

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 3075 STATE OF NEW JERSEY 217th LEGISLATURE

DATED: MARCH 20, 2017

SUMMARY

- Synopsis:** Revises process for administration of Transportation Trust Fund projects and capital program oversight; establishes transportation research center.
- Type of Impact:** Possible off-setting increase in county revenues and costs.
- Agencies Affected:** Department of Transportation; New Jersey Transportation Trust Fund Authority, Local Governments

Office of Legislative Services Estimate

| Fiscal Impact | <u>Year 1</u> | <u>Year 2</u> | <u>Year 3</u> |
|----------------------|------------------------------------|----------------------|----------------------|
| Local Cost | Indeterminate – See comments below | | |
| Local Revenue | Indeterminate – See comments below | | |

- The Transportation Trust Fund (TTF) renewal legislation (P.L.2016, c.56) established an anticipated capital program size over the next eight years of \$16 billion. This bill does not change that expected level of spending from the revenues and other funds of the Transportation Trust Fund Authority (authority). As a result, the bill is also unlikely to result in a change to the total amount of State funds that will eventually be necessary to support that authority spending through direct appropriations of State funds to the (authority) for direct support of projects or for the payment of debt service on TTF bonds.
- The removal of the requirement that a website be created to track TTF projects and the requirement that TTF funding be provided to the transportation policy review board will reduce spending and allow money to be spent on other transportation projects.
- The establishment of a transportation research center will likely require an expenditure of TTF funds that could displace spending on other transportation projects, but could also allow the department to access new federal transportation funds for transportation research.

- The bundling program, consulting reports, and the highway project priority list are all programs that will likely require an expenditure of TTF funds that could displace spending on other transportation projects. These projects may allow transportation projects to be completed more efficiently, thereby allowing additional projects to be undertaken with the savings. The projects may increase the amount of State transportation funds provided to counties to construct State projects. This type of transfer would increase the amount of revenue provided to counties for transportation projects and increase the amount of local costs by an equivalent amount for these new projects. There would be no net impact on the counties.
- It is not possible, based on current information, to determine whether the overall impact of the bill will be to increase or decrease the amount of State and local transportation projects to be completed with the \$16 billion in State spending on transportation projected from FY 2017-2024, nor the breakdown between State and local projects.

BILL DESCRIPTION

Senate Bill No. 3075 (1R) of 2016 revises the process by which capital projects authorized to be paid for through the New Jersey Transportation Trust Fund are to be administered.

Capital Program Consultant Reports

The Transportation Trust Fund Authority (authority) may hire engineering consultants to generate bi-annual reports which identify for each public highway and public transportation project, the progress achieved in expending capital funds and the progress achieved in completing capital projects. The authority may also hire an outside consultant to generate a bi-annual report on all non-project line items in the annual capital program that are not included in the engineering consultant's report. This report is to focus on the progress achieved in expending funds appropriated in the capital program and provide a description of how those funds are being expended, including but not limited to, contracts, employment levels, and measurable outcomes relating to each capital program line item.

Highway Project Priority List

The highway project priority list is a list of State highway projects consisting of structurally deficient State bridges and State highway pavement areas in less than acceptable condition. These projects are chosen by the counties in which the projects are located. The dollar amount of projects that a county can add to the list each year is limited by the amount of grant money a county is statutorily scheduled to receive each year through the local county aid program. This list and documents created in preparation of the list are not to be public records or admissible in court. If the State is unable to complete a project on the highway project priority list within three years, the county can confer with the department, and if the department finds that allowing the county to take over the project is cost-effective and will expedite completion of the project, the department can transfer the project to the county. The department shall remain responsible for the cost of the project and provide payments to the county for the cost of the project on a reimbursement basis. If the department and county agree that a county is better suited to complete a project on the list, the department and county can also form an agreement and transfer the project in less than three years. For all projects on the list, regardless of whether a county has taken over completion of a project, local aid program funds are not to be used for

these projects. All projects are State projects and are to be funded with department capital appropriations and follow state contracting practices.

Project Bundling

The bill requires the department to bundle the design of certain transportation projects funded, in whole or in part, by the Transportation Trust Fund. Projects that are to be bundled are projects of similar complexity, project type, or geographic proximity, that are of similar size or design, and whose inclusion in the program will save the department time or money. The purpose of the program is to save costs and time by allowing multiple transportation projects to be designed or constructed under a single contract. Contracts issued under the bundling program are still required to adhere to all existing procurement laws, including those applying to bidding and business set-asides.

New Jersey Transportation Research Center

This bill establishes the New Jersey Transportation Research Center (center) within the department. The Commissioner of Transportation is to appoint a director of the center. The director is to issue research contracts to New Jersey public research institutions of higher education (institutions). When the center issues contracts to an institution, it is required to establish a specific area of expertise for each institution. The institution is required to conduct research for the center in that area of expertise. In addition to operating and administering the center and issuing contracts, the director is responsible for helping institutes obtain and maintain status as a University Transportation Center under the United States Department of Transportation Federal Highway Administration University Transportation Center Program.

Capital Program Approval Committee

This bill amends the Capital Program Approval Committee (committee) to require that the three public members appointed by the Governor upon joint recommendation of the Senate President and Speaker of the General Assembly are to be subject to the advice and consent of the Senate. The bill also delays the implementation of the committee so that FY 2019 will be the first budget year in which the annual transportation capital program will require the approval of the committee.

Transportation Trust Fund

This bill removes bond premiums from the sources of bond funds that are subject to the Transportation Trust Fund's statutory bonding limitation. This bill also removes the requirement that the Transportation Trust Fund establish a website to track expenditures from the Transportation Trust Fund and transportation project documentation.

Transportation Policy Review Board

This bill removes the requirement that the Transportation Policy Review Board be provided with a budget each year from the capital program to support research projects and the other functions of the board.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services finds that this bill will be unlikely to directly impact State costs, but may impact county costs and revenues. The TTF renewal legislation (P.L.2016, c.56) established an anticipated capital program size over the next eight years of \$16 billion. This bill does not change that expected level of spending from the revenues and other funds of the authority. As a result, the bill is also unlikely to result in a change to the total amount of State funds that will eventually be necessary to support that authority spending through direct appropriations of State funds to the authority for direct support of projects or for the payment of debt service on TTF bonds. Any changes to TTF spending will have to be offset by changes elsewhere in the capital program.

The removal of the requirement that a website be created to track TTF projects and the requirement that TTF funding be provided to the transportation policy review board will reduce spending on those purposes which could then be spent on other transportation projects.

The establishment of a transportation research center will likely require an expenditure of TTF funds that could displace spending on other transportation projects, but could also allow the department to access new federal transportation funds for transportation research.

The bundling program, consulting reports, and the highway project priority list are all programs that will likely require an expenditure of TTF funds that could displace spending on other transportation projects. These projects also could have the impact of allowing existing transportation projects to be completed more efficiently which would allow for additional projects to be undertaken with the savings, if greater than the cost of the programs themselves. The projects could also have the impact of increasing the amount of State transportation funds used to support county construction activity. The impact of such a transfer would be to increase the amount of revenue provided to counties for transportation projects and to increase the county costs by an equivalent amount for these new projects that would be undertaken by a county on behalf of the State.

There is not enough information available about the budgetary effect of these programs in practice to determine whether the overall impact of the bill will be to increase or decrease the amount of State and local transportation projects to be completed with the \$16 billion in State spending on transportation projected from FY 2017-2024, nor the breakdown between State and local projects.

Section: Authorities, Utilities, Transportation and Communications

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This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).