Discussion Points

Department of Transportation

A. RECENTLY ENACTED LEGISLATION

1. P.L.2016, c.56 provided for the establishment of a Transportation Infrastructure Bank to be administered by the New Jersey Infrastructure Bank (formerly New Jersey Environmental Infrastructure Trust). Funding for the bank is being made currently via appropriations from the Local Aid Infrastructure Fund. The FY 2020 project priority report was provided in March 2019. The FY 2020 project priority list includes 25 projects totaling nearly $150 million. The FY 2019 3rd amended project priority list identifies 17 projects totaling about $55 million, with $2.5 million of that amount committed, and $29 million of that amount allocated, and none of the FY 2019 projects under construction yet.

<u>*Question:*</u> *Please comment generally on the terms of the FY 2019 loans that have been finalized.*

Response: Since receiving its first round of appropriations in May 2018, the I-Bank has closed four short-term construction loans totaling $25.835 million. In addition, NJDOT and I-Bank staff have allocated the majority of the remaining $18 million in available appropriation funds to six other projects. While short-term loans facilitate certain planning and design costs, all projects must proceed to construction within one year of loan closing. Of the four closed loans, three projects are expected to begin construction before June 30, 2019. Of the six projects to which the remaining funds have been allocated, all are expected to close loans by June 30, 2019. All ten loans are expected to be under construction by the end of the calendar year.

Short-term construction loans are generally limited to five years and are rolled into long-term loans for borrowers upon completion of their construction projects. Effective interest rates are generally 50% of the I-Bank's cost of capital and charged only on funds drawn creating a more efficient cost of borrowing for recipients.

<u>*Question:*</u> *How have the terms of these loans (interest rate, repayment terms, credit standards) compared to other credit market alternatives that were available to applicants?*

Response: As the I-Bank sets up financing programs in partnership with State Agencies such as NJDOT, it recognizes that unless the resulting financial offering is in some way cheaper, easier or more optimal than market alternatives, the programs will have limited value and applicability. The dual loan offering that rolls a short-term loan into long-term financing at the completion of construction for the exact cost of the project with effective interest rates that approximate 50% of the I-Bank's market rate provides borrowers with the cheapest source of funds and the most flexibility. By marrying the familiar

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practices of both the NJDOT Local Aid programs and the NJDEP Water Bank, working with the Transportation Bank has been a relatively smooth process for the first 10 participants in the Program. The mix of these 10 recipients speaks to the broad access of the Program as it includes large counties as well as small towns located throughout the State.

Question: *Have State Infrastructure Bank costs to manage the Transportation Infrastructure Bank Fund been in line with department expectations?*

Response: Understanding that administrative fees earned from loans in the start-up phase of the Transportation Bank will be unusually low the I-Bank has conservatively managed its FTE count rollout and other expenses. As a result, the I-Bank's administrative expenses are expected to come in at approximately 70% of the budget amount for the first full year of its operations.

Question: *What is the department's perspective concerning awareness of the program? Have any private construction partners of New Jersey Transit (NJT) or one of the transportation authorities inquired about loan funding from the bank?*

Response: The I-Bank has had discussions with NJ Transit's CFO and its Director of Capital Planning regarding a possible banking relationship. There are several issues that require consideration including NJ Transit's ability to qualify by definition as a Transportation Bank borrower.

Question: *Is the current size of the loan program sufficient, given the interest that has been shown?*

Response: The annual appropriation of $22.6 million has been sufficient to initialize the Transportation Bank in its first two years.

Question: *Are there any areas of transportation infrastructure that are not currently eligible for loan funding in which an interest has been shown?)*

Response: To ensure the Transportation Bank is established quickly and efficiently, I-Bank and NJDOT staff have stressed the need for project applications that are simple in scope and that fall squarely within the Statute's definition of "Public Highway" project. For this reason, the I-Bank has avoided demand from areas of transportation infrastructure that are not currently eligible for program financing. Additional areas of transportation infrastructure would be eligible under the TTFA's broader definition of "Public Transportation Project".

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Question: *Please identify the change in the amount of investment in local transportation projects that will result from the support of local transportation projects through infrastructure bank loans rather than through the use of the same funds as direct grants, based on application and loan activity in the first two years.*

Response: The I-Bank received $45.2 million in appropriations in its first two years. After accounting for administrative expenses, the I-Bank expects to leverage $43 million in appropriated funds with additional private investment funds totaling between $40 million and $130 million, bringing the expected total investment in transportation projects to between $83 and $173 million. These funds are given out at discounted interest rates that save local communities approximately 25% of their project costs over a 30-year loan term allowing for additional infrastructure investment. The true benefit of the Transportation Bank loan program is the recycling of the repayment dollars into perpetuity creating a sustainable loan program for the State that results in far greater infrastructure investment over time.

2. P.L.2019, c.32 established several multiyear schedules for gradually raising the State minimum wage from currently $8.85 per hour to not less than $15.00 per hour. The increase may affect department staff, third parties that provide services to or on behalf of the department, and programs with means-tested eligibility criteria.

In FY 2020, the general State minimum wage will rise as follows: 1) on July 1, 2019 to $10.00 per hour; and 2) on January 1, 2020, to not less than $11.00 per hour. The general minimum wage schedule will increase to at least $12 per hour on January 1, 2021; $13 per hour on January 1, 2022; $14 per hour on January 1, 2023; and $15 per hour on January 1, 2024.

Question: *Please quantify the fiscal impact to the department in FY 2020 of the increases in the minimum wage of department employees from $8.85 to $10 per hour on July 1, 2019 and from $10 to $11 per hour on January 1, 2020, and the number of employees who will be impacted by each increase. Relative to current compensation levels, please provide the same information assuming an hourly minimum wage of $12, $13, $14, and $15***.**

Response: The prospective increase to New Jersey's minimum wage would have an eventual impact on NJDOT's recently established Highway Operations and Facilities Re-Entry Work Initiative. This program, a collaborative effort between the New Jersey Department of Transportation (NJDOT), the New Jersey State Parole Board (NJSPB) and the re-entry community places offenders under the supervision of the NJSPB, into hourly positions to perform general highway and building maintenance activities. These individuals are currently compensated at a rate of $12 per hour therefore the increases set for July 2019 and January

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2020 would not have an immediate impact. The cost of the program would increase from $1.2 million to $1.5 million by 2024.

The Department employs one Temporary Services Employee who makes less than the $15 hourly minimum wage. All full-time employees earn above the new minimum wage schedule, and will remain above the hourly minimum wage as a result of negotiated cost of living increases.

<u>Question:</u> *Please quantify the fiscal impact to the department in FY 2020 of the increases in the minimum wage of employees of third parties that provide services either to the department, including temporary employment services, or on behalf of the department according to contractual agreements. Relative to current compensation levels, please provide the same information assuming an hourly minimum wage of $12, $13, $14, and $15.*

Response: NJDOT contract awards require that contractors pay their respective employees in accordance with the prevailing wage rates established and governed by the New Jersey Department of Labor and Workforce Development. The prevailing wage rates are higher than the increased minimum wage hourly rates. Therefore, raising the minimum wage hourly rate to any of these levels will not impact NJDOT.

Temporary employee rates from the State contract M2001 awarded by the Department of the Treasury, Division of Purchase and Property, lock in the current hourly rates through February 1, 2020. This contract only covers defined Administrative and Medical categories, there are only a few trade titles and no construction positions, which would be covered under prevailing wage rates. The Department does not employ a large number of employees from temporary employment services; therefore, increases in the minimum wage hourly rate after 2020 will have a minor impact on costs.

3. P.L.2018, c.90, permits certain government entities to enter into public-private partnership (P3) agreements for certain building and highway infrastructure projects. The law permits the department to enter into P3 agreements, including but not limited to, design-build, lease, and leaseback agreements. Highway projects are limited to projects with an expenditure of $100 million or more, with no more than eight projects active at one time. The law also provides that projects with a transportation component or impact on transportation infrastructure be submitted to the State Treasurer in consultation with the Commissioner of Transportation for review and approval. All completed applications for State P3 agreements are also subject to review and approval of the State Treasurer in consultation with the Economic Development Authority.

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<u>Question:</u> *What steps have been taken to establish a framework for the department to determine which projects it would like to pursue as P3 agreements, and to standardize a process for developing projects under a P3 structure?*

Response: The NJDOT does not have projects large enough in its current Capital Program that are conducive to P3's.

<u>Question:</u> *When is it expected that the department will identify its first P3 projects? What forms of P3 agreements are most likely to be utilized for department projects? Has the department determined the degree to which it intends to utilize these agreements in the future?*

Response: See above response.

<u>Question:</u> *Please discuss the provisions of P.L.2018, c.90 as they relate to the needs of the department. Does this law provide authorization for all of the P3 contracting powers that the department views as necessary to complete projects most efficiently? Please identify any types of agreements and types of infrastructure projects the department would like to pursue through P3 agreements that it is unable to under current statutory authorization.*

Response: P.L.2018, c. 90 Section 3(a) does not provide the Department of Transportation with the authorization to bundle highway projects that are geographically proximate and of similar size or design, of which the bundling would save money and time. The definitions of "Building project" and "Highway project" as provided for in N.J.S.A. 52:34-26 are under review to ensure that the Department of Transportation has the authority to enter into P3 agreements for infrastructure projects that would advance transportation technology projects such as autonomous and connected vehicles.

B. STAFFING

4. Responses to previous OLS discussion points noted that the department has been regularly hiring new staff in order to address a high rate of attrition due to retirements. The goal of that hiring has been to exceed to current attrition rate due to two major factors: a failure to fully replace prior retirements in the wake of the last recession due to budget pressures, and an internal effort to conduct more structural evaluation and project design work with in-house staff rather than consultants to reduce costs. It was noted in response to FY 2019 OLS discussion points that there is a 50% cost savings for in-house inspection relative to contractors.

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<u>Question:</u> *Please identify the number of non-clerical positions that are vacant at present due to retirement that the department is preparing to fill through new hiring. What is the average years of experience of individuals hired in the past 18 months to fill non-clerical positions vacated through retirement? Given the generational knowledge being lost through this attrition, have an equivalent number of new hires been able to replace the lost staff productivity?*

Response: **As of May 2, 2019 the Department has 80 vacant positions as a result of employee retirement. For the most part, these positions are not at the entry-level and are, therefore, subject to Civil Service promotional rules. As such, in all likelihood, they will be filled by candidates already working within NJDOT/NJ State government and not through new hire. Instead, the eventual new hire will result at the entry level, after the promotional action(s) have been satisfied.**

The average appointee coming into the NJDOT over the course of the last 18 months, brings 3+ years of experience in the field into which he/she is being appointed. Many within this group have additional, non-related experience, of up to 15 years. In this same time period, individuals appointed promotionally into positions vacated by retirement, possess on average, about 12 years of related experience. It is through this latter group that we are making efforts to bridge the generational knowledge loss being experienced through retirement attrition.

Although NJDOT's hiring rate has been keeping up with attrition, between January and March 2019 the Department had a net gain of 43 positions. We expect this gain to continue through the spring as a result of the hiring of this year's college graduates into non-clerical titles.

<u>Question:</u> *What is the amount of cost savings for utilizing in-house staff for project design relative to contractors? Does the department have a process for evaluating the cost of internal business functions and comparing those costs to contract or outsourced alternatives? If so, please describe that process and how frequently the department engages in that process.*

Response: **Based on an analysis, design work is most efficiently performed by State forces. The cost for a typical consultant to design a project is approximately 17% higher than the fully allocated cost of using in-house staff. However, the impact of hiring Civil Engineer Trainees (CETs) in Design is not immediate, as it can take up to 5 years of training due to a steep learning curve. Unfortunately the Department's effort to bring in CETs is being thwarted by a separation rate that often exceeds the hiring rate. As more experienced employees leave the Department, the time frame to train new employees' increases. The**

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Department has performed studies which evaluated various capital project related functions (design, bridge inspection and construction inspection) to determine whether it is more cost efficient to perform the function with in-house staff versus the hiring of consultants. These studies are updated as needed but not on a regular basis.

5. General Provision #89 of the FY 2019 Appropriations Act authorizes State agencies to obtain employment and income information from third-party commercial consumer reporting agencies for the purpose of obtaining real-time employment and income information to help determine program eligibility. The intent of the general provision is to achieve cost savings, improve timeliness, and minimize fraud.

Question: *Please describe the extent to which the department uses the services of third-party commercial consumer reporting agencies for the purpose of obtaining real-time employment and income information to help determine program eligibility. What cost savings does the department attribute to the use of commercial consumer reporting agencies in the eligibility determination process? If the department does not use such services, please provide the reason(s) for not doing so.*

Response: The NJDOT Division of Procurement does not use the services of any third party commercial consumer reporting agencies.

C. APPROPRIATION LEVELS AND LANGUAGE

6. N.J.S.A.27:1B-21 set a limit of 13% for fiscal years 2007 through 2016 on TTFA funds used for salary and overhead, and sets that limit at $208 million per year for FY 2017 and beyond. However, language in the FY 2020 Governor's Budget provides that appropriations from TTFA revenues for salary and overhead costs shall not be subject to any limitation. In response to FY 2019 OLS discussion points, the department noted that this language has been proposed in recent years so that in-house staff can work on capital-eligible tasks while the department considers the original intent of the salary and overhead limitation to limit charges for program support, rather than constraining capital-eligible functions.

Question: *Please provide the amount expended in FY 2018 and an estimate of FY 2019 and FY 2020 expenditures from capital program appropriations for DOT salary and overhead.*

Response: In FY 2018, NJDOT expended $85.5 million from the amount programmed in the TTF in that year for salary and overhead costs. In the FY 2019 Appropriations Act, a total of $104.04 million was budgeted in the line labeled "Program Implementation Costs". The corresponding amount recommended in the FY 2020 Governor's Budget Message is also $104.04 million. This entire amount is budgeted for salaries and overhead as the TTFA beginning in FY 2020 will be

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the source of funding for the remainder of the Lincoln Tunnel Access Project(s) replacing the Port Authority of NYNJ as a funding source.

<u>*Question:*</u> *Please identify all capital line items for FY 2019 and 2020 which include funding for salary and overhead and the portion of the line item attributable to salary and overhead. Also please distinguish between capital-eligible and program support salary and overhead expenditures in this breakdown.*

Response: In NJDOT's budget, the entire allocation that is set aside for salary and overhead charges is reflected in the line labelled "Program Implementation Costs". Of the $104 million programmed in FY 2019, the entire amount is budgeted for salaries and overhead.

Employee salary for "force account" (i.e., capital-eligible) work is drawn from four TTF Capital Program line items based on timesheet charges. These line items and the maximum amounts allocated for salary in FY 2019 are as follows:

- **$.6 million Drainage Rehabilitation and Maintenance**
- **$5.2 million Electrical Facilities (repair, replacement, installation)**
- **$3.3 million Traffic Signal Replacement**
- **$ .1 million Betterments, Roadway Preservation**

<u>*Question:*</u> *Given the department's explanation that this language is necessary to avoid a limitation on capital-eligible functions, should the language be revised to specifically exempt capital-eligible work from any limit, and maintain the statutory cap on all other salary and overhead expenses? What impact would that revision have on department salary and operating resources? Does the term "force account" add clarity to defining work the department seeks to exempt from the statutory limitations on salary and overhead?*

Response: The language in the Governor's proposed budget is sufficient and has been used to exempt all force account work from the current $208 million statutory cap on all DOT/NJ TRANSIT salary and overhead costs.

7. The FY 2020 Governor's Budget projects an FY 2019 $55 million supplemental appropriation for snow removal. Given the timing of the budget cycle, there is a late winter period with potential snow events, the impact of which might not be reflected in the amount of supplemental funding.

The department and the New Jersey Turnpike Authority (NJTA) both attempt to cover the plowing component of winter operations fully through outside contractors, while the South Jersey Transportation Authority (SJTA) primarily relies upon its own staff and equipment. For overall winter operations each entity deploys a number of strategies to manage snow events: contracted service with private equipment and personnel, agency workforce using agency equipment; and a winter

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operations support team consisting of current and retired State employees utilizing department equipment to provide supplemental coverage for supplemental pay.

Question: *Have snow events and winter weather conditions since the budget was proposed caused the department to revise winter operations cost projections and the amount of supplemental appropriations needed for FY 2019? If so, what is the revised cost projection and funding need?*

Response: The Department continued to incur FY 2019 winter weather costs after the budget was proposed. The revised cost projection for the supplemental appropriation is $81.6 million.

Question: *Please provide a comparison of costs for the work performed through the Winter Operations Support Team (WOST), for comparable work done internally or externally through contracts for the department, NJTA, and SJTA. If the WOST program provides cost savings, what is the limiting factor in expanding this program within the department and to the NJTA and SJTA?*

Response: Below is the requested cost comparison. On a per hour basis there would be a cost savings if this work was performed by department staff. However, there are several significant limiting factors which prevent the NJDOT from expanding the program.

NJDOT	WOST Participant		Contractor
Hourly Labor Cost	$47.84 OT Rate		$198.00
Equipment Utilization Cost	$64.82		N/A
Total Cost	$112.66		$198.00

The NJDOT augments its full-time maintenance forces through utilizing the Winter Operations Support Team (WOST) program. Eligible participants include NJDOT employees not within weather essential positions, employees at other state agencies and retirees from state government. These individuals receive training to obtain a Commercial Driver's License (CDL) and operate Department issued plows/spreaders or serve in other support roles. One limiting factor is the availability of WOST participants. As a "volunteer" program other agency employees are precluded from working during their normal workday. In addition, as a "volunteer" program there are instances when these individuals would be unable to report. An over reliance on WOST participation could negatively impact NJDOT's winter storm response and jeopardize public safety. An additional limiting factor is the availability of resources. Approximately 78% (1,938) of the plow and spreading trucks are

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contractor supplied. Any expansion of the WOST program beyond its current levels would require a significant capital investment in order to expand the Department's fleet and to house a fleet expansion of this size, an increase in the Department's FTE count in order to hire employees to operate this equipment, and then determine how to utilize these resources at other times of year.

The NJTA employs a similar strategy to the NJDOT/ WOST program. The Snow Operations Support Team (SOST) program allows full-time/permanent employees to enter into an agreement for the positions of clerk, snow plow/spreader truck driver (Relief or Augmentation Driver) or plow team representative (Snow Rep). SOST is a volunteer program using existing Authority staff to supplement the Maintenance Department when conditions warrant. This approach provides relief for staff when necessary to sustain extended operations. Ideally, trucks are operated at a 3:2 ratio of drivers to trucks. This ratio requires less staff compared to the WOST program which provides for a 2:1 ratio of drivers to trucks. The NJTA program uses 3 drivers for every 2 trucks, rotating every 4 hours to with relief time built-in to maintain 2 trucks in continuous operation as necessary. We believe, the NJDOT program uses a combination of current and WOST staff to operate the trucks over 2 twelve (12) hour shifts or 2:1. The WOST program may provide cost savings with respect to overtime costs but further evaluation is required. Limiting factors include labor agreements, multiple scheduled shifts, etc.

NJTA	**MP 1**	**SOST Participant**	**Contractor**
Hourly Labor Cost (OT)	55.98	55.98 **	N/A
Equipment Utilization Cost	105.50*	105.50*	319.00***
Total Cost	161.48	161.48	319.00

*FEMA 2017 equipment rate for Tandem Dump with Plow and 14 CY Spreader
** Hourly rate is variable based on individual employee current rate of pay
***Average rate for 55,000 GVWR Tandem (or triaxle) with Plow and 14 CY Spreader. Includes all costs, labor, fuel, repairs, etc.)

Drawing comparisons between sister transportation agencies is limited. There are differences in approach, resources available, contractual obligations, level of service and expectations, are obvious differences that influence costs. A WOST program using retired employees is not comparable with a SOST program using active duty employees at differing rates of compensation, and contractual requirement.

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SJTA	WOST Participant		Contractor
Hourly Labor Cost	$47.78		$225.00
Equipment Utilization Cost	$83.33		N/A
Total Cost	$131.11		$225.00

Approximately 75% of SJTA's snow operations expenses occur from internal labor and materials. All operations personnel are utilized for winter weather conditions. Contractors are engaged primarily when equipment requirements exceed the Authority's fleet. To eliminate contractors entirely, SJTA would have to acquire more than $2.3 million in capital equipment.

Question: *Why does the department and NJTA seek to cover the entire state with outside contractors for plowing? Given traffic volumes, density, proximity to department and NJTA maintenance yards, and other factors, why doesn't the department and NJTA use its own workforce and equipment for plowing in areas where it would be more cost effective than outside contracts?*

Response: In addition to the limiting factors addressed above, the Department seeks to cover all mainline roadways with plowing contractors and utilizes in-house forces for plowing ramps, access roads and other small sections of roadway. In addition, the Department utilizes spreading contractors to supplement in-house forces for spreading on all roadways under state jurisdiction.

The NJTA has equipment and staff in place to manage the majority of winter events. This includes salting along 300 planned routes along the Parkway and Turnpike roadways and represents 2/3 of the winter events. The remaining 1/3 require supplemental resources to clear heavy accumulations of snow. The NJTA provides the plows and spreaders to the contractors. This arrangement provides the best balance of permanent staff, acquisition and maintenance of vehicles and equipment to manage an unpredictable number of winter events that might exceed NJTA workforce and equipment capabilities.

Question: *Since as noted in response to an OLS FY 2019 discussion point the NJTA receives only one bid for plowing in many winter operations zones due to the volume and equipment needs in its contract specifications, are there changes to the equipment needs, geographic area, or scope of activity included in single bid contracts that would create a more competitive bidding environment for the same total level of weather coverage?*

Response: The NJTA instituted a new strategy for snow and ice control contracts beginning in 2016. Previously, larger numbers of equipment were bid as a single contract, then divided into smaller operational teams on preplanned routes. This approach resulted in a smaller number of contracts overall, with advantages to contractors with larger fleets. Since 2016, new contracts are bid

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according to the preplanned route. This approach opened bidding to contractors with small fleets (as few as 4 trucks) and increased competition. Additionally, the Authority has increased the numbers of plows and other equipment provided to successful contractors. While managing this additional equipment is challenging, smaller vendors can compete without the added burden of acquiring expensive plows and/or salt spreaders. In several instances where no bid, or a single bid was received, the route was not awarded or was re-bid. Single bid contracts are most often loader contracts for snow removal at toll plaza facilities. This equipment has an across the board cap with annual CPI adjustments. With a few exceptions, the single bid locations have not resulted in higher than average rates. Bid prices are trending down and in many cases, long-term contractors have been under-bid with routes awarded to smaller competitors. The NJTA advertises contracts annually with rotating 3-year terms and (2) one-year extensions. Accordingly, the new strategy continues to be implemented but average blended rates (standby and operating) remain steady.

8. Newly recommended language (budget page D-365) would authorize the commissioner to reallocate any balances rescinded from county and municipal projects funded by the Transportation Trust Fund to other transportation projects. This would override N.J.S.A.27:1b-25.1, which in effect allows reallocation of unspent municipal and county aid funds only to other county or municipal projects.

Question: *Please explain the justification for this recommended change in policy. What amount of rescinded county and municipal project balances would be subject to reallocation as of July 1, 2019 if this language provision were to be approved? Are these balances a symptom of a larger problem in the local aid system that the Legislature should be aware of?*

Response: **Existing regulations authorize the rescindment of TTF-Local Aid funds if they are not contracted/obligated within a set period of time from the date of grant notification, namely 3 years for counties and 2 years for municipalities. NJDOT is not authorized to reallocate to any project. Rather, the current statute requires the funds to be shifted back to Local Aid. When The New Jersey Transportation Trust Fund Authority Act of 1984 was amended and supplemented in 2016 as P.L.2016, c. 56, Local Aid program funding was doubled. New spending patterns have not been established based on the increased funding. The budget language would provide the Commissioner with the discretion to repurpose these rescinded funds for a transportation project on the State Highway System. By allowing these funds to be reallocated to other transportation projects, NJDOT could advance key projects that await funding, providing a positive impact on bridge and pavement condition and an**

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important degree of operational flexibility. As of April 2019, $20.8 million is available for reallocation.

Municipal Aid balances are primarily the result of low bids, high engineer estimates, remaining balances at the time of project close-out, and projects that are withdrawn due to various impediments. Within recent history (FY 2015, FY 2016), Municipal Aid program performance reflects at least 95% construction contract awards within the 2-year allotted timeframe. FY 2017 has not approached the 2-year mark. New spending patterns have not been established based on the increased funding for FY 2018 and FY 2019.

D. DEPARTMENT ACTIVITIES

9. According to a recent press article, a DOT purchasing agent recently pled guilty to charges relating to bypassing competitive bidding requirements by splitting orders for identical items into orders of less than $1,000, the threshold for competitive bids, and then purchasing those items from a personal friend at a higher price than was available elsewhere. While the purchasing agent was prosecuted, the vendor faced no charges and is able to continue to do business with state entities.

<u>Question:</u> *What internal controls or procedures are in place to ensure compliance with state law for purchases of less than $1,000 by employees?*

Response: The Department of Transportation's policy & procedure for, "<u>Purchasing, Receiving and Payment – Equipment, Materials, Supplies and Services</u>," states that all purchases of equipment, materials, supplies and services must be in accordance with applicable Treasury, Division of Purchase and Property procedures, guidelines and circulars. Sufficient funds must be available in the proper account before initiating any purchases. The NJDOT Procurement Division's management team routinely conducts spot audits of all transactions. Additionally, audits are performed by the NJDOT Inspector General, as well as the Office of Legislative Services. Finally, NJDOT Office of Inspector General investigates activities related to fraud, waste and abuse. NJDOT OIG may refer such activities to local law enforcement and/or Division of Criminal Justice for their handling and prosecution of any employee engaged in any fraudulent activities, which not only punishes the individual for his or her illegal action, but also serves as a deterrent to others. The case in point was identified by the NJDOT Office of Inspector General's staff as a result of their investigative and auditing work.

<u>Question:</u> *What internal controls are in place to ensure the lowest responsible price is paid for purchases of less than $1,000?*

Response: See above response.

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<u>Question:</u> *What constitutes a conflict of interest for purchasing agents and vendors under department rules regarding purchasing goods and services through both competitive and non-competitive procedures?*

Response: The NJDOT and its Division of Procurement fall under the State Ethics Commission, which promulgated the New Jersey Code of Ethics and enforces the New Jersey Conflict of Interest Law. All NJDOT Procurement employees receive routine training on conflicts of interest and are reminded regularly about the code of ethics. Additionally, vendors receive and sign the State of New Jersey, Department of the Treasury, Division of Purchase and Property, <u>Standard Terms and Conditions</u> that contains Section 2.8, Standards Prohibiting Conflicts of Interest.

<u>Question:</u> *Are the rules adequate to prevent collusion and excessive spending?*

Response: The New Jersey Code of Ethics and the New Jersey Conflict of Interest Law, in conjunction with the Department of Transportation's policy and procedure for, "<u>Purchasing, Receiving and Payment – Equipment, Materials, Supplies and Services</u>," provide adequate rules to prevent collusion.

<u>Question</u>**:** *Does the department have the authority to suspend or disqualify vendors involved in cases like the one cited above?*

Response: The authority to suspend or disqualify vendors involving the purchase of equipment, materials, supplies and services not related to transportation design and construction generally rests with the Director of the Division of Purchase and Property (DPP), in the Department of Treasury. However, in the case cited above, the purchasing agent did not use an existing State contract, but rather used NJDOT Delegated Purchasing Authority to make the purchases under the $40K threshold. In such a situation, the DPP Director may determine whether to suspend or disqualify a vendor only upon receipt of a formal written request to pursue the vendor's debarment from either NJDOT or the Attorney General's office. Only upon receipt and review of such request, and following investigation, may the DPP Director then determine to add the vendor to the State's published debarment list on DPP's website.

NJDOT has the authority to debar, suspend or disqualify vendors for design and construction services.

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10. The process of relocating utility infrastructure in transportation rights-of-way during a transportation construction project is governed by N.J.S.A.27:7-44.9. Statute provides that the department is responsible for utility relocation costs. After the department notifies a utility of construction work to be done, the utility determines how the work is to be done and bills the department for the cost of that work. The statute provides no time constraints upon when the utility relocation work must be completed, nor is there provision for monetary penalties on utilities in the event that the utility relocation work is not performed in an efficient or timely manner.

This statutory framework is among the most financially burdensome to transportation departments in the country. Many States either require utilities to pay for the cost of relocating their infrastructure on rights-of-way or permit departments of transportation to impose penalties on utilities for construction delays if utility relocation has not been completed within agreed upon timelines. These provisions allow construction projects to be completed more quickly and at lower costs and create more certainty around the construction process.

Question: *Please identify time and cost impacts from recent construction projects for utility relocation that are representative of transportation projects with a utility relocation component. Has the department researched how these time and cost impacts compare to neighboring and comparably sized states?*

Response: No neighboring and/or comparably sized state has a statutory framework that makes their respective DOT responsible for utility relocation costs. Historically, the utility companies have placed a low priority on all utility relocation work requests submitted by the Department, and oftentimes they fail to complete that work within the agreed upon time. This delay could result in the overall increase of project's cost and schedule. The Department estimates that utility relocation work associated with construction projects totals between $30 million to $50 million annually. These relocation costs would be reduced if that work could be undertaken by the construction contractor in order to gain better control over all utility relocation work in the project, and ensure that the project's overall construction cost and schedule are adhered to.

Question: *How often does the department experience delay damages or other costs that are caused by an avoidable utility relocation delay that is outside of the control of the department?*

Response: NJDOT construction contracts contain a provision whereby the contractor is responsible for the first 30 percent of the established timeframe for the utility relocation. As a result of this provision, the NJDOT made one payment of $385,980 for a utility relocation delay within the past year. The provisions within the contract allow for the contractor to receive time and/or compensation when the 30 percent threshold is exceeded.

Discussion Points (Cont'd)

<u>Question:</u> *What impact does this statutory structure have on the construction contracts developed by the department? If a framework were in place that provided the department with certainty over when utility relocation work is to be completed, how would project costs be reduced?*

Response: The statutory framework causes increased bids due to the risks associated with utility relocation. While the Department has pursued changing the statutory framework, the Department has also been working with the industry to achieve the goals of reducing time and costs.

E. TRANSPORTATION TRUST FUND

11. The Transportation Trust Fund Authority (TTFA) adopted revised FY 2018 audited financial statements at its March 2019 meeting due to delayed reporting of $137 million in transportation costs from the New Jersey Transit Corporation (NJ Transit).

NJ Transit relies heavily on federal capital funds for operating expenses through the preventive maintenance line items for Bus and Rail. The federal fiscal year begins in October, while the State fiscal year begins in July. In the past, the TTFA had provided NJ Transit with a line of credit against these federal funds to assist the agency's cash flow. As the TTFA became cash-strapped prior to the TTF shutdown in early FY 2017, NJ Transit was forced to instead obtain a short term lending facility from a private bank.

Annual obligation reports generally note that a majority of TTFA funds received by NJ Transit are obligated early in the fiscal year, with the vast majority of NJ Transit funds in the FY 2018 obligation report being obligated on 7/13/2017.

<u>Question:</u> *What specific NJ Transit transportation costs were reported late, requiring the TTFA to revise its financial statements? Please describe the flow of funds between the TTFA and NJ Transit in FY 2019. Does the TTFA have any concerns about the timeliness and accuracy of its next financial statement to the extent that it is dependent on NJ Transit information?*

Response: The costs relate to SFY 17 and SFY 18 Amtrak invoices. Then Governor Christie directed NJ Transit not to pay those invoices in order to incent Amtrak to maintain the NEC in a state-of-good-repair after a derailment at NYP Station.

Funds do not flow between TTFA and NJ Transit. Rather, Treasury reimburses NJ Transit for payments made to vendors which, in turn, is reimbursed by the TTFA.

Discussion Points (Cont'd)

This is the first time that a NJ Transit issue required the TTFA to restate its Financial Statements. NJ Transit has implemented procedures to prevent such an issue from re-occurring. It should be noted that NJ Transit's current Senior Leadership was not in place when the directive by Governor Christie was issued.

Question: What documentation does NJ Transit have to provide to the TTFA in order to access funds appropriated through capital program line items? Is there a process for the TTFA to recapture funds from NJ Transit if the agency does not accomplish the purposes for which NJ Transit is appropriated funds?

Response: As previously mentioned, all NJ Transit reimbursements for payments to vendors is based on documentation that includes identifying the correct appropriation line item. We are not aware of any process to recapture funds that have been appropriated. The Legislature appropriates the funds for certain purposes as outlined in the annual Appropriations Act. NJ Transit can only use the monies for their appropriated purpose.

12. As of April 15, 2019 The TTFA has not yet adopted a FY 2020 Financial Plan. The FY 2019 financial plan, dated May 2018, anticipated State transportation project expenditures of $1.75 billion and FY 2019 State capital program appropriations of $2 billion. This suggests that the balance of prior appropriations for which there has been no expenditure will grow by another $250 million prior to the start of FY 2020.

The following table provides a running point-in-time compilation of unexpended and uncommitted all State capital program appropriations across all fiscal years (note that unexpended funds in excess of uncommitted funds are considered committed for future expenditure):

Special Transportation Fund Accounts with Unexpended and Uncommitted Balances (aggregate of all FY)		
Date	Uncommitted Funds	Unexpended Funds
4/2018	$1,123,042,326	$4,193,078,872
4/2017	$918,827,726	$3,551,859,539
4/2016	$505,500,524	$2,580,087,575
4/2015	$540,924,766	$2,396,347,628
4/2014	$532,256,377	$2,175,630,154

The department has previously indicated that annual expenditures from the TTF should not be expected to match annual appropriations since major capital projects are constructed over a multi-year period and it can take time for expenditures to catch up with appropriations.

Discussion Points (Cont'd)

<u>Question:</u> *To what extent are the annual increases in uncommitted and unexpended funds due to 1) the natural delay in ramping up the program in light of the increase in capital program size for FY 2017; 2) an inability to advance projects due to a lack of staff capacity, either for in-house project design, or for oversight of outside contractors; and 3) other causes? Please explain any other causes.*

Response: The Appropriation for 2017 represented an almost $800 million, or 60%, increase over the 2016 Appropriation. Gearing up for such a large increase in capital spending does require time to plan, execute and obtain resources. As a result, in 2017 uncommitted and unexpended balances increased 81% and 38%, respectively, over 2016. In 2018, the appropriated amount remained constant at $2 billion, but still represented an additional $800 million in authorized spending over the 2016 base amount. While the corresponding 2018 uncommitted balance increased 27% and the 2018 unexpended balance increased 18%, over the prior year, the rate of increase from the prior year actually decreased. This decrease was due in part to an increase in contracts awarded and the fact that state spending increased by 56% - $1.524 billion in 2018 versus $979 million in 2017.

In April of 2019, uncommitted Funds were $981 million, 13% less than the prior year. Unexpended funds did increase slightly over the prior year – 4%, but the trend is moving in the right direction. The expectation is that uncommitted and unexpended balances will continue to trend downward as more contracts are awarded; existing contracts mature, work progresses and payments are made; and, the results of increased staff resources are realized.

<u>Question:</u> *Please provide an update through FY 2019 of the chart entitled "State Accounts with Unexpended and Uncommitted 480 Funds", provided in response to OLS discussion point #11 on the FY 2019 Budget. Please comment on the trend in uncommitted and unexpended funds shown in the updated data. Please comment on the percentage of uncommitted funds that comprise department projects, NJ Transit projects and local aid appropriations.*

Response: The requested chart is provided (Attachment A). The expectation is that uncommitted and unexpended balances will continue to trend downward for the reasons cited above. As of 4/2019 uncommitted funds—NJDOT, NJ Transit and local aid combined--total $980 million (3% of appropriations totaling $32.3 billion), as compared to an uncommitted balance of $1.123 billion as of 4/2018.

13. P.L.2016, c.56 renewed the TTFA and the system of state transportation capital financing for FY 2017-2024. The statutory authorization provides for $16 billion in spending and $12 billion in borrowing over the full eight year period of the renewal. This equals an average annual spending level of $2 billion per year and an average borrowing level of $1.5 billion per year. In the

Discussion Points (Cont'd)

first two fiscal years under the authorization $2 billion was appropriated in each year, and in January 2019, $750 million in TTFA bonds were issued. $3.2 billion in Indirect GARVEE notes have been utilized to support capital program expenditures in the last two years, which do not count against the statutory borrowing limitation, but do place a demand on the state resources during the eight–year renewal period that might not have been foreseen when the Legislature approved the renewal.

Question: *How did the issuance of Indirect GARVEE notes affect the "balance" of the TTFA eight year renewal plan, i.e., sufficiency of state appropriations and bond proceeds of $12 billion to fund project authorizations of $16 billion and debt service on TTFA bonds? Will the capital reserve be depleted before FY 2024? Will State appropriations from the sales tax greater than the Constitutional minimum of $200 million be required before FY 2024, and if so by how much?*

Response: Issuance of the $3.2 billion of Indirect GARVEEs in FY2017 deferred the State's need to issue new money Transportation Program Bonds until FY2019 as the Indirect GARVEE proceeds were sufficient to cover capital costs for FY2017, 2018, and part of 2019. Additionally, the Indirect GARVEEs were rated higher than would have been state issue debt. Current TTFA baseline forecast projects that the Capital Reserve will not be depleted before FY 2024. Current TTFA baseline forecast projects it will not be necessary to appropriate more than the $200 million sales tax minimum.

Question: *Please present a table of the actual and projected annual sources, uses and balances for the eight-year TTFA capital program FY 2017-FY 2024, in the format of the table entitled "Statement of Anticipated Changes in Cash Position", page 6 of the TTFA Fiscal Year 2019 Financial Plan. Please also present a table for the same time period showing annual actual and projected opening balance, income, uses, and closing balance of the TTFA Subaccount for Capital Reserves.*

Response: See Attachments B1 and B2.

14. The department is in the process of developing a cash flow model in order to better track the timing and amount of expenditures to vendors for capital construction contracts, and the need for cash from bond issuances or other sources. The FY 2019 TTFA financial plan provides $250,000 for financial advisory services and project management services for the cash flow model.
The department is also in the process of developing a new Project Management Reporting System (PMRS) which will enable to department to provide various project level capital program reporting required in recent legislation (P.L.2016, c.56 and P.L.2013, c.252).

Question: *Please identify the department's progress in developing these two projects. When is each expected to be completed and at what cost? What are the major risk factors that could result in each project being delayed from that projected completion date or exceed the cost estimate?*

Discussion Points (Cont'd)

Response: **The Authority and NJDOT staff reviewed the methodology employed in the cash flow model that was being developed. It did not appear to provide any incremental benefits beyond the model currently in effect. Since there was no compelling business reason to continue with the project, and the projected cost to complete was over $500,000, a recommendation to terminate the contracts associated with this project was made to the TTFA Board. The Board approved terminating the contracts in the November 29, 2018 meeting.**

The Project Management Reporting System (PMRS) will be implemented in phases by divisions in the Department. The first stage of development and integration is in progress for Capital Program Delivery. Certain functionality will be available in the second quarter of 2019 and is anticipated that the second phase will be completed in the first quarter of 2021. Local Aid scoping is in progress with implementation to occur in phases that will be completed for State Aid in two parts: fourth quarter of 2020 and the fourth quarter of 2021; Federal Aid should be completed in the third quarter of 2022. Finance and Operations Implementations are estimated to be completed in the fourth quarter 2020.

One-time costs associated with implementation of PMRS are estimated to be $3.9 million. On-going costs are currently estimated to range from $1 million to $1.1 million, annually.

Risk factors that could cause delays: attrition or other issues that may arise that constrain staffing resources; unforeseen circumstances that impact time sensitive development/implementation; and, unanticipated software/hardware issues

F. PERFORMANCE BUDGETING

15a. The State is required pursuant to 49 USC 5304(f) to adopt a long range statewide transportation plan which covers at least 20 years, and provides for the development and implementation of the multimodal transportation system and identifies how the system will meet the State's development and sustainability goals. The department is also required to produce a Statewide Capital Investment Strategy (SCIS) pursuant to N.J.S.A.27:1B-22, which covers a five year period and is to be updated annually. These reports are planning documents that ensure the department is using data-driven approaches to making capital investment decisions and that those decision-making processes are transparent. The long range plan and the SCIS are documents that dictate investment decisions for the annual capital program. The SCIS was last updated in 2012 and the long range plan in 2008.

Discussion Points (Cont'd)

<u>*Question:*</u> *Please provide an update on the status of these reports. When is it anticipated that an update to these reports will be produced?*

Response: The Department is preparing a work plan to procure consultant assistance for preparation of the long range statewide transportation plan to meet the federal requirement. It is anticipated that the plan will be ready for Commissioner approval and submission to the federal agencies in 2022. The most recent Statewide Capital Investment Strategy (SCIS) covers FY 2012- 2021 and is posted on the NJDOT's website at: http://www.state.nj.us/transportation/siteindex/#S.

It is anticipated that the SCIS will be updated in the coming fiscal year.

15b. The regional long range plans established by the Metropolitan Planning Organizations (MPOs) are not currently consistent with the State long range plan. The regional plans differ notably from the SCIS and State long range plan in the areas of incorporating resiliency in project planning and investments, strategic transit expansion, modal allocation of freight investment, and transportation system connectivity.

<u>*Question:*</u> *How can the allocation of annual TTFA capital resources better facilitate the goals established in the regional long range plans?*

Response: The Department works collaboratively with the State's three MPOs during the development of their respective regional plans and Transportation Improvement Programs (TIPs), the NJDOT Long Rang Transportation Plan, annual Capital Program, and the State Transportation Improvement Program (STIP). One goal of this collaboration is to align resources with goals and objectives. The long range plans of two MPOs (DVRPC and SJTPO) state that the revenue forecasts for TTF funding assumptions and projections were made in close consultation with NJDOT. The long range plan of the NJTPA states that the plan takes into account state investment priorities and strategies.

Discussion Points (Cont'd)

For the 2020 Capital Program, NJDOT resources are allocated to Capital Investment Categories as follows:

Proposed NJDOT SFY 2020 Capital Program

Capital Investment Category	Amount (Millions)	% of Total
Airport Assets	$ 4.50	0.20%
Bridge Assets	535.94	23.53%
Capital Program Delivery	260.93	11.46%
Congestion Relief	212.91	9.35%
Local System Support	613.38	26.94%
Multimodal Programs	72.30	3.17%
Road Assets	389.62	17.11%
Safety Management	128.65	5.65%
Transportation Support Facilities	59.00	2.59%
Total	**$ 2,277.23**	**100.00%**

15c. The SCIS provides funding-constrained investment targets that are not reflective of current levels of capital funding. It provides for specific congestion investments that have become out of date relative to current ITS technology and major currently congested areas, and for a level of mass transportation investment that has not resulted in the desired level of state-of-good repair for the mass transit system.

Question: *What revised allocation of capital funds is necessary in the coming years to improve the condition of the mass transportation system and make progress in reducing traffic congestion, without sacrificing system safety?*

Response: **NJDOT's Capital Program reflects the careful deliberation required to prioritize spending by evaluating transportation needs for the State's roads and bridges and targeting limited resources toward safety improvements and congestion relief. The FY 2020 Transportation Capital Program totals $3.679 billion of which $2.277 billion is allocated to NJDOT. This amount includes $265 million to address highway congestion through infrastructure improvements, more efficient traffic management and response to incidents. $149 million is programmed for safety improvements to reduce fatalities and serious injuries on NJ roadways. Specific safety programs include the Crash Reduction Program, Intersection Improvement Program, Segment Improvement Program,**

Discussion Points (Cont'd)

Pedestrian Safety Initiatives, Rail – Highway Grade Crossings, and Safe Routes to School Program. There are other programs where the ultimate goal is the reduction of both recurring and non-recurring congestion. These programs include the Safety Service Patrol, two traffic operations centers, the intelligent traffic signal programs, and the incident management response program.

16. Budget evaluation data (page D-359 to D-360) report notable trends in the following areas:

- Lane miles of major pavement work completed was 1,148 in FY 2017, 586 in FY 2018, and is estimated to be 650 in FY 2019 and 2020.
- State highway pavement in acceptable condition was 67% in FY 2017, and decreased to 64% FY 2018. The estimate for FY 2019 is 64% and 62% in FY 2020. The FY 2019 budget had estimated 70% for FY 2018 and 73% for FY 2019, differences of 6% and 9%, respectively.

The supplemental appropriation for paving projects in FY 2017 was supposed to lead to a spike in State Highway pavement quality that never materialized. There was a spike in major pavement work that was completed for FY 2017, but responses to FY 2019 discussion points had indicated that supplemental funds were supposed to provide for additional work through FY 2018 as well, but evaluation data does not suggest a higher than average amount of paving.

Question: *Please provide a breakdown of pavement work that was completed in FY 2017 through FY 2019 which accounts for the pavement completed with funding from the FY 2017 supplemental funding and from base capital appropriations.*

Response:

Pavement Award Summary

	FY2017 [1]		FY2018 [1]		FY2019 [2]	
	Lane Miles	Amount in Millions	Lane Miles	Amount in Millions	Lane Miles	Amount in Millions
Regular TTF	339.14	$ 120.74	300.62	$ 98.12	300.00	$ 100.00
Supplemental TTF	499.60	$ 77.29	-	$ -	-	$ -
Regular Federal	308.90	$ 100.69	285.00	$ 135.38	350.00	$ 200.00
Totals	**1,147.64**	**$ 298.72**	**585.62**	**$ 233.50**	**650.00**	**$ 300.00**

1. FY2017 and FY2018 represents actual awards
2. FY2019 represents projected awards.

The cost per lane mile cited above is determined by the type of work that was done. The supplemental TTF appropriation was used to deliver pavement preservation projects, whereas the regular TTF appropriations were used predominantly for resurfacing which is a more expensive treatment with more requirements for additional corollary improvements. Only 3 of the 27 projects funded with regular TTF appropriations were preservation projects.

Discussion Points (Cont'd)

<u>Question</u>: *Why is it expected that pavement in acceptable condition will decline through FY 2020, despite a large supplemental investment in pavement in FY 2017, and an increased overall capital program size through FY 2024?*

Response: Analyses using the pavement management system modeling software indicate that sustained annual pavement construction awards of $370M are required to maintain the current network condition. For as large as the 2017 program was at $299M, it still fell well below the required $370M investment.

Additionally, pavement construction awards for the previous five year period from 2014 - 2018 averaged $235M. While improvements make up part of the forecasting model, deterioration also plays into projected condition. Every year where spending does not meet the investment target there is accelerated deterioration that requires a significantly larger investment in subsequent years to maintain condition levels.

It should be noted that while the TTFA 2016 reauthorization provided an increase in transportation funding, the increase received for state roads and bridges, $49.5 million, is distributing among the different capital investment categories with different competing interests.

17. The department projects $2.4 million in litter pickup costs for FY 2020. The department has a variety of means for highway beautification and cleanup including, but not limited to, the utilization of department staff, volunteer programs such as the adopt-a-highway program, and the use of inmate work details.

<u>Question:</u> *Please identify the amount of litter picked up in each of the last three years and identify any trends noticed in the amount of litter being produced on the highways.*

Response:

NJDOT Litter Pick-Up FY 2017 - FY 2019		
FY 17	**FY 18**	**FY 19 (Projected)**
Litter Pick-Up (in Tons)		
3,198	**2,834**	**3,134**
Litter Complaints		
2,008	**1,899**	**1,807**

Discussion Points (Cont'd)

NJDOT takes a proactive approach in ensuring the roadway aesthetics along NJ's state highway system. As the level of effort dedicated to litter activities and a decreasing number of litter complaints illustrates. Between FY 18 and FY 19 the amount of litter pickup is expected to increase by 10%. Additionally littler complaints are expected to decrease by 10% from 2,008 in FY 17 to 1,807 in FY 19. This commitment by the Department was acknowledged in a recent litter survey conducted by the New Jersey Clean Communities Council which reflected a 53% reduction in litter along state roadways between 2004 and 2017.

<u>Question:</u> *Please comment on the relative contribution to litter cleanup by department staff, volunteer activities, and labor through the department of corrections, and any other sources of litter cleanup. What is the cost of each of these programs relative to the amount of litter cleaned up?*

Response:

Program	Projected Cost	FY 19 Projected Litter Pick Up (In Tons)	Comments
NJDOT Forces	$2.4 M	1,449	Cost is reflective of labor, equipment utilization and material costs. Includes both litter and large debris removal.
Inmate Litter Detail	$1.2 M	1,685	Cost is primarily reflective of the reimbursement of Correctional Officers salaries. However, inmates are also compensated.
Adopt a Highway Program	$50K	9	The New Jersey Clean Communities Council administers the program on behalf of the Department. There are 56 sponsorship groups participating in the program.

G. FEDERAL FUNDING AND REGULATION

18. The federal highway funding included in the New Jersey Transportation Capital Plan each year comes primarily through formula based federal grant programs funded by the federal highway trust fund. The formulas divide a fixed pool of federal funding among the states based on factors that include, but are not limited to, the number of miles of State roadway, traffic density, fuel sales, and population. States are typically given the fiscal year in which the money is granted plus three additional fiscal years to expend grants awarded to them before they are subject to rescission by the federal government and the funds awarded to other states.

<u>Question:</u> *Please identify the amount of federal funds, if any, which have been rescinded in the most recent federal fiscal year, and any federal funds that are at risk of rescission if the funds are not obligated in the upcoming State fiscal year. What factors explain any rescissions? What steps have been taken to prevent funds from being rescinded?*

Discussion Points (Cont'd)

Response: **No federal funds were rescinded from New Jersey during Federal Fiscal Year 2018.**

Federal Funds are subject to rescission in the beginning of Federal Fiscal Year 2020. Section 1438 of the Federal FAST Act directed FHWA to rescind $7.5 billion of previously allocated unobligated apportionments from all states in FY 2020. New Jersey's share of the actual rescission amount will be determined by FHWA based upon unobligated apportionment balances as of September 30, 2019. FHWA currently estimates New Jersey's portion of the FAST Act rescission to be ~ $ 430.4M. This represents ~5.4% of the total $7.5 billion to be rescinded nationally. The rescission will not reduce the States obligation authority or limit the amount of federal dollars that can be put under agreement.

The NJDOT cannot prevent the FAST Act rescissions. Congress would have to amend the Law.

ATTACHMENT A

State Accounts with Unexpended and Uncommitted 480 Funds
Current Appropriation Balances as of Start of Business 04/23/2019
by Budget Fiscal Year

DOT-FD-105
DOTxDailyApropBalances(APPR)w_
Fund

04/23/2019

Budget FY	Original Approp Amount	Authorized Budget Amount	Expended	Pre-encumbered	Encumbered	Uncommitted	Unexpended
1994	$821,938,462.55	$842,055,167.56	$835,427,204.34	$2,687,442.30	$335,177.12	$3,584,006.25	$6,606,625.67
1995	$565,000,000.00	$564,374,045.42	$564,664,025.95	$23,084.03	$901,891.65	$185,675.25	$1,110,650.93
1996	$700,000,000.00	$698,826,666.94	$719,289,335.96	$0.00	$398,014.67	$65,434.34	$463,449.01
1997	$700,000,000.00	$699,703,269.10	$697,343,840.01	$44,921.22	$114,372.91	$2,200,134.96	$2,359,429.09
1998	$900,000,000.00	$897,145,923.20	$895,879,766.40	$576,378.70	$670,403.67	$19,374.43	$1,266,156.80
1999	$700,000,000.00	$701,380,000.00	$696,283,984.68	$2,370,033.48	$2,587,861.02	$138,120.82	$5,096,015.32
2000	$900,000,000.00	$896,015,924.95	$892,248,386.56	$1,810,475.24	$777,258.46	$1,179,804.69	$3,767,538.39
2001	$900,000,000.00	$884,070,219.12	$878,702,527.39	$1,346,215.43	$3,803,619.86	$217,856.44	$5,367,691.73
2002	$1,107,500,000.00	$1,050,028,362.58	$1,047,578,622.51	$272,877.75	$1,900,577.77	$276,284.55	$2,449,740.07
2003	$1,108,000,000.00	$1,106,089,221.83	$1,102,911,376.72	$814,829.60	$2,104,710.32	$258,305.19	$3,177,845.11
2004	$1,228,200,000.00	$1,224,550,000.00	$1,219,560,488.87	$3,526,094.39	$1,122,147.16	$347,689.83	$4,995,931.38
2005	$1,292,597,000.00	$1,292,597,000.00	$1,291,252,611.50	$161,780.38	$547,381.27	$635,226.85	$1,344,388.50
2006	$1,205,000,000.00	$1,205,000,000.00	$1,195,908,955.51	$2,000,792.68	$6,945,748.51	$144,503.30	$9,091,044.49
2007	$1,600,000,000.00	$1,600,000,000.00	$1,584,829,886.54	$7,553,351.79	$2,902,861.27	$4,834,786.74	$15,290,999.80
2008	$1,600,000,000.00	$1,600,000,000.00	$1,581,152,890.38	$5,218,696.59	$8,814,656.08	$4,813,756.95	$18,847,109.62
2009	$1,600,000,000.00	$1,600,000,000.00	$1,580,412,643.87	$3,557,838.62	$14,818,799.87	$1,210,717.64	$19,587,356.13
2010	$1,600,000,000.00	$1,600,000,000.00	$1,552,505,234.06	$9,304,610.02	$26,903,169.29	$11,286,986.63	$47,494,765.94
2011	$1,600,000,000.00	$1,600,000,000.00	$1,550,250,450.99	$6,845,501.40	$39,030,618.14	$3,873,429.47	$49,749,549.01
2012	$1,247,000,000.00	$1,247,000,000.00	$1,189,396,034.30	$1,267,555.83	$51,851,513.68	$4,484,896.19	$57,603,965.70
2013	$1,247,000,000.00	$1,247,000,000.00	$1,200,538,607.55	$7,075,586.77	$28,867,918.17	$10,517,887.51	$46,461,392.45
2014	$1,224,000,000.00	$1,224,000,000.00	$1,099,839,619.71	$1,770,345.56	$96,578,645.20	$25,811,389.53	$124,160,380.29
2015	$1,225,000,000.00	$1,225,000,000.00	$1,045,776,833.68	$3,307,084.27	$131,284,412.77	$44,633,631.59	$179,225,128.63
2016	$1,247,000,000.00	$1,247,000,000.00	$986,151,641.27	$5,453,559.14	$150,809,585.94	$104,586,731.87	$260,849,876.95
2017	$2,000,000,000.00	$2,000,000,000.00	$1,160,341,669.56	$20,690,830.94	$555,691,450.41	$263,277,234.03	$839,659,515.38
2018	$2,000,000,000.00	$2,000,000,000.00	$870,146,910.69	$110,287,662.51	$834,121,489.54	$185,443,937.26	$1,129,853,089.31
2019	$2,000,000,000.00	$2,000,000,000.00	$476,127,748.60	$475,043,889.45	$742,250,250.71	$306,578,111.24	$1,523,872,251.40
Total:	**$32,318,235,462.55**	**$32,251,835,800.70**	**$27,914,521,297.60**	**$673,011,438.09**	**$2,706,134,535.46**	**$980,605,913.55**	**$4,359,751,887.10**

Exhibit B-1

TTFA Subaccount for Capital Reserves Projection 2017-2024

	FY17 Actual	FY18 Actual	FY19 Estimate	FY20 Estimate	FY21 Estimate	FY22 Estimate	FY23 Estimate	FY24 Estimate
Funding sources:								
Opening Balance	$ -	$ 330,844,895.20	$ 823,883,816.60	$ 836,987,000.00	$ 729,291,000.00	$ 697,799,999.96	$ 418,429,999.30	$ 291,130,000.13
Capital Reserves Deposit	330,844,895.20	823,883,816.60	836,987,000.00	729,291,000.00	697,799,999.96	418,429,999.30	291,130,000.13	198,730,000.02
Total Funding	**$ 330,844,895.20**	**$ 1,154,728,711.80**	**$ 1,660,870,816.60**	**$ 1,566,278,000.00**	**$ 1,427,090,999.96**	**$ 1,116,229,999.25**	**$ 709,559,999.42**	**$ 489,860,000.14**
Expenditures:								
Capital Construction - Pay-As-You-Go *	-	(329,930,313.33)	(435,940,366.35)	(498,140,382.50)	(437,069,582.50)	(405,579,082.46)	(126,214,831.80)	
NJ Transit Support	-	-	(50,000,000.00)	-	-	-	-	-
Federal Project Costs	-	(914,581.87)	(337,943,450.25)	(338,846,617.50)	(292,221,417.50)	(292,220,917.50)	(292,215,167.50)	(338,849,417.50)
Total Expenditures	**$ -**	**$ (330,844,895.20)**	**$ (823,883,816.60)**	**$ (836,987,000.00)**	**$ (729,291,000.00)**	**$ (697,799,999.96)**	**$ (418,429,999.30)**	**$ (338,849,417.50)**
Projected Ending Balances	**$ 330,844,895.20**	**$ 823,883,816.60**	**$ 836,987,000.00**	**$ 729,291,000.00**	**$ 697,799,999.96**	**$ 418,429,999.30**	**$ 291,130,000.13**	**$ 151,010,582.64**

* Assuming a continuation of current revenue estimates, funding for Pay-As-You-Go Capital projects in the Subaccount for Capital Reserves will be depleted in Fiscal 2024.

ATTACHMENT B-2

STATEMENT OF ANTICIPATED CHANGES IN CASH POSITION - ANNUAL FINANCIAL PLAN

Description	audited 2017	audited 2018	projected 2019	projected 2020	projected 2021	projected 2022	projected 2023	projected 2024
July 1 Cash Balance	**201,007,191**	**2,626,786,528**	**1,417,455,137**	**865,000,000**	**809,205,383**	**293,464,316**	**333,482,716**	**374,442,548**
Receipts:								
State Appropriations:								
Motor Fuels Tax	515,000,000	536,408,175	503,033,000	490,700,000	490,600,000	490,600,000	490,600,000	490,600,000
Petroleum Products Tax	549,396,000	526,333,000	627,033,000	769,100,000	984,500,000	1,080,100,000	1,207,500,000	1,298,100,000
Sales and Use Tax	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000
Toll Road Authorities Contributions	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
Net Total	1,276,396,000	1,274,741,175	1,342,066,000	1,471,800,000	1,687,100,000	1,782,700,000	1,910,100,000	2,000,700,000
Sub-Acct Capital Reserve Pay-As-You-Go *	-	329,930,313	435,035,663	498,140,383	437,069,583	405,600,000	126,214,832	
Sub-Acct Capital Reserve Federal Project Costs	-	914,582	338,851,111	338,846,000	292,200,000	292,200,000	292,200,000	338,800,000
Interest Income & Other	11,875,773	16,645,852	7,000,000	10,000,000	6,894,350	3,936,000	4,274,000	4,622,000
Bond Proceeds	3,159,991,089	-	778,172,125	1,250,000,000	1,004,000,000	1,594,000,400	1,873,800,000	2,000,000,000
Capitalized Interest Fund	244,677,416	-	-	-	-	-	-	-
Build America Bonds Interest Subsidy - Net	-	36,166,786	-	36,166,000	36,400,000	36,592,000	36,786,000	37,000,000
Total Receipts	4,692,940,278	1,658,398,708	2,901,124,899	3,604,952,383	3,463,663,933	4,115,028,400	4,243,374,832	4,381,122,000
Disbursements:								
State Transportation Project Costs	942,934,903	1,488,762,411	1,856,860,306	1,850,000,000	2,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000
TTF Debt Service	1,322,336,231	1,378,562,483	1,595,206,052	1,810,646,000	1,979,300,000	2,074,900,000	2,202,300,000	2,339,500,000
Authority Operating Expenses & Other	318,163	405,205	154,333	101,000	105,000	110,000	115,000	120,000
Costs of Issuance	1,571,644	-	1,359,345	-	-	-	-	-
Total Disbursements	**2,267,160,941**	**2,867,730,099**	**3,453,580,036**	**3,660,747,000**	**3,979,405,000**	**4,075,010,000**	**4,202,415,000**	**4,339,620,000**
June 30 Cash Balance	**2,626,786,528**	**1,417,455,137**	**865,000,000**	**809,205,383**	**293,464,316**	**333,482,716**	**374,442,548**	**415,944,548**

* Assuming a continuation of current revenue estimates, funding for Pay-As-You-Go Capital projects in the Subaccount for Capital Reserves will be depleted in Fiscal 2024.