



*New Jersey Legislature*  
★ *Office of* **LEGISLATIVE SERVICES** ★  
**OFFICE OF THE STATE AUDITOR**

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## **EXECUTIVE SUMMARY**

### **DEPARTMENT OF TRANSPORTATION OFFICE OF FREIGHT PLANNING January 1, 2018 to March 31, 2022**

We found that the four railroad lines owned by the department were not being used for their intended transportation purpose, and a majority of the tracks are not currently operational. In addition, based on our interviews and our review of documentation, we concluded provisions contained in the original bond act prevent these properties from being sold without a ballot measure. However, the properties may be repurposed for other transportation purposes related to freight or passenger rail services or for recreational use. We found one railroad line and parcels from the other three railroad lines were missing from the Land and Building Asset Management (LBAM) system, and acquisition costs were also understated. Finally, we found that railroad line rental revenue was properly recorded in the accounting system.

### **AUDIT HIGHLIGHTS**

- The Lackawanna Cutoff Railroad (LCRR), Rahway Valley Railroad (RVRR), Staten Island Railroad (SIRR), and one segment of the Southern Secondary Railroad (SSRR) were acquired in accordance with the New Jersey Bridge Rehabilitation and Improvement and Railroad Right of Way Preservation Bond Act of 1989 (Bond Act) and are not being used for their intended transportation purpose. We determined that 70 of the 82 total miles of rail on the four lines are not currently operational. The Bond Act precludes the sale of these properties. However, the department could enter into an agreement with local jurisdictions or private companies to use these properties for transportation purposes or to provide tourist destinations by converting the properties into rail parks, rail trails, or rail museums. Additionally, an agreement could be entered into with New Jersey Transit (NJT) for properties that have future passenger transportation potential.
- The department entered into a licensing agreement with an independent contractor in 2017 allowing for the current use of a segment of the SIRR. However, the department has not entered into a formal lease agreement with the independent contractor as permitted under N.J.S.A. 27:7-21.4, which has resulted in an undetermined amount of unrealized revenue to the state.
- The entire RVRR and various parcels from the SIRR, LCRR, and SSRR are not included in the state's LBAM system. Additionally, acquisition costs are understated in the LBAM system by \$25.3 million.

### **AUDITEE RESPONSE**

The department generally concurs with our findings and recommendations.

For the complete audit report or to print this Executive Summary, click on the attached files.