



NJ Transportation Trust Fund Authority

New Jersey Transportation Trust Fund Authority Fiscal Year 2024 Financial Plan

Plan for Financing Anticipated NJDOT/NJ TRANSIT Capital Program Outlays for Fiscal Year 2024 As of May 2023

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I. Introduction

New Jersey Transportation Trust Fund Authority's 2024 Financial Plan

The New Jersey Transportation Trust Fund Authority (“TTFA”, or “Authority”) finances the State of New Jersey (“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 and supplemented, constituting N.J.S.A. 27:1B-1 et seq. (the “TTFA Act”), requires the TTFA to adopt a Financial Plan (“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 amended 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 \$12.0 billion in bonding authorization, both of which are supported by the Motor Fuels Tax (MFT) and the Petroleum Products Gross Receipts Tax (PPGRT). The 2016 legislative amendments to the TTFA Act, enacted in L. 2016, c. 57 (“Chapter 57”) increased the PPGRT in November 2016. The PPGRT was increased in October 2018 by 4.3 cents per gallon and then again in October 2020 by 9.3 cents per gallon. In October 2021 the PPGRT decreased by 8.3 cents per gallon and in October 2022 was decreased an additional 1.0 cent per gallon, effectively reversing the full 9.3 cent increase in October 2020. These periodic increases and decreases reflect a provision of Chapter 57 directing the State Treasurer to adjust the PPGRT contingent upon revenues meeting the Highway Fuel Cap revenue target for the fiscal year. The increase in bonding authorization under the TTFA Act went into effect when the amendment was approved by the voters at the November 2016 general election. The constitutional amendment constitutionally dedicated amounts equivalent to all MFT revenues and all PPGRT revenues collected for transportation purposes.

The TTFA funds the State portion of transportation projects and programs through annual State appropriations of revenues received from the MFT, PPGRT, Sales and Use Tax, toll road contributions, investment earnings, and through the issuance of debt. The Fiscal Year 2023 Appropriations Act reflected an annual Statewide Transportation Capital Program of \$2.0 billion. The Fiscal Year 2024 Governor’s Budget Message (“GBM”) recommends a Statewide Transportation Capital Program of \$2.0 billion (“Capital Program”).

The TTFA issued Transportation Program Bonds (“Program Bonds”) in the aggregate amount of \$750.0 million (“2022 Series CC Program Bonds”) to fund Fiscal Year 2023 Capital Projects. Other resources included the remaining proceeds from the Fiscal Year 2022 Program Bonds (“2022 Series BB”) and \$756.3 million from an off-budget resource, the Sub-Account for Capital

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Reserves (“SACR”), comprised of PAYGO funding of \$464.1 million and \$292.2 million for project costs eligible for federal reimbursement, respectively.

To fund Fiscal Year 2024 capital projects the TTFA plans to issue \$1.0 billion in Program Bonds. Other resources include the remaining proceeds of the 2022 Series CC Program Bonds and an estimated \$550.8 million from the SACR, comprised of \$211.9 million of PAYGO funding and \$338.9 million of project costs eligible for federal reimbursement.

II. Prior Years' Results

The following table summarizes the results of the TTFA's operations for Fiscal Years 1985 through 2022 as well as the unaudited estimated results of operations for Fiscal Year 2023:

Summary of Operations			
(In Thousands)			
<u>DESCRIPTION</u>	1985-2022	2023	1985 Thru 2023
	<u>Actual</u>	<u>Estimated</u>	<u>Actual & Estimated</u>
Authority Resources:			
Revenue Appropriations	\$26,926,151	\$ 1,532,566	\$ 28,458,717
PAYGO NJ Turnpike	66,000	-	66,000
Sub-Acct Cap Res-PAYGO	2,141,112	464,056	2,605,168
Sub-Acct Cap Res-Fed Project Cost	1,258,162	292,215	1,550,377
Prior Year Carryforward	83,722	-	83,722
Build America Bonds Interest Subsidy	408,240	21,747	429,987
Interest Earnings	581,309	24,764	606,073
Net Bond Proceeds *	28,641,858	792,314	29,434,172
Capitalized Interest Fund **	<u>245,761</u>	<u> </u>	<u>245,761</u>
Total Authority Sources	<u>\$ 60,352,315</u>	<u>\$ 3,127,662</u>	<u>\$ 63,479,977</u>
Authority Uses:			
Program Appropriations	\$ 42,463,100	\$ 2,000,000	\$ 44,463,100
Debt Service (TTF) ***	22,735,627	1,731,388	24,467,015
Authority Expenses	<u>26,640</u>	<u>108</u>	<u>26,748</u>
Total Authority Uses	<u>\$ 65,225,367</u>	<u>\$ 3,731,496</u>	<u>\$ 68,956,863</u>
Net Balance	<u>\$ (4,873,052)</u>	<u>\$ (603,834)</u>	<u>\$ (5,476,886)</u>
* Including Bond Premiums net of Cost of Issuance			
** 2016A Federal Hwy Reimbursement Revenue Notes - Indirect GARVEE bonds			
*** State Contract Transportation System & Program Bonds, and Federal Indirect GARVEE			

The negative \$4.9 billion “Net Balance” for Fiscal Years 1985 through 2022 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 capital projects since Fiscal Year 1985. However, transportation capital project costs are paid out over

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several years. This is particularly true of large road and bridge construction projects. The TTFA only issues bonds for cash outlays that are anticipated during the current fiscal year. Therefore, the estimated negative net balance of \$5.5 billion reflects estimated and actual spending authority (i.e. inception to date) less total actual and estimated resources already provided or generated by the TTFA through June 30, 2023. The estimated increase in the negative “Net Balance” of \$603.8 million is primarily due to Fiscal Year 2023 capital program appropriations exceeding net new Program Bond proceeds and other available resources.

III. New Jersey Transportation Capital Plan

The TTFA Act as amended in 2016, provides for \$16.0 billion in State programming authority from Fiscal Year 2017 through Fiscal Year 2024. Appropriations for the State Capital Program in Fiscal Year 2018 totaled \$2.0 billion, \$2.050 billion in Fiscal Year 2019 (including an additional \$50.0 million to NJ Transit via budget language), \$2.0 billion in Fiscal Year 2020, \$2.6 billion in Fiscal Year 2021, \$2.0 billion in Fiscal Year 2022, and \$2.0 billion in Fiscal Year 2023. The Fiscal Year 2024 GBM recommended \$2.0 billion in appropriations to support the State Capital Program.

In June 2022 the Legislature passed Assembly Budget Committee Bill A4405 (S2943) increasing the statutory spending limitation of the Authority from \$16 billion to \$16.6 billion over the eight years from Fiscal Year 2017 to fiscal year 2024. The \$600 million increase would allow the Fiscal Year 2024 Annual Transportation Capital Program to be supported at its full intended annual average level of \$2 billion, offsetting the additional \$600 million investment that was made in Fiscal Year 2021 to capitalize on low traffic levels during the COVID-19 pandemic, which allowed for road and bridge projects to be completed in a more efficient manner.

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 TTFA Act as amended in 2016, provides for \$12.0 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 2024 Capital Plan splits the \$2.0 billion in appropriations between the NJDOT, NJ Transit, and Local Aid.

NEW JERSEY CAPITAL TRANSPORTATION PLAN	
(In Millions)	
TTF Spending Authority:	FY 2024
TTFA	\$ 2,000.0
Total	<u>\$ 2,000.0</u>
Programmatic Distribution:	
DOT	\$ 809.8
NJ Transit	\$ 760.0
Local Aid	\$ 430.2
Total	<u>\$ 2,000.0</u>

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As summarized in the chart below, the Fiscal Year 2024 GBM recommends a revenue appropriation to the TTFA of \$1,573.8 million, which represents an increase of \$20.9 million (1.3%) from the amount appropriated in the Fiscal Year 2023 Appropriations Act.

FY 24 TTF APPROPRIATION			
(In Millions)			
	FY 2023	FY 2024	
	Original	GBM	Change
Motor Fuels Tax	\$ 480.0	\$ 458.9	(\$21.1)
Petroleum Gross Receipts Tax	860.9	902.9	42.0
Sales & Use Tax	200.0	200.0	-
Toll Road Authorities	12.0	12.0	-
TOTAL TTF APPROPRIATION	\$1,552.9	\$1,573.8	\$20.9

IV. Debt Issuances

A. Debt Issuances - Fiscal Year 2024 Capital Program

The TTFA Act as amended in 2016 provides for the issuance of a total of \$12.0 billion in 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”) enough to cover project costs for Fiscal Years 2017 and 2018, and part of Fiscal Year 2019. During Fiscal Year 2019 the TTFA issued \$750.0 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 in Transportation System Bonds (“System Bonds”) (comprised of \$900.0 million in 2007 Series A System Bonds and \$700.0 million in 2008 Series B System Bonds). The two refundings yielded \$293.0 million in net present value savings. During Fiscal Year 2020 the TTFA issued \$1.0 billion in new money 2019 Series BB Program Bonds, converted and remarketed \$150.0 million 2014 Series BB-1 variable rate notes to fixed rate notes, and refinanced another \$1.6 billion in System Bonds (Build America Bonds 2009 Series B and 2010 Series C, in the amounts of \$274.0 million and \$425.0 million respectively, and 2011 Series A and 2011 Series B in the amounts of \$358.0 million and \$536.0 million, respectively), which resulted in nearly \$157.0 million in net present value savings. During Fiscal Year 2021 the TTFA issued \$1.5 billion in new money 2020 Series AA Program Bonds, converted and remarketed \$147.5 million 2014 Series BB-2 variable rate notes to fixed rate notes, and refinanced the remaining \$702.2 million 2011 Series A and Series B System Bonds, which resulted in nearly \$194.0 million in net present value savings. In Fiscal Year 2022 the TTFA issued \$750.0 million in new money Program Bonds and entered into two forward refunding transactions

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totaling \$893.7 million, which together with the generated premiums, was used to refund \$326.3 million of 2012 Series A System bonds and \$693.3 million of 2012 Series AA Program Bonds, respectively.

In Fiscal Year 2023 the TTFA issued \$750.0 million in new money 2022 Series CC Program Bonds. TTFA is also set to issue \$674.0 million in 2023 Series AA Refunding Program Bonds to refund a portion of the 2013 Series AA Transportation Program Bonds, and \$262.8 million in 2023 Series A Refunding System Bonds to refund certain outstanding 2019 Series B Transportation System Bonds by means of a Tender Offer, contingent upon market conditions. The TTFA estimates that it will issue \$1.0 billion in new money Program Bonds in Fiscal Year 2024.

The chart below summarizes the TTFA's projected Fiscal Year 2024 cash flows:

FY 2024 STATEMENT OF ANTICIPATED CHANGES IN CASH POSITION		
Description	Sub-Total	Total
Estimated July 1, 2023 Cash Balance		<u>\$769,000,000</u>
Receipts:		
State Appropriations:		
Motor Fuels Tax	458,862,000	
Petroleum Products Tax	902,920,000	
Sales and Use Tax	200,000,000	
Toll Road Authorities Contributions	<u>12,000,000</u>	
Net Total		1,573,782,000
Sub-Acct Capital Reserve Pay-As-You-Go	211,947,582	
Sub-Acct Capital Reserve Federal Project Costs	338,849,418	.
Interest Income	24,000,000	
Bond Proceeds	1,000,000,000	
Build America Bonds Interest Subsidy	<u>21,747,000</u>	1,596,544,000
Total Receipts		<u>\$3,170,326,000</u>
Disbursements:		
State Transportation Project Costs		1,807,600,000
Debt Service		1,912,631,000
Authority Operating Expenses		<u>108,000</u>
Total Disbursements		<u>\$3,720,339,000</u>
Estimated July 1, 2024 Cash Balance		<u>\$218,987,000</u>

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B. Constitutional Dedication

Pursuant to Article VIII, Section II, Paragraph 4 of the 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 approved 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 \$0.105 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.

C. Credit Ratings

TTFA System Bonds and Program Bonds are currently rated A- by Standard & Poor's, A by Fitch Ratings, A2 by Moody's, and A by Kroll Bond Rating Agency (program bonds only) respectively. The TTFA Federal Highway Reimbursement Revenue Notes, 2016 Series A are currently rated A by Fitch Ratings, A2 by Moody's Investors Service, and A+ by Standard & Poor's Corporation.

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The TTFA Federal Highway Reimbursement Revenue Notes, 2016 Series B are not rated by the rating agencies.

D. Fiscal Year 2024 Statutory Debt Limit

The estimated Fiscal Year 2024 issuance of \$1.0 billion in Program Bonds (state contract-backed debt) complies with the TTFA Act, which authorizes bond issuances totaling \$12.0 billion through the end of Fiscal Year 2024. After the Fiscal Year 2024 issuance, the Authority's projected unused statutory debt limit will equal \$5.6 billion. It should be noted that in addition to the principal amount of a Program Bond issuance, any premium generated from the bond issuance, as well as premium generated by a bond refunding or remarketing counts against the current unused statutory debt issuance limitation with respect to the Program Bonds.

The Fiscal Year 2019 issuance of Program Bonds included \$37.2 million in premium, the Fiscal Year 2020 issuance included \$90.0 million in premium, the Fiscal Year 2021 issuance included \$178.3 million in premium, the Fiscal Year 2022 issuance included \$108.2 million in premium, and the Fiscal Year 2023 issuance included \$45.4 million in premium. Premiums generated by remarketing and refunding totaled \$28.4 million, \$33.7 million, and \$123.0 million in Fiscal Years 2020, 2021, and 2022 respectively.

Currently, there is no remaining amount of unused statutory debt limit under the TTFA Act for System Bonds (except a nominal amount representing the amount thereof in excess of nearest integral multiple of \$5,000). Accordingly, under the TTFA Act, no new money System Bonds can be issued (only System Refunding Bonds can be issued). As such, the table below provides a statutory debt limit calculation solely for new money Program Bonds authorized under the TTFA Act, as amended in 2016.

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>		
2014 Series BB1 Remarketing Prem	28,430,717	
2019 Series BB Par Amount	1,000,000,000	
2019 Series BB Bond Premium	90,015,772	
<u>FY 2021:</u>		
2020 Series AA Par Amount	1,500,000,000	
2020 Series AA Bond Premium	178,295,833	
2014 Series BB2 Remarketing Prem	33,718,792	

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FY 2022:		
2022 Series BB Par Amount	750,000,000	
2022 Series BB Bond Premium	108,183,723	
2022 Series AA Refunding Premium	122,977,948	
FY 2023:		
2022 Series CC Par Amount	750,000,000	
2022 Series CC Premium	45,355,704	
Total Authorized and Used		
		\$5,394,234,620
Total FY 2023 Current Authorized but Unused Bonding Credit		
		\$6,605,765,380
Less FY 2024 Estimated Issuance		
	1,000,000,000	
FY 2024 Estimated Authorized but Unused Bonding Credit		\$ 5,605,765,380

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 Financial Plan, upon its adoption by the Authority 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 \$1.0 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 2024 and prior fiscal years.

V. Fiscal Year 2024 Operating Budget

The TTFA estimates the following operating expenses will be required during Fiscal Year 2024. The operating budget, which does not include costs of issuance relating to bond issuances or the monthly interest payments on debt service, is funded from the legislative appropriations to the TTFA:

FY 2024 ANTICIPATED OPERATING EXPENSES	
<u>Description</u>	<u>Estimate</u>
Legal Notices	\$ 3,000
Professional Services	45,000
Trustee Service Fees	35,000
Contingency	25,000
Total	\$ 108,000