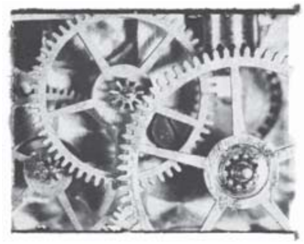

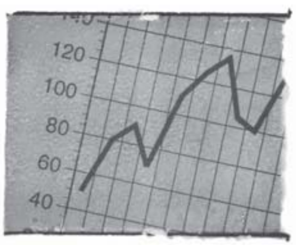

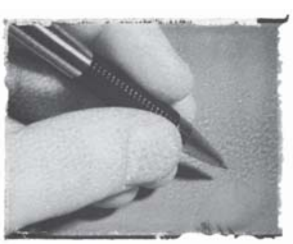

ANALYSIS OF THE NEW JERSEY BUDGET

DEPARTMENT OF TRANSPORTATION AND MOTOR VEHICLE COMMISSION

FISCAL YEAR 2017-2018

PREPARED BY OFFICE OF LEGISLATIVE SERVICES
NEW JERSEY LEGISLATURE • APRIL 2017

NEW JERSEY STATE LEGISLATURE

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This report was prepared by the Authorities, Utilities, Transportation, and Communications Section of the Office of Legislative Services under the direction of the Legislative Budget and Finance Officer. The primary author was Patrick Brennan with additional contributions by Philip M. Mersinger.

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DEPARTMENT OF TRANSPORTATION AND MOTOR VEHICLE COMMISSION

Budget Pages....... C-3; C-6; C-14; C-22; C-24; C-26; D-347 to D-367; H-5; H-7

Fiscal Summary ($000)

	Expended FY 2016	Adjusted Appropriation FY 2017	Recommended FY 2018	Percent Change 2017-18
State Budgeted	1,365,641	1,540,398	1,513,978	(1.7%)
Federal Funds	784,316	939,173	969,886	3.3%
Other	2,002,041	2,682,469	3,624,136	35.1%
Grand Total	$4,151,998	$5,162,040	$6,108,000	18.3%

Personnel Summary - Positions By Funding Source

	Actual FY 2016	Revised FY 2017	Funded FY 2018	Percent Change 2017-18
State	1,520	1,561	1,555	(.4%)
Federal	829	827	830	.4%
Other	2,758	2,783	2,784	.0%
NJ Transit	10,978	10,956	11,555	5.5%
Total Positions	16,085	16,127	16,724	3.7%

FY 2016 (as of December) and revised FY 2017 (as of January) personnel data reflect actual payroll counts. FY 2018 data reflect the number of positions funded.

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

Highlights

Motor Vehicle Commission (MVC)

- The MVC is recommended to receive gross operating revenues of $286.8 million in FY 2018 after subtracting General Fund contributions and revenues collected by MVC but transferred to other State agencies, a $30.5 million increase from the FY 2017 adjusted appropriation. Most MVC revenues are set by statute as a portion of a variety of driving and security related fees and fines. In FY 2018, the total amount being redirected through budget language from the MVC to the General Fund decreases by $22.645 million to $88.908 million in addition to the proportional split of revenue from the luxury and fuel inefficient vehicle surcharge. The total amount of General Fund revenue derived from motor vehicle fees for FY 2018 is $498.2 million, down from $514.2 million in FY 2017, largely reflecting the decrease in revenues being redirected from the MVC to the General Fund and partially offset by minor growth in overall revenue collections.

Department of Transportation (DOT)

- The recommended FY 2018 State appropriation for DOT Maintenance and Operations is $36.6 million, a $41.4 million decrease from FY 2017. The current FY 2017 adjusted appropriation of $78 million includes a $40 million supplemental appropriation for winter storm expenses. Current and proposed budget language authorizes supplemental funding as needed for DOT winter operations. The actual amount ultimately appropriated in FY 2017 could be higher due to late season storms.

Transportation Trust Fund Authority (TTFA)

- The State Transportation Program of $2 billion includes a more than $200 million increase in local transportation aid to counties and municipalities. The TTFA has $16 billion in spending authority from FY 2017-2024. Current spending plans will appropriate $4 billion of that amount through the end of FY 2018, leaving $12 billion for the final six years of the TTF renewal authorization.

- The FY 2018 budget recommends a $1.312 billion appropriation to the Transportation Trust Fund (TTF) Account for debt service, $14.7 million more than the FY 2017 adjusted appropriation. This appropriation is composed of $526.3 million from the petroleum products gross receipts tax (ppgrt), $12 million from transportation oriented authorities, $200 million from the sales and use tax, and $573.3 million from the motor fuels tax.

- The FY 2018 budget appropriates $926.5 million to the newly established Subaccount for Capital Reserves. When this is added to FY 2017 balances, the TTFA capital reserve subaccount will total $1.34 billion. The subaccount is available to fund debt service on TTFA bonds, if the current amount appropriated is insufficient for that purpose, to fund current State capital project costs (pay-as-you-go) and to be held in reserve for future year needs of the TTFA. Budget language makes the capital reserve account available to provide pay-as-you-go funding of capital projects for the current fiscal year; however, the budget does not specify how much, if any, balances of the capital reserve account are to be used in the current year for pay-as-you-go funding.

Highlights (Cont'd)

- The New Jersey Transportation Capital Plan for FY 2018 is $3.629 billion, a $272.9 million decrease from FY 2017. However, when FY 2017 is adjusted to include $400 million in additional State transportation funds appropriated pursuant to P.L.2017, c.38, the decrease is $672.9 million. The decrease is entirely attributable to a reduction in federal and third-party funding for the capital program. The plan encompasses federal and State transportation trust fund support that is appropriated in the budget, as well as resources not appropriated in the budget for certain projects undertaken by regional transportation agencies, (e.g., the Port Authority of New York and New Jersey) that benefit New Jersey. Among the amounts that comprise this reduction include federal resiliency funds that were granted to NJ Transit in FY 2017 for Superstorm Sandy related projects.

New Jersey Transit (NJT)

- The recommended State operating subsidy to support NJT for FY 2018 is $140.9 million, which is the same level of General Fund support that was provided in FY 2017. The State operating subsidy is supplemented by $204 million in support from the New Jersey Turnpike Authority and $82.1 million from the Clean Energy Fund for a total level of non-capital, State operating support of $426.9 million.

- The overall NJT operations budget for FY 2018 is $2.218 billion, a $106.8 million or 5.1% increase from FY 2017. The agency projects a $69.4 million increase in expenditures on salaries and wages, and an $18.9 million increase in materials and supplies, which account for most of the total increase. The growth in NJ Transit's expenses is possible due to a $116 million increase in other reimbursements, driven largely by increased utilization of State and federal capital funds for operating purposes. Despite this increase in expenditures, farebox revenue is expected to decline by $9.2 million. The agency expects to add 599 positions according to evaluation data.

- Transportation Assistance for Senior Citizens and Disabled Residents is recommended to increase to $17.8 million in FY 2018 from $17.5 million in FY 2017. This increase does not significantly change the general downward trend since FY 2008 when funding totaled $36.9 million. Based on the Executive's revised estimates for FY 2017 casino tax collections, the level of support in FY 2019 will increase by approximately $0.5 million.

Background Paper

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS ($000)

	Expended FY 2016	Adj. Approp. FY 2017	Recom. FY 2018	Percent Change 2016-18	Percent Change 2017-18
General Fund					
Direct State Services	$93,256	$85,188	$43,788	(53.0%)	(48.6%)
Grants-In-Aid	33,428	140,856	140,856	321.4%	0.0%
State Aid	0	0	0		
Capital Construction	1,220,133	1,296,831	1,311,533	7.5%	1.1%
Debt Service	0	0	0		
Sub-Total	**$1,346,817**	**$1,522,875**	**$1,496,177**	**11.1%**	**(1.8%)**
Property Tax Relief Fund					
Direct State Services	$0	$0	$0		
Grants-In-Aid	0	0	0		
State Aid	$0	$0	$0		
Sub-Total	**$0**	**$0**	**$0**	**0.0%**	**0.0%**
Casino Revenue Fund	$18,824	$17,523	$17,801	(5.4%)	1.6%
Casino Control Fund	$0	$0	$0		
State Total	**$1,365,641**	**$1,540,398**	**$1,513,978**	**10.9%**	**(1.7%)**
Federal Funds*	784,316	939,173	969,886	23.7%	3.3%
Other Funds	2,002,041	2,682,469	3,624,136	81.0%	35.1%
Grand Total	**$4,151,998**	**$5,162,040**	**$6,108,000**	**47.1%**	**18.3%**

*note: additional federal funds are received directly by NJ Transit, a portion of which are included in Other Funds.

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2016	Revised FY 2017	Funded FY 2018	Percent Change 2016-18	Percent Change 2017-18
State	1,520	1,561	1,555	2.3%	(0.4%)
Federal	829	827	830	0.1%	0.4%
All Other	2,758	2,783	2,784	0.9%	0.0%
NJ Transit	10,978	10,956	11,555	5.3%	5.5%
Total Positions	**16,085**	**16,127**	**16,724**	**4.0%**	**3.7%**

FY 2016 (as of December) and revised FY 2017 (as of January) personnel data reflect actual payroll counts. FY 2018 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent - Department	33.9%	34.5%	N/A	----	----
Total Minority Percent – NJ Transit	63.5%	62.6%	N/A	----	----

Significant Changes/New Programs ($000)

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page
I. Vehicular Safety – Motor Vehicle Commission					
Motor Vehicle Services – Other Funds	**$335,373**	**$366,906**	**$31,533**	**9.4%**	**D-354**

The increase in this line item is driven primarily by a smaller shift of Motor Vehicle Services revenues to the General Fund. Motor Vehicle Commission (MVC) funding is the result of a statutory formula which divides various motor vehicle related charges and fee revenue between the General Fund and the MVC. Combined MVC base revenues increased by $14.6 million from $797.3 million to $811.9 million. The increase in the portion that is provided to the MVC for its operating costs is mostly attributable to a reduction of $22.6 million in the transfer to the General Fund. FY 2018 proposed language provisions decrease the diversion of MVC revenues from $111.6 million to $89.0 million in addition to the proportional split of revenue from the luxury and fuel-inefficient vehicle surcharge.

The OLS notes that of the total $366.9 million projected above, up to $80.1 million is to be transferred to other agencies for non-MVC uses, either in accordance with statute or pursuant to budget language, of which about $26.8 million is revenue that by law is dedicated to MVC purposes. Thus the portion projected to be retained by the MVC for its FY 2018 operating purposes is about $287 million, an increase of $30.5 million (+11%) from the FY 2017 amount.

II. State and Local Highway Facilities

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page
Direct State Services - Maintenance and Operations	**$77,983**	**$36,583**	**($41,400)**	**(53.1%)**	**D-357**

The decrease in this line item reflects the elimination of a FY 2017 supplemental funding adjustment of $40.0 million for winter operations. Because winter operations are funded through annual supplemental appropriations authorized pursuant to budget language, the cost does not appear in the FY 2018 recommendation, and will not be known until sometime later in the fiscal year. The actual base appropriation for FY 2018 is $10.34 million, the same as in FY 2017. The FY 2017 supplemental appropriation for winter operations of $40 million is $4.7 million higher than the amount of the FY 2016 supplemental appropriation of $35.3 million. Subsequent to the publication of the Governor's budget proposal there was a notable winter storm on March 14, 2017. It is unclear whether this was anticipated when estimating the need for $40 million in supplemental funding. The FY 2017 budget proposal estimated an $80 million need for FY 2016 winter operations, but the actual supplemental appropriation for FY 2016 was just $35.3 million, showing that there can be notable variance between the estimated and actual amount needed.

Funding for maintenance and operations is also reduced by $1.4 million for reasons unrelated to winter operations. This decrease affects salaries and wages, which decrease by $1.2 million, and maintenance and fixed charges, which decrease by $200,000. These reductions are attributed to operational efficiencies by the Office of Management and Budget.

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

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page
Trust Fund Authority – Subaccount for Debt Service for Prior Bonds	**$1,075,343**	**$1,087,254**	**$11,911**	**1.1%**	**D-358**
Trust Fund Authority – Subaccount for Debt Service for Transportation Program Bonds	**$221,488**	**$224,279**	**$ 2,791**	**1.3%**	**D-358**
Total TTFA Debt Service	**$1,296,831**	**$1,311,533**	**$14,702**	**1.1%**	

The line item for debt service on program bonds reflects debt service for bonding amounts permitted by and subsequent to P.L.2012, c.13. When combined with the line item for debt service on prior bonds, which reflects debt service on bonding amounts permitted prior to P.L.2012, c.13, these amounts comprise the total State appropriation-backed debt service cost of the Transportation Trust Fund Authority. The program bond line item represents the annual debt service costs on $3.458 billion in par bond issuance authorized under P.L.2012, c.13. An additional $12 billion in program bonds are authorized under P.L.2016, c.56. The prior bond line item funds debt service on a par value of bonds outstanding on June 30, 2016 of $12.2 billion

The FY 2018 combined debt service appropriation is $1.312 billion, an increase of $14.7 million over the $1.297 billion appropriated for FY 2017. This appropriation does not include FY 2018 debt service on $3.2 billion in Indirect GARVEEs issued in November, 2016. The debt service owed on that debt for FY 2017 and 2018 is being paid for from the proceeds of the notes ("capitalized interest account"). Because Indirect GARVEE proceeds will be used to fund State transportation projects, but will be repaid with federal reimbursements for the construction of federal transportation projects, State funds used to construct those federal projects will be the means by which the State indirectly pays debt service on those bonds. When the State begins making those payments in FY 2019, they will increase the State supported cost of TTFA debt service by $337.6 million per year.

Transportation Trust Fund Authority – All Other Funds	**$416,228**	**$926,531**	**$510,303**	**122.6%**	**D-358**

This line item represents the newly created Transportation Trust Fund Subaccount for Capital Reserves. This subaccount was created pursuant to P.L.2016, c.56, the FY 2017-2024 TTF renewal. This law created a new capital reserves account for appropriations of constitutionally dedicated revenues to the TTF that are not needed for annual debt service on TTFA bonds. Under prior law, any amounts appropriated to the TTFA beyond what was necessary for the payment of debt service was to be used to pay directly for project costs (pay-as-you-go). Pursuant to language recommended in the FY 2018 Governor's Budget, constitutionally dedicated revenues in excess of the amount required for debt service on TTFA bonds or bond

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

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page

reserve requirements are first appropriated to the Transportation Trust Fund Subaccount for Capital Reserves.

Amounts in this subaccount must be used for the statutory purposes of the TTF, i.e., debt service on TTFA bonds or direct support of projects in the annual capital program. FY 2018 budget language allows the subaccount to be used for both purposes, but it is unclear at this point precisely when and how these funds will be used. Based on FY 2017 and FY 2018 deposits into the account it will have a balance at the end of FY 2018 of around $1.34 billion. If an amount of pay-as-you-go funding is appropriated from the subaccount for capital reserves for the FY 2018 capital program, the balance of the account would be reduced accordingly, but the current budget proposal does not identify the amount of pay-as-you-go for FY 2018.

III. Special Transportation Trust Fund

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page
Trust Fund– Local Highway Funds	**$280,415**	**$496,700**	**$216,285**	**77.1%**	**D-359**
Trust Fund– State Highway Funds	**$737,085**	**$826,300**	**$89,215**	**12.1%**	**D-359**
Trust Fund – Public Transportation	**$582,500**	**$677,000**	**$94,500**	**16.2%**	**D-364**
Subtotal:	**$1,600,000**	**$2,000,000**	**$400,000**	**25.0%**	

These line items represent the State portion of the New Jersey Transportation Capital Program. The transportation capital program increases from $1.6 billion in FY 2017 to $2.0 billion for FY 2018. This increase is the result of a higher funding level established in P.L.2016, c.56, the FY 2017-2024 TTF renewal legislation. The new law calls for $16 billion in total transportation capital expenditures over the 8 year period of the renewal, which is to be supported by $12 billion in borrowing over the 8 year period of the renewal. The bill does not provide for year-by-year funding or borrowing levels, but they equate to an average of $2 billion per year in project spending, supported by $1.5 billion per year in TTFA borrowing. P.L.2016, c.57 provides for an approximate 23 cent per gallon increase in the petroleum products gross receipts tax which will provide additional dedicated State revenue to support the $4 billion portion of the program that is not supported with new bonding authorization.

P.L.2016, c.56 also provided for an increase in the amount of funding provided for the transportation local aid programs from $175 million per year to $400 million per year. This is reflected in the 77.1% increase in appropriations for Local Highway Funds. The allotment of the remaining increase in authorized project spending appears to have been split roughly evenly between DOT projects (State Highway Funds) and New Jersey Transit projects (Public Transportation). Additional detail about the composition of this spending is provided in the Annual Transportation Capital Program, which has not yet been released by the Department for FY 2018.

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

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page

The Office of Legislative Services notes that the FY 2018 budget did not reflect the Governor's intention to advocate a $400 million capital program supplement for FY 2017. The Legislature approved and the Governor signed this additional funding (P.L.2017, c.38), which allocated $260 million for State Highway projects and $140 million for public transportation projects.

IV. Public Transportation – NJ Transit **D-363 to D-364**

NJ Transit – Distribution by Fund and Object

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change
A. Expenditures				
1. Salaries and Wages	**$1,277,000**	**$1,346,400**	**$69,400**	**5.4%**
2. Materials and Supplies	**$298,900**	**$317,850**	**$18,950**	**6.3%**
3. Services Other Than Personal	**$138,800**	**$142,900**	**$ 4,100**	**3.0%**
4. Purchased Transportation	**$233,400**	**$243,600**	**$10,200**	**4.4%**
5. Insurance and Claims	**$33,200**	**$33,200**	**0**	**—**
6. Tolls, Taxes, and Other	**$129,756**	**$133,906**	**$ 4,150**	**3.2%**
Subtotal	**$2,111,056**	**$2,217,856**	**$106,800**	**5.1%**
B. Revenues				
1. State Subsidy	**$140,856**	**$140,856**	**0**	**—**
2. NJT Resources:				
Farebox Revenue	**$1,023,200**	**$1,013,980**	**($9,220)**	**(.9%)**
Other Commercial Revenue	**$115,200**	**$115,200**	**0**	**—**
Other Reimbursements	**$831,800**	**$947,820**	**$116,020**	**13.9%**
Subtotal	**$2,111,056**	**$2,217,856**	**$106,800**	**5.1%**
C. Transportation Assistance for Senior Citizens and Disabled Residents (Casino Revenue Fund)	**$17,523**	**$17,801**	**$ 278**	**1.6%**

NJ Transit's operating budget is proposed to increase by 5.1% or $106.8 million in FY 2018, while NJ Transit's operating subsidy will remain at $426.9 million. The FY 2018 subsidy is composed of $204 million in support from the NJ Turnpike Authority, $82.1 million from the Clean Energy Fund, and $140.9 million in support from the General Fund. The increase in NJ Transit's operating budget is made possible, despite a $9 million decrease in farebox revenue, by a $116 million increase in other reimbursements, specifically the portion of other

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

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page

reimbursements that consist of State and federal capital funds which are permitted to be used for NJ Transit operating expenses.

Casino Revenue Fund dollars provide the full State support for the county transit systems, which are responsible for providing transportation to elderly and disabled residents. This year's 1.6% increase keeps funding within the range of $17.5 million and $18.8 million that it has been in over the last four years. This level of funding is a notable decline from the FY 2008 funding level of $36.9 million; hence, the recommended appropriation of $17.8 million for FY 2018 still reflects a decline of over 50% since the FY 2008 peak. The response to the funding reduction has varied by county, with most engaging in a combination of reduced services, and increased funding from a variety of sources, including county, federal, and commercial (advertising) revenue.

Significant Language Changes

Motor Vehicle Commission Revenue – Funding Shift

Revision

2017 Handbook: p. B-163
2018 Budget: p. D-355

Notwithstanding the provisions of section 105 of P.L.2003, c.13 (C.39:2A-36) or any law to the contrary, ~~$101,553,000~~ $78,908,000 is appropriated from the revenues appropriated to the New Jersey Motor Vehicle Commission for deposit in the General Fund to reflect continuing savings initiatives, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The recommended budget language reduces by $22.645 million the amount of MVC revenue directed to the General Fund as State revenue. This change decreases the amount of Motor Vehicle Fees available to the General Fund which, as a result, leaves more funding with the MVC to support commission operations. The total amount of Motor Vehicle Fees being directed to the General Fund in FY 2018 is $88.908 million in addition to the MVC's proportional share of luxury and fuel inefficient vehicle fees.

Receipts from Casualty Losses

Addition

2017 Handbook: n/a
2018 Budget: p. D-359

Receipts in excess of the amount anticipated from Casualty Losses are appropriated for transportation purposes, subject to the approval of the Director of the Division of Budget and Accounting. The unexpended balance at the end of the preceding fiscal year is appropriated for the same purpose.

Explanation

The new language appropriates additional Casualty Loss receipts in excess of amounts anticipated as Schedule 1 revenue for transportation purposes. In FY 2017, estimated Casualty Loss receipts of $2.2 million are appropriated in full to department uses. The same amount of revenue is estimated in FY 2018, but $350,000 is being recommended as Schedule 1 revenue which will be used to support the base DOT operating budget. The language also appropriates any unexpended casualty loss funds for transportation purposes. Casualty Loss revenue is received by the DOT from either drivers' insurance policies or policies held by the State for damage to the State road network resulting from insurable incidents, such as auto accidents.

EXPLANATION: FY 2017 language not recommended for FY 2018 denoted by strikethrough.
Recommended FY 2018 language that did not appear in FY 2017 denoted by underlining.

Significant Language Changes (Cont'd)

State and Local Highway Facilities - Allocation of New Tire Surcharge

Revision

2017 Handbook: p. B-164
2018 Budget: p. D-359

Of the amount hereinabove appropriated for Maintenance and Operations, ~~$9,000,000~~ $9,800,000 for winter operations, including snow removal costs, is 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 increases by $800,000, the amount of New Tire Surcharge revenue that is directed to the DOT for snow removal in the maintenance and operations budget. The total amount of revenue to be generated by the tire cleanup surcharge is estimated to be $9,800,000, leaving no amount available for deposit into the "Tire Management and Cleanup Fund" in FY 2018. The language revision has no impact on department appropriations.

By statute, this revenue is to first reimburse the Department of Treasury for the costs incurred in collecting the new tire fee, the next $2.3 million is to be deposited into the "Tire Management and Cleanup Fund", and the remaining revenue is to be appropriated to the Department of Transportation for snow removal costs.

Debt Service on Transportation Bonds – Dedicated Revenue

Revision

2017 Handbook: p. B-165
2018 Budget: p. D-360

The amount hereinabove appropriated for the Transportation Trust Fund Subaccount for Debt Service for Prior Bonds and ~~for~~ the Transportation Trust Fund Subaccount for Debt Service for Transportation Program Bonds shall be provided from ~~revenues~~ the following revenues: (i) $573,257,000 from motor fuels taxes, which are hereby appropriated for such purposes pursuant to Article VIII, Section II, paragraph 4 of the State Constitution; (ii) $526,276,000 from the petroleum products gross receipts tax, which is hereby appropriated for such purposes pursuant to Article VIII, Section II, paragraph 4 of the State Constitution; and (iii) $200,000,000 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~~.~~

EXPLANATION: FY 2017 language not recommended for FY 2018 denoted by strikethrough.
Recommended FY 2018 language that did not appear in FY 2017 denoted by underlining.

Significant Language Changes (Cont'd)

Explanation

As in past years, the FY 2018 Budget recommends language directing the appropriations to the TTF accounts 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. The minimum amounts dedicated under the Constitution include: (1) $200 million from sales and use tax revenue, (2) all petroleum products gross receipts tax revenue ($1.46 billion), and (3) all revenue from the motor fuels tax ($573.2 million). The toll road authority support for the TTF is not constitutionally required, but represents an additional $12 million in TTF funding.

The revised language identifies the constitutionally dedicated revenue sources of the debt service appropriations for Prior Bond and Program Bonds in FY 2018. The total amount of debt service payments on Prior Bonds increases from $1,075,343,000 in FY 2017 to $1,087,254,000 in FY 2018. The total amount of debt service payments on Program Bonds increases from $221,488,000 in FY 2017 to $224,279,000 in FY 2018.

The $926.5 million difference between the total Petroleum Products Gross Receipts Tax revenue and the amount appropriated for TTFA debt service represents the amount that is being deposited into the Transportation Trust Fund Subaccount for Capital Reserves. This subaccount was created pursuant to P.L.2016, c.56, the FY 2017-2024 TTF renewal legislation. In the renewal, a new capital reserves account was created for appropriations of constitutionally dedicated revenues to the TTF that are not needed for annual debt service on TTFA bonds. Under prior law, any amounts appropriated to the TTFA beyond what was necessary for the payment of debt service was to be used to pay directly for project costs (pay-as-you-go). Funds in this new subaccount can be saved to be expended on TTF projects or debt service in future years.

EXPLANATION: FY 2017 language not recommended for FY 2018 denoted by strikethrough.
Recommended FY 2018 language that did not appear in FY 2017 denoted by underlining.

Significant Language Changes (Cont'd)

Transportation Trust Fund Subaccount for Capital Reserves

Addition

2017 Handbook: n/a
2018 Budget: p. D-360

Revenues dedicated for transportation purposes pursuant to Article VIII, Section II, paragraph 4 of the State Constitution in excess of the amounts of such dedicated revenue appropriated to the Transportation Trust Fund Subaccount for Debt Service for Prior Bonds, Transportation Trust Fund Subaccount for Debt Service for Transportation Program Bonds, for bond reserve requirements or for other fiscal obligations of the New Jersey Transportation Trust Fund Authority are hereby appropriated to the Transportation Trust Fund Subaccount for Capital Reserves.

Explanation

The recently enacted FY 2017-2024 TTF renewal legislation, P.L.2016, c.56, established a new subaccount within the Transportation Trust Fund, known as the subaccount for capital reserves. Previously, all monies dedicated to the Transportation Trust Fund were to be appropriated either for debt service on Program Bonds and Prior Bonds, or to be used to pay directly for project costs (pay-as-you-go). The Subaccount for Capital Reserves, allows the TTFA to set aside revenues in excess of those needed for debt service, where it may be used in future years to meet debt service needs or for pay-as-you-go. This language provision appropriates this excess, estimated at $926.5 million, to the new subaccount.

Capital Program – Special Transportation Fund

Addition

2017 Handbook: n/a
2018 Budget: p. D-360

Notwithstanding the provisions of any law or regulation to the contrary, the Department of Transportation and the New Jersey Transit Corporation, upon approval of the Director of the Division of Budget and Accounting, may use Special Transportation Fund monies to support contracted Transportation Trust Fund projects until such time as revenues and other funds of the New Jersey Transportation Trust Fund Authority become available for those projects. Subject to the receipt of those revenues and other funds of the Authority, the Special Transportation Fund shall be reimbursed for all the monies that were used to advance Transportation Trust Fund projects.

EXPLANATION: FY 2017 language not recommended for FY 2018 denoted by strikethrough.
Recommended FY 2018 language that did not appear in FY 2017 denoted by underlining.

Significant Language Changes (Cont'd)

Explanation

The Transportation Trust Fund Authority has a variety of accounts from which it manages the transportation capital program. The Special Transportation Fund is the fund maintained by the State Treasurer into which the TTFA periodically deposits its revenues and other funds so that payments can be made on construction contracts and other capital program line items. The money that is deposited into the Special Transportation Fund primarily derives from a combination of 1) proceeds of TTFA bond issuances; 2) direct deposit of State revenues (pay-as-you-go); and 3) federal fund reimbursements for federally funded transportation capital projects.

It is not clear how the use of Special Transportation Fund monies for contracted Transportation Trust Fund projects described in the above language differs from the present statutory role of the Special Transportation Fund, given that the Special Transportation Fund is the statutory vehicle by which revenues and other funds of the TTFA and federal funds are used to support State and federal transportation capital projects.

Transfers from Subaccount for Capital Reserves

Addition

2017 Handbook: n/a
2018 Budget: p. D-360

Notwithstanding the provisions of any law or regulation to the contrary, monies deposited into the Transportation Trust Fund Subaccount for Capital Reserves may be transferred to the Transportation Trust Fund Subaccount for Debt Service for Prior Bonds and Transportation Trust Fund Subaccount for Debt Service for Program Bonds to satisfy current year debt service, bond reserve requirements, and other fiscal obligations of the New Jersey Transportation Trust Fund Authority, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This new language provides that in the event the appropriation for Program Bond and Prior Bond debt service is less than the actual debt service payment during the fiscal year, the additional amount is to be transferred from the Subaccount for Capital Reserves. The recently enacted FY 2017-2024 TTF renewal legislation, P.L.2016, c.56, established a new subaccount within the Transportation Trust Fund, known as the subaccount for capital reserves. Previously, all monies dedicated to the Transportation Trust Fund were to be appropriated either for debt service on Program Bonds and Prior Bonds, or to be used to pay directly for project costs (pay-as-you-go). The Subaccount for Capital Reserves allows the TTFA to set aside revenues in excess of those needed for debt service, for future use to meet debt service needs or as pay-as-you-go project funding.

EXPLANATION: FY 2017 language not recommended for FY 2018 denoted by strikethrough.
Recommended FY 2018 language that did not appear in FY 2017 denoted by underlining.

Significant Language Changes (Cont'd)

FY 2018 State Transportation Capital Program	
Revision	2017 Handbook: p. B-167 to B-169 2018 Budget: p. D-360 to D-361

Notwithstanding the provisions of P.L.1984, c.73 (C.27:1B-1 et al.) or any law or regulation to the contrary, there is appropriated up to the sum of ~~$1,600,000,000~~ $2,000,000,000 from the revenues and other funds of the New Jersey Transportation Trust Fund Authority, and from the amounts on deposit in the Transportation Trust Fund Subaccount for Capital Reserves, 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 language authorizes Transportation Trust Fund Authority support for the FY 2018 transportation capital program and establishes $2.0 billion as the maximum level of such support. The language indicates the categories of "capital purposes" to be funded from the TTFA. (In the Appropriations Act, the projects within the several categories will be individually specified; as in past years, the list of proposed projects was not finalized in time for its inclusion in the budget recommendations.)

The recommended budget language reflects the FY 2017-2024 Transportation Trust Fund renewal, which by providing for $16 billion in capital expenditures over the eight year renewal period allows the Legislature to increase the size of the annual capital program over the size of the FY 2012-2016 programs, which totaled $1.6 billion in State support through a combination of State sources and revenues from the Port Authority of New York and New Jersey for State projects in the port region. The FY 2017 capital program is also $2.0 billion. $1.6 billion was authorized by the appropriations act and $400 million was authorized by supplemental appropriation (P.L.2017, c.38).

EXPLANATION: FY 2017 language not recommended for FY 2018 denoted by strikethrough.
Recommended FY 2018 language that did not appear in FY 2017 denoted by underlining.

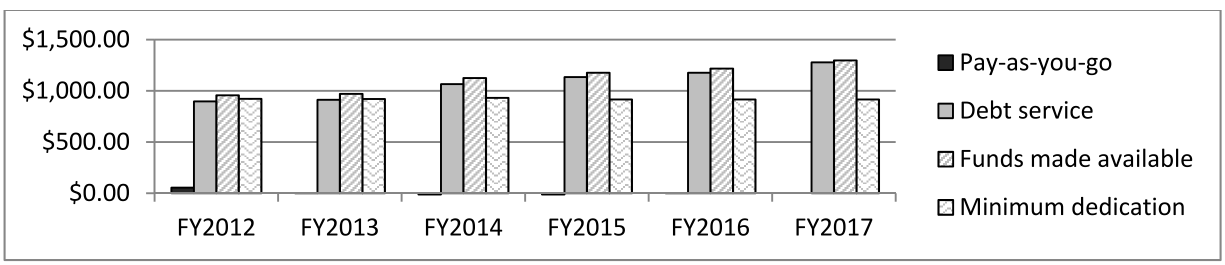
Background Paper: Transportation Trust Fund: Revised and Renewed

Introduction

The Transportation Trust Fund ("TTF") established pursuant to P.L.1984, c.73 (N.J.S.A.27:1B-1 et al.) was created to administer State and federal transportation funds and maintain a separate, dedicated stream of funding to protect transportation investments. The TTF supports the State transportation capital program, which is an itemized list of capital construction projects authorized each fiscal year. Since its inception, the mix of funding sources to support annual appropriations to the TTF have varied greatly, with some years relying more heavily on tax revenue from that fiscal year (pay-as-you-go funding) and other years relying more on bonded indebtedness. Over the course of its existence, additional revenues have been made available to the TTF and most revenue growth has gone toward debt costs.

At the end of FY 2016, the Transportation Trust Fund Authority ("TTFA"), the independent agency that administers the TTF, had approximately $16.5 billion in outstanding bonded debt and approximately $32 billion in outstanding debt service to be paid through FY 2045. Annual debt service is in excess of $1.2 billion per year through FY 2029.[1] Following FY 2029, these debt service payments are scheduled to decrease, however, much of the future debt service schedule will depend on how the TTFA manages its debt going forward.

Because the constitutionally and statutorily dedicated revenue sources for the TTF were fully allocated to debt service entering FY 2012, the State supported the transportation capital program through constitutionally dedicated sources in excess of the constitutionally required minimum, and through funding agreements with the New Jersey Turnpike Authority and the Port Authority of New York and New Jersey for FY 2012 through FY 2016. The TTFA entered FY 2017 without any prospective bonding authority, without a constitutionally dedicated revenue source to support significant new bonding, and without funding from the independent authorities.



($$$ in millions)

Note: This table charts the amount allocated to pay-as-you-go, the debt service payment required, the funds made available, and the minimum constitutional dedication for each fiscal year from FY 2012 through FY 2017. The table excludes funding from the Port Authority of New York and New Jersey.

On October 14, 2016, the State enacted legislation revising the TTF enabling statutes to authorize additional spending and additional borrowing, with the additional borrowing contingent upon passage of a constitutional amendment dedicating new revenue to the TTF. On November 8, 2016, voters approved an amendment to the State Constitution to dedicate additional revenues from the motor fuels tax and the petroleum products gross receipts tax to the State transportation system.

[1] This annual debt service amount does not include the debt service cost of FY 2017 bond issuances, which were in the form of Indirect GARVEE bonds.

Background Paper: Transportation Trust Fund: Revised and Renewed (Cont'd)

State Transportation Capital Budgeting Process

Statutory Authorization

The TTFA is the entity responsible for financing the TTF. The purpose and powers of the TTFA, enumerated in N.J.S.A.27:1B-5 and N.J.S.A.27:1B-6 respectively, are essentially to receive revenues dedicated to the funding of transportation capital projects and then to expend those revenues on transportation capital projects. The issuance of and repayment of bonded debt are crucial to that function. This process is made possible on an ongoing basis through periodic statutory revision known informally as a TTFA "renewal." Generally, each TTFA renewal amends the existing TTFA statutes to set the financial and policy needs of the transportation financing system. Each renewal has amended three specific provisions of law pertaining to the annual functions of the TTFA: (1) N.J.S.A.27:1B-21.1 which sets annual levels of authorized appropriations from the TTF for capital projects; (2) N.J.S.A.27:1B-20 which identifies dedicated sources of revenue to support TTFA expenditures; and (3) N.J.S.A.27:1B-9 which establishes limits on the TTFA's bonding authority. Although statutory allocations of revenues to and from the TTF can be and frequently are superseded by the annual appropriations act, the constitutional dedication of more revenues to the TTF may limit that practice for at least the next several years.

The most recent TTFA renewal (P.L.2016, c.56) covers eight fiscal years, from FY 2017 through FY 2024. Notably, the 2016 renewal legislation does not set an annual appropriation or bonding limit, as has been done in years past, but instead authorizes appropriations and borrowing in an aggregate amount over the eight-year period. Pursuant to the renewal legislation, the TTFA is authorized to appropriate a total of $16 billion and to issue bonds totaling up to $12 billion from FY 2017 through FY 2024. New language inserted into the TTFA reauthorization provides that any premiums received in connection with the issuance of transportation program bonds count against the overall debt limit of the TTFA. Ultimately, the TTFA is provided an average of $2.0 billion per year in appropriation authority and $1.5 billion per year in bonding authority. By comparison, the TTFA appropriated an average of $1.237 billion per year and issued bonds for an average of approximately $1.09 billion per year during the FY 2012 – FY 2016 TTFA authorization.

Annual Budget Process

The TTFA renewal establishes a framework for multi-year transportation funding but the annual appropriations act provides the details of how the plan is to be implemented from year to year. The appropriations act provides a specific appropriation for annual debt service and capital projects, an itemized list of capital projects, and an amount of State and federal revenues to be deposited into the TTF. In each year of the FY 2012 – FY 2016 renewal, the amount of State revenue deposited into the TTF was altered through budget language from the amounts identified by statute. This language reduced or eliminated some sources of statutory revenue dedications, while increasing others above the constitutional minimum. The size of the appropriation for new capital projects each year adhered to the amounts identified in the FY 2012 – FY 2016 renewal.

The TTFA is required to issue an annual financial plan in which it identifies expected sources and uses of funds. The financial plan projects financial activity in two ways. The first is on a budgetary basis, where annual appropriations to and from the TTF are reconciled on a fiscal year basis. The second way is on a cash flow basis, where the cash position of the TTF is

Background Paper: Transportation Trust Fund: Revised and Renewed (Cont'd)

reconciled based on actual cash received and disbursed. This is the document where anticipated levels of bond issuance are identified. The amount of bonding activity is driven by cash need, and therefore adheres to the cash flow based activity.

The department is statutorily required to issue a draft capital plan by March 1 of each year which details each capital project, or project phase, that the department intends to complete with State and federal funds appropriated in that year. The draft plan serves as the recommendation to the Legislature for the itemized project list that is included in the annual appropriations act. Once the Legislature approves a project list in the appropriations act, the federal items in the project list are subject to further revision through the federal transportation funding process. Revisions to the State and federal list are not subject to legislative approval due to budget language that permits changes to project line items without legislative approval. Once the list has been approved through the State and federal process, it is officially adopted by the department and is referred to as the State transportation capital plan.

The 2016 TTFA renewal establishes the Annual Transportation Capital Program Approval Committee (approval committee) for the purpose of ensuring legislative input in the process of selecting the transportation capital projects to be funded annually through the TTF. The approval committee is to consist of four members: the Commissioner of Transportation or the commissioner's designee and three public members, who are each to reside in different regions of the State, appointed by the Governor upon the joint recommendation of the President of the Senate and the Speaker of the General Assembly. The approval committee is to annually submit a certification that the projects were selected with the input of each member, that each member has been granted access to information on the projects, and that each member approves the inclusion of each project. If the approval committee does not provide this certification, the renewal legislation prohibits the Legislature from making any appropriation from the revenues and other funds of the TTFA for the financing of transportation projects in that fiscal year until the certification has been unanimously approved by the approval committee. As of March 1, 2017, members of the approval committee had not yet been appointed.

FY 2017 – FY 2024 Capital Program

The cash needs of the FY 2017 and FY 2018 capital programs are expected to be met primarily through the issuance of Indirect GARVEE notes, which are backed by anticipated federal reimbursements for projects. On October 26, 2016, the TTFA issued $3.2 billion in Indirect GARVEE Notes, including a Series A consisting of $2.74 billion in Indirect GARVEE Notes and a Series B in the form of a $500 million bank loan. While the Indirect GARVEE Notes do not count against the statutory borrowing limit, they still need to be repaid. Repayment will be from future federal project reimbursements. This will mean that, in addition to the State project list, the State will be responsible for supporting a portion of the federal project list equal to the annual debt service on Indirect GARVEE notes.

The GARVEE note proceeds, and the availability of capital reserves funded by increased dedicated revenues, should provide sufficient resources for capital projects through FY 2018. The TTFA FY 2017 capital plan anticipated a $2 billion capital program, an infusion of revenues from both GARVEEs and increased State appropriations, and estimated project outlay of $1.36 billion. The TTFA could have a cash balance going into FY 2018 of about $2.44 billion, more than adequate to support the FY 2018 proposed capital program of $2 billion.

Background Paper: Transportation Trust Fund: Revised and Renewed (Cont'd)

The TTFA renewal creates a subaccount of the TTF for capital reserves. Any amount of constitutionally dedicated revenue that is left over after the payment of scheduled debt service and the appropriation of funds to the capital program may be deposited into the subaccount. Money in the subaccount is to be held in reserve as a means of ensuring the adequacy of funding to meet the future statutory needs of the TTFA, and may be transferred to the other subaccounts of the TTF or to the special transportation fund through appropriation by the Legislature for any statutory need of the TTFA.

There are many possibilities on how the FY 2017 – FY 2024 capital plan may be structured. The debt service on the Indirect GARVEE notes coupled with the reduction in the sales tax dedication means that a portion of the new revenues from the PPGRT increase will go toward debt service on existing debt and the Indirect GARVEE notes issued in FY 2017. Under a scenario where the authorized spending and bonding are undertaken in equal annual increments and fully utilized by FY 2024, the TTFA could accumulate capital reserves in excess of $2 billion, which would begin to decline in FY 2022 as the annual expenditures increase beyond the TTFA's annual funding sources.

Potential FY 2017 - FY 2024 Capital Plan

Funding Sources** (millions)								
FY	TTF bonds	GARVEE	MFT	Prior PPGRT	PPGRT Inc.	Sales Tax	NJ Tpk	Total
2017	0	$3,240	$562	$215	$725	$200	$12	$4,954
2018	$1,200	$0	$573	$215	$1,242	$200	$12	$3,442
2019	$1,800	$0	$573	$215	$1,242	$200	$12	$4,042
2020	$1,800	$0	$573	$215	$1,242	$200	$12	$4,042
2021	$1,800	$0	$573	$215	$1,242	$200	$12	$4,042
2022	$1,800	$0	$573	$215	$1,242	$200	$12	$4,042
2023	$1,800	$0	$573	$215	$1,242	$200	$12	$4,042
2024	$1,800	$0	$573	$215	$1,242	$200	$12	$4,042
Total	**$12,000**	**$3,240**	**$4,573**	**$1,720**	**$9,419**	**$1,600**	**$96**	**$32,648**

	Expenditures (millions)						Capital Reserves	
FY	Projects	Existing Debt	New Debt*	GARVEE	Tot. Debt Serv.	Total Exp.	Surplus	Reserves
2017	$2,000	$1,294	$0	$0	$1,294	$3,294	$1,660	$1,660
2018	$2,000	$1,326	$0	$0	$1,326	$3,326	$116	$1,776
2019	$2,000	$1,328	$78	$338	$1,744	$3,744	$298	$2,074
2020	$2,000	$1,389	$195	$338	$1,922	$3,922	$120	$2,194
2021	$2,000	$1,390	$312	$338	$2,040	$4,040	$2	$2,196
2022	$2,000	$1,397	$429	$338	$2,164	$4,164	-$122	$2,074
2023	$2,000	$1,383	$546	$338	$2,267	$4,267	-$225	$1,849
2024	$2,000	$1,383	$663	$338	$2,384	$4,384	-$342	$1,507
Total	**$16,000**	**$10,890**	**$2,223**	**$2,028**	**$15,141**	**$31,141**		

*Assumes an interest rate of roughly 5% over a 31-year term and incorporates debt service into the subsequent fiscal year

**Does not incorporate potential grow th in revenues of the Motor Fuels Tax or PPGRT

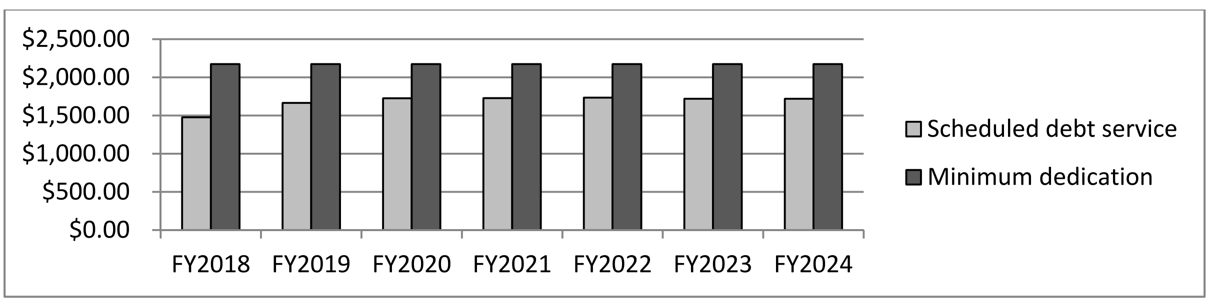
Background Paper: Transportation Trust Fund: Revised and Renewed (Cont'd)

Funding Sources

Revenue

On October 14, 2016, the State increased the taxes imposed under the petroleum products gross receipts (PPGR) tax, consisting of three major components: (1) an increase in the tax rate on motor fuels by 12.85 percent with a phase-in of the diesel component; (2) increasing the tax on non-motor fuels subject to the PPGRT from 2.75% to 7%; and (3) an increase in the tax on diesel fuels by 4 cents per gallon in FY 2018 and beyond. For FY 2017, it is estimated that the PPGR tax will produce $939 million in State revenue, an increase of nearly $725 million compared to the collections from FY 2016. Of that, $416 million is estimated to be deposited into the TTF's subaccount for capital reserves, with the remainder going to debt service. For FY 2018, it is estimated that the PPGR tax will produce about $1.46 billion in State revenue. Of that, $927 million is estimated to be deposited into the TTF's subaccount for capital reserves, with the remainder going to debt service.

The new revenue from the increase in the PPGR tax and the increase in the constitutional dedication of the motor fuels tax is in addition to the existing minimum constitutional dedication to the State transportation system, derived from the motor fuels tax, the PPGR tax, and the sales and use tax. There is a minimum constitutional dedication of $200 million from the State's sales and use tax. Although $546 million was initially appropriated in FY 2017, the language in the FY 2017 budget automatically reduces the sales and use tax appropriation for debt service if it is not needed. This has resulted in the use of $346 million in new PPGR tax revenue to fund existing debt service payments. The FY 2018 budget proposes to include the minimum constitutional dedication of $200 million from the sales and use tax to the TTF.



($$$ in millions)

Note: This table assumes $573 million in motor fuels tax revenue, $200 million in sales tax revenue, and $1.46 billion in PPGR tax revenue, which is the amount estimated by the executive branch for FY 2018. The table also assumes 0% growth in any of those revenue sources and does not assume the issuance of any bonds by the TTFA.

Bonding Authority and Debt Service

As observed above, the TTFA issued two series of Indirect GARVEE notes totaling $3.24 billion in order to fund the transportation capital program for FY 2017 and FY 2018. The A series were $2.74 billion notes pledging future federal highway grant reimbursements in repayment. The B series was in effect a $500 million private bank loan with Bank of America, which was also secured by pledging future federal highway grant reimbursements. The Indirect GARVEE notes are not considered to count against the TTFA's $12 billion bonding cap. Accordingly, the TTFA retains $12 billion in bonding authority for FY 2017 through FY 2024. However, the

Background Paper: Transportation Trust Fund: Revised and Renewed (Cont'd)

State will be responsible for supporting a portion of the federal project list equal to the annual debt service on the Indirect GARVEE notes. In contrast to Direct GARVEEs, where federal funds cover principal and interest, Indirect GARVEE notes are not eligible for that coverage, meaning the State will only receive federal reimbursement for project expenditures, not financing costs.

Currently, the TTFA owes approximately $1.3 billion per year for debt service on existing bonds over the course of FY 2017 through FY 2024, exclusive of debt service for the Indirect GARVEEs. About $94 million in debt service payments in FY 2017 and $151 million on debt service payments in FY 2018 on the Indirect GARVEE notes are being paid with the proceeds of the notes. Thereafter, the TTFA is scheduled to pay $337.6 million per year from FY 2019 through FY 2031 for debt service on those notes. In total, the TTFA will pay back approximately $4.7 billion on the Indirect GARVEEs.

As a result, debt service payments for the TTFA will, at minimum, exceed $1.6 billion for FY 2019 through FY 2024. The issuance of additional transportation bonds pursuant to the authority provided by the renewal legislation will further increase the annual debt service payment. For example, under the scenario illustrated above, additional annual TTFA debt service would be expected to reach $663 million per year by FY 2024, for a total of nearly $2.4 billion per year.

Debt service (millions of $$$)	**FY2017**	**FY2018**	**FY2019**	**FY2020**	**FY2021**	**FY2022**	**FY2023**	**FY2024**
State contract	1226.8	1226.1	1242.4	1303.3	1305.0	1311.3	1297.0	1296.8
NJT/EDA	52.0	85.4	85.4	85.4	85.4	85.4	86.1	86.1
Direct GARVEE	14.9	14.9	0	0	0	0	0	0
Indirect GARVEE	93.7	151.1	337.6	337.6	337.6	337.6	337.6	337.6
Total	1387.4	1477.5	1665.4	1726.3	1728.0	1734.3	1720.7	1720.5

*Note: The above debt service schedule does not factor in any debt that may be issued pursuant to the TTFA's bonding authority of $12 billion from FY 2017 through FY 2024.

Local Aid and the State Infrastructure Bank

Minimum appropriation for local aid

The TTFA renewal legislation requires a minimum annual appropriation of $400 million to be used as aid to local governments for transportation projects. The amount appropriated is divided among local purposes: 37.5 percent for municipal aid; 37.5 percent for the Local County Aid Program (LCAP); 7 percent for the Local Aid Infrastructure Fund (LAIF); 7 percent for the Local Freight Impact Fund (LFIF); and 11 percent for the Local Bridges Fund (LBF). Each appropriation represents an increase in funding from the FY 2017 Appropriations Law, which in total appropriated $190 million in State capital funds for local aid.

Background Paper: Transportation Trust Fund: Revised and Renewed (Cont'd)

The allocation of aid dedicated as municipal aid is based on a distribution factor which is calculated by combining the ratio of county population size to the State's population size with the ratio of the municipal road mileage within the county to the municipal road mileage within the State. This formula establishes the size of the grant pool in each county which is then granted to municipalities on a competitive basis. Following the allocation of aid using the distribution factor, the Commissioner of Transportation determines the priority for funding municipal projects based on the volume of traffic, safety considerations, growth potential, readiness to obligate funds, and local taxing capacity. The LCAP uses a similar distribution factor for county aid.

Based on the statutorily established $400 million appropriation, the table below provides the projected annual funding under the TTFA renewal compared to the funding provided in the FY 2017 Appropriations Law:

	Municipal Aid	**LCAP**	**LAIF**	**LFIF**	**LBF**
TTFA Reauthorization	$150,000,000	$150,000,000	$28,000,000	$28,000,000	$44,000,000
FY 2017 Approp. Law	$78,750,000	$78,750,000	$7,500,000	N/A	$25,000,000

State Infrastructure Bank

The TTFA renewal legislation renames the New Jersey Environmental Infrastructure Trust as the New Jersey Infrastructure Bank (NJIB) and establishes a fund in the NJIB to be known as the State Transportation Infrastructure Bank Fund (STIB Fund). Establishment of the NJIB program is required by federal law as a depository for federal transportation infrastructure bank monies. The federal program allows states to enter into agreements to loan or use money in the STIB Fund to provide financial assistance to public or private entities for the planning, acquisition, engineering, construction, reconstruction, repair, and rehabilitation of a transportation project. The STIB Fund may be credited with State and federal funds appropriated to the fund, monetary donations, any monies received as repayment on loans, interest earnings, or any other money that the Legislature appropriates to the NJIB for deposit into the STIB Fund.

Pursuant to the federal infrastructure bank program, states must match the federal funds used to capitalize a state infrastructure bank on an 80/20 federal/non-federal basis, with certain exceptions. The federal program was established to give states the capacity to more efficiently use transportation funds and to allow for significant leverage of federal resources by attracting investment in transportation projects. Under the different iterations of the federal infrastructure bank, 33 states have received a total of $678 million in federal funds since 1995. As of May 2016, those states have been able to leverage that federal funding into $8.7 billion in total loans. Of that amount, $4.8 billion has been disbursed and the remaining $3.9 billion is committed.

Although the establishment of the NJIB provides the State with greater flexibility in financing transportation projects, how the NJIB will be utilized is yet to be determined. The TTFA renewal requires that, for FY 2017, any amount in excess of $7,500,000 appropriated to the LAIF to be deposited into the STIB Fund, which has not yet occurred. The NJIB remains inoperative until an appropriation is made to capitalize the bank. Once capitalized, the State has discretion on how to use monies in the fund.

Background Paper: Transportation Trust Fund: Revised and Renewed (Cont'd)

Other Provisions

Minimum appropriation for freight rail
The TTFA renewal requires a minimum annual appropriation of $25 million out of the revenue and other funds of the TTFA for the design, construction, reconstruction, rehabilitation, land acquisition, and environmental mitigation of freight rail projects that are significant to port commerce connectivity, eliminate missing links to port facilities, or upgrade freight rail tracks to a 286,000 pound load carrying capacity, inclusive of funding through the State Rail Freight Assistance Program (SRFAP). From FY 2012 through FY 2014, $10 million was appropriated each year for the SRFAP. From FY 2015 through FY 2017, State funding for SRFAP equaled $8 million annually.

Transportation Policy Review Board
The Financial Policy Review Board has been reconstituted as the Transportation Policy Review Board, expanding the jurisdiction of the board. Each member is required to have a professional background in passenger rail service, freight rail management, transportation capital planning, construction, or finance, or federal or State transportation policy. The board's purpose is expanded to analyze the cost effectiveness of the capital program, research best practices in the areas of transportation construction, planning, finance, and engineering, and to provide recommendations to the Legislature. In line with the establishment of the Annual Transportation Capital Program Approval Committee, the establishment of the Transportation Policy Review Board provides greater legislative involvement in the State's transportation capital program.

Other
The TTFA renewal also: statutorily dedicates all PPGR tax revenue to the TTF, mirroring the language of the constitutional amendment; requires the creation of a website to provide active monitoring of TTFA projects to be reported at least monthly and to note any project delays or cost increases; requires the State to adopt the standards for the federal disadvantaged business enterprise program for State projects; and requires all contracts to have a mandatory equal employment opportunity and affirmative action provision, requiring a good faith effort to hire minority and female job applicants.

OFFICE OF LEGISLATIVE SERVICES

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

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

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

Individuals wishing information and committee schedules on the FY 2018 budget are encouraged to contact:

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