

**Report of the
Subcommittee on Transportation**

NJ Department of Transportation

NJ TRANSIT

January 5, 2010

Overview

New Jersey's transportation system has always been critical to the State's prosperity. Since the beginning of the last century, investments in the State's transportation network have been instrumental in developing New Jersey's complex economy and diverse society. Transportation is the table at which nearly every aspect of our society comes together, providing the ease of mobility that is essential to our quality of life. And, transportation is deeply rooted in the State's history and largely responsible for creating the State's wealth.

Unquestionably, New Jersey's system of highways, transit, rail, and waterways has provided residents with exceptional access to jobs, recreation, education, health care, and the many other aspects of life that make the State unique. And just as New Jersey is a complex and diverse place, so too is its transportation system.

The state's critical transportation network is overseen not only by NJ DOT and NJ TRANSIT but also by the NJ Turnpike Authority, the South Jersey Transportation Authority, the Port Authority of NY and NJ, the Delaware River Port Authority, the Delaware River and Bay Authority and the Delaware River Joint Toll Bridge Commission. Coordination and cooperation among these diverse agencies is essential to the success of New Jersey

However, growth in population, roadway traffic and mass transit ridership will test an already aging infrastructure system during the next ten years as it has never been tested before. There will be demand for ever higher levels of goods and services that will necessarily rely on the transportation system. As a result, travel demand will grow at a rate even greater than the population. In this era of an increasingly integrated global economy, New Jersey must anticipate greater pressure on its ports and domestic freight distribution network to deliver product throughout the region. This unprecedented increase in demand for both personal and freight transportation poses a dilemma for New Jersey that cannot be ignored if we are to restore the state's economy.

The realities that will drive transportation need in New Jersey for the foreseeable future include:

- The deterioration of the state's infrastructure due to inadequate maintenance and capital investment
- Massive international trade and its impact on our road and rail systems
- Crippling traffic congestion that wastes the public's time, money, and energy

- Continued loss of life on the State's highway; both vehicle and pedestrians
- Growing needs of aging residents
- Escalating demand for mobility choices, including bicycling, walking, and public transportation

In confronting these forces to address New Jersey's transportation needs, it is critical to remember that:

1. Transportation investment can be a major force for revitalizing New Jersey's economy.
2. Highway, rail, marine and aviation projects generate jobs.

SUBCOMMITTEE ACTIVITY

Against this backdrop, the Transition Subcommittee on Transportation conducted a series of meetings beginning on November 28 with:

- Interviewed the NJ Department of Transportation senior management team;
- Interviewed the senior leadership of NJ Transit;
- Interviewed key leaders/managers of the toll and interstate transportation agencies that are integral to New Jersey's transportation program and network;
- Held a day-long listening session hosted by the AAA Clubs of New Jersey at which some 38 stakeholder groups who have an on-going involvement in transportation in New Jersey testified.
- Held various conference calls in preparation for the submission of this report.
- Collaborated on the recommendations contained herein.

Transportation Subcommittee members also have met with senior representatives of the Turnpike, the South Jersey Transportation Authority, the Port Authority of NY and NJ, the Delaware River Port Authority, the Delaware River Joint Toll Bridge Commission and the Delaware River and Bay Authority as well as the Motor Vehicle Commission in an effort to provide a complete picture of the issues and challenges that will face the new administration when it assumes office on January 19, 2010. The meetings with these independent authorities were coordinated with the Subcommittee on Authorities through the respective chairs.

KEY FINDINGS

The Subcommittee on Transportation believes the key transportation issues facing the new administration are:

1. **Stimulus projects:** DOT must assure that the \$652 million in American Recovery and Reinvestment Funds (ARRA) received for state and local projects are fully obligated by March 2, 2010 or risk losing them for reallocation to other areas of the country. This is going well but requires continued focus.
2. **NJ TRANSIT Budget Deficit:** There will be a \$200 million structural deficit in the NJ TRANSIT 2011 budget primarily as the result of having used stimulus funds to replace state general funds to cover operating cost in 2010.
3. **NJ DOT funding for system operations** in 2010 is at a level that could threaten the safety and efficiency of the state's highway and bridge network.
4. **Transportation Trust Fund:** At the end of State Fiscal Year 2011 essentially all revenues paid into the trust fund will be used to pay debt service for the next 30 years, thus eliminating the possibility of trust fund support for the capital programs at NJDOT and/or NJTransit.
5. **Major Project Continuation:** The ARC rail tunnel and the widening of the NJ Turnpike, Garden State Parkway and Atlantic City Expressway are critically important to the economic recovery of New Jersey.
6. **Collective Bargaining** agreements with the ATU (NJ Transit Bus System) expire on June 30, 2010 at the end of a one-year, no increase extension of the old contract.

RECOMMENDATIONS:

Recognizing the need for further study, the Transportation Subcommittee makes the following recommendations:

Capital Projects and Initiatives:

1. While capital projects are an important part of the economy, not every desirable project can be pursued in the short term. Therefore careful consideration should be given to which projects should advance immediately including but not limited to:
 - Bayonne Bridge, owned and operated by the NYNJ Port Authority, must be addressed. Current air draft of 152 feet will not allow newer ships that soon will be put in service and will require at least 205 feet to pass under the bridge. The current estimated solution cost ranges from \$700 million to \$1billion if a crossing is to remain in service.

- The I-295/ 42/676 Direct Connection and I-295/ 42 Missing move projects in Camden and Gloucester Counties.
 - The Atlantic City access improvements on Rtes 40/322, Rt. 30 Absecon Boulevard, and implementing the Atlantic-Pacific One-Way Pair.
 - Improvement of coastal bridges to support travel and tourism, such as: Rt. 152, Rt. 72, and Rt.37 crossings.
2. The ARC Rail Tunnel project should proceed as planned; however, NJ TRANSIT should ensure that it is fully prepared to begin work when authorizing new contracts.
 3. The current widening projects on the state's three toll roads should continue
 4. With emphasis on its program to maintain a state of good repair, NJ TRANSIT should continue advancing its rail and bus rapid transit (BRT) projects, such as:
 - Northern Branch
 - MOM
 - Bergen-Passaic Line
 - Hudson-Bergen extension
 - Lackawanna Cutoff
 - Route 1 and Route 9 Rapid Bus Transit projects
 5. NJDOT should continue and enhance its highway safety program (e.g. median barrier program) in a continuing effort to reduce highway fatalities and accidents. It should quickly implement and complete a series of improvements that will reduce the growing number of pedestrian fatalities as well as perform an analysis of bicycle-related injuries/ fatalities and implement appropriate safety improvements.
 6. Construct rail freight infrastructure improvements to upgrade railways both Class 1 and short line, to accommodate 286,000 lb railcars.
 7. Construct roadway improvement projects to the Port of Newark and Elizabeth and NJ smaller ports at Salem, Camden, Paulsboro, Edison at Raritan Center, and Repauno to spur economic growth and reduce congestion.
 8. Expedite the expansion of the apron and terminal area at the Atlantic City Airport. Also, fast track the design and construction of a direct connection from the AC Expressway to the Airport to support the Airport and Technology Park. Continue the support for improvements at the general aviation airports to bring them to a state of good repair.
 9. The toll-funded Delaware River Joint Toll Bridge Commission Scudder Falls replacement should go forward.

Organization:

1. The role of the Commissioner as Chair of the NJ Turnpike Authority and the South Jersey Transportation Authority should be further evaluated but continued in the interim.
2. The Commissioner of Transportation should be appointed to the Port Authority of NY&NJ Board, as was the practice under former Governors Kean and Whitman.

Cost and Red Tape Reduction

1. Consider consolidating the NJ Turnpike and the South Jersey Transportation Authority. Merging the toll roads can achieve efficiencies in management and operations, promote common, best practices, standards and contracting methods, as well as make traversing of the roadways seamless to motorists.
2. With lowest cost as the objective and using fully allocated cost analyses, seriously study permitting NJDOT to increase staff levels when providing service (e.g. construction inspection, maintenance functions, design/ engineering) in-house is more cost-effective than using contracted services.
3. Within the toll road authorities, NJDOT, and NJ TRANSIT investigate and eliminate duplicative function, and implement best practices across the agencies. Investigate the barriers and deficiencies that would prevent successful consolidation of the toll agencies.
4. Review options to reduce costs when providing safety protection in construction zones. Currently the State Police frequently provide this service. Investigate ways to use other trained and certified personnel and to better schedule actual need for State Police.
5. Encourage provisions for use of all viable methods for contracting and financing, e.g. design-build, design-build-finance-maintain.
6. Encourage provisions for adopting construction standards that are cost effective and meet the requirements of the project. In particular, look at more use of the recycled materials in the end product while reducing the need to mill asphalt in Northern New Jersey and adopt standards for all highways of certain classes or performance requirements and seek out cost saving inspection procedures.
7. To reduce the time and cost of utility relocation delays on construction projects, engage the utility companies and the PUC to permit transportation agencies to perform relocation work using utility company certified contractors.
8. Provide for expedited review of NJDOT Highway Access by having applicants utilize NJDOT-approved engineering firms to perform traffic analyses and design/engineering tasks.

Finance:

1. Collect gas tax at distribution to reduce the losses and expenses from multiple collection points currently used. It has been estimated that the federal government realized a 10% increase in collections without a rate increase as a result of this more efficient process.
2. Recover statutorily dedicated revenues (\$112 million from heavy truck fees and driver surcharges) pledged to the Transportation Trust Fund. This may need to be done over time as these funds have been used to cover other transportation related activities within the state budget.
3. Explore limited tolling of select interstate highways to pay for improvements to those highways.
4. Consider a public referendum on a gas tax increase after showing that cost savings are being achieved.
5. Investigate options to reverse the use of capital funds for operating purposes. Operating tasks normally have a 1 to three year service life and are paid for with 31-year term TTF bonds. This may need to be done over time because pay-as-you-go funds would have to come from general fund appropriations.
6. Implement enhanced toll collection methods for motorists who evade electronic tolls.

NJ Department of Transportation Profile

Agency Purpose

To provide, operate and maintain a safe, efficient and productive transportation system that effectively provides for the movement of people, goods and services within NJ and supports interstate commerce.

Structure and Function

- Staff of 3,400 employees
- Maintains more than 12,950 lane miles of highways
- 2,578 bridges
- NJ has the highest traffic densities in the nation.
- Regulates, plans for and funds capital and safety improvements for 44 general aviation airports
- Plans and funds capital improvements for rail freight facilities (rail freight system carries more than 100 million tons of cargo per year).
- \$3.6 billion capital program in 2010 for the planning, design, construction, and long-term maintenance of:
 - o The State highway system
 - o NJ TRANSIT railways, including bus and rails cars
 - o Funding support for county and municipal roadways and bridges

Organization

The department's senior leadership includes the following positions:

- Commissioner, (\$141,000)
- 1 Deputy Commissioner (currently vacant),
- 1 Chief of Staff, (\$104,000)
- 7 Assistant Commissioners (\$117,000 - \$126,000)
- 3 Executive Directors for various line and staff functions(\$102,000-\$124,000)
- 1 Inspector General (\$118,000)

The Commissioner also serves ex officio as:

- Chair of NJ TRANSIT
- Chair of NJ Turnpike Authority and South Jersey Transportation Authority. He is a member of the board by statute and designated chair by gubernatorial discretion.

The DOT is a member of the three federally-established metropolitan planning organizations (MPO's) which bring county, local and State agencies together to establish regional priorities for transportation capital programs.

The Commissioner is responsible for overall state transportation policy which impacts the programs and operations of four (4) bi-state independent authorities and vice versa.

NJDOT Funding Overview

In order to get a proper perspective on NJDOT's capital and operating budgets, it is important to understand the sources of the funds and the purpose for which they are provided. As a result of the various sources of transportation funding, budgetary and operating decisions have become complex due to the nature and stipulations associated with the fund sources. However, it should be noted that seemingly good budget and revenue decisions do not allow the NJDOT to provide the best transportation service at the lowest possible cost to New Jersey residents and businesses.

NJDOT Operating Budget

The current NJDOT operating budget is comprised of funding from the general State budget, the Transportation Trust Fund, Federal Highway funds, and miscellaneous other sources. Increasingly, the

department's operating budget relies less and less on the General Fund and more on State and federal capital sources. This funding arrangement may address budgetary problems, but it distorts decision-making. Activities are not always undertaken on the basis of merit, but rather are rationalized for budgetary purposes.

DOT's general fund budget support has declined from \$79 million in FY 2008 to \$49 million in the current fiscal year in response to statewide revenue shortfalls. The critical impacts of these reductions are:

- Many road and bridge maintenance activities have been curtailed and deferred. Those activities and materials that are critical to maintaining the viability of the road infrastructure (e.g. emergency repairs of bridges, roadway surface repairs) are now being funded by federal and State TTF fund. This, in turn, reduces the amount of capital funds for major rehabilitation and construction projects.
- The severe reduction of maintenance and capital improvement capability has led to New Jersey's highways being ranked by respected national organizations as among the worst in the country.
- Routine tasks as mowing and snow removal are performed at decreased intervals further exacerbating the situation.

Transportation Capital Budget Overview (NJDOT /NJ TRANSIT)

The Transportation Capital Program for Fiscal Year 2010 is funded at a level of \$3.5 billion, including \$2.1 billion NJDOT and \$1.4 billion NJ TRANSIT.

About 45 percent of the total program (\$1.6 billion) is funded by the New Jersey Transportation Trust Fund which provides New Jersey's contribution to infrastructure and transit improvements and enables New Jersey to draw down federal funding. However, as the Statewide Capital Investment Strategy report shows in detail, even the current funding level falls far short of meeting New Jersey's documented needs for infrastructure renewal, transit extensions, local aid, and other pressing demands.

NJDOT Capital Budget

The 2010 NJDOT Capital Program is \$2.14 billion composed of the following elements: NJ TTF -\$908 million; Federal -\$960 million; Stimulus - \$93 million; and \$183 million from other sources.

Notwithstanding this level of investment, it is estimated that it falls short by approximately \$1 billion annually of current needs. Consequently, the current level of investment in the state highway system is resulting rapid deterioration and increased congestion

In the bridge area alone, while progress is being made 319 (12%) remain deficient and \$1.5 billion of high-cost bridges will come due for rehabilitation or replacement over the next 3 to 5 years.

Capital Program Delivery

The NJDOT capital construction program is the largest in the State's history, bolstered by the American Recovery and Reinvestment Act (ARRA); also known as "stimulus funds". The traditional NJDOT construction program comprised of State TTF and federal funds is summarized below:

- FY 2010 Planned Construction Project Lettings – \$915 million
 - o 50 capital projects valued at \$730 million
 - o 50 operations/maintenance projects valued at \$185 million
- The letting status as of November 30, 2009
 - o 28 projects awarded - \$156 million
 - o 7 bids received, not awarded - \$124 million
- 2 advertised, not yet bid - \$6 million
- 222 active construction projects are underway

The immediate economic value of the program is the number of jobs that have been supported by the program and is represented in part by the cash payments rate to contractors. The normal rate is approximately \$70 million per month. In September of 2009, the rate was \$110 million, and in October the payout rate was \$124 million.

Sources of Capital Funds: Federal Stimulus Funding Capital Program (ARRA)

The State of New Jersey received \$651 million of ARRA funds for highways. The funds grant was allotted in the following manner:

- | | |
|-------------------------------|------------------------------------|
| o NJDOT roads and bridges | \$469 million |
| o County and Local roadways | \$164 million |
| o Transportation Enhancements | \$19.5 million (local governments) |

The deadline for getting projects under contract is March 2, 2010. Funds that are not obligated at that point will be re-distributed to other States. Given the contracts already awarded and the schedule for the balance, it appears that the State is not at risk of losing federal stimulus funds due to a lack of delivery. While NJDOT is confident that all \$469 million will be contracted by the deadline it has taken the precautionary step of securing Joint Budget Oversight Committee (JBOC) approval to increase the number of eligible projects should low bids or non-contracted county and local projects produce ARRA fund balances.

Transportation Trust Fund (TTF)

The FY 2006 reauthorization of the TTF contemplated a 5-year, \$1.6 billion annual capital program through 2011. By July 2011, all revenue into the TTF (\$895 million) will be needed to pay debt service. Essentially, current revenue sources cannot support a program past 2011. Without net new revenue, this condition will exist for the next 30 years.

This circumstance was brought about by insufficient new revenue to support a \$1.6 billion program; increasing bond terms from 21 to 31 years; adjusting the debt service curve and using capital appreciation bonds.

The current TTF debt is approximately \$11 billion and is projected to be \$14 billion at the end of FY 2011. Given current revenues, bond sale interest rates, and capital appreciation bond sales, the ability of the TTF to sustain the FY 2011 Capital Program is tenuous and the unfunded liability of TTF projects that will be ongoing after June 30, 2011 will be approximately \$2 billion over the next four year period.

Given the continuation of the current program, the anticipated contract awards for the 2011 program and current revenues to the TTF, another TTF bond sale mostly likely will be needed within the next year with a value of approximately \$1.2 to \$1.4 billion.

NJDOT ISSUES SUMMARY:

- The Transportation Trust Fund does not have funds for the FY 2012 program or ongoing projects.
- Following the current path, another TTF bond sale will still be required over the next 12 – 14 months
- Routine maintenance projects/activities are being deferred because of budget reductions.
- Heavy trucks pose a series of issues that should be addressed including weight issues, heavy truck route designation, axle loadings, MVC instant permitting
- Increase rail car weights to 286,000 lbs on routes east of the Northeast Corridor to eliminate disadvantage for port rail operations. This is a barrier to economic recovery.

- The DOT must monitor and be involved in the reauthorization of the federal transportation funding act. The Department should also become actively involved in national organizations that will set many of the national framework and practices in the next bill.
- Heavy reliance on TTF and federal funding for maintenance/operating costs must be addressed and steps should be considered to decrease the rate of capital to operating transfers
- Funding arrangements with MPOs should be revisited to allow for more flexibility across regions when doing funding/project distributions. This will allow for a better allocation of resources to promote economic recovery and job growth.
- Insufficient funding for county and municipal highway and bridge needs (impact on property tax). County and local roadways move half of the State's traffic and comprised 90% of the infrastructure.
- Airport Safety Zones are coming under intense pressure from development and tree growth causing safety concerns. Efforts must be undertaken to work with adjoining property owners and airport operators to monitor clear zones. Efforts should be undertaken to get municipalities to review building codes and enforcement
- Relationships with stakeholder groups need attention. To this end: Stakeholders should meet regularly with the department to resolve business process difficulties and provide the rapid means for dispute resolution.

NJ TRANSIT Summary

Agency Purpose

Created by the Public Transit Act of 1979, NJ TRANSIT's mission is to provide safe, reliable, convenient and cost-effective transit service for New Jersey

Structure

NJ TRANSIT is the nation's third largest public transit system with 11,000 employees of whom 10,000 are union employees in bus and rail operations. It provided more than 270 million passenger trips in FY '09 of which 62% were bus, 30% rail and 8% light rail.

Senior Management

- Executive Director CEO (\$262,000)
- VP General Manager, Rail (\$206,000)
- VP General Manager, Bus (\$202,000)
- 3 Assistant Executive Directors (\$172,000-\$191,000)

- CFO & Treasurer (\$183,000)
- Acting Chief of Police (\$153,000)
- Chief, Tunnel Project (\$193,000)
- Customer Advocate (\$140,000)
- VP of Diversity (\$152,000)

NJ TRANSIT Operating Budget

NJ TRANSIT's operating budget is funded through fare box and other revenues, State operating assistance (general fund appropriation – Transit Subsidy), Federal highway funds from NJDOT, miscellaneous reimbursements, capital funds transfer, and in FY 2010 federal ARRA (Stimulus) funding.

For the FY10 Operating Budget, NJ TRANSIT projected conservative economic growth starting at the end of CY2009. If current ridership trends continue for the remainder of the fiscal year, NJ TRANSIT could experience a significant year-end fare box revenue shortfall.

For FY2011, NJ TRANSIT is projecting a \$200 M gap as a result of:

- The end of \$150 M of one-time FY10 Revenue (Stimulus and Federal Highway funds)
- At least \$50M of inflationary costs.
- The continued reduction in State operating support in FY10
- Possible drop-off in passenger revenue
- Two consecutive years with no fare increase

In FY10, NJT closed a \$178 M operating shortfall, including a \$62 M reduction in operating assistance. For FY10, \$178 M gap was closed by: one time use of \$70 M of federal stimulus grants; one time use of \$80 M of federal highway funding; and, administrative cuts of \$23 M.

NJ TRANSIT is currently working on a number of alternatives to address the FY11 budget deficit which could include any combination of service cuts, fare increases and new revenue sources. For FY 2011, NJ TRANSIT cannot realistically balance the budget through internal actions alone. If Congress enacts a second stimulus initiative, NJ TRANSIT's operating budget challenge will be alleviated for FY 2011

Like NJDOT, NJ TRANSIT uses capital funds to supplement the operating budget. In recent years, the capital to operating transfer has been approximately \$350 million annually (\$250 million FTA Federal funds,

\$100 million TTF). This necessary and allowable practice, however, greatly diminishes the agency's ability to adequately meet its ongoing capital needs.

NJ TRANSIT Capital Budget

The NJ TRANSIT Capital program funds projects and programs for the construction and rehabilitation of railway infrastructure, facilities, and rolling stock. The program also provides funding for transportation services for aging and physically challenged residents.

The 2010 NJ TRANSIT Capital Program is \$1.808 billion composed of the following elements: NJ TTF - \$692 million; Federal - \$637 million; stimulus - \$423.million; Other - \$56.million

NJ TRANSIT infrastructure is generally in a state of good repair. This is primarily due to having the largest capital program of any transit agency. NJ TRANSIT also employs a modern fleet of new electric locomotives and has replaced more than half of the passenger rail fleet since 2003. Also, the procurement of more than 1100 new buses is currently underway with 200 now in service. Nonetheless, it is estimated that the current level of funding falls short by approximately \$600 to \$800 million annually of current needs which largely is the expansion of the rail network and rapid transit bus service with projects such as the Northern Branch, Bergen-Passaic Line, Lackawanna Cutoff and MOM rail service; and Route 9 and Route 1 rapid bus service.

Sources of Capital Funds – Federal Transit and Highway Funds

The NJDOT expects to receive approximately \$637 million from federal highway sources in FY 2010 that began on October 1, 2009. That funding level should continue into FY 2011. Also the NJDOT plans to transfer \$150M of Federal Highway funds to NJ TRANSIT for the ARC project.

Similar to NJDOT, the current 5-year federal authorization period for federal transit funding expired last October 1, 2009. The Congress continues to fund the program through continuing resolutions. The reauthorization is also likely to be delayed for at least a year.

NJ TRANSIT's priorities for SAFETELU reauthorization include ARC, Liberty Corridor and a correction to federal funding formulas to ensure NJ receives the maximum allocation from the NY/NJ region. Timing of a funding agreement on ARC will influence the level of effort required for ARC during reauthorization.

Sources of Capital Funds: Federal Stimulus Funding Capital Program (ARRA)

NJ TRANSIT received over \$420 M for stimulus transit projects under the FTA's formula programs. With the approval of the state's three Metropolitan Planning Organizations, NJ TRANSIT allocated these funds to 15 projects. All ARRA funds have been put under contract; and as such, NJ TRANSIT is not at risk of losing any ARRA funding. All but two of the projects are underway. None of the projects will increase NJ TRANSIT's long term operating budget. In fact, projects such as Edison parking expansion, Pennsauken Transfer Station and ARC will contribute more fare revenue to NJ TRANSIT than they cost to operate.

ARC Tunnel Project

The Access to the Region's Core project (ARC) is an \$8.7 B project to construct a new trans-Hudson rail tunnel. The project is expected to serve 250,000 daily riders and create 6,000 construction jobs and 44,000 permanent jobs.

With rail trips predicted to double in the next 20 years, riders from suburban communities will have expanded direct "One-Seat Ride" service and improved service from Monmouth, Ocean, Morris, Somerset, Union, Hunterdon, Warren, Sussex, Bergen, Passaic counties. Also, more service can be provided from Essex, Middlesex, Mercer and Hudson counties. ARC also supports New Rail Lines such as MOM, Lackawanna Cutoff, and West Trenton/Somerset Line.

The project presents the State with positive long term investment (ROI) with \$4 Billion in real personal income (Annually), \$30 Million in operating profits for NJT annually, and will reduce the annual state operating subsidy to NJT.

ARC is also an economic engine for New Jersey. Today, about \$50 billion in wages is brought home to New Jersey from New York jobs. When ARC is completed it will generate \$10 Billion in new gross regional product, \$4 Billion in new real personal income, and 44,000 new permanent jobs

ARC will also have a positive effect on the State's economy in generating annually \$370 million NJ Gross Regional Product, \$224 million NJ real personal income and by 2013 will support 6,000 construction-related jobs.

The project is being funded with pay as you go financing and won't require further state debt, use of State TTF funds, or an annual state appropriation:

Sources of Funds

Federal New Starts (Competitive)	\$3 Billion
Port Authority of NY & NJ	\$3 Billion

	Federal Transportation Funds	\$1.45 Billion
	NJ Turnpike	\$1.25 Billion
	Total	\$8.7 Billion
Uses of Funds		
	Tunnels	\$1.3 Billion
	Station	\$2.0 Billion
	Tracks, Bridges, Etc	\$2.8 Billion
	Rail Storage Yard	\$0.4 Billion
	Contingency	\$1.9 Billion
	Locomotives and Rail Cars	\$0.3 Billion
	Total	\$8.7 Billion

ARC Tunnel – Construction Underway

Preliminary Engineering	Completed
1) Federal Environmental Review	Completed
2) Final Design	Ongoing
3) Construction Contracts	
• Tonnelle Avenue	Ongoing
• Manhattan Tunnel	Ready
• Palisades Tunnel	Ready (Dec.)
• Hudson Tunnel	2010
• 20+ Additional Contracts	2010 - 2015

NJ TRANSIT Issues

- **ARC Tunnel project** - The award of the two tunnel projects awards approved by the NJ TRANSIT Board may be delayed due to the need for public input as prescribed by the Port Authority. All efforts are being made to expedite this process, but a delay of 4 to 6 months can be expected. NJ TRANSIT must review contract provisions to ascertain whether contractor will hold bid prices. Normally, contractors will hold bid prices for 60 days. A Full Funding Grant Agreement with Federal Transit Administration (FTA) must be negotiated once federal reauthorization bill is enacted. The Full Funding Grant Agreement requires: (1) Congress to increase FTA's commitment authority, (2) NJT to continue to demonstrate its ability to maintain its system in a state of good repair and (3) continue partnering with Amtrak to replace and expand Portal Bridge.

- Notwithstanding the FY 10 budget cut \$62 million in state operating subsidy, NJ may confront an operating deficit this fiscal year due to a decline in ridership from the economic downturn. Economic recession has resulted in 5% decline in transit ridership/revenues.
- \$200m gap in FY 2011 because of: 1) the end of \$150 million of one-time FY10 Revenue (Stimulus and Federal Highway funds), 2) At least \$50 M of inflationary costs, 3) the continued reduction in State operating support in FY 2010, 4) possible continued drop-off in passenger revenue, and 5) Two consecutive years with no fare increase.
- Leveraged Leases - Beginning in the early 1990's NJ TRANSIT, along with most other major transit agencies in the country, used leveraged lease transactions to generate \$160 million in funding. NJ TRANSIT entered into its last leveraged lease transaction in 2006. Some of these transactions were guaranteed by financial institutions, such as AIG. A number of financial institutions experienced drops in their credit ratings, thereby causing potential technical defaults on many of our outstanding transactions. NJ TRANSIT's liability could be as much as \$150 million. NJ TRANSIT is working with other transit agencies to find a legislative solution on Capitol Hill considering many of the banks that are seeking this funding from public transit agencies are themselves taking public funding.
- Demand for new rail services increases need for operating subsidies. New rail expansion projects such as the Northern Branch, Bergen-Passaic, Lackawanna Cut-off could require as much as \$40 million more in operating subsidy for NJ TRANSIT
- State and federal capital funds transfer to operating - In recent years, the capital to operating transfer has been approximately \$350 million annually (\$250 million FTA Federal funds, \$100 million TTF). Federal law allows these expenses to be considered capital expenses, but NJ TRANSIT has maxed out the amount of FTA Federal funds for preventative maintenance at approximately \$250 million.
- Similarly, the Transportation Trust Fund allows these expenses to be funded by TTF funds, provided the vehicles being rehabilitated have 5 years of useful life remaining. Under the TTF reauthorization, TTF preventative maintenance expenses are capped at \$100 million.
- New York Harbor ferry service operated by NY Waterways and Billybey is short of funds and exploring the possibility of capital investment by NJ TRANSIT. Existing private ferry service serves 30,000 customers a day with no government operating subsidy.
- Status of Labor Agreements requires quick attention. NJ TRANSIT recently negotiated a 0% increase in bus contracts for FY10. For FY 2010, NJ TRANSIT continues to honor the **rail** labor contracts that were negotiated in 2004. That contract included 3% annual increases in pay along with a new employee contribution to health care that grows by 3% compounded annually.

- Private Bus Carriers are seeking additional funding or agreement to drop service that would add to NJ Transit's operating deficit. It is an on-going issue exacerbated by current economic conditions.
- Drop in Casino Revenues impacting elderly service - Each year, funding from taxes on Atlantic City casino revenues provide transit services for New Jersey's senior citizens and disabled residents. NJ TRANSIT distributes this funding to counties by legislative formula that, in turn, uses the funding to operate transit services. NJ TRANSIT retains a portion (15%), for support of capital projects and administration that provides greater access to transit for the disabled. The fund typically provides approximately \$33 - 36M annually, but is only anticipated to be \$30.2 million in FY 2010. Casino revenue represents about 45% of overall county budgets for local transportation (i.e. senior citizens and disabled travelers).
- Real Estate/Private Sector Development Opportunities, including rail station parking should be explored.

IN CONCLUSION

This report is backed up by substantial documentation that has been provided to the Subcommittee by the various agencies and the stakeholders who took the time to offer their views to the subcommittee during the stakeholder listening sessions. Those stakeholders included the following organizations:

AAA	NJ Concrete and Aggregate Association
Alliance for Action	NJ Concrete Pipe Association
Amalgamated Transit Union (ATU)	NJ County Engineers
Association General Contractors (AGC)	NJ Future
Commerce and Industry Association	NJ League of Municipalities
Communications Worker of America (CWA)	NJ Motor Truck Association
Conrail	NJ Motorists Association
Consulting Engineers Council (CEC)	NJ SEED
CSX Railroad	NJ Short Line Railroad Association
International Federation of Profession and technical Engineers (Local 195)	Norfolk Southern Railroad
Laborers International Union of North America (LIUNA)	NY Shipping Association
National Association of Industrial & Office Properties (NAIOP)	Operating Engineers
NationsPort	PlanSmart NJ
NJ Association of Counties	Sierra Club
NJ Association of Railroad Passengers	South Jersey Development Council
NJ Aviation Association	Tri-State Transportation Campaign
NJ Builders Association	United Steel Workers
NJ Building Trades Council	United Transportation Union (UTU)
NJ Business and Industry Association (NJBIA)	Utility Transportation Contractors Association (UTCA)
	Rutgers HR Program

Respectfully submitted:

Transition Subcommittee on Transportation

Jerry Amedeo
James Crawford
Frank Druetzler
Ron Gravino
Jerry Langer
Jack Lettiere
Jon Livingston
Frank Luna

Nevins McCann
Samuel Raia
David Ragonese
Bill Schiels
Ed Vergopia
Norbert Weldon
James Weinstein