New Jersey Transportation Trust Fund Authority
Fiscal Year 2014 Financial Plan

Plan for Financing Anticipated NJDOT/NJT Capital Program Outlays for Fiscal Year 2014

NEW JERSEY
TRANSPORTATION
TRUST FUND

Prepared by
Transportation Trust Fund Authority

Adopted May, 2013

Chris Christie, Governor
Kim Guadagno, Lt. Governor

James S. Simpson, Commissioner

I. Introduction

TTFA 2014 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 Trust Fund Authority Act, 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]

Historically, the NJTTFA has funded its programs through annual State appropriations secured by revenues from the Motor Fuels Tax, Petroleum Gross Receipts Tax, Sales and Use Tax (i.e., new vehicle sales), toll road contributions, heavy truck registrations, good driver surcharges, investment earnings, and the incurrence of debt.

The NJTTFA's Fiscal Year 2014 Financial Plan reflects recommendations contained in the Fiscal Year 2014 Governor's Budget Message as well as changes implemented in the 2012 amendments to the TTFA Act, L. 2012, c.13, effective June 29, 2012 ("2012 Amendments"). The most prominent of the Act's amendments was the authorization of a new type of financing instrument entitled "Transportation Program Bonds", the debt service for which is payable solely from revenues dedicated pursuant to the New Jersey Constitution, Article VIII, Section II, paragraph 4 (hereinafter the "Transportation Program Bonds").

II. Prior Years' Results

The following table summarizes the results of the NJTTFA's operations for fiscal years 1985 through 2012 and the expected results for fiscal year 2013:

Summary of Operations (FY 1985-2013)
(Dollar Amount in Thousands)

Description	1985-2012 Actual	2013 Estimated	Thru 2013 Actual & Est.
Authority Sources:			
Revenue Appropriations*	$14,354,062	$984,500	$15,338,562
NJ Turnpike (New Contract)	66,000	0	66,000
Build America Bond Tax Credits	81,830	38,722	120,552
Interest Earnings	521,562	450	522,012
Bond Premiums**	215,453	197,000	412,453
Net Bond Proceeds	16,747,860	1,247,000	17,994,860
Total Authority Sources	$31,986,767	$2,467,672	$34,454,439
Authority Uses:			
Program Appropriations	$24,782,450	$1,247,000	$26,029,450
Debt Service (TTF)	9,082,393	929,394	10,011,787
Authority Expenses	20,209	3,706	$23,915
Total Authority Uses	$33,885,052	$2,180,100	$36,065,152
Net Balance	**-$1,898,285**	**$287,572**	**-$1,610,713**

*FY13 column reflects planned lapse of $110m
**Amount in FY13 column is net of issuance costs

As a measure of the NJTTFA's total operation, the estimated $1.6 billion "net balance" calculation for fiscal years 1985 through 2013 in the chart above recognizes that the NJTTFA only issues bonds to meet cash flow obligations, not the full value of capital program appropriations. The "program appropriations" calculation reflects the obligation authority that the Legislature provided to NJDOT/NJ Transit for Transportation Trust Fund ("TTF") 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 $1.6 billion reflects all spending authority (i.e., inception to date) less the total resources that have been provided or generated by the NJTTFA through June 30, 2013.

As a point of reference, the estimated value of the net balance calculation through the end of fiscal year 2013 (-$1.6 billion) is 25% less than the actual value that existed at the end of fiscal year 2011 (-$2.16 billion, as reflected in the FY2013 TTFA Financial Plan).

III. New Jersey Capital Transportation Plan

In early January, 2011, Governor Christie released a five-year New Jersey Capital Transportation Plan (the "Plan") to improve the State's transportation infrastructure. The Plan provided annual TTF 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.

In fiscal year 2014, the $1.6 billion Transportation Capital Program is comprised of $1,224 million from the TTF and $376 million from the PANYNJ. (See Section IV. - A for details on the funding strategy for fiscal year 2014.)

New Jersey Capital Transportation Plan
($millions)

Sources:	**FY 14**
TTFA	1,224.0
Port Authority Projects	376.0
Total Sources	**$1,600.0**

Uses:	**FY 14**
DOT	$444.4
NJ Transit	495.5
Local Aid	284.1
Total TTFA	1,224.0
Port Authority	376.0
Total Uses	**$1,600.0**

As summarized in the chart below, the FY2014 Governor's Budget Message recommends an appropriation to the TTF of $1,160.5 million, which represents an increase of $66 million (6%) over the amount appropriated in FY2013 Appropriations Act ($1,094.5m). The entire increase is derived from constitutionally-dedicated sources. Specifically, the $66 million reflects the net impact of a $9 million (2%) decline in the amount provided by the Motor Fuels Tax and a $75 million (24%) increase in appropriations from the State Sales and Use Tax. There is no change in the amount provided by the Petroleum Products Gross Receipts Tax. (See Section IV. – B for additional background on the constitutional dedications to the TTF.) Similarly, the $12 million annual statutory contribution from the toll road authorities will continue at the same level.

The Port Authority portion of the Plan, which specifically supports the Pulaski Skyway, Wittpenn Bridge, and New Road facilities that feed the Holland Tunnel, will be supported by PANYNJ revenues that will not be deposited into the TTF. An interagency agreement between NJDOT and

the Port Authority originally signed in July, 2011, formally recognized that the Port Authority's commitment is not to exceed $1.8 billion. It also stipulated that NJDOT would be reimbursed on a quarterly basis and established an auditing and fraud prevention component involving the Office of the Inspector General for both agencies. A revised agreement signed in May, 2012, provided NJDOT with sole responsibility for the design, procurement, acquisition of real property, and construction of the affected projects. It will be the Port Authority's responsibility to provide the required funding.

FY 14 TTF Appropriation
($millions)

	FY13 Approp	Increased Approp	FY 14 Approp
Motor Fuels Tax	$ 540.0	$ (9.0)	$ 531.0
Petroleum Gross Receipts Tax	228.0	0	228.0
Sales & Use Tax	314.5	75.0	389.5
Toll Road Authorities	12.0	0.0	12.0
TOTAL TTF APPROP	**$ 1,094.5**	**$ 66.0**	**$ 1,160.5**

As to the programmatic allocation of funds, NJDOT will receive a total of $1,104.5 million, including $376 million from the PANYNJ and $284 million for Local Aid. NJ Transit's allotment will total $495.5 million.

The FY 2014 Governor's Budget Message continues to reflect language items that are required to implement the Governor's Plan, including authorization of the revenue dedications from the General Fund, appropriation of the contributions from the NJTA and the Port Authority, and establishment of the TTF's total project authorization.

With regard to fiscal year 2013, a total of $110 million in resources originally appropriated to the NJTTFA will be lapsed to the General Fund as budget relief. This amount is attributed to lower-than-expected debt service on the NJTTFA's 2012 bond issuance as well as savings from a refunding of existing bonds that is planned for the spring of 2013.

IV. Debt Issuances

A. Debt Issuances - Fiscal Year 2014's $1.6 Billion Capital Program

As outlined in the Fiscal Year 2014 Governor's Budget Message, the proposed New Jersey Capital Transportation Plan for fiscal year 2014 totals $1.6 billion, including $1,224 million from the Transportation Trust Fund and $376 million from the PANYNJ for the aforementioned Port Authority-funded projects. In addition to cash outlays from the proposed Fiscal Year 2014 Capital Plan that will affect fiscal year 2014, the NJTTFA must support the cash need associated with previously-authorized projects. Based on recent experience, the total cash requirement in fiscal year 2014 is projected to be approximately $1.4 billion. To address this need, the NJTTFA expects to issue $849 million (par value) of its new money Transportation Program Bonds, as authorized under the 2012 Amendments, and to apply most of a projected cash balance of $677 million in fiscal year 2014. The latter includes bond premiums totaling approximately $254 million that were realized from the NJTTFA's Transportation System Bonds,

2011 Series B, Transportation System Bonds 2012 Series A, and Transportation Program Bonds, 2012 Series AA. (See chart below entitled, "Fiscal Year 2014: Statement of Anticipated Changes in Cash Position").

The 2012 Amendments specify that debt service on the newly authorized Transportation Program Bonds is to be paid solely from revenues dedicated pursuant to the New Jersey Constitution, including Article VIII, Section II, paragraph 4 and deposited into the Transportation Trust Fund Account – Subaccount for Debt Service for Transportation Program Bonds. The 2012 Amendments further provide that the State Treasurer, to the extent appropriated by the State Legislature, shall credit to such subaccount a portion of the revenues derived from an amount equivalent to revenue derived from the Motor Fuels Tax ($.105 per gallon) in each fiscal year, an amount equivalent to the revenues derived from the tax imposed on the sale of petroleum products but not less than $200 million in each fiscal year , and an amount equivalent to the revenues derived from the tax imposed under the Sales and Use Tax Act but not less than $200 million for each fiscal year . As noted earlier, the Authority also anticipates receipt of $12.0 million from toll road contributions which are currently dedicated to the NJTTFA by statute. All of these revenues are subject to annual appropriation by the Legislature.

Debt service on the original Transportation System Bonds continues to be payable as stated in the TTFA Act and was not changed.

A summary of the NJTTFA's projected cash flows for fiscal year 2014 is provided below:

Fiscal Year 2014: Statement of Anticipated Changes in Cash Position
($ whole)

Description	Sub-Total	Total
Estimated July 1, 2013 Cash Balance		**$ 677,797,973**
Receipts:		
State Appropriations:		
Motor Fuels Tax	531,000,000	
Petroleum Products Tax	228,000,000	
Sales and Use Tax	389,500,000	
Toll Road Authority Contributions	12,000,000	
Net Total		1,160,500,000
Interest Income		450,000
Bond Proceeds		849,000,000
Build America Bonds Tax Credit		38,722,469
Total Receipts		**$2,048,672,469**
Disbursements:		
State Transportation Project Costs		$ 1,400,000,000
TTF Debt Service		1,079,039,000
NJT COPs Debt Service		92,900,000
Authority Operating Expenses		3,814,000
Total Disbursements		**$ 2,575,753,000**
Estimated July 1, 2014 Cash Balance		**$ 150,717,442**

The Transportation Program Bonds will be issued as "state contract" debt backed by the Contract Implementing Funding Provisions of the New Jersey Transportation Trust Fund Authority Act with respect to Transportation Program Bonds, dated as of December 4, 2012, among the State Treasurer, the Commissioner of the New Jersey Department of Transportation (the "Commissioner"), and the Authority. This contract pledges that the

constitutionally dedicated revenues described above that are appropriated by the Legislature will be made available to the Authority for debt service payments on its Transportation Program Bonds.

The Transportation System Bonds, which were issued up to and through fiscal year 2013, continue to be secured by the Third Amended and Restated Contract Implementing Funding Provisions of the New Jersey Transportation Trust Fund Authority Act with respect to Transportation System Bonds, dated as of December 4, 2012, among the State Treasurer, the Commissioner, and the Authority. That contract pledges that any dedicated NJTTFA revenues appropriated by the Legislature to the payment of such bonds will be made available to the Authority for debt service payments.

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 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 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.)

C. Credit Ratings

The NJTTFA debt is currently rated "A+" by Fitch Investors Service, "A1" by Moody's Investors Service, and "A+" by Standard & Poor's Corporation.

In determining the timing, structure and size of each bond issuance, the NJTTFA considers such factors as current market conditions, cash flow needs, and the impact of the added debt on the NJTTFA's appropriation. The NJTTFA's Transportation System Bonds have been and continue to be well received by the market. The NJTTFA's Transportation Program Bonds, 2012 Series AA, were also well-received by the market; however, there can be no assurance of such treatment.

D. Fiscal Year 2014 Statutory Debt Limit

The statutory debt issuance limitations for the Transportation System Bonds were last set by L. 2006, c.3 (the "2006 Amendments"). The TTFA Act, as amended by L. 2006, c.3, provided, in pertinent part, that up to an aggregate principal amount of $1,600,000,000 of debt constituting Transportation System Bonds, other than debt issued to refund previously issued Transportation System Bonds, was permitted to be issued in fiscal years 2007 through 2011. If a portion of that permitted amount of debt was not incurred in a fiscal year, the unused portion could be incurred in a subsequent fiscal year in addition to the amount permitted for such subsequent fiscal year. As of the date hereof, there is no remaining unused statutory debt cap under the TTFA Act, as amended by L. 2006, c.3, for the Transportation System Bonds (except for a nominal amount). Accordingly, only Transportation System Bonds that will be used to refund other outstanding Transportation System Bonds may be issued under the TTFA Act.

These restrictions apply only to the Authority's Transportation System Bonds.

The 2012 Amendments to the TTFA Act (section N.J.S.A. 27:1B-9(i)) established the following new statutory debt limitations for the Transportation Program Bonds:

> The authority shall not issue transportation program bonds in excess of $1,247,000,000 for the fiscal year beginning July 1, 2012, in excess of $849,200,000 for the fiscal year beginning July 1, 2013, in excess of $735,300,000 for the fiscal year beginning July 1, 2014, and in excess of $626,800,000 for the fiscal year beginning July 1, 2015, except that (1) if that permitted amount of transportation program bonds, or any portion thereof, is not incurred in a fiscal year, it may be issued in a subsequent fiscal year and (2) 30 percent of the permitted amount of transportation program bonds for a fiscal year may be issued in the fiscal year preceding such fiscal year provided that (a) any transportation program bonds issued pursuant to this paragraph shall be deducted from the authorization for the fiscal year from which it was taken, and (b) the proceeds of any such transportation program bond shall not be encumbered until the fiscal year from which the deduction of the authorization was taken pursuant to this paragraph. Transportation program bonds authorized to be issued for the fiscal year beginning July 1, 2012 may be issued prior to July 1, 2012. Any increase in this limitation shall only occur if so provided for by law. In computing the foregoing limitation as to the amount of bonds the authority may issue, the authority may exclude any bonds, notes or other obligations, including subordinated obligations of the authority, issued for refunding purposes. The payment of debt service on transportation program bonds and any agreements issued in connection with such transportation program bonds shall be paid solely from revenues dedicated pursuant to the New Jersey Constitution, including Article VIII, Section II, paragraph 4, and deposited into the "Transportation Trust Fund Account – Subaccount for Debt Service for Transportation Program Bonds." [P.L. 2012, c. 13, section 3.]

As noted earlier, the 2012 Amendments provided bonding authority of $849.2 million of Transportation Program Bonds for the transportation program for fiscal year 2014. In addition, it is projected that unused bond authorization of $326 million will carryforward into fiscal year 2014. The Authority issued only $921 million of the $1,247 million of the Transportation Program Bonds that it was statutorily-authorized to issue in fiscal year 2013. (Note: the Authority issued a total of $1,247 million in new debt in fiscal year 2013, including $921 million of Transportation Program Bonds and $326 million of Transportation System Bonds, the latter of which essentially exhausted the availability of the bonds that were originally authorized under the 2006 Amendments.) This $326 million in carryforward bond cap will provide flexibility to supplement the amounts authorized in the 2012 Amendments, as necessary, subject to the requirements of the TTFA Act. Pursuant to the 2012 Amendments, the future use of the bond cap carryforward is no longer subject to approval by the Joint Budget Oversight Committee.

Transportation Trust Fund Authority
Statutory Debt Limit
($ whole)

Fiscal Year Bonding Credits:		
FY 1996-2006	$7,600,000,000	
FY 2007	1,600,000,000	
FY 2008	1,600,000,000	
FY 2009	1,600,000,000	
FY 2010	1,600,000,000	
FY 2011	1,600,000,000	
FY 2012	0	
FY 2013	1,247,000,000	
FY 2014	849,000,000	
Total		$17,696,000,000
Less Authority Bond Issuances:		
1996 Series A Thru 2005 Series C	$6,291,885,000	
2005 Series D	953,020,000	
2006 Series A Grant Anticipation	131,555,000	
2006 Series C	1,115,496,792	
2007 Series A	1,171,055,000	
2008 Series A	1,122,744,638	
2009 Series A	142,730,924	
2009 Series B	273,500,000	
2009 Series C	150,000,000	
2009 Series D	147,500,000	
2010 Series A	359,253,361	
2010 Series B	500,000,000	
2010 Series C	1,000,000,000	
2011 Series A	600,000,000	
2011 Series B	1,315,000,000	
2012 Series A and AA*	1,247,000,000	
2013 Series AA (proposed)	849,000,000	
Total		$17,369,740,715
FY 2014 Unused Debt Limit		$326,259,285

**The bond issuance in 2012 included $326.3 million of Transportation System Bonds and $920.7 million of Transportation Program Bonds. Except for a nominal remaining amount, this issuance essentially exhausted the availability of Transportation System Bonds last authorized in L. 2006, c. 3. All future new money issuances will take the form of Transportation Program Bonds.*

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 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 Authority in accordance with law, shall constitute a declaration of the intent of the Authority to issue bonds, as more fully described in section IV(A) above, in the expected maximum principal amount of $849 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 2014 and prior fiscal years.

V. Fiscal Year 2014 Operating Budget

The NJTTFA estimates the following operating expenses will be required to manage the financing operations of the NJTTFA during fiscal year 2014. The operating budget, which does not include costs of issuance relating to bond issuances, is funded from the Legislative appropriations to the NJTTFA:

Anticipated Operating Expenses
($ whole)

Description	Estimate
Legal Notices	$1,000
Professional Accounting Services	30,000
Trustee Service Fees	60,000
Letter of Credit Fees	3,600,000
Contingency	123,000
Total	**$3,814,000**

Fiscal Year 2014
Anticipated Bond Issuance Costs

The Authority plans to issue new money bonds to support fiscal year 2014 project expenditures. At the planned $849 million bonding level, the anticipated bond issuance costs for new money bonds is estimated to be $3.4 million for underwriting expenses and $850,000 for other costs of issuance such as rating fees, printing fees, financial advisor fees, trustee's fees, bond counsel fees, and trustee counsel fees.