

New Jersey Transportation Trust Fund Authority Fiscal Year 2019 Financial Plan

Plan for Financing Anticipated NJDOT/NJ TRANSIT Capital Program Outlays for Fiscal Year 2019



**NEW JERSEY
TRANSPORTATION
TRUST FUND**

*Prepared by the
New Jersey Transportation Trust Fund Authority*

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I. Introduction

New Jersey Transportation Trust Fund Authority's 2019 Financial Plan

The New Jersey Transportation Trust Fund Authority (“NJTTFA”, “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 the recent past, the TTFA 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 Fiscal Year 2018 Appropriations Act reflected a continuation of the annual Statewide Transportation Capital Program at \$2 billion. The Fiscal Year 2019 Governor’s Budget Message maintains a Statewide Transportation Capital Program of \$2 billion.

Fiscal Year 2018 resources included the remaining proceeds from \$3.24 billion in Federal Highway Reimbursement Revenue Notes (commonly known as Indirect GARVEEs) issued in Fiscal Year 2017. 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 GARVEE bonds, a portion of the ongoing project expenses that are reimbursed by the Federal Highway Administration is used to pay the associated debt service. The Indirect GARVEE proceeds from the Fiscal Year 2017 issuance, which were sufficient to cover the Authority’s cash needs in Fiscal Year 2017 and Fiscal Year 2018, will also partially cover Fiscal Year 2019 cash needs. Fiscal Year 2018 resources also included \$330.8 million from an off budget resource, the Subaccount for Capital Reserves, comprised of pay-as-you-go funding of \$329.8 million and \$1 million for project costs eligible for federal reimbursement.

In October 2016, a revised TTFA Act was enacted by the State Legislature and signed by former Governor Christie. It provided 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 and the petroleum products gross receipts tax (the petroleum products gross receipts tax was also increased in October 2016). The increase in bond authorization was predicated on the passage of a proposed constitutional amendment, which was approved by the voters in the November 2016 general election. Amounts equivalent to the total collection of motor fuels tax revenues and petroleum

products gross receipts revenues are now constitutionally dedicated for transportation purposes.

II. Prior Years' Results

The following table summarizes the results of the TTFA's operations for Fiscal Years 1985 through 2017 as well as the unaudited results for Fiscal Year 2018:

SUMMARY OF OPERATIONS (FY 1985-2018)			
(DOLLAR AMOUNT IN THOUSANDS)			
<u>DESCRIPTION</u>	<u>1985-2017 ACTUAL</u>	<u>2018 ESTIMATED</u>	<u>THRU 2018 ACTUAL & EST.</u>
Authority Sources:			
Revenue Appropriations	\$ 20,035,318	\$ 1,311,533	\$ 21,346,851
PAYGO NJ Turnpike	66,000	-	66,000
Sub-Acct Cap Reserve - PAYGO	-	329,845	329,845
Sub-Acct Cap Reserve - Fed. Proj. Costs	-	1,000	1,000
Prior Year Carryforward	83,722	-	83,722
Build America Bonds Interest Subsidy	262,839	36,166	299,005
Interest Earnings	535,629	13,210	548,839
Net Bond Proceeds *	24,224,428	-	24,224,428
<u>Capitalized Interest Fund**</u>	<u>94,323</u>	<u>151,438</u>	<u>245,761</u>
Total Authority Sources	\$ 45,302,259	\$ 1,843,192	\$ 47,145,451
Authority Uses:			
Program Appropriations	\$ 31,813,100	\$ 2,000,000	\$ 33,813,100
Debt Service (TTF) ***	14,736,627	1,377,334	16,113,961
<u>Authority Expenses</u>	<u>25,883</u>	<u>351</u>	<u>26,234</u>
Total Authority Uses	\$ 46,575,610	\$ 3,377,685	\$ 49,953,295
Net Balance	\$ (1,273,351)	\$ (1,534,493)	\$ (2,807,844)
* Including Bond Premiums net of Cost of Issuance			
** 2016 Series A and B Indirect Federal Garvee bonds			
*** State Contract Transportation System, Transportation Program, and Federal Indirect Garvee Bonds Debt Service			

As a measure of the TTFA's total operation, the estimated negative \$2.8 billion "net balance" calculation for Fiscal Years 1985 through 2018 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" calculation reflects 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 in cash to vendors 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. As a summary of operations, the net calculation of negative \$2.8 billion reflects all spending authority (i.e. inception to date) less the total resources that have been provided or generated by the TTFA through June 30, 2018. The increase in the Net Balance deficit of \$1.5 billion is due to the fact that no bonds were issued in Fiscal Year 2018 as the proceeds from the Indirect Garvee issuance in Fiscal Year 2017 provided sufficient funds for both Fiscal Year 2017 and Fiscal Year 2018.

III. New Jersey Transportation Capital Plan

The TTFA reauthorization enacted in October 2016 provided for \$16 billion in state programming authority from Fiscal Year 2017 through Fiscal Year 2024. The state capital programs in Fiscal Year 2017 and Fiscal Year 2018 totaled \$2 billion each, and the Fiscal Year 2019 Governor's Budget Message also recommends a \$2 billion program for Fiscal Year 2019.

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. The bonding authorization in the Fiscal Year 2012 TTFA Act for Program Bonds was exhausted in Fiscal Year 2016. 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 2019 Transportation Capital Plan splits the \$2 billion program between DOT (\$802.3m), NJ Transit (\$760.0m), and Local Aid (\$437.7m).

NEW JERSEY TRANSPORTATION CAPITAL PLAN	
(\$ MILLIONS)	
TTF Spending Authority:	<u>FY 19</u>
Total	\$ 2,000.0
Programmatic Distribution:	<u>FY 19</u>
DOT	\$ 802.3
NJ Transit	\$ 760.0
<u>Local Aid</u>	<u>\$ 437.7</u>
Total	\$ 2,000.0

Fiscal Year 2019 Financial Plan

As summarized in the chart below, the Fiscal Year 2019 Governor’s Budget Message recommends an appropriation to the NJTTFA of \$1,348.2 million, which represents an increase of \$36.7 million (2.8%) from the amount appropriated in the Fiscal Year 2018 Appropriations Act (\$1,311.5 million).

FY 19 TTF APPROPRIATION			
(\$ MILLIONS)			
	FY 18	FY 19	
	<u>Approp. Act</u>	<u>Gov. Budget</u>	<u>Change</u>
Motor Fuels Tax	\$ 552.5	\$ 503.0	\$ (49.5)
Petroleum Gross Receipts	547.0	\$ 633.2	\$ 86.2
Sales & Use Tax	200.0	\$ 200.0	\$ -
Toll Road Authorities	\$ 12.0	\$ 12.0	\$ -
TOTAL TTF APPROP.	\$ 1,311.5	\$ 1,348.2	\$ 36.7

IV. Debt Issuances

A. Debt Issuances - Fiscal Year 2019 Capital Program

The revised TTFA Act provides for the issuance of \$12 billion of Program Bonds between Fiscal Year 2017 and Fiscal Year 2024. The TTFA issued \$3.24 billion of Federal Highway Reimbursement Revenue Notes, 2016 Series A & B (the “Notes”) during Fiscal Year 2017, sufficient to cover project costs for Fiscal Year 2017, Fiscal Year 2018, and part of Fiscal Year 2019. In addition, the Authority is considering refinancing close to \$3 billion in existing debt, including \$1.3 billion in Federal Highway Reimbursement Revenue Notes (federal indirect GARVEEs, 2016 Sub-Series A-2) as well as \$1.6 billion of Transportation System Bonds issued in 2007 (2007 Series A, \$.9b) and 2008 (2008 Series B, \$.7b) to realize present value savings. The TTFA plans to issue \$500 million in new money Program Bonds, which are state contract-backed debt, in Fiscal Year 2019. The chart below summarizes the TTFA’s projected Fiscal Year 2019 cash flows:

FY 19: STATEMENT OF ANTICIPATED CHANGES IN CASH POSITION		
(\$ Whole)		
Description	Sub-Total	Total
Estimated July 1, 2018 Cash Balance		\$ 1,580,000,000
Receipts:		
State Appropriations:		
Motor Fuels Tax	503,033,000	
Petroleum Products Tax	633,147,000	
Sales and Use Tax	200,000,000	
Toll Road Authorities Contributions	12,000,000	
Net Total		1,348,180,000
Sub-Acct Capital Reserve Pay-As-You-Go		506,870,000
Sub-Acct Capital Reserve Federal Project Costs		338,852,000
Interest Income		13,200,000
Bond Proceeds		500,000,000
Build America Bonds Interest Subsidy		36,166,000
Total Receipts		\$ 2,743,268,000
Disbursements:		
State Transportation Project Costs		1,750,000,000
Debt Service		1,687,032,000
Authority Operating Expenses		351,000
Total Disbursements		\$ 3,437,383,000
Estimated July 1, 2019 Cash Balance		\$ 885,885,000

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.

4. 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.

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

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

D. Fiscal Year 2019 Statutory Debt Limit

The planned Fiscal Year 2019 issuance of \$500 million 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 Fiscal Year 2019 issuance, the Authority’s projected unused statutory debt limit will equal \$11.5 billion. It should be noted that the 2016 TTFA Act, as amended, provides that any bond premium generated from Program Bond issues count against the unused bonding capacity.

TRANSPORTATION TRUST FUND AUTHORITY		
STATUTORY DEBT LIMIT		
(\$ Whole)		
Fiscal Year Bonding Credits:		
FY 1996-2006	\$ 7,600,000,000	
FY 2007-2011	8,000,000,000	
FY 2012-2016	<u>3,458,295,715</u>	
Subtotal: FY 1996-2016	19,058,295,715	
FY 2017-2024	12,000,000,000	
Total Bonding Credits		\$ 31,058,295,715
Less Authority Bond Issuances:		
	19,054,970,715	
2019 Issuance	500,000,000	
Total Issuances		\$ 19,554,970,715
FY 2019 Authorized but Unused Bonding Credit		\$ 11,503,325,000

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 expected principal amount of \$500 million, 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 2019 and prior fiscal years.

V. Fiscal Year 2019 Operating Budget

The TFFA estimates the following operating expenses will be required during Fiscal Year 2019. The operating budget which does not include costs of issuance relating to bond issuances or the monthly interest obligations due on the 2014 Series BB multi-modal SIFMA notes, is funded from the legislative appropriations to the Authority:

ANTICIPATED OPERATING EXPENSES	
(\$ Whole)	
<u>Description</u>	<u>Estimate</u>
Legal Notices	\$ 1,000
Professional Services	50,000
Financial Advisory Services - Cash Flow Model	125,000
Project Management Services - Cash Flow Model	125,000
Trustee Service Fees	25,000
Contingency	25,000
Total	\$ 351,000