

# **New Jersey Transportation Trust Fund Authority Fiscal Year 2017 Financial Plan**

## **Plan for Financing NJDOT/NJ TRANSIT Capital Program Outlays for Fiscal Year 2017**



**NEW JERSEY  
TRANSPORTATION  
TRUST FUND**

*Prepared by the  
New Jersey Transportation Trust Fund Authority*

*Adopted October, 2016*

Chris Christie, Governor  
Kim Guadagno, Lt. Governor

Richard T. Hammer, Commissioner

## **I. Introduction**

### **New Jersey Transportation Trust Fund Authority's 2017 Financial Plan**

The New Jersey Transportation Trust Fund Authority (“NJTTFA” 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 NJTTFA 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 the recent past, the NJTTFA has funded its programs through annual State appropriations of revenues received from the Motor Fuels Tax, Petroleum Gross Receipts Tax and Sales and Use Tax, toll road contributions, investment earnings, and the incurrence of debt. The current legislative reauthorization of the TTFA Act for the issuance of Program Bonds (as defined in the TTFA Act) expired on June 30, 2016. The Fiscal Year 2017 Appropriations Act reflects a continuation of the annual Statewide Transportation Capital Program at \$1.6 billion.

The Fiscal Year 2017 funding mechanism required to support this proposed annual program includes the issuance of Federal Highway Reimbursement Revenue Notes, commonly known as Indirect Garvees. A Garvee is a bond or note issued by a state or through a conduit issuer that is secured by a pledge of Federal Highway Administration Reimbursements. For Indirect Garvees, the issuer submits eligible project expenses to the Federal Highway Administration for reimbursement and a portion of such reimbursements is used to pay debt service on the Indirect Garvees. The TTFA’s Fiscal Year 2017 Financial Plan proposes an annual program that mirrors the one set forth in the Fiscal Year 2017 Appropriations Act and can accommodate the anticipated increase in the Statewide Transportation Capital Program for Fiscal Year 2017 resulting from the enactment of the newly-revised TTFA Act.

On Friday October 7, 2016, a revised TTFA Act was passed by the State Legislature, which has not yet been acted upon by the Governor. It provides 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 a \$12.0 billion bonding authorization, both supported by the enactment of an increase in the motor fuels tax and in the petroleum gross receipts tax. The increase in bond authorization is predicated on the passage of a proposed constitutional amendment by the voters at the November 8, 2016 general election. If passed, amounts equivalent to the total collection of motor fuels tax revenues and petroleum gross receipts revenues will be constitutionally dedicated for transportation purposes. If the pending revisions to the TTFA Act are enacted into law, an amendment to the Statewide Transportation Capital Program would need to be adopted by the Legislature to increase the size of the program for Fiscal Year 2017 from \$1.6 billion to \$2 billion.

**II. Prior Years' Results**

The following table summarizes the results of the NJTTFA's operations for Fiscal Years 1985 through 2015 as well as the unaudited results for Fiscal Year 2016:

<b>SUMMARY OF OPERATIONS ( FY 1985 - 2016)</b>			
<b>(DOLLAR AMOUNT IN THOUSANDS)</b>			
	<b>1985-2015</b>	<b>2016</b>	<b>THRU 2016</b>
<b><u>DESCRIPTION</u></b>	<b><u>ACTUAL</u></b>	<b><u>UNAUDITED</u></b>	<b><u>ACTUAL &amp; EST.</u></b>
<b>Authority Sources:</b>			
Revenue Appropriations	\$ 17,625,895	\$ 1,195,928	\$ 18,821,823
NJ Turnpike (New Contract)	66,000	-	66,000
Prior Year Carryforward	-	83,722	83,722
Build America Bond Tax Credits	190,699	36,089	226,788
Interest Earnings	522,689	1,265	523,954
Net Bond Proceeds	20,388,329	636,233	21,024,562
<b>Total Authority Sources</b>	<b>\$ 38,793,612</b>	<b>\$ 1,953,237</b>	<b>\$ 40,746,849</b>
<b>Authority Uses:</b>			
Program Appropriations	\$ 28,566,100	\$ 1,247,000	\$ 29,813,100
Debt Service (TTF)*	12,239,381	1,176,964	13,416,345
Authority Expenses	25,466	151	25,617
<b>Total Authority Uses</b>	<b>\$ 40,830,947</b>	<b>\$ 2,424,115</b>	<b>\$ 43,255,062</b>
<b>Net Balance</b>	<b>\$ (2,037,335)</b>	<b>\$ (470,878)</b>	<b>\$ (2,508,213)</b>
* 1985 - 2015 actual data includes payments related to NJTTFA financial swaps, all of which were terminated in December, 2011.			

As a measure of the NJTTFA's total operation, the negative \$2.5 billion "net balance" calculation for Fiscal Years 1985 through 2016 in the chart above recognizes that the NJTTFA only issues bonds or notes to meet cash flow obligations, not the full value of capital program appropriations. The "Program Appropriations" calculation reflects the obligation authority that the State Legislature provided to NJDOT/NJ Transit for NJTTFA projects since Fiscal Year 1985. However, the costs of most transportation capital projects are paid out in cash to vendors over a number of years. This is particularly true of large road and bridge construction projects. The NJTTFA only issues bonds for cash outlays that are anticipated in the current year. As a summary of operations, the net calculation of negative \$2.5 billion reflects all spending authority

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(i.e., inception to date) less the total resources that have been provided or generated by the NJTTFA through June 30, 2016.

### **III. New Jersey Transportation Capital Plan**

In early January 2011, Governor Christie released a five-year New Jersey Transportation Capital Plan (the “Plan”) to improve the State’s transportation infrastructure. The Plan provided annual NJTTFA project authorizations ranging from \$1.224 billion to \$1.247 billion from Fiscal Year 2012 through Fiscal Year 2016 (i.e., \$6.2 billion in total). When combined with \$1.8 billion of funding authorization from the Port Authority of New York and New Jersey (“PANYNJ” or “Port Authority”) for the Pulaski Skyway, Route 7/Wittpenn Bridge, and New Road/Portway projects in the Port District, the total Plan authorized approximately \$8 billion of work over the five-year period. The last installment of the total of \$1.8 billion in funding provided by the Port Authority for New York and New Jersey was received in Fiscal Year 2016. Starting in Fiscal Year 2017, the State-funded portion of New Jersey’s Transportation Capital Plan will be completely funded by the NJTTFA.

The bonding authorization in the TTFA Act for Program Bonds (as defined in the TTFA Act) was exhausted in Fiscal Year 2016. The Fiscal Year 2017 Appropriations Act reflected a continuation of the annual New Jersey Transportation Capital Program at \$1.6 billion.

As noted above, the pending revisions to the TTFA Act would provide for \$12 billion in total bonding authorization to finance transportation projects beginning in Fiscal Year 2017 through Fiscal Year 2024. If the revised TTFA Act is enacted into law, an amendment to the Statewide Transportation Capital Program would need to be adopted by the Legislature to increase the size of the program for Fiscal Year 2017 from \$1.6 billion to \$2 billion. This Financial Plan is sized and structured to accommodate such an amendment to the Statewide Transportation Capital Program. .

The Fiscal Year 2017 funding mechanism required to support this proposed annual plan includes the issuance of Indirect Garvees. The TTFA’s Fiscal Year 2017 Financial Plan proposes an annual plan that mirrors the one set forth in the Fiscal Year 2017 Appropriations Act and can accommodate the anticipated increase in the Statewide Transportation Capital Program for Fiscal Year 2017 resulting from the enactment of the newly-revised TTFA Act.

<b>New Jersey Capital Transportation Plan (\$ Millions)</b>		
<b>SOURCES:</b>		<b>FY 17</b>
<b>Total NJTTFA</b>	<b>\$</b>	<b>2,000.0</b>
<b>Uses:</b>		<b>FY 17</b>
DOT/NJ Transit	\$	1,600.0
Local Aid		400.0
<b>Total Uses</b>	<b>\$</b>	<b>2,000.0</b>

As summarized in the chart below, the Fiscal Year 2017 Appropriations Act recommended an appropriation to the NJTTFA of \$1,296.8 million, which represented an increase of \$100.9 million (8.4%) from the amount appropriated in the Fiscal Year 2016 Appropriations Act (\$1,195.9 million). The adjustment column in the table below shows the increased funding that could be accommodated by this Financial Plan in the event the pending revisions to the TTFA

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Act are enacted into law and the Legislature amends the Statewide Transportation Capital Program to authorize additional funding up to \$2 billion; total TTF appropriations would increase by \$477.1 million as compared to the Fiscal Year 2017 Appropriations Act, resulting in a total increase of \$578.0 million from Fiscal Year 2016, as shown below.

<b>FY 17 TTF APPROPRIATION</b>					
(\$ MILLIONS)					
	FY 16	FY 17			
	<u>Approp.</u>	<u>Approp.</u>	<u>Adjustment</u>	<u>Total</u>	<u>Change</u>
Motor Fuels Tax	\$ 516.0	\$ 515.0	\$ 828.8	\$ 1,343.8	\$ 827.8
Petroleum Gross Receipts Tax	\$ 215.0	\$ 218.1	\$ -	\$ 218.1	\$ 3.1
Sales & Use Tax	\$ 452.9	\$ 551.7	\$ (351.7)	\$ 200.0	\$ (252.9)
<u>Toll Road Authorities</u>	<u>\$ 12.0</u>	<u>\$ 12.0</u>	<u>\$ -</u>	<u>\$ 12.0</u>	<u>\$ -</u>
<b>TOTAL TTF APPROP.</b>	<b>\$ 1,195.9</b>	<b>\$ 1,296.8</b>	<b>\$ 477.1</b>	<b>\$ 1,773.9</b>	<b>\$ 578.0</b>

### **IV. Debt Issuances**

#### **A. Debt Issuances - Fiscal Year 2017's Capital Program**

The newly revised TTFA Act allows for the issuance of \$12 billion of Program Bonds between Fiscal Years 2017 and 2024. The NJTTFA plans to issue approximately \$3.27 billion of Federal Highway Reimbursement Revenue Notes, 2016 Series A & B (the "Notes") in October or November of 2016 which will be sufficient to cover both Fiscal Year 2017 and Fiscal Year 2018 project costs. The chart below summarizes the NJTTFA's projected Fiscal Year 2017 cash flows:

Fiscal Year 2017 Financial Plan

<b>FISCAL YEAR 17: STATEMENT OF ANTICIPATED CHANGES IN CASH POSITION</b>		
(\$ Whole)		
Description	<u>Sub-Total</u>	<u>Total</u>
<b>Estimated July 1, 2016 Cash Balance</b>		<b>\$190,000,000</b>
<b>Receipts:</b>		
State Appropriations:		
Motor Fuels Tax	1,343,800,000	
Petroleum Products Tax	218,100,000	
Sales and Use Tax	200,000,000	
Toll Road Authorities Contributions	<u>12,000,000</u>	
<b>Total Appropriations</b>		<b>\$1,773,900,000</b>
Pay-As-You-Go		477,000,000
Interest Income		1,265,000
Bond Proceeds		3,160,000,000
Build America Bonds Tax Credit		<u>36,089,000</u>
<b>Total Receipts</b>		<b>\$3,674,354,000</b>
<b>Disbursements:</b>		
State Transportation Project Costs		1,360,000,000
NJTTFDA Debt Service		1,225,779,000
NJT Certificates of Participation Debt Service		71,051,405
Authority Operating Expenses		<u>925,400</u>
<b>Total Disbursements</b>		<b>\$2,657,755,805</b>
<b>Estimated July 1, 2017 Cash Balance (estimated)</b>		<b>\$2,980,498,195</b>

**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 State Legislature may not borrow, appropriate or use these amounts or any portion thereof for any other purpose. These constitutionally dedicated revenues include (a) for each State fiscal year commencing on and after July 1, 2007, an amount equivalent to the revenue derived from \$0.105 per gallon from the tax imposed on the sale of motor fuels

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pursuant to Chapter 39 of Title 54 of the Revised Statutes; (b) for the State fiscal year, commencing on July 1, 2000, an amount not less than \$100,000,000 derived from the State revenues collected from the tax imposed on the sale of petroleum products 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 for each State fiscal year thereafter not less than \$200,000,000 from those revenues; and (c) for the State fiscal year commencing July 1, 2001, 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 commencing July 1, 2002, an amount not less than \$140,000,000, and in each State fiscal year thereafter an amount not less than \$200,000,000 from those revenues. (Note: Article VIII, Section II, paragraph 4 added effective December 6, 1984; amended effective December 7, 1995, amended effective December 7, 2000, and amended effective December 7, 2006.)

A proposed amendment to Article VIII, Section II, paragraph 4 is before the voters at the general election on November 8, 2016. If passed by the voters, the proposed amendment would dedicate an amount equal to: (1) all revenues derived from the per gallon tax imposed on the sale of motor fuels pursuant to Chapter 39 of Title 54 of the Revised Statutes and (2) all revenues derived from the tax imposed on the sale of petroleum products 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.

### C. Credit Ratings

The NJTTFA Federal Highway Reimbursement Revenue Notes, 2016 Series A are expected to be rated “A-” by Fitch Investors Service, “A3” by Moody's Investors Service, and “A+” by Standard & Poor's Corporation. The NJTTFA Federal Highway Reimbursement Revenue Notes, 2016 Series B will not be rated by the rating agencies.

### D. Fiscal Year 2017 Statutory Debt Limit

The planned issuance of Notes does not count against this statutory bonding cap. The TTFA's Fiscal Year 2017 Financial Plan is in compliance with the TTFA Act. If the revised TTFA Act is enacted into law, the Authority's unused statutory debt limit equals \$12.0 billion.

<b>New Jersey Transportation Trust Fund Authority Statutory Debt Limit (\$ Whole)</b>		
<b>Fiscal Year Bonding Credits:</b>		
<b>FY 1996 – 2016</b>		<b>\$ 19,058,300,000</b>
<b>FY 2017</b>		<b>12,000,000,000</b>
<b>Total</b>		<b>\$ 31,058,300,000</b>
<b>Less Authority Bond Issuances:</b>		
<b>FY 1996 – 2016</b>		<b>\$ 19,058,295,715</b>
<b>FY 2017 Unused Debt Limit</b>		<b>\$ 12,000,004,285</b>

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For Fiscal Year 2017, the TTFA's Fiscal Year 2017 Financial Plan assumes that the TTFA will issue a total of approximately \$3.27 billion in new Notes to pay for State transportation projects in Fiscal Year 2017 and Fiscal Year 2018, pay costs of issuance of the Notes, and pay a portion of the interest associated with the Notes.

### E. Official Intent for Federal Income Tax Purposes

For the purpose of permitting the proceeds of NJTTFA 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 NJTTFA 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 expected maximum principal amount of \$3.90 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 2017, Fiscal Year 2018, and prior fiscal years.

### V. Fiscal Year 2017 Operating Budget

The NJTTFA estimates the following operating expenses will be required during Fiscal Year 2017. The operating budget, which does not include costs of issuance relating to bond issuances, is funded from the legislative appropriations to the Authority:

<b>Anticipated Operating Expenses (\$ Whole)</b>	
<b><u>Description</u></b>	<b><u>Estimate</u></b>
Legal Notices	\$ 1,000
Professional Services	75,000
Trustee Service Fees	25,000
Cashflow Model Financial Advisory Services	500,000
Cashflow Model Project Management	274,400
Contingency	50,000
<b>Total</b>	<b>\$ 925,400</b>

### Fiscal Year 2017 Anticipated Bond Issuance Costs

The NJTTFA plans to issue new money bonds to support both Fiscal Year 2017 and Fiscal Year 2018 project expenditures. At the planned \$3.27 billion bonding level, the anticipated bond issuance costs for new money bonds are estimated to be \$12.5 million for underwriting expenses and \$1,000,000 for other costs of issuance such as rating fees, printing fees, financial advisor fees, trustee's fees, bond counsel fees, and trustee's counsel fees.