii) \$265,800,000 from the sales and use tax which is hereby appropriated for such purposes pursuant to Article VIII, Section II, paragraph 4 of the State Constitution; (iv) \$12,000,000 of funds received or receivable from the various transportation-oriented authorities pursuant to contracts between the such transportation-oriented authorities and the State, together with; and (v) such additional sums pursuant to P.L. 1984, c.73 (C.27:1B-1 et al seq.) and R.S. C.54:39-27.2; as may be necessary to satisfy all fiscal year 2011 2012 debt service, bond reserve requirements, and other fiscal obligations of the New Jersey Transportation Trust Fund Authority.

Explanation

As in past years, the FY 2012 Executive Budget recommends language directing the appropriation to the TTF account to be provided from revenues dedicated under the Constitution and under specified State laws, and from funds receivable under contract from various “transportation-oriented” (i.e., toll road) authorities. Amounts so dedicated under the Constitution include: (1) \$200 million from sales and use tax revenue, (2) \$200 million from petroleum products gross receipts tax revenue, and (3) an amount equal to \$0.09 per gallon of revenue from the motor fuels tax, increased to \$0.105 per gallon, or a minimum of \$483 million, pursuant to P.L.2006, c.3. These amounts together provide a minimum of \$883 million. Recent language has also provided \$12 million through payments from toll road authorities to the TTF for a grand total of \$895 million in funding.

In addition to the constitutionally and statutorily required amounts dedicated to the TTF, the recommended budget language provides for an additional \$140 million through increases to the amounts appropriated from the above sources of revenue. The language increases the contribution from the petroleum products gross receipts tax by \$22.5 million to \$222.5 and the sales and use tax appropriation by \$65.8 million to \$265.8 million. The amount contributed from the motor fuels tax is not specified through language but is set at \$535 million, an increase of \$52 million over FY 2011.

The total amount of funding provided to the Transportation Trust Fund Account is \$1.035 billion in FY 2012, up from \$895 million in FY 2011 (p. D-343).



EXPLANATION: FY 2011 language not recommended for FY 2012 denoted by strikethrough.
Recommended FY 2012 language that did not appear in FY 2011 denoted by underlining.

Significant Language Changes (Cont'd)

Capital Program – General Fund

Revision

2011 Handbook: p. B-171
2012 Budget: p. D-345

Notwithstanding the provisions of P.L.1984, c.73 (C.27:1B-1 et al), there is appropriated up to ~~\$1,600,000,000~~ \$1,257,000,000 from the revenues and other funds of the New Jersey Transportation Trust Fund Authority, for capital purposes as follows:

- 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

The recommended budget language decreases the amount appropriated from the Transportation Trust Fund for capital purposes from \$1.6 billion in FY 2011 to \$1.257 billion in FY 2012. This reduction is made possible by the assumption of \$343 million in anticipated capital project expenses by the Port Authority of New York and New Jersey (p. H-8). The Port Authority funding is part of \$1.8 billion that the State anticipated for construction of the ARC tunnel, but the State now intends to direct towards highway projects in the port region. The information on total Port Authority support is based upon a press conference by the Administration in January 2011 regarding the TTF financing plan for the FY 2012 to FY 2016 period.

The recommended language authorizes Transportation Trust Fund Authority support for the FY 2012 transportation capital program and establishes \$1.257 billion as the maximum level of such support. The department has stated that this will permit flexibility in matching TTF financing to the scope and needs of the capital program. The language indicates the categories of "capital purposes" to be funded from the TTF. (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.)

EXPLANATION: FY 2011 language not recommended for FY 2012 denoted by strikethrough.
Recommended FY 2012 language that did not appear in FY 2011 denoted by underlining.

Significant Language Changes (Cont'd)

Capital Program – General Fund

Additions

2011 Handbook: -
2012 Budget: p. D-345

Notwithstanding the provisions of any law or regulation to the contrary, funds received from the Port Authority of New York and New Jersey pursuant to a contract with the State for transportation system improvements are appropriated to the Department of Transportation for such improvements.

Explanation

The recommended budget language allocates any money received from the Port Authority of New York and New Jersey to the NJ DOT for use in the capital program. The Governor’s FY 2012 transportation capital plan assumes \$343 million in funding from the Port Authority as identified on page H-8 of the FY 2012 budget. The projects to be supported by the Port Authority include the Wittpenn Bridge, Pulaski Skyway, Rt. 139, and Portway Rd, as was noted in a January 2011 press conference by the Administration. The Port Authority funding represents the difference between the level of the State funded portion of the TTF capital program in FY 2011 of \$1.6 billion and the FY 2012 level of \$1.257 billion.

Capital Program – General Fund

Additions

2011 Handbook: -
2012 Budget: p. D-345

Notwithstanding the provisions of any law or regulation to the contrary, in addition to the amount hereinabove appropriated for the Transportation Trust Fund Authority, there are appropriated such sums as are received from the New Jersey Turnpike Authority, not to exceed \$76,000,000, pursuant to a contract between the Authority and the State for transportation systems improvements.

Explanation

The recommended budget language appropriates \$76 million in funds from the NJ Turnpike Authority to the NJ Transportation Trust Fund Authority (TTFA). This \$76 million represents the portion of “pay as you go” funding contained within the Governor’s proposed transportation capital plan for FY 2012, as stated in the Transportation Trust Fund Authority’s FY 2012 Financial Plan. Additionally, that plan assumes \$1.181 billion in TTFA bonds and \$343 million in Port Authority of New York and New Jersey funding for a total of \$1.6 billion in support for new capital projects for the 2012 fiscal year. The plan also calls for \$1.035 billion in State funding to the TTF which will cover necessary debt service on outstanding TTF bonds and certain NJ Transit financings for FY 2012, but does not provide funding for new capital projects.

EXPLANATION: FY 2011 language not recommended for FY 2012 denoted by strikethrough.
Recommended FY 2012 language that did not appear in FY 2011 denoted by underlining.

Significant Language Changes (Cont'd)

Public Transportation – Funding Shift

Additions

2011 Handbook: -
2012 Budget: p. D-348

Notwithstanding the provision of any law or regulation to the contrary, in addition to the amount hereinabove appropriated for New Jersey Transit, there are appropriated such sums as are received from the New Jersey Turnpike Authority, not to exceed \$100,000,000, pursuant to a contract between the Authority and the State for such transportation purposes.

Explanation

The recommended budget language redirects \$100 million in funds from the NJ Turnpike Authority to NJ Transit. This appropriation was directed to NJ DOT in FY 2010 and 2011 for feeder road (roads which funnel traffic from lower to higher capacity roadways) projects. Under federal funding rules, those projects allowed NJ DOT to redirect \$100 million in federal highway funds to NJ Transit for preventative maintenance. NJ DOT could not identify a sufficient number of feeder road projects for this year, so the \$100 million from the NJ Turnpike Authority is recommended to be appropriated directly to NJ Transit and NJ DOT is no longer receiving \$100 million for feeder roads from the NJ Turnpike Authority. Additionally, NJ DOT will not be directing the \$100 million of federal highway funds to NJ Transit, but will instead be using these funds on qualifying highway projects. This will not result in a loss of revenue to the State, simply a reallocation of resources.

Public Transportation – Funding Shift

Additions

2011 Handbook: -
2012 Budget: p. D-348

Notwithstanding the provisions of any law or regulation to the contrary, of the amounts hereinabove appropriated for New Jersey Transit from the General Fund, an amount not to exceed \$29,000,000 thereof shall be paid from funds received or receivable from the various transportation-oriented authorities pursuant to contracts between the authorities and the State for transportation purposes.

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 2012 budget (p. C-7 “Autonomous Transportation Authorities”) of \$77.5 million, an increase of \$49 million from FY 2011. Of the \$49 million increase, \$20 million is due to an increase in the allocation to DOT and \$29 million is due to this new language directing funding to NJ Transit.

EXPLANATION: FY 2011 language not recommended for FY 2012 denoted by strikethrough. Recommended FY 2012 language that did not appear in FY 2011 denoted by underlining.

Significant Language Changes (Cont'd)

The FY 2012 budget recommends a \$43 million increase in operating subsidy for NJ Transit from FY 2011 to FY 2012. This increase would be made possible by the \$29 million from this language provision and the language provision appropriating \$20 million of Commercial Vehicle Enforcement Fund money from the MVC to NJ Transit via the General Fund (p. D-340).

Public Transportation – Casino Revenue Fund

Deletion

2011 Handbook: p. B-175
2012 Budget:

~~The unexpended balance at the end of the preceding fiscal year in the Transportation Assistance for Senior Citizens and Disabled Residents account is appropriated.~~

Explanation

The deleted budget language allowed any unspent funds in the Transportation Assistance for Senior Citizens and Disabled Residents account to remain available for the program. The recommended elimination of this language will require remaining funds at the end of the fiscal year to lapse.

Regulation and General Management

Revision

2011 Handbook: p. B-176
2012 Budget: p. D-351

~~Notwithstanding the provisions of any law or regulation to the contrary, the amount hereinabove appropriated for the Airport Safety Fund is payable out of the "Airport Safety Fund" established pursuant to section 4 of P.L.1983, c.264 (C.6:1-92) and is available for salary and operational costs incurred by the Bureau of Aeronautics in the administration of loans or grants; the acquisition of airports lands or rights in lands; the operation or provision of any program or activity which promotes aviation safety, promotes aviation education, or provides for the promotion of aeronautics; and for those aviation purposes which the Department is empowered to undertake pursuant to the "New Jersey Airport Safety Act of 1983," P.L.1983, c.264 (C.6:1-89 et seq.) or under Title 6 and Title 27 of the Revised Statutes.). If receipts to that fund are less than anticipated, the appropriation shall be reduced proportionately.~~

Explanation

The recommended budget language eliminates the specification of uses to which the Airport Safety Fund may be applied. The elimination of this language will not restrict the ability of the fund to be used for any of the uses described in the language because N.J.S.A.6:1-93 permits the use of the Airport Safety Fund for all of the above mentioned uses. According to the Office of Management and Budget, the language was unnecessary and the removal of the language will have no programmatic impact.

EXPLANATION: FY 2011 language not recommended for FY 2012 denoted by strikethrough.
Recommended FY 2012 language that did not appear in FY 2011 denoted by underlining.

Significant Language Changes (Cont'd)



EXPLANATION: FY 2011 language not recommended for FY 2012 denoted by strikethrough.
Recommended FY 2012 language that did not appear in FY 2011 denoted by underlining.

Background Paper: New Jersey Transit – Capital Program

Budget Pages.... D-347 to D-348, H-8

Introduction

The New Jersey Transit Corporation (“NJ Transit”) 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 system of bus, rail and light rail transit, providing nearly 223 million passenger trips each year. With 165 rail stations, 60 light rail stations and more than 19,000 bus stops, the corporation operates a fleet of 2,027 buses, 711 trains and 45 light rail vehicles on 240 bus routes, 12 commuter rail lines, and three light rail lines, linking major points in New Jersey, New York and Philadelphia. 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 lack an alternative means of transportation. Finally, the agency provides support and equipment to privately owned contract bus carriers.

Capital Program Funding

NJ Transit’s capital program funds the maintenance of existing NJ Transit facilities and equipment, the construction of new facilities, and the acquisition of new equipment. Typically, the capital program’s budget is mostly funded from a \$600 to \$700 million appropriation from the State and a similar amount from the federal government in matching funds. For FY 2012, the Governor’s budget recommendation includes a \$622 million appropriation for NJ Transit’s capital program. The Governor also projects the receipt of \$496.6 million in federal public transportation funding and another \$45.34 million in “Third-Party Funds.” Therefore, NJ Transit’s capital program is expected to receive a total of \$1.164 billion in funding for FY 2012.

NJ Transit Debt: The Transportation Trust Fund, Bonds, and Certificates of Participation

NJ Transit’s capital program has two layers of debt. First, the Transportation Trust Fund Authority (TTFA) issues bonds each year, which, in conjunction with the State’s appropriation and federal funds, cover the cost of current NJ Transit and Department of Transportation projects and the debt service for past projects. For FY 2012, the Authority projects that it will issue \$1.3 billion in new money bonds and will make approximately \$941 million in debt service payments on past bonds. This debt is carried by the TTFA; the cost of servicing the portion of debt incurred to fund public transportation projects is not part of NJ Transit’s capital budget. However, it is still debt incurred to fund the capital program. The second layer of debt, which is described below, is serviced out of NJ Transit’s capital and operating budgets. The second layer of debt consist of a series of bonds issued by the Economic Development Authority and 10 certificates of participation with outstanding balances.

In August of 1999, the Economic Development Authority issued two series of bonds for NJ Transit. The Series 1999A issuance was for \$486.7 million, used to pay for the construction of the River LINE. The Series 1999B issuance was for \$147.2 million, used to pay for the construction of the Hudson-Bergen Light Rail project. Then, in October 2003, the Economic

Background Paper: New Jersey Transit – Capital Program (Cont'd)

Development Authority issued \$325.9 million in Series 2003A Refunding Bonds so that NJ Transit could refinance a portion of the Series 1999A bonds. Additionally, the Economic Development Authority issued \$35 million in Series 2003B Bonds to cover additional costs associated with the River LINE. Finally, in September 2008, the Economic Development Authority issued \$342.1 million in Series 2008A Sublease Revenue Bonds for NJ Transit to refinance the remaining balance of its Series 2003A & B bond deals. The 2008 refinancing was done to eliminate NJ Transit's exposure to the risks associated with interest rate swaps built into the 2003 issuance. The 2008 refinancing also resulted in an interest rate reduction but is projected to cost an additional \$28.4 million over the life of the debt. The portion of the Series 1999A bonds that were not refinanced matured in 2011 and the Series 2008A Sublease Revenue Bonds have a maturity date of 2019. There is currently a balance of \$328.9 million outstanding on the 2008A Sublease Revenue Bonds; debt service for FY2012 is \$53.43 million.

NJ Transit's capital program also issues and carries long-term obligations in the form of certificates of participation ("COPs"), which it uses to fund the purchase of rolling stock, buses and spare parts. A certificate of participation is a form of lease-financing under which a lessor's ownership interest in an asset is bought by investors, who then share income from the leased asset. In practice, NJ Transit contracts with a financial firm, such as JP Morgan Chase, to assist in its issuance of certificates of participation to raise the funds to necessary purchase an asset. For example, a \$253.5 million issuance in 2005 was used to purchase 20 dual-power locomotives. NJ Transit also proposes a payment schedule, an interest rate, and a dedicated revenue stream to support its prospective payments. Then the financial firm searches for investors and negotiates NJ Transit's proposed terms amongst the parties. Once the terms are finalized, NJ Transit receives the funds and uses them to purchase the predetermined set of assets. NJ Transit assigns legal title of those assets to the group of investors but retains possession, use, and a leasehold interest. NJ Transit then makes payments to the investors according to the terms of the agreement and, upon expiration of the term, obtains a full ownership interest in the assets.

In FY 2012, NJ Transit is scheduled to make a total of \$284.76 million in payments towards its outstanding COPs. The following is a list of outstanding NJ Transit COPs, including the purpose for the issuance, the total amount projected to be outstanding as of June 30, 2011, and the payment due in FY 2012:

- In January 2000, NJ Transit issued \$234.1 million of Series 2000A COPs, maturing in 2015, to fund the purchase of 200 rail cars and spare parts. This issuance has a current balance of \$3 million, all of which is expected to be paid in FY 2012. The payments for this issuance are made from an irrevocable trust funded with the proceeds of NJ Transit's Series 2002A Refunding COPs (see below) and, therefore, is not part of NJ Transit's capital budget.
- In October 2000, NJ Transit issued \$693.1 million of Series 2000B COPs, maturing in 2015, to fund the purchase of 24 ALP-46 electric locomotives and 1,244 cruiser buses. This issuance has a current balance of \$143.2 million; debt service for FY2012 is \$70.02 million. The payments for this issuance are made from an irrevocable trust funded with the proceeds of NJ Transit's Series 2003A COPs (see below) and, therefore, is not part of NJ Transit's capital budget.
- In June 2002, NJ Transit issued \$162.8 million of Series 2002A Refunding COPs, maturing in 2015, to refinance NJ Transit's Series 2000A COPs. The proceeds from this issuance were placed in an irrevocable trust to fund the payments of the Series 2000A COPs. This issuance has a current balance of \$158.5 million; debt service for FY2012 is \$33.95 million.

Background Paper: New Jersey Transit – Capital Program (Cont'd)

- In June 2002, NJ Transit issued \$94.7 million of Series 2002B COPs, maturing in 2015, for the purchase of 28 light rail cars. This issuance has a current balance of \$82.7 million; debt service for FY2012 is \$7.30 million.
- In February 2003, NJ Transit issued \$61.5 million of Refunding COPs, maturing in 2016, to refinance certificates of participation issued in 1991. The proceeds from this issuance were placed in an irrevocable trust to fund the payments of the 1991 certificates of participation. This issuance has a current balance of \$30.6 million; debt service for FY2012 is \$6.71 million.
- In September 2003, NJ Transit issued \$149.8 million of Series 2003A COPs, maturing in 2015, to refinance NJ Transit's Series 2000B COPs. The proceeds from this issuance were placed in an irrevocable trust to fund the payments of the Series 2000B COPs. This issuance has a current balance of \$147.1 million; debt service for FY2012 is \$8.1 million.
- In March 2004, NJ Transit issued \$253.2 million of Series 2004A COPs, maturing in 2016, for the acquisition of articulated buses, diesel locomotives and Metro B replacement buses. This issuance has a current balance of \$151.9 million; debt service for FY2012 is \$25.59 million.
- In September 2005, NJ Transit issued \$253.5 million of Series 2005A COPs, maturing in 2021, for the acquisition of twenty dual-power locomotives. This issuance has a current balance of \$253.5; debt service for FY2012 is \$12.4 million.
- In April 2008, the State of New Jersey issued \$309.2 million of Series 2008A COPs, maturing in 2023, for the acquisition 27 electric locomotives and 37 multilevel railcars. NJ Transit then entered into a sublease agreement for those assets with the State. Debt service payments for this capital acquisition are made from NJ Transit's operating budget and not its capital budget. This issuance has a current balance of \$276.7 million; debt service for FY2012 is \$31.14 million.
- In April 2009, the State of New Jersey issued \$394.3 million of Series 2009A Certificates of Participation, maturing in 2030, for the acquisition 181 multilevel railcars, 4 dual-power locomotives and spare parts. NJ Transit then entered into a sublease agreement for those assets with the State. Debt service payments for this capital acquisition are made from NJ Transit's operating budget and not its capital budget. This issuance has a current balance of \$394.3 million; debt service for FY2012 is \$33.08 million.

NJ Transit Capital Projects with FY 2012 Expenditures

The Proposed Transportation Capital Program for Fiscal Year 2012 allocates \$1.164 billion for NJ Transit projects and programs. The following is a list of projects and programs for which NJ Transit expected to incur at least \$20 million in costs during FY 2012:

- ADA – Platforms and Stations: Funds for this program are used for the design and construction of necessary improvements to make NJ Transit's rail stations compliant with the Americans with Disabilities Act. Current projects include improvements at the Perth Amboy and Ridgewood Stations. For FY 2012, the proposed budget for these projects is \$26.13 million of exclusively State funds.
- Bus Acquisition: This program provides funds for the purchase of new transit, commuter, and suburban buses for NJ Transit. It comprises debt service and pay-as-you-go funding for new acquisitions. In total, the program budget is proposed to be \$191.78 million for FY 2012, of which \$74.63 million would come from federal funds and the remaining \$117.15 million would come from State funds.

Background Paper: New Jersey Transit – Capital Program (Cont'd)

- Bus Vehicle and Facility Maintenance – Capital Maintenance: Funding is allocated for the acquisition, installation, and rehabilitation of major components associated with capital equipment and facilities. For FY 2012, the proposed budget for this program is \$34.9 million of exclusively State funds.
- Capital Program Implementation: The capital program's annual budget contains line items for capital project management activities associated with the capital program and project delivery. For FY 2012, NJ Transit proposes to budget \$23.47 million of State funds for this purpose.
- Casino Revenue Fund: State law provides that 8.5% of the Casino Tax Fund is to be used for transportation services for senior and disabled persons. 85% of these funds are made available to counties, through NJ Transit, for locally coordinated para-transit services. For FY 2012, the proposed budget for this program is \$34.35 million.
- Light Rail Vehicle Rolling Stock: These funds are used to make annual lease payments for Hudson-Bergen Light Rail, Newark City Subway, and Newark City Subway Extension vehicles. NJ Transit proposes to budget \$22.28 million for this purpose in FY 2012, of which \$6.86 million would come from federal funds and the remaining \$15.42 million would come from State funds.
- NEC Improvements: Funding is allocated for necessary improvements to the North East Corridor rail service to ensure a state of good repair. NJ Transit's capital program proposes to budget \$27.5 million in State funds for this project in FY2012.
- Preventive Maintenance – Bus: This program provides funding for the overhaul of buses, including preventive maintenance costs in accordance with federal guidelines. The proposed budget for this program in FY 2012 is \$98.69 million of exclusively federal funds.
- Preventive Maintenance – Rail: This program provides funding for the overhaul of rail cars and locomotives and other preventive maintenance costs in accordance with federal guidelines. The proposed budget for this program in FY 2012 is \$161.11 million of exclusively federal funds.
- Rail Capital Maintenance: This program includes Rail Maintenance of Way activities and Rail Maintenance of Equipment activities in accordance with Transportation Trust Fund eligibility requirements. For FY 2012, NJ Transit's capital program proposes budgeting \$63.9 million in State funds for this purpose.
- Rail Rolling Stock Procurement: This program provides funds for the replacement of rail rolling stock, including engineering assistance and project management, to make necessary replacements of rail cars and revenue service locomotives. Funds are also used for the expansion of NJ Transit's rolling stock fleet, including cars and locomotives, to accommodate projected ridership growth and other system enhancements over the next ten years. NJ Transit proposes to budget \$228.01 million for this purpose in FY 2012, of which \$133.09 million would come from federal funds and the remaining \$94.92 million would come from State funds.
- Rail Support Facilities and Equipment: This program provides funds for the rehabilitation and construction of maintenance facilities and for yard improvements and crew quarters. For FY 2012, NJ Transit's capital program proposes budgeting \$22.52 million for these purposes, of which \$21.83 million will come from State funds.
- River LINE LRT: This portion of NJ Transit's capital program budget provides funding for the River LINE LRT project for capital asset replacement and annual Economic Development Authority debt service payments. For FY 2012, NJ Transit's capital program proposes to budget \$54.571 million in State funds for this project.

Background Paper: New Jersey Transit – Capital Program (Cont'd)

- Signals and Communications/Electric Traction Systems: This project provides funding for the modernization and improvement of signal and communications systems. Funding is also included for electric traction general upgrades. For FY 2012, NJ Transit's capital program proposes to budget \$21 million in State funds for this program.
- Track Program: Funds for this program are used for track rehabilitation including, but not limited to, the replacement of ties, right-of-way fencing, and other equipment necessary to maintain a good state of repair. For FY 2012, NJ Transit's capital program proposes to budget \$20 million in State funds for this program.

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Individuals wishing information and committee schedules on the FY 2012 budget are encouraged to contact:

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