

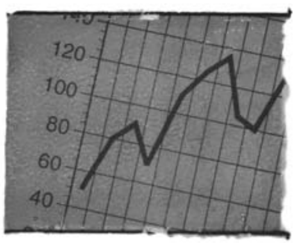



ANALYSIS OF THE NEW JERSEY BUDGET

DEPARTMENT OF TRANSPORTATION AND MOTOR VEHICLE COMMISSION

FISCAL YEAR 2005 - 2006

PREPARED BY OFFICE OF LEGISLATIVE SERVICES
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NEW JERSEY STATE LEGISLATURE

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 Mark J. Trease.

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DEPARTMENT OF TRANSPORTATION
AND
MOTOR VEHICLE COMMISSION

Budget Pages....... C-12 to C-13; C-20 to C-21; C-28; C-30; C-33; C-34; C-35; D-371 to D-387; H-39; H-41; H-61

Fiscal Summary ($000)

	Expended FY 2004	Adjusted Appropriation FY 2005	Recommended FY 2006	Percent Change 2005-06
State Budgeted	$1,130,047	$1,214,644	$1,210,227	(0.4)%
Federal Funds	811,259	760,394	932,176	22.6%
Other	1,452,080	1,574,461	1,488,410	(5.5)%
Grand Total	$3,393,386	$3,549,499	$3,630,813	2.3%

Personnel Summary - Positions By Funding Source

	Actual FY 2004	Revised FY 2005	Funded FY 2006	Percent Change 2005-06
State	2,792	2,884	2,899	0.5%
Federal	1,020	1,026	1,016	(1.0)%
Other	2,192	2,410	2,849	18.2%
Total Positions	6,004	6,320	6,764	7.0%

FY 2004 (as of December) and revised FY 2005 (as of September) personnel data reflect actual payroll counts. FY 2006 data reflect the number of positions funded.

Introduction

The Department of Transportation (DOT) is responsible for managing or developing the State's following modes of transport:

highways and bridges
general aviation airports
mass transit facilities
rail-freight assistance
intermodal and marine transportation.

The department also provides financial aid to counties and municipalities for local transportation purposes. To support these various activities, the department relies on (in general order of magnitude):

proceeds from sale of debt
revenues of the Transportation Trust Fund

Introduction (Cont'd)

federal transportation revenue
mass transit passenger fares
proceeds from third-party activity (e.g., leases, vendor fees)
annual State appropriations
previously authorized general obligation bond acts
revenues of the Casino Revenue Fund and
the Airport Safety Fund.

The Motor Vehicle Commission (MVC) is an independent agency established in the DOT (P.L. 2003, c.13). The commission, "in but not of" the department, is led by an eight-member appointed body headed by a Chief Administrator. The commission is responsible for all duties and functions assigned to its predecessor agency, the Division of Motor Vehicles (DMV). The DMV had been found by two successive investigatory commissions to be deficient in security, performance and administrative effectiveness. The DMV was transferred from the Department of Law and Public Safety to the DOT in 1995 following the first investigative commission. In 2003, a successor commission found that the DMV remained ineffective in providing basic customer service, was unable to secure its documents and was incapable of performing certain statutory duties. As a result of that investigation, the DMV was abolished and recreated as the Motor Vehicle Commission, with dedicated revenues, expanded resources, and increased autonomy within the Executive branch of government.

The New Jersey Transit Corporation (NJT) is responsible for the State's mass transit facilities. Although the Commissioner of Transportation is the ex-officio chairperson of the corporation's seven-member governing board, the corporation functions independently of the department. NJT operates rail lines, two light rail systems, and extensive bus routes throughout the State. NJT leases buses and related equipment to private carriers without reimbursement, and administers a 24-hour half-fare subsidy program for senior citizens and disabled persons using public or private mass transit facilities. The corporation also assists counties with local county transit services for senior citizens and disabled persons. In compliance with federal requirements established by the Americans with Disabilities Act of 1990, the corporation provides additional transit services throughout the State for eligible riders.

Key Points

Transportation Trust Fund

- $1.205 billion is budgeted for capital infrastructure spending **from** the Transportation Trust Fund (TTF). In FY2005 and 2006, the State continues to operate without a statutory plan for transportation capital funding for the first time since the creation of the TTF in 1984. The FY2005 Appropriations Act provided $1.293 billion for this purpose, which included about $88 million available from de-appropriation of previous years' authorizations.

- $805 million is recommended for appropriation **to** the TTF, representing constitutionally dedicated revenues, and excluding $114.5 million in statutorily dedicated revenues. As with most years, this structural deficit ($400 million) between planned spending and available revenue will be made up with debt financing, and in turn, debt service will continue to rise faster than available revenue. According to the TTF Authority (TTFA), without substantive alteration the TTF will soon be unable to fund projects, with debt service consuming all appropriations.

Key Points (Cont'd)

- Article 8, Section 2, paragraph 4 of the State Constitution dedicates the revenue from 9 cents of the motor fuels tax to the transportation capital system (a dynamic, not static amount). The FY 2006 budget anticipates $580 million from the tax, an increase of about 2.7 percent from FY2005. While the amount anticipated from the tax would thus increase, the amount proposed to be appropriated to the TTF for the State transportation system has remained flat at $405 million per year. The total tax imposed is 10.5 cents per gallon (cpg) for gasoline and 13.5 cpg for diesel, so one interpretation of the constitutional dedication language encompasses 85.7 percent of the tax from gasoline sales and 66.7 percent of the tax from diesel sales. Gasoline accounts for 80 percent of fuel subject to taxation. In FY 2006, it thus appears that the 9 cpg dedication would generate about $475 million, or $70 million more than the $405 million proposed.

Highway Operations

- The $11.8 million budgeted through Maintenance and Operations for snow response, together with supplemental appropriation authority of $10 million, is unchanged from last year, and indicates that the administration is planning for a mild winter of 2006. Last winter's snow and ice control costs are reportedly about $25 million.

New Jersey Transit

- The budget recommends an operating subsidy for the New Jersey Transit Corporation of $278.7 million, unchanged from FY2005. Overall, NJT's operating budget is projected to increase by $79.2 million (6%) in FY2006. Almost all of the increase is anticipated from adjusted fare revenue ($76.8 million).

- Transportation Assistance for Senior Citizens and Disabled Residents is recommended to increase by $9.1 million (36 percent), to $34.4 million. The program is funded by a statutory earmarking of about 7.5 percent of Casino Revenue Fund income.

Motor Vehicle Commission

- The Motor Vehicle Commission budget will stay almost constant, at $277.3 million (a $1.4 million increase). Most MVC revenues are set by statute at a portion of a variety of driving and security related fees and fines. The State Auditor's review of the commission's operations through January 2005 indicates that the MVC continues to have difficulty achieving key management goals with respect to effective information security, physical security and program evaluation.

Background Paper

Program Description and Overview

The Department of Transportation (DOT) is responsible for the operation, maintenance and improvement of the State's transportation system - our highways, buses, railroads and general aviation airports. To address the needs of the overall transportation system in the State, DOT manages a significant capital construction program which provides funding for improvements to highways, bridges, rail freight lines, general aviation airports, and mass transit services offered by buses and passenger rail lines. DOT also provides transportation financial assistance to local governments. The department supports these capital program activities essentially with monies provided by the New Jersey Transportation Trust Fund Authority (TTF) and federal funds. Bond referenda in 1989 and 1999 provided an additional $115 million and $500 million, respectively, for bridge repairs, the purchase of railroad rights-of-way and other transportation improvements statewide.

Since its creation in 1984, the TTF has been authorized to finance annual construction programs that have varied over time from $249 million in FY 1985 to $1.23 billion in FY 2004. Although P.L.2000, c.73 established an annual TTF capital program limit of $950 million for FY 2002 through FY 2004, this limit was exceeded in 3 of the 4 years of that program, and no limit has been statutorily established since then. The FY2006 proposed budget recommends a $1.205 billion capital program, with $805 million (constant from 2005) in supporting revenue.

Throughout the program's history, and in greater amounts in the most recent program, spending planned for the program has exceeded supporting revenue from appropriations. Although the program has undergone substantive alteration several times since its creation, there has been an historical pattern of appropriating less revenue to the TTF than is statutorily dedicated, and authorization of capital programs in excess of the statutory maximums. The difference has been addressed through bonded indebtedness, and the steady rise of debt service has been consuming a rising share of the flat revenue stream. As this trend continues, the pay-as-you-go, stable transportation fund envisioned in 1984 has diminishing funds available to support growing transportation needs.

Highways and Bridges

Regarding the specific TTF areas of investment, the State highway and bridge construction program has evolved from an emphasis on new road construction to the preservation of the existing highway system. In addition, high-tech system management and computerized traffic controls are used to enhance traffic capacity on highways.

Local Aid

Municipal and county road projects are partially subsidized by the TTF. Section 25 of P.L. 1984, c.73 (C. 27:1B-25) establishes a portion of TTF funding to be earmarked for local aid construction and resurfacing projects by counties and municipalities. The statute specifies a minimum local aid program of $30 million, although currently the program receives $150 million annually.

The statute authorizes 15% of the aid to be allocated at the discretion of the Commissioner of Transportation. In practice, only 10% ($15 million) has been allocated at the discretion of the commissioner. The statute reserves $5 million of the total amount appropriated under the program for municipalities which qualify for State aid, pursuant to N.J.S.A.52:27D-178 ("Urban Aid"). The list of such municipalities is revised annually. Finally, the balance of the municipal aid portion is allocated on the basis of a formula which incorporates population and mileage in the municipality as a portion of that in its county. The county portion is not allocated by formula.

Program Description and Overview (Cont'd)

Currently, municipalities receive $75 million in local aid transportation funding from the TTF by formula, the same amount since 2001. In FY 1988, funding was increased for the municipal aid program from $19 million to $30 million annually (with $5 million reserved for certain municipalities, noted above). When the TTF capital program was altered in 1991, municipal aid increased to $50 million for FY1991 through FY1995. Under a further TTF cap increase in 1995, municipalities received at least $65 million each year from FY 1996 through FY 2000.

Counties compete for $75 million in local aid transportation funding from the TTF, the same amount since 2001. From FY 1985 through FY 1990, $35 million was annually appropriated for a non-federal local aid program for counties. Although the $35 million program supplanted a federal program for the same amount, the State retained the federal monies for large State projects, allowing local governments greater flexibility in completing smaller local projects, because State standards rather than federal standards are applied to the use of the State monies. In 1991, the TTF ceiling was raised and county assistance increased from $35 million to $50 million for FY 1991 through FY 1995. Under the further TTF increase in 1995, counties received at least $65 million from FY 1996 through FY 2000.

Mass Transit

The New Jersey Transit Corporation (NJT), created pursuant to the New Jersey Public Transportation Act of 1979, P.L.1979, c.150 (C.27:25-1 et seq.) is a public corporation within the department but independent of supervision or control by the department. NJT is represented by a seven-member governing board, whose statutory chairperson is the Commissioner of Transportation. Other board members include the State Treasurer, another member of the Executive Branch selected by the Governor, and four public members, at least one of whom is a regular public transportation rider.

NJT is responsible for operating, contracting for and subsidizing public transit services that are in the public interest. Since its formation, NJT has: (1) acquired Transport of New Jersey/Maplewood Bus Equipment Company; (2) assumed responsibility for commuter rail service from Conrail; (3) taken over Mercer Metro Bus Company; (4) accepted bus operating responsibilities from the Atlantic City Transportation Company; (5) assumed responsibility for several Hudson County bus routes formerly operated by Hudson Bus; (6) initiated rail service between Penn Station, Newark and Hoboken Terminal; (7) reinstituted rail service between Philadelphia and Atlantic City; and (8) began passenger service on the new Hudson-Bergen Light Rail Transit System between Bayonne and Jersey City in 2000 and new Light Rail service between Trenton and Camden in March, 2004.

With its varied transit responsibilities, NJT currently operates 12 passenger rail lines, two light rail systems, and some 240 bus routes throughout the State. NJT estimates that its overall transit system will accommodate an average daily ridership of 397,400 in FY2006. NJ Transit fares are subsidized by the State, to offset estimated losses per trip of $2.74 per rider in FY2006. NJT currently allocates about 1,000 buses at no cost to private carriers and also administers a 24-hour, half-fare subsidy program for senior citizens and disabled persons. NJT is responsible for developing and implementing mass transit services for disabled persons in conformance with the federal requirements established by the Americans with Disabilities Act (ADA) of 1990. Such ADA bus service, begun by NJT in Mercer county in January 1993, now covers the entire NJT bus operating area. For rail service, NJT meets the ADA standard for one accessible car per train.

Currently, New Jersey Transit more heavily subsidizes its mass transit than other large systems, operating among the lowest rates of cost recovery from users and fares in the nation. To assist NJT in carrying out its responsibilities, the State provides an annual operating subsidy to the corporation. This

Program Description and Overview (Cont'd)

subsidy amount has risen steadily as fare recovery from the system users has declined, expenses have increased, and service has expanded. Fares have not been increased on a regular basis, nor are they indexed to inflation. The 2006 direct subsidy is constant from last year, at $279 million. An indirect operating subsidy from the TTF, innovative financial arrangements such as a "cross-border lease" (a tax-advantaged lease arrangement between NJT and a lessor of equipment located in another country), management efficiencies, and a liberalized definition of the permitted use of federal funds for capital maintenance, all helped NJT avoid a fare increase from FY 1991 to FY2001. However, a 10 percent passenger fare increase was effected in 2002, based on the need for: (1) additional bus and rail service on existing routes (2) expense increases related to contractual labor agreements; and (3) new rail service for the Montclair Connection, Secaucus Transfer, Hudson-Bergen Light Rail System, and the South Jersey Light Rail System. NJT is considering a further fare increase this year, which as originally proposed would just cover increased operating costs, without altering the overall passenger subsidy rate.

The FY 2006 budget proposes a TTF capital program appropriation to NJT of $514 million, a decrease of $92.6 million or 15.3 percent below the FY 2005 amount. In its first four years the TTF provided an average of $65 million annually to NJT. TTF support for NJT averaged $195 million yearly from FY 1992 to FY 1995, then increased to an average of $290 million for FY 1996-2000. In FY 2001 and FY 2002, NJT received $360 million and $385 million, respectively, in TTF appropriations. In FY 2003 and FY 2004 NJT's revenues from the TTF rose substantially, averaging $550 million per year. In FY 2004 and FY 2005 TTF funding for NJT rose to historic peaks, totaling $618 million and $607 million, respectively.

As TTF financial support for NJT has increased, so has the use of this funding for non-capital costs. TTF capital program appropriations to NJT support not only capital costs such as facilities construction and rolling stock procurement, but also such operating costs as capital maintenance, vehicle parts, facility leases and Amtrak access agreement costs. These operating costs consumed about $158 million of TTF funding in both FY 2004 and FY 2005, compared to $45.5 million in FY 2001. NJT has also made increased use of federal capital funding for operating costs over this same time period. The TTF also provides funding for NJT salaries associated with capital program implementation (about $18 million in FY 2005) and for annual debt service payments on certificates of participation and other forms of borrowing that financed major projects and equipment purchases (about $83 million in FY 2005).

Aviation

The department coordinates the activities of the State's public and private general aviation airports through the Bureau of Aviation. This bureau helps to ensure that such airports continue to develop into a safe and orderly airport system by relying on several funding sources. First, the bureau is supported by revenue from the Airport Safety Fund (ASF). The ASF, established by the New Jersey Airport Safety Act of 1983, receives about $965,000 annually from the two-cent per gallon tax on aviation fuel. However, the tax is only imposed at the smaller general aviation airports, so that the State's largest airports, Newark Liberty International Airport and Atlantic City International Airports, are excluded from the tax.

The bureau manages a significant program that provides grants and loans to both private and public airports for improvements, safety and land acquisition programs. TTF legislation enacted in 1995 permits the TTF to allocate funds on an annual basis to the ASF for aviation purposes. For FY 1996 through FY 1998 the TTF provided the ASF with $10 million each year, while the respective amounts for FY 1999 and FY 2000 were $3.0 million, and $6.0 million. For FY2002 - 2005 the TTF

Program Description and Overview (Cont'd)

provided $7.0 million annually (recommended as unchanged for 2006). The bureau uses both the ASF and TTF to match available federal aviation money.

Motor Vehicle Commission

In 2004 the New Jersey Motor Vehicle Commission (MVC) assumed all responsibilities of the Division of Motor Vehicles (DMV). The division was converted from an operation of the DOT into an independently funded and managed commission, as recommended by the Fix DMV Commission. P.L. 2003, c.13 (C.39:2A-1 et seq.), "The Motor Vehicle Security and Customer Service Act," abolished the DMV and created the MVC as a successor agency in but not of the DOT. The MVC has four major areas of responsibility: (1) the management of all automated revenue and information systems that are needed to support the administration of the various programs related to the operation of motor vehicles; (2) motor vehicle licensing, registration and inspection; (3) driver control and regulatory affairs which insure the continued fitness of persons to operate motor vehicles; and (4) the security responsibility program that enforces compulsory insurance requirements and identifies uninsured motorists.

When the DMV was abolished, all of its career service employees were transferred to the commission and retained career service status. Officers and employees of the commission are enrolled in the Public Employees' Retirement System and participate in the State Health Benefits Program. Motor vehicle agents are in the State unclassified service and serve at the pleasure of the Chief Administrator.

There are five advisory councils created to advise the commission, including (1) the Safety and Privacy Advisory Council, (2) the Customer Service Advisory Council, (3) the Security Advisory Council, (4) the Business Advisory Council and (5) the Technology Advisory Council.

The law also established a "Motor Vehicle Affordability & Fairness Task Force" to study the impact of non-driving related suspension of driving privileges, in particular the Merit Rating Plan Surcharges, on the driving public and to make recommendations for an amnesty policy and for the reform of the surcharge suspension program to increase motorist safety. The task force is also to examine "The Parking Offenses Adjudication Act" and municipal court process related thereto, as well as court actions on surcharge assessments and license suspensions related to nonpayment of fines or tickets as well as motor vehicle moving violations.

The law alters the budgetary treatment of revenues from motor vehicle fees and the appropriations for the MVC. Motor vehicle fees were previously anticipated as General Fund revenue and a portion thereof appropriated as Direct State Services spending authority for the DMV. This amount generated from motor vehicle fees was greater than the amount actually appropriated to the DMV, allowing some fee revenue to function as general resources for State spending, rather than purely supporting motor vehicle regulation. The new method maintains this dual use of motor vehicle fees. Under the law, a constant proportion or percentage from certain motor vehicle fees and surcharges (called "service charges") will be excluded from the anticipated General Fund revenues and made available "off-budget' for the commission.

In addition to this dedicated revenue, the law further reserves for the MVC's use the revenue from the $6 fee authorized for digitized driver's licenses and from a $7 security surcharge on motor vehicle registrations. Seniors and the handicapped are exempt from the security surcharge. The security surcharge will sunset ten years after enactment. Finally, the law authorized the New Jersey Economic Development Authority to issue New Jersey Motor Vehicle Commission Bonds to be secured by the Market Transition Facility Revenue Fund resources that are available when the current Market

Program Description and Overview (Cont'd)

Transition Facility Bonds are retired. These bonds were sold in 2003, generating $147.5 million to pay for the costs of capital improvements to facilities and technology systems.

A recent audit of the MVC by the State Auditor identified certain difficulties in the implementation of key management goals for program evaluation and the provision of adequate information and physical security. Specifically, the auditor found need for continuing improvements to be made in the areas of Monitoring, Training, Review of Driver License Applications, Security, human resources management, and Fixed Assets. On these and other issues, the agency has responded that ongoing training and process security procedures are being planned and implemented.

Maritime Resources

The Office of Maritime Resources was established in 2002 by the New Jersey Marine Transportation System Act (P.L.2001, c.429). The office is to serve as the lead agency on all maritime industry matters, i.e., dredging, marine transportation systems and port development.

The act also authorized the DOT Commissioner to operate directly or by contract a dredged material processing facility, to provide revenue in support of the maritime industry, and directed the Commissioner to investigate and develop alternative funding sources with which to further maritime initiatives. The act created the Maritime Industry Fund to receive any revenue from a dredged material processing facility or other revenues dedicated by law. Any fund revenue is dedicated to projects supporting the maritime industry.

In 2002, the Legislature approved doubling pleasure boat registration fees, and phased in the dedication of the resulting revenue to the Maritime Industry Fund. The fund now receives 100 percent of the revenue from the fee increase, having received 50 percent in FY2003 and 75 percent in FY2004.

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS ($000)

	Expended FY 2004	Adj. Approp. FY 2005	Recom. FY 2006	Percent Change 2004-06	Percent Change 2005-06
General Fund					
Direct State Services	$104,791	$105,657	$92,175	(12.0)%	(12.8)%
Grants-In-Aid	195,608	278,700	278,700	42.5%	0.0%
State Aid	0	0	0	0.0%	0.0%
Capital Construction	804,190	805,000	805,000	0.1%	0.0%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	**$1,104,589**	**$1,189,357**	**$1,175,875**	**6.5%**	**(1.1)%**
Property Tax Relief Fund					
Direct State Services	$0	$0	$0	0.0%	0.0%
Grants-In-Aid	0	0	0	0.0%	0.0%
State Aid	0	0	0	0.0%	0.0%
Sub-Total	**$0**	**$0**	**$0**	**0.0%**	**0.0%**
Casino Revenue Fund	$25,458	$25,287	$34,352	34.9%	35.8%
Casino Control Fund	$0	$0	$0	0.0%	0.0%
State Total	**$1,130,047**	**$1,214,644**	**$1,210,227**	**7.1%**	**(0.4)%**
Federal Funds	$811,259	$760,394	$932,176	14.9%	22.6%
Other Funds	$1,452,080	$1,574,461	$1,488,410	2.5%	(5.5)%
Grand Total	**$3,393,386**	**$3,549,499**	**$3,630,813**	**7.0%**	**2.3%**

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2004	Revised FY 2005	Funded FY 2006	Percent Change 2004-06	Percent Change 2005-06
State	2,792	2,884	2,899	3.8%	0.5%
Federal	1,020	1,026	1,016	(0.4)%	(1.0)%
All Other	2,192	2,410	2,849	30.0%	18.2%
Total Positions	**6,004**	**6,320**	**6,764**	**12.7%**	**7.0%**

FY 2004 (as of December) and revised FY 2005 (as of September) personnel data reflect actual payroll counts. FY 2006 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent	26.0%	25.6%	26.0%	—	—

Significant Changes/New Programs ($000)

Budget Item	Adj. Approp. FY 2005	Recomm. FY 2006	Dollar Change	Percent Change	Budget Page
I. State and Local Highways					
Maintenance and Fixed Charges	$28,465	$15,063	($13,402)	(47.1)%	D-380

The decrease in this line item reflects a change in the amount recommended for winter operations and snow response costs. The FY2005 budget includes $11.8 million for this purpose, with an additional $13.4 million in supplemental funding. In the recommendation for FY2006, the base budget would remain constant at $11.8 million, with allowance through language for an additional $10 million if needed. For the past few years, snow response costs have been between $25-$35 million, so the recommended funding would appear to be adequate for a milder winter in 2006.

Budget Item	Adj. Approp. FY 2005	Recomm. FY 2006	Dollar Change	Percent Change	Budget Page
II. New Jersey Transit Corporation (NJT):					D-383 D-384
A. Expenditures -					
1. Bus Operations	$447,119	$474,600	$27,481	6.1%	
2. Rail Operations	533,498	560,400	26,902	5.0%	
3. Light Rail Operations	47,226	65,100	17,874	37.8%	
4. Corporate Operations	314,357	321,300	6,943	2.2%	
Sub-Total	$1,342,200	$1,421,400	$79,200	5.9%	
B. Revenues -					
1. State Subsidy	$278,700	$278,700	$0	0.0%	
2. NJT Resources: a. Farebox	558,900	635,700	76,800	13.7%	
b. Other	504,600	507,000	2,400	0.5%	
Sub-Total	$1,342,200	$1,421,400	$79,200	5.9%	
C. Casino Revenue Fund	25,287	34,352	9,065	35.8%	
NJT Total	$1,367,487	$1,455,752	$88,265	6.5%	

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

Budget Item	Adj. Approp. FY 2005	Recomm. FY 2006	Dollar Change	Percent Change	Budget Page

The above information summarizes by major purpose the expenditure data for the New Jersey Transit Corporation followed by a summary of the revenue sources available to support these expenditures. Total resources are projected to increase by $79 million in FY2006. The corporation is facing increased costs for operations, fuel, and maintenance. Almost all of the resources increase is from a fare increase that NJ Transit is currently considering. However, the fare increase will not significantly impact the corporation's cost recovery ratio: estimated costs for the agency are expected to rise 34 cents per rider to $5.77 (overall system, including rail and bus), while revenue per rider will match that amount, if the fare increase is implemented and estimated accurately. The increase in funds from the Casino Revenue Fund for Transportation Assistance for Senior Citizens and Disabled Residents is formulaic, based on receipts of the fund in the last concluded fiscal year. Significant increase in services offered through this program could result.

III. Special Transportation Trust Fund

Budget Item	Adj. Approp. FY 2005	Recomm. FY 2006	Dollar Change	Percent Change	Budget Page
Federal Funds	**$716,391**	**$883,173**	**$166,782**	**23.3%**	**D-381**

The Administration projects TTF revenues from federal sources (Federal Highway Administration or Department of Transportation) to increase significantly. The federal transportation plan – TEA 21 – expired in 2003, and the program is operating on its fifth supplemental appropriation, which expires at the end of May. While some federal funding is expected, the amount available from a future federal program is uncertain.

IV. Transportation Trust Fund

Budget Item	Adj. Approp. FY 2005	Recomm. FY 2006	Dollar Change	Percent Change	Budget Page
State & Local Highways	**$686,000**	**$691,000**	**$5,000**	**0.7%**	**D-381**
Public Transportation:					
New	**$519,000**	**$514,000**	**($5,000)**	**(1.0)%**	**D-384**
Reauthorization	**$87,597**	**$0**	**($87,597)**		
Total Public Transport	**$606,597**	**$514,000**	**($92,597)**	**(15.3)%**	

The Administration proposes a capital construction appropriation of $1.205 billion from the TTFA for FY2006. As indicated above, this increases the State and Local Highways portion by $5 million, and reduces the NJ Transit portion by $5 million. Additionally, in FY2005 several capital program authorizations in previous years, totaling $87.6 million, were de-authorized and retargeted for new projects, raising the total authorized project amount in FY2005 to $1.293 million. Excluding that reprogramming, the FY2006 project recommendation matches the FY2005 total amount.

Language Provisions

2005 Appropriations Handbook	2006 Budget Recommendations
	p. D-377
No comparable language.	Notwithstanding the provisions of P.L. 2003, c.13 (C.39:2A-36) or any other law or regulation to the contrary, the amount appropriated for fiscal 2006 to the New Jersey Motor Vehicle Commission is based on proportional revenue collections for said fiscal year pursuant to the statutes listed in section 105a of P.L. 2003, c.13, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The recommended language signifies that the recommended allocation of FY2006 revenues between the General Fund and the MVC is consistent with the proportions established by law. With the completion of an entire fiscal year of MVC operations and revenue collection, the proportionate share of motor vehicle fees and fines dedicated to MVC purposes has been determined. Given the FY2006 estimate for these revenues, their anticipation for general State uses and appropriation to the MVC are consistent with the established ratios. The language reserves to the budget director the final determination of revenue allocation should actual collections vary from the estimates.

Discussion Points

1. The Transportation Trust Fund Authority FY 2006 Financial Plan includes a discussion of revenues of the Authority, including Constitutional and statutory sources. The largest Constitutional source is the Motor Fuels Tax, cited at $405 million. However, Article 8, Section 2, paragraph 4 of the State Constitution dedicates the revenue from "9 cents of" the motor fuels tax (a dynamic, not static amount) to the transportation capital system from the $580 million anticipated in the FY 2006 budget from this source. The statute establishes the amount of $405 million as a minimum.

The total tax imposed is 10.5 cents per gallon (cpg) for gasoline and 13.5 cpg for diesel, so a reasonable interpretation of the constitutional language encompasses 85.7 percent of the tax from gasoline sales and 66.7 percent of the tax from diesel sales. Gasoline accounts for 80 percent of fuel subject to taxation. In FY 2006, if this interpretation is correct the 9 cpg dedication will generate about $475 million.

- ***Question:*** **How does the Administration interpret the constitutional language as a static amount, that is unaffected by growth in the tax?**

2. The TTFA Financial Plan for FY 2006 includes $156 million in Federal Grant Anticipation Revenue Vehicle bonds ("Garvee" bonds), and $1 billion in Revenue bonds.

- ***Question:*** **Please explain why Garvee bonds are being used. Could the program be funded using only conventional TTFA revenue bonds?**
- ***Question:*** **What are the advantages and disadvantages, if any, to securitizing our federal highway and transit aid?**
- ***Question:*** **Will the issuance of Garvee bonds entail a premium over the cost of a like-sized issuance of revenue bonds? If so, what is the expected amount of that premium in each year of debt retirement? What is the total amount of the premium (expressed as a present value)?**

3. The Maritime Industry Fund, established pursuant to P.L. 2001, c.429, has accumulated just under $4 million since its enactment, from increased Boat Registration Fees. The fund's revenue is dedicated to projects and initiatives supporting the maritime industry.

- ***Question:*** **Does the Office of Maritime Resources have a multi-year spending plan for the Maritime Industry Fund? If so, what are its components? What specific projects are proposed? Does it appear that the fund will accumulate sufficient revenue to accomplish dredging tasks, given the high cost of dredging activity and environmental remediation?**

4. P.L. 2003, c.131 established the Safe Corridor program, under which sections of highways with high traffic volume or accident rates would be designated "Safe Corridors" and given greater focus for safety improvements. Fines for certain traffic violations in these corridors were doubled, with the additional revenue directed to the Highway Safety Fund. The act required an annual evaluation of the program's effectiveness and report of the projects funded by the Highway Safety Fund.

- ***Question:*** **What increased activities of local law enforcement agencies, reimbursable through this fund, have occurred since the law's implementation? Does the evaluation indicate that the program has been successful in providing revenue for transportation projects and programs? Given that the purpose of doubling fines in safe corridor areas was to influence driver behavior, has this policy been successful? If driver behavior is successfully influenced, would not the fund's revenues then decline and become less effective in supporting corridor safety measures?**

Discussion Points

New Jersey Transit

5. Recent press reports cited remarks by state transportation officials that the lack of any funding for Trust Fund projects after FY 2006 has resulted in a different approach to capital project funding, with certain projects being delayed and more emphasis being placed on the completion of different project phases than would ordinarily be the case.

- *Question:* **How has the lack of funding impacted the types and phases of rail capital projects proposed for FY 2006? What are the ramifications of the funding situation for the State's transportation capital program?**

- *Question:* **What amount does NJ transit expect to receive from the transit fare increase and what amount from the TTF, for operating purposes and for capital purposes, respectively? Is NJ Transit's TTF total operating subsidy increasing or decreasing compared to last year's budget?**

6. The President and CEO of Amtrak, David Gunn, recently informed Congress and the Amtrak Board of Directors that "... Should something happen that impacts our budget, the possibility of Amtrak facing a cash crisis in FY 2005 could quickly become very real. ...Any significant reduction in the infrastructure investment program will likely force Amtrak to suspend high-speed operations on the Northeast Corridor." (letter to Congress and Amtrak Board of Directors, 2/15/05). Currently, Congress has not authorized restoration of federal funding to an extent that would continue Amtrak's capital investment capability.

- *Question:* **Does NJ Transit have a contingency plan in place to maintain service on the Northeast Corridor lines, in the event of a service interruption for Amtrak? If so, please describe the plan's major components and their fiscal impact. Please also provide a copy of the plan for the committee's review. If no contingency plan exists, does NJT plan to prepare one in light of the impact the current federal budget might have on Amtrak?**

Motor Vehicle Commission

7. H.R.418, the "Real ID Act of 2005" specifies driver's license standards, data systems for maintaining and sharing information, and verification systems that states would be required to establish. Some estimates indicate that the fiscal impact on states to implement and maintain the changes required in H.R.418 would total as much as $100 million each year. The provisions of the bill have been incorporated into a pending federal FY 2005 supplemental appropriations bill, greatly increasing its chance for passage into federal law.

- *Question:* **To what extent and in what ways would New Jersey's driver licensing system be impacted by this proposal? What is the estimated fiscal impact of compliance? Is the Commission aware of any federal funding that would be available to assist New Jersey with this mandate, if it becomes federal law?**

8. Financial information included in the Motor Vehicle Commission's (MVC) 2004 annual report shows actual and projected capital outlays for FY 2004-2006 totaling $107.7 million that have been or will be charged to the Trust Fund for MVC capital purposes established by the sale of bonds by the New Jersey Economic Development Authority. The bond sale produced $147.5 million for MVC capital needs (plus $10 million for the Judiciary for automated traffic system purposes). Based on these

Discussion Points

projections, the Trust Fund will have about $40 million remaining for MVC capital needs in FY 2007 and beyond.

The MVC received in October 2004 a study completed by Standard and Poor's on current and future facility siting and development issues.

- *Question:* **Please summarize the recommendations of this siting study. What is the projected fiscal impact on MVC revenues, operating costs and capital outlays of implementing the plan? Has the MVC developed a plan to implement the study's recommendations? If so, what are the fiscal impacts of that plan, and to what extent are they reflected in the FY 2006 proposed MVC budget? Does the Trust Fund have adequate resources for facilities costs resulting from this study? If not, how does the MVC propose to obtain additional resources?**

Background Paper: Transportation Trust Fund Authority

Budget Pages....D-371 to 387; H-61

Introduction

The Transportation Trust Fund, ("Trust Fund", or TTF) established pursuant to P.L.1984, c. 73, is a financing mechanism intended to support the annual transportation capital construction program. It is designed to finance improvements to the State's road, bus and rail transportation networks, and to support local government transportation projects. In 1984, the Legislature determined that it was important to provide "stable and assured" funding to the Department of Transportation for improvements to the transportation system in the State. During the preceding years, transportation projects competed for funding, as part of the annual appropriations act process, with other capital improvement program requests submitted by the various State departments. This process generally resulted in an appropriation of State funds for transportation purposes that was just sufficient to match federal funds.

For transportation capital programs that were deemed essential and overdue, but which could not be funded through the annual capital program process because of State budgetary constraints, the use of general obligation bonds became an important financing alternative. Nevertheless, since such bonds require voter approval, the ability to provide substantial amounts of State funds for needed transportation improvements on a regular basis could not be assured. Without this assurance, the planning and construction of improvements was a lengthy and uncertain process. Consequently, the Legislature decided that the proper solution to this funding dilemma was the creation of a unique entity responsible for and empowered to finance the transportation needs of the State. This decision led to the creation of the Transportation Trust Fund Authority.

Funding History

Although envisioned in 1984 as providing an average of $250 million per year over a four-year period for transportation capital improvements, the Trust Fund subsequently financed only a three-year program and a one year extension with each year at rapidly rising funding levels. In January 1988, the Trust Fund was renewed pursuant to P.L.1987, c.460. Under that renewal, the capital construction program, beginning in FY 1989, was to receive $365 million each year for seven years, compared to an average $332 million received during the Trust Fund's first four years.

Subsequent legislation, P.L.1991, c.40, authorized a further increase in the Trust Fund program, and $565 million and $593 million were made available for FY 1991 and FY 1992, respectively. A mid-course review of the renewed Trust Fund program indicated that a two-year increase in the Trust Fund program level was justified to support accelerating infrastructure construction demands. In addition, since the amount of Trust Fund bonds issued up to that time was less than anticipated, and construction contracts were awarded in amounts below Trust Fund estimates, an increase in the construction program level was possible without any additional appropriations from the general revenues of the State. However, given the recessionary problems that continued to confront the State at that time, further legislation, P.L.1992, c. 10, held the TTF program level to remain at an average $565 million amount through FY 1995.

To continue the Trust Fund beyond FY 1995, P.L.1995, c.108 was enacted. Although this legislation does not contain a specific reauthorization period, the Legislature intended that the Trust Fund be able to finance at least a five-year program, from FY 1996 through FY 2000. As part of the 1995 reauthorization legislation, the annual Trust Fund program level was increased to $700 million. In addition, its funding purposes were expanded to include specific support for general aviation

Background Paper: Transportation Trust Fund Authority (Cont'd)

airports, and permission to supplant, on a dollar for dollar basis, reductions in annual federal operating subsidies to the New Jersey Transit Corporation. However, notwithstanding the $700 million program level, the Legislature authorized $900 million programs for FY 1998 and FY 2000. As a consequence of these larger capital program levels, highway and bridge projects received an average annual amount of $350 million, mass transit facilities $290 million, general aviation airports $8 million, and local governments a minimum of $130 million for the five year period from FY 1996 through FY 2000.

Given the legislative intent to reauthorize the Trust Fund by FY 2001, further legislation, P.L.2000, c.73, was enacted. This legislation again increased the amount of the annual Trust Fund capital program but authorized funding for only the four year period from FY 2001 through FY 2004. During this interval, the 2000 law stipulated that the Trust Fund program was not to exceed $900 million in FY 2001, and $950 million in each of the years from FY 2002 through FY 2004. The $900 million program authorized by the Appropriations Act for FY 2001 was consistent with P.L.2000, c.73. However, in each of the remaining years, FY 2002 - 2004, the Legislature authorized a Trust Fund program in excess of the planned cap, of $1.107, $1.108, and 1.228 billion, respectively. Thus, the planned cap on spending was implemented only in the first year of the program, with the program amount revised by language inserted into the annual Appropriations Act. While some provisions of this latest reauthorization law have been implemented and some remain in effect, the program did not specify a program cap beyond FY2004. The Administration has recommended a FY2006 program of $1.205 billion, constant from last year. This is the second year since 1984 that the TTF will be operating without legislation which establishes levels of project spending or supporting revenues.

Trust Fund Financing

To financially support the Trust Fund program, monies are annually made available for appropriation from several revenue sources. First, the Trust Fund receives revenues that are constitutionally dedicated for the transportation system in the State. These revenues include:

(1) a portion of the motor fuels tax which has progressed as follows:
1984 – 2.5 cents per gallon (cpg)
1996 – 7 cpg
1998 – 8 cpg
1999 (and thereafter) – 9 cpg.[1]

In FY2000, the Motor Fuels tax portion ("9 cents worth") was interpreted to be about $405 million, and that amount was put into statute as a minimum. Since then, the yield from the Motor Fuels tax has increased over 8 percent, to an estimated $580 million in FY2006, but the actual amount appropriated to the TTF has remained static at $405 million.

(2) beginning in FY2002, the annual revenues, but not less than $200 million, from the Petroleum Products Gross Receipts Tax, and

(3) Sales and Use Tax revenue, phased in:

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[1] In FY2006, the Administration anticipates $580 million from motor fuels tax, of which about 80 percent is from gasoline sales (10.5cpg total levy) and 20 percent is from diesel (13.5 cpg total levy). An additional 2 cpg is levied on aviation fuel sold at certain locations, but this is dedicated to airport uses. A reasonable interpretation of the "9 cpg" constitutional language encompasses 85.7 percent of the tax from gasoline sales and 66.7 percent of the tax from diesel sales. If this interpretation is correct the 9 cpg dedication will generate about $475 million this year.

Background Paper: Transportation Trust Fund Authority (Cont'd)

2001 – $ 80 million
2002 – $140 million
2003 (and thereafter) – $200 million.

For FY2006, the Administration interprets the total constitutional dedication to be transferred to the TTF to mean $805 million, regardless of the rise in the base tax yield on motor fuels.

Second, the most recent plan provided for the TTF to receive certain statutorily dedicated revenues. These revenues include: (1) $30 million from diesel fuel taxes and certain increases in truck registration fees; and (2) $60 million from certain motor vehicle registration fee surcharges. Third, the Trust Fund is to receive $24.5 million from contracts with two State toll road authorities (New Jersey Turnpike Authority (NJTA) - $22 million, and South Jersey Transportation Authority (SJTA) - $2.5 million). The previous annual contribution of $10 million by the Parkway to the Trust Fund ceased December 31, 2000. Initially, the Turnpike Authority increased its contribution from $12 million to $22 million to offset the cancellation of the Parkway's contribution. However, for FY2005 and 2006, the Turnpike Authority has retained its contribution under a revision of its contract with the State Treasurer. Finally, pursuant to P.L.1995, c.108, additional amounts, as needed, are to be appropriated to the Trust Fund from the general revenues of the State. Including the statutorily planned amount in P.L. 2000, c.73, revenues for the TTF were to be at least $919.5 million in FY2006.

In turn, the Trust Fund leverages these annual revenues with the Trust Fund's bond issuing capacity to finance the amount of the construction program authorized by the Legislature to be appropriated each year from the Trust Fund. The Trust Fund carries out this financing function through a process that first appropriates monies **to** the Trust Fund and then **from** the Trust Fund.

Step 1: available revenue

The revenue sources noted above provide the monies for the annual capital budget appropriation **to** the Trust Fund. From FY 1985 to FY 1988, this amount varied between $143 million and $201 million. Pursuant to the legislation renewing the Trust Fund in 1988, the annual capital appropriation was planned to be $331 million. However, due to budgetary constraints, the appropriation decreased to $155 million in FY 1993, and remained at reduced levels of $160 million in FY 1994, and $213 million in FY 1995.

For FY 1996, consistent with debt service estimates made in 1995 regarding future Trust Fund expenses, the capital appropriation was $196.6 million. Although the FY 1997 capital appropriation was anticipated to be $362.8 million, the Governor subsequently recommended, and the Legislature appropriated, only $304.5 million for FY 1997. This reduced amount reflected lower than projected debt service costs on outstanding Trust Fund bonds. In subsequent years, while the FY 1998 appropriation of $380.3 million was consistent with the 1995 funding estimate, the $463.7 million appropriation for FY 1999 was below the $511.6 million estimate made in 1995. The lower amount for FY 1999 was also attributed to lower than anticipated Trust Fund debt service costs. For Fiscal Year 2000 a continuation of lower than estimated debt service costs resulted in an appropriation of $483.1 million, rather than the originally projected amount of $525.3 million. However, the total "debt service savings" of $148.4 million - - $58.3 million in FY 1997, $47.9 million in FY 1999, and $42.2 million in FY 2000 - - were subsequently used for non-Trust Fund purposes. If the Trust Fund had received the original, larger appropriations, the overall sale of Trust Fund bonds between FY 1997 and FY 2000 could have been reduced by $148.4 million.

Although the $701.4 million appropriation in FY 2001 to the Trust Fund was consistent with P.L.2000, c.73, the $709.5 million originally appropriated in FY 2002 was $90 million below the

Background Paper: Transportation Trust Fund Authority (Cont'd)

minimum $799.5 million stipulated by P.L.2000, c.73. The $90 million not appropriated includes $30 million in truck fees and certain diesel fuel revenues, and $60 million in motor vehicle registration surcharges which are statutorily dedicated to the Trust Fund pursuant to subsection c. of section 20 of P.L.1984. c.73 (C.27:1B-20). Subsequent to the enactment of the FY 2002 Appropriations Act, the TTF appropriation was reduced by an additional $24.5 million pursuant to P.L.2002, c.12. The $24.5 million reduction represents toll road contributions dedicated to the Trust Fund through contracts with the NJTA ($22 million) and the SJTA ($2.5 million). Due to the State's fiscal difficulties, this $24.5 million instead funded activities that were eligible to be funded under the contracts but which the department had previously financed out of its operating budget. Consequently, the Trust Fund received a total appropriation of only $685 million in FY 2002.

For FY 2003, the Legislature approved a capital budget appropriation of $745 million to the TTF, an amount which is $114.5 million below the minimum of $859.5 million established by the recent Trust Fund reauthorization legislation, P.L.2000, c.73. The $745 million included only constitutionally dedicated revenues provided by motor fuel taxes ($405 million), the Petroleum Products Gross Receipts Tax ($200 million), and the Sales and Use Tax ($140 million). The $114.5 million amount not recommended for appropriation is composed of the same $90 million in certain surcharge and truck fees, and $24.5 million on toll road contracts referenced above.

As noted, the decrease in the annual appropriation was attributed to lower than estimated debt service costs. The costs for debt service have been lower than projected since FY 1996 because the original interest rate assumptions of 6.5% to 8.5% on Trust Fund bonds made by the Department of the Treasury proved to be too high; instead, interest rates on Trust Fund bonds sold since FY 1996 have varied from 4.61% to 5.70%.

For FY 2003 through 2006, the Legislature approved an appropriation to the TTF of $805 million. The $114.5 million in statutorily earmarked capital revenues were not appropriated, and thus are available to be used as General Fund resources. No discretionary amounts are budgeted for the capital program.

Step 2: approved spending.

The annual appropriation act also establishes the level of the capital program by appropriating monies **from** the Trust Fund. Since its inception, the annual program level has increased steadily from $249 million in FY 1985 to $1.292 billion for FY 2005. The FY2005 program totaled $1.292 billion, of which $1.205 billion was an original authorization and $87 million was the result of deauthorizing some previous years' NJ Transit capital program projects. The Administration has recommended a program authorization of $1.205 billion for FY2006.

Given the excess of the annual authorization **from** the TTF over the annual appropriation **to** the Trust Fund, a second step of financing is required. To obtain the additional monies to support the legislatively approved construction programs, the Trust Fund must issue bonds. Although earlier legislation restricted the amount of Trust Fund bonds that could be outstanding at one time to $1.7 billion, this restriction was eliminated by P.L.1995, c.108. In that year the TTF's annual bonding capacity was set at $700 million. Since 1995 the TTFA has "perpetual carryforward" authorization, in that any portion of that amount not issued in a fiscal year, may be issued in subsequent fiscal years. A one-year loosening of the bonding cap, from $700 million to $900 million was approved pursuant to P.L.1999, c. 147 to accommodate the FY 2000 Trust Fund program.

The bond issuance limitation was reduced to $650 million by P.L.2000, c.73, the same law that established the Trust Fund's capital program at $900 million for FY 2001 and $950 million for FY 2002

Background Paper: Transportation Trust Fund Authority (Cont'd)

through FY 2004.

Consequently, the Trust Fund uses all of its resources - State appropriations, bond proceeds and investment earnings - to finance the transportation construction program. It must also be noted that the Trust Fund uses its State appropriations as well as investment earnings to pay the annual debt service costs on its outstanding bonds. While the amount of maturing bonds payable had been relatively modest in the recent past, these costs have increased to $527 million for FY 2006.

In the past 3 years, the TTFA has rapidly increased its reliance on debt. According to the FY2004 financial statement of the TTFA: the Authority disbursed $1.273 billion to the Special Transportation Fund in FY2004 for the capital needs of the transportation system, an increase of 32.7% over the previous year. The TTFA had a net asset deficit of $155.6 million, a rapid decrease from assets of $635 million at the close of FY2002. At the end of FY2004 the authority had $5.8 billion in outstanding bonds, an increase of 14% from last year, and issued $924,810,000 in new debt in 2004. The TTFA has issued over $1 billion in new debt during FY2005, and plans to issue $1.156 billion in FY2006. According to the department, TTFA debt issuance will involve the use of Grant Anticipation Revenue Vehicle (GARVEE) bonds, to fund certain projects based on anticipated receipts of federal funds.

Background Paper: Transportation Trust Fund Authority (Cont'd)

The following chart displays the financing information provided above.

Trust Fund Recap
(amounts rounded in $ millions)

Fiscal Year	Trust Fund Program	State Appropriation	Bond Proceeds	Investment Earnings	Debt Service	Unmet Cash Need[1]
1985	$249	$198	$51	$6	$2	($4)
1986	323	153	0	20	9	159
1987	431	143	178	20	14	104
1988	323	201	89	28	26	31
1989	365	331	0	39	46	41
1990	365	331	0	43	46	37
1991	565	331	0	32	46	248
1992	593	331	272	22	46	14
1993	537	155	495	15	87	(41)
1994	565	160	461	14	135	65
1995	565	213	182	15	163	318
1996 [2]	700	197	611	15	87	(36)
1997	700	305	674	18	184	(113)
1998	900	380	715	17	249	37
1999	700	464	718	17	305	(194)
2000	900	483	916	36	355	(180)
2001	900	701	0	28	408	579
2002	1,107	685	1,038	17	433	(200)
2003	1,108	745	0	16	449	796
2004	1,228	805	925	9	496	(15)
2005 [3]	1,205	805	1,071	9	532	(148)
Sub-total	14,329	8,117	8,396	436	4,118	1,498
2006 (est)	1,205	805	1,000	5	527	(78)
Total	15,534	8,922	9,396	441	4,645	1,420

Background Paper: Transportation Trust Fund Authority (Cont'd)

1. Unmet Cash Need represents the excess authorization, or that which would be required to balance Trust Fund expenditures, (i.e., Trust Fund Program and Debt Service Payment) with Trust Fund revenues, (i.e., Annual State Appropriation, Bond Sale Proceeds, and Trust Fund Earnings). Although many of the projects supported by the Trust Fund require several years to complete, the Trust Fund only keeps an amount of cash on hand sufficient to pay 12 to 15 months of construction activity. As available cash is used, the Trust Fund then schedules annual sales of its bonds when it nears having only about a two month supply of cash on hand. Consequently, the Trust Fund would need an additional $2.4 billion to balance the total of all program and payment expenditures authorized over time with revenues received.

2. The reduction in debt service costs between FY 1995 and FY 1996 reflects the issuance of 20 year Trust Fund bonds in 1995 to refinance previously issued and outstanding 10 year Trust Fund bonds. Ongoing bond issuances have had 20 year maturities.

3. The 2005 program amount shown excludes $87 million in prior years' project authorizations that were de-appropriated and reauthorized for 2005.

Bonding History

Fiscal Year	Bond Cap Credit	New Money Bonds	Garvee Bonds	Available Bond Authority
1996	700,000,000	334,065,000		365,935,000
1997	700,000,000	714,340,000		351,595,000
1998	700,000,000	703,940,000		347,655,000
1999	700,000,000	700,000,000		347,655,000
2000	900,000,000	900,000,000		347,655,000
2001	650,000,000	0		997,655,000
2002	650,000,000	1,015,000,000		632,655,000
2003	650,000,000	0		1,282,655,000
2004	650,000,000	924,810,000		1,007,845,000
2005	650,000,000	471,655,000		1,186,190,000
2005		550,000,000		636,190,000
Fed. Garvee			156,000,000	480,190,000
2006 (est.)	650,000,000	1,000,000,000		$130,190,000

Source: NJTTFA meeting minutes, March 7, 2005.

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