



New Jersey Transportation Trust Fund Authority Fiscal Year 2021 Financial Plan

Plan for Financing Anticipated NJDOT/NJ TRANSIT Capital Program Outlays for Fiscal Year 2021

*Prepared by the
New Jersey Transportation Trust Fund Authority*

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I. Introduction

New Jersey Transportation Trust Fund Authority's 2021 Financial Plan

The New Jersey Transportation Trust Fund Authority (“TTFA”, or “Authority”) finances the State portion of the capital programs of the New Jersey Department of Transportation (“NJDOT”) and New Jersey Transit Corporation (“NJ Transit”) as well as the State’s Local Aid transportation program. The New Jersey Transportation Trust Fund Authority Act, as amended, N.J.S.A. 27:1B-1 et seq. (the “TTFA Act”), requires the TTFA to adopt a Financial Plan which must meet the following requirements:

“The financial plan shall contain an enumeration of the bonds, notes or other obligations of the authority which the authority intends to issue, including the amounts thereof and the conditions therefor. The financial plan shall set forth a complete operating and financial statement covering the authority’s proposed operations during the ensuing fiscal year, including amounts of income from all sources, including but not limited to the proceeds of bonds, notes or other obligations to be issued, as well as interest earned. In addition, the plan shall contain proposed amounts to be appropriated and expended, as well as amounts for which the department anticipates to obligate during the ensuing fiscal year for any future expenditures.” [N.J.S.A. 27:1B-22d]

In October 2016, the TTFA Act was reauthorized by the State Legislature to provide for an 8-year, \$16.0 billion program, funded by a combination of current revenues (also referred to as Pay-As-You-Go or “PAYGO”) and \$12 billion in bonding authorization, both of which were supported by the Motor Fuels Tax (MFT) and the Petroleum Products Gross Receipts Tax (PPGRT). The reauthorized TTFA Act increased the PPGRT in November 2016. It was increased again in October 2018, reflecting a provision of the 2016 legislation allowing the State to adjust the rate contingent upon revenues meeting the Highway Fuel Cap revenue target for the fiscal year. The increase in bond authorization via constitutional amendment was approved by the voters in the November 2016 general election. The 2016 TTFA Act constitutionally dedicated all amounts equivalent to the collection of MFT revenues and PPGRT revenues for transportation purposes.

The TTFA funds its programs through annual State appropriations of revenues received from the Motor Fuels Tax (MFT), Petroleum Products Gross Receipts Tax (PPGRT), Sales and Use Tax, toll road contributions, investment earnings, and the incurrence of debt. The Fiscal Year 2020 Appropriations Act reflected an annual Statewide Transportation Capital Program of \$2.0 billion. The Fiscal Year 2021 Governor’s Budget Message retains a Statewide Transportation Capital Program of \$2 billion.

To fund Fiscal Year 2020 capital projects the TTFA issued \$1.0 billion in 2019 Series BB Transportation Program Bonds. Other resources included the remaining proceeds from the Fiscal Year 2019 Series AA Transportation Program Bonds and \$872.6 million from an off budget resource, the Subaccount for Capital Reserves (SACR), comprised of PAYGO funding of \$537.8 million and \$334.8 million for project costs eligible for federal reimbursement, respectively.

To fund Fiscal Year 2021 capital projects the TTFA plans to issue \$1.5 billion in Transportation Program Bonds. Other resources include the remaining proceeds of the Fiscal Year 2019 Series BB Transportation Program Bonds and an estimated \$491.0 million from the SACR, comprised

Fiscal Year 2021 Financial Plan

of PAYGO funding of \$198.8 million and \$292.2 million for project costs eligible for federal reimbursement. The significant reduction in PAYGO funding is mainly due to significant declines in estimated Fiscal Year 2020 and 2021 PPGRT revenue as a result of the coronavirus pandemic.

II. Prior Years' Results

The following table summarizes the results of the TTFA's operations for Fiscal Years 1985 through 2019 as well as the unaudited estimated results of operations for Fiscal Year 2020:

Summary of Operations (FY 1985-2020)			
(\$ in Thousands)			
<u>DESCRIPTION</u>	1985-2019	2020	1985 Thru 2020
	<u>Actual</u>	<u>Estimated</u>	<u>Actual & Estimated</u>
Authority Resources:			
Revenue Appropriations	\$22,616,266	\$ 1,412,199	\$ 24,028,465
PAYGO NJ Turnpike	66,000	-	66,000
Sub-Acct Cap Res-PAYGO	764,931	537,821	1,302,752
Sub-Acct Cap Res-Fed Project Cost	338,943	334,777	673,720
Prior Year Carryforward	83,722	-	83,722
Build America Bonds Interest Subsidy	335,328	19,337	354,665
Interest Earnings	564,700	12,000	576,700
Net Bond Proceeds *	25,004,960	1,113,347	26,118,307
Capitalized Interest Fund **	<u>245,761</u>	_____	<u>245,761</u>
Total Authority Sources	<u>\$ 50,020,611</u>	<u>\$ 3,429,481</u>	<u>\$ 53,450,092</u>
Authority Uses:			
Program Appropriations	\$ 35,863,100	\$ 2,000,000	\$ 37,863,100
Debt Service (TTF) ***	17,709,599	1,683,519	19,393,118
Authority Expenses	<u>26,438</u>	<u>106</u>	<u>26,544</u>
Total Authority Uses	<u>\$ 53,599,137</u>	<u>\$ 3,683,625</u>	<u>\$ 57,282,762</u>
Net Balance	<u>\$ (3,578,526)</u>	<u>\$ (254,144)</u>	<u>\$ (3,832,670)</u>
* Including Bond Premiums net of Cost of Issuance ** 2016A Indirect Federal GARVEE bonds *** State Contract Transportation System, Transportation Program, and Federal Indirect			

The negative \$3.8 billion Net Balance for Fiscal Years 1985 through 2020 in the chart above recognizes that the TTFA only issues bonds or notes to meet cash flow obligations, not the full value of capital program appropriations. The "Program Appropriations" amounts reflect the obligation authority that the State Legislature provided to NJDOT/NJ Transit for TTFA projects

since Fiscal Year 1985. However, the costs of most transportation capital projects are paid out over a number of years. This is particularly true of large road and bridge construction projects. The TTFA only issues bonds for cash outlays that are anticipated in the current year. Therefore, the estimated net balance of negative \$3.8 billion reflects estimated and actual spending authority (i.e. inception to date) less total actual and estimated resources that have been provided or generated by the TTFA through June 30, 2020. The estimated increase in the negative Net Balance deficit of \$254 million is primarily due to Fiscal Year 2020 capital program expenditures exceeding new money bond proceeds and Pay As You Go resources.

III. New Jersey Transportation Capital Plan

The TTFA Act reauthorization enacted in October 2016 provided for \$16 billion in state programming authority from Fiscal Year 2017 through Fiscal Year 2024. The state capital program in Fiscal Year 2018 totaled \$2 billion, \$2.050 billion in Fiscal Year 2019 (including a supplemental appropriation of \$50 million to NJ Transit), and \$2 billion in Fiscal Year 2020. The Fiscal Year 2021 Governor’s Budget Message recommends a \$2 billion program.

Cash required to support the New Jersey Transportation Capital Plan (the “Capital Plan”) is provided by the sale of bonds and Pay-As-You-Go funding. Program Bonds are issued as “state contract” debt backed by a contract between the State Treasurer and the TTFA. The reauthorization of the TTFA Act signed in October 2016 provided for \$12 billion in total bonding authorization to finance transportation projects beginning in Fiscal Year 2017 through Fiscal Year 2024.

As noted in the chart below, the Fiscal Year 2021 Transportation Capital Plan splits the \$2 billion program between DOT (\$810.0m), NJ Transit (\$760.0m), and Local Aid (\$430.0m).

NEW JERSEY CAPITAL TRANSPORTATION PLAN	
(\$ in Millions)	
TTF Spending Authority:	FY 21
TTFA	\$ 2,000.0
Total	<u>\$ 2,000.0</u>
Programmatic Distribution:	
DOT	\$ 810.0
NJ Transit	\$ 760.0
Local Aid	\$ 430.0
Total	<u>\$ 2,000.0</u>

As summarized in the chart below, the Fiscal Year 2021 Governor’s Budget Message recommends an appropriation to the TTFA of \$1,485.4 million, which represents an increase of \$13.6 million (0.9%) from the amount appropriated in July 2019, in the Fiscal Year 2020 Appropriations Act (\$1,471.8 million).

FY 21 TTF APPROPRIATION			
(\$ in Millions)			
	FY 20	FY 21	
	Appropriation	GBM	Change
Motor Fuels Tax	\$ 492.0	\$ 399.5	(\$92.5)
Petroleum Gross Receipts Tax	767.8	873.9	106.1
Sales & Use Tax	200.0	200.0	-
Toll Road Authorities	12.0	12.0	-
TOTAL TTF APPROPRIATION	\$1,471.8	\$1,485.4	\$ 13.6

IV. Debt Issuances

A. Debt Issuances - Fiscal Year 2021 Capital Program

The reauthorized TTFA Act provided for the issuance of \$12 billion of Program Bonds between Fiscal Year 2017 and Fiscal Year 2024. In Fiscal Year 2017 the TTFA issued \$3.24 billion in 2016 Series A & B Federal Highway Reimbursement Revenue Notes/Federal Indirect GARVEES (the “Notes”) sufficient to cover project costs for Fiscal Years 2017 and 2018, and part of Fiscal Year 2019. During Fiscal Year 2019 the Authority issued \$750 million in new money Program Bonds; it also refinanced \$1.3 billion of 2016 Sub-Series A-2 Federal Highway Reimbursement Revenue Notes and \$1.6 billion of Transportation System Bonds (2007 Series A, \$900 million and 2008 Series B, \$700 million), which resulted in nearly \$300 million in net present value savings. During Fiscal Year 2020 the Authority issued \$1 billion in new money Program Bonds, remarketed \$150 million in 2014 Series BB-1 variable rate notes to fixed rate, and refinanced another \$1.6 billion in Transportation System Bonds (Build America Bonds 2009 Series B and 2010 Series C, in the amounts of \$274 million and \$425 million respectively, and 2011 Series A and 2011 Series B bonds in the amounts of \$358 million and \$536 million, respectively), which resulted in nearly \$157 million in net present value savings.

The TTFA estimates that it will issue \$1.5 billion in new money state contract-backed Program Bonds, which are state contract-backed debt, in Fiscal Year 2021.

Fiscal Year 2021 Financial Plan

The chart below summarizes the TTFA's projected Fiscal Year 2021 cash flows:

FY 21: STATEMENT OF ANTICIPATED CHANGES IN CASH POSITION		
Description	Sub-Total	Total
Estimated July 1, 2020 Cash Balance		<u>\$878,500,000</u>
Receipts:		
State Appropriations:		
Motor Fuels Tax	399,500,000	
Petroleum Products Tax	873,944,000	
Sales and Use Tax	200,000,000	
Toll Road Authorities Contributions	<u>12,000,000</u>	
Net Total		1,485,444,000
Sub-Acct Capital Reserve Pay-As-You-Go	198,842,582	
Sub-Acct Capital Reserve Federal Project Costs	292,221,418	
Interest Income	7,090,000	
Bond Proceeds	1,500,000,000	
Build America Bonds Interest Subsidy	<u>21,700,000</u>	<u>\$2,019,854,000</u>
Total Receipts		<u>\$3,505,298,000</u>
Disbursements:		
State Transportation Project Costs		1,854,613,000
Debt Service		1,777,144,000
Authority Operating Expenses		<u>106,000</u>
Total Disbursements		\$ 3,631,863,000
Estimated July 1, 2021 Cash Balance		\$ 751,935,000

B. Constitutional Dedication

Pursuant to Article VIII, Section II, Paragraph 4 of the New Jersey State Constitution, certain revenues are dedicated to the purposes of paying or financing the cost of planning, acquisition, engineering, construction, reconstruction, repair and rehabilitation of the transportation system in the State. The relevant text is copied below, reflecting the most recent Constitutional amendment accepted by the voters in November 2016.

There shall be credited to a special account in the General Fund:

(a) for each State fiscal year commencing on and after July 1, 2007 through the State fiscal year commencing on July 1, 2015 an amount equivalent to the revenue derived from \$.105 per gallon from the tax imposed on the sale of motor fuels pursuant to chapter 39 of Title 54 of the Revised Statutes, and for each State fiscal year thereafter, an amount equivalent to all revenue derived from the collection of the tax imposed on the sale of motor fuels pursuant to chapter 39 of Title 54 of the Revised Statutes or any other subsequent law of similar effect;

(b) for the State fiscal year 2001 an amount not less than \$100,000,000 derived from the State revenues collected from the tax on the gross receipts of the sale of petroleum products imposed pursuant to P.L.1990, c.42 (C.54:15B-1 et seq.) as amended and supplemented, or any other subsequent law of similar effect, for each State fiscal year from State fiscal year 2002 through State fiscal year 2016 an amount not less than \$200,000,000 derived from those revenues, and for each State fiscal year thereafter, an amount equivalent to all revenue derived from the collection of the tax on the gross receipts of the sale of petroleum products imposed pursuant to P.L.1990, c.42 (C.54:15B-1 et seq.) as amended and supplemented, or any other subsequent law of similar effect; and

(c) for the State fiscal year 2002 an amount not less than \$80,000,000 from the State revenue collected from the State tax imposed under the "Sales and Use Tax Act," pursuant to P.L.1966, c.30 (C.54:32B-1 et seq.), as amended and supplemented, or any other subsequent law of similar effect, for the State fiscal year 2003 an amount not less than \$140,000,000 from those revenues, and for each State fiscal year thereafter an amount not less than \$200,000,000 from those revenues; provided, however, the dedication and use of such revenues as provided in this paragraph shall be subject and subordinate to (a) all appropriations of revenues from such taxes made by laws enacted on or before December 7, 2006 in accordance with Article VIII, Section II, paragraph 3 of the State Constitution in order to provide the ways and means to pay the principal and interest on bonds of the State presently outstanding or authorized to be issued under such laws or (b) any other use of those revenues enacted into law on or before December 7, 2006. These amounts shall be appropriated from time to time by the Legislature, only for the purposes of paying or financing the cost of planning, acquisition, engineering, construction, reconstruction, repair and rehabilitation of the transportation system in this State and it shall not be competent for the Legislature to borrow, appropriate or use these amounts or any part thereof for any other purpose, under any pretense whatever.

Article VIII, Section II, paragraph 4 added effective December 6, 1984; amended effective December 7, 2000; amended effective December 7, 2006; amended effective December 8, 2016.

C. Credit Ratings

TTFA Transportation System and Transportation Program Bonds are currently rated BBB+ by Standard & Poor's and Fitch Ratings, and Baa1 by Moody's, respectively. The TTFA Federal Highway Reimbursement Revenue Notes, 2016 Series A are currently rated "BBB+" by Fitch Investors Service, "Baa1" by Moody's Investors Service, and "A+" by Standard & Poor's Corporation. The TTFA Federal Highway Reimbursement Revenue Notes, 2016 Series B are not rated by the rating agencies.

D. Fiscal Year 2020 Statutory Debt Limit

The estimated Fiscal Year 2021 issuance of \$1.5 billion in Program Bonds (state contract-backed debt) is in compliance with the TTFA Act, which authorized bond issuances totaling \$12 billion through the end of the current reauthorization period in Fiscal Year 2024. After the planned Fiscal Year 2021 issuance, the Authority’s projected unused statutory debt limit will equal \$8.62 billion. It should be noted that the 2016 TTFA Act, as amended, provides that any bond premium generated from Program Bond issues counts against the unused bonding capacity.

The Fiscal Year 2019 Issuance of Program Bonds included \$37.2 million in bond premium while the Fiscal Year 2020 Issuance of Program Bonds included \$90.0 million in bond premium.

Currently, there is no remaining unused statutory debt cap under the TTFA Act, for the Transportation System Bonds issued under the 1995 Prior Bond Resolution (except a nominal amount representing the amount thereof in excess of nearest integral multiple of \$5,000). Accordingly, under the TTFA Act, only refunding bonds may be issued under its 1995 Prior Bond Resolution, as amended and supplemented. As such, the table below provides a statutory debt limit calculation solely for bonds authorized under the 2016 TTFA Act.

TRANSPORTATION TRUST FUND AUTHORITY		
STATUTORY DEBT LIMIT		
Fiscal Year Bonding Credits:		
FY 2017-2024		\$12,000,000,000
Less:		
<u>FY 2019:</u>		
2019 Series AA Par Amount	750,000,000	
2019 Series AA Bond Premium	37,256,131	
<u>FY 2020:</u>		
2019 Series BB Par Amount	1,000,000,000	
2019 Series BB Bond Premium	90,015,772	
Total Authorized and Used		1,877,271,903
Total FY 2020 Current Authorized but Unused Bonding Credit		\$10,122,728,097
Less FY 2021 Estimated Issuance	1,500,000,000	
FY 2021 Estimated Authorized but Unused Bonding Credit		<u>\$ 8,622,728,097</u>

E. Official Intent for Federal Income Tax Purposes

For the purpose of permitting the proceeds of TTFA bonds to be used to reimburse expenditures paid after the date that this Financial Plan is adopted by the Authority (or within 60 days prior to such date), in accordance with the applicable regulations of the U.S. Treasury Department, this capital plan, upon its adoption by the TTFA in accordance with law, shall constitute a declaration of the intent of the Authority to issue obligations, as more fully described in Section IV(A) above, in the estimated principal amount of \$1.5 billion, to pay or reimburse expenditures made prior to the date of issuance of such bonds for the costs of the capital program of NJDOT and NJ Transit for Fiscal Year 2021 and prior fiscal years.

V. Fiscal Year 2021 Operating Budget

The TTFA estimates the following operating expenses will be required during Fiscal Year 2021. The operating budget, which does not include costs of issuance relating to bond issuances or the monthly interest obligations on 2014 Series BB-2 multi-modal SIFMA notes or other debt service, is funded from the legislative appropriations to the Authority:

ANTICIPATED OPERATING EXPENSES	
<u>Description</u>	<u>Estimate</u>
Legal Notices	\$ 3,000
Professional Services	45,000
Financial Advisory Services	-
Trustee Service Fees	33,000
Contingency	<u>25,000</u>
Total	<u>\$ 106,000</u>