



**New Jersey State Legislature
Office of Legislative Services
Office of the State Auditor**

Transportation Trust Fund Authority

July 1, 2013 to June 30, 2015

**Stephen M. Eells
State Auditor**

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New Jersey State Legislature

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The Honorable Chris Christie
Governor of New Jersey

The Honorable Stephen M. Sweeney
President of the Senate

The Honorable Vincent Prieto
Speaker of the General Assembly

Ms. Peri A. Horowitz
Executive Director
Office of Legislative Services

Enclosed is our report on the audit of the Transportation Trust Fund Authority for the period of July 1, 2013 to June 30, 2015. If you would like a personal briefing, please call me at (609) 847-3470.

A handwritten signature in black ink, appearing to read "Stephen M. Eells".

Stephen M. Eells
State Auditor
October 27, 2016

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Scope

We have completed an audit of expenditures made by the Department of Transportation for the period July 1, 2013 to June 30, 2015 for transportation projects funded from the New Jersey Transportation Trust Fund Authority (TTFA). Our scope did not include the project expenditures for New Jersey Transit Corporation since this entity and its financial activities are audited by an independent certified public accounting firm. Additionally, we are to report on the status of the bonds and projects financed by bond proceeds, the investment status of all unexpended bond proceeds, and to provide a description of any anticipated bond issues. Accordingly, we have included this supplementary data in our report.

Total expenditures of the projects during the audit period were \$1.4 billion. The primary responsibility of the TTFA is to provide the payment for and financing of all, or a portion of, the costs incurred by the Department of Transportation for the planning, acquisition, engineering, construction, reconstruction, repair and rehabilitation of the state's transportation system. These activities are accounted for in the Special Transportation Fund.

Objectives

The objectives of our audit were to determine if funds are expended for costs eligible for funding from the authority and in a manner consistent with appropriations made by the legislature. In addition, the statutes require that we report on the status of the bonds and projects financed by bond proceeds, the investment status of all unexpended bond proceeds, and to provide a description of any anticipated bond issues. We also tested for resolution of the significant condition regarding an unpaid loan noted in our report dated December 4, 2014.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section I, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes as well as N.J.S.A. 27:1B-21.1e and N.J.S.A. 27:1B-21.1f.

Methodology

Our audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

In preparation for our testing, we studied legislation, the administrative code, circular letters promulgated by the Department of the Treasury. Provisions that we considered significant were documented and compliance with those requirements was verified by interview, observation, and testing. We also read the budget messages, reviewed financial trends, and interviewed department personnel to obtain an understanding of the programs and the internal controls, the status of the bonds and projects financed by the bond proceeds, the investment status of all

unexpended bond proceeds, and a description of anticipated bond issues.

A nonstatistical sampling approach was used. Our samples of expenditure transactions were designed to provide conclusions about the validity of transactions as well as internal control and compliance attributes. Transactions were judgmentally selected for testing.

Conclusions

We found the funds included in our testing were expended for costs eligible for funding from the authority and in a manner consistent with appropriations made by the legislature. Information on the status of all bonds and projects financed by bond proceeds, the investment status of all unexpended bond proceeds, and a description of any anticipated bond issues is included as supplementary data in this report. We also found that repayment on the unpaid loan noted in our prior report has begun.

Additionally, we observed current funding concerns.

SUPPLEMENTARY DATA

Bonds Issued and Status of Bonds

On January 15, 1985 the Transportation Trust Fund Authority (TTFA) issued bonds for the purpose of financing the cost of planning, acquisition, engineering, construction, reconstruction, repair, and rehabilitation of the state's transportation system. The 1985 Series A bond was the initial series of bonds issued by the TTFA under the bond resolution. The TTFA has issued bonds totaling \$34,913,654,999 as of June 30, 2015. Total debt service at June 30, 2015 was \$25,483,940,779. See Schedule I for the status of bonds issued as of June 30, 2015. This schedule has been adjusted to the debt service information reported by the Department of the Treasury, Office of Public Finance.

Investment Status

Investments and cash and cash equivalents consist of short term investments acquired under forward delivery agreements and primarily State of New Jersey Cash Management Fund deposits, respectively. The investment value was zero and the fair market value of cash and cash equivalents at June 30, 2015 was \$412,516,341.

Projects Financed by Proceeds

The projects financed by the proceeds of each bond issue are indeterminable. The bond proceeds are pooled to fund all ongoing construction projects while the dedicated revenue sources including motor fuel taxes, sales and use taxes, and toll road authority contributions are used almost exclusively for debt service. A schedule of encumbered and uncommitted balances by budget fiscal year is provided on Schedule III.

Anticipated Bond Issues

One new bond totaling \$626.8 million was issued in fiscal year 2016. Currently, the TTFA has reached its statutory bonding limit and can no longer issue traditional new money bonds; however, language in the 2017 Appropriations Act allows for the department to issue Indirect Grant Anticipation Revenue Vehicle (Indirect GARVEE) Bonds funded by the state's reimbursements received on federally funded infrastructure projects.



SCHEDULE I
DEPARTMENT OF TRANSPORTATION
TRANSPORTATION TRUST FUND AUTHORITY
SCHEDULE OF BONDS ISSUED AND STATUS OF BONDS
AS OF JUNE 30, 2015

Bond Series	Par Amount Issued	Outstanding		Total Debt Service*
		Principal Balance	Interest	
1985 Series A	\$ 61,270,000	\$ -	\$ -	\$ -
1986 Series A	200,000,000	-	-	-
1988 Series A	125,000,000	-	-	-
1992 Series A	275,000,000	-	-	-
1993 Series A	500,000,000	-	-	-
1993 Series B	61,470,000	-	-	-
1994 Series A	400,000,000	-	-	-
1995 Series A (Refunding)	804,475,000	-	-	-
1995 Series B (Refunding)	788,225,000	-	-	-
1996 Series A	334,065,000	-	-	-
1996 Series B	714,340,000	-	-	-
1997 Series A	703,940,000	-	-	-
1998 Series A	700,000,000	-	-	-
1999 Series A	450,000,000	158,795,000	28,512,237	187,307,237
2000 Series A	450,000,000	-	-	-
2001 Series A	325,000,000	-	-	-
2001 Series B	690,000,000	-	-	-
2001 Series C (Refunding)	1,191,450,000	141,025,000	16,045,287	157,070,287
2003 Series A (Refunding)	333,100,000	182,070,000	8,114,425	190,184,425
2003 Series B (Refunding)	345,000,000	345,000,000	53,015,062	398,015,062
2003 Series C	924,810,000	-	-	-
2004 Series A	471,655,000	107,495,000	55,858,662	163,353,662
2004 Series B (Adv. Refund)	849,800,000	267,830,000	19,410,600	287,240,600
2005 Series A (Forward Refund)	566,785,000	-	-	-
2005 Series B (Adv. Refund)	1,213,140,000	788,635,000	233,698,244	1,022,333,244
2005 Series C	524,750,000	-	-	-
2005 Series D	953,020,000	-	-	-
2006 Series A (Refunding)	1,580,540,000	1,576,785,000	567,056,372	2,143,841,372
2006 Series A GARVEE	131,555,000	40,465,000	4,112,250	44,577,250
2006 Series B (Refunding)	109,375,000	-	-	-
2006 Series C	1,115,496,792	1,115,496,792	-	1,115,496,792
2006 Series C Accretion	2,593,088,207	2,593,088,207	-	2,593,088,207
2007 Series A	1,171,055,000	871,055,000	702,757,062	1,573,812,062
2008 Series A	1,122,744,638	1,000,779,638	765,527,591	1,766,307,229
2008 Series A Accretion	1,172,955,362	1,172,955,362	-	1,172,955,362
2009 Series A	142,730,924	142,730,925	-	142,730,925
2009 Series A Accretion	726,344,076	726,344,076	-	726,344,076
2009 Series B	273,500,000	273,500,000	460,676,563	734,176,563

SCHEDULE I
DEPARTMENT OF TRANSPORTATION
TRANSPORTATION TRUST FUND AUTHORITY
SCHEDULE OF BONDS ISSUED AND STATUS OF BONDS (continued)
AS OF JUNE 30, 2015

Bond Series	Par Amount Issued	Outstanding		
		Principal Balance	Interest	Total Debt Service*
2009 Series C (Remarketing)	\$ 150,000,000	\$ 150,000,000	\$ 117,252,188	\$ 267,252,188
2009 Series C	150,000,000	-	-	-
2009 Series D (Remarketing)	147,500,000	147,500,000	108,376,750	255,876,750
2009 Series D	147,500,000	-	-	-
2010 Series A	359,253,361	359,253,361	-	359,253,361
2010 Series A Accretion	913,926,639	913,926,639	-	913,926,639
2010 Series B	500,000,000	500,000,000	836,527,500	1,336,527,500
2010 Series C	1,000,000,000	1,000,000,000	676,271,868	1,676,271,868
2010 Series D (Refunding)	485,875,000	485,875,000	185,857,388	671,732,388
2010 Series E (Refunding)	14,100,000	14,100,000	1,269,000	15,369,000
2011 Series A	600,000,000	569,650,000	511,998,688	1,081,648,688
2011 Series B	1,315,000,000	1,253,165,000	1,093,886,845	2,347,051,845
2012 Series A	326,255,000	326,255,000	411,868,000	738,123,000
2012 Series AA	920,745,000	877,405,000	565,325,675	1,442,730,675
2013 Series A (Refunding)	538,845,000	522,310,000	98,183,925	620,493,925
2013 Series B (Refunding)	338,220,000	338,220,000	16,820,927	355,040,927
2013 Series AA	849,200,000	835,900,000	784,430,975	1,620,330,975
2014 Series AA	764,055,000	764,055,000	686,038,413	1,450,093,413
2014 Series BB	297,500,000	297,500,000	54,216,753	351,716,753
Subtotal	\$ 34,913,654,999	\$ 20,859,165,000	\$ 9,063,109,250	\$ 29,922,274,250
Less Unamortized				
Interest on Capital				
Appreciation Bonds		(4,438,333,471)		(4,438,333,471)
Total	\$ 34,913,654,999	\$ 16,420,831,529	\$ 9,063,109,250	\$ 25,483,940,779

*Total debt service does not include New Jersey Transit Corporation certificates of participation which range from \$59 million to \$75.8 million through fiscal year 2019. Additionally, the 2014 Series BB Notes have a variable interest rate; therefore, interest and total debt service differ from the TTFA financial report.

SCHEDULE II
DEPARTMENT OF TRANSPORTATION
TRANSPORTATION TRUST FUND AUTHORITY
SCHEDULE OF DEBT SERVICE PAYMENTS ON BONDS
AS OF JUNE 30, 2015

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service*
FY2016	\$ 488,065,000	\$ 686,401,273	\$ 1,174,466,273
FY2017	536,895,000	662,059,221	1,198,954,220
FY2018	558,325,000	638,186,024	1,196,511,024
FY2019	584,475,000	611,602,886	1,196,077,886
FY2020	667,650,000	587,489,329	1,255,139,329
FY2021	707,525,000	547,631,318	1,255,156,318
FY2022	745,770,000	509,359,006	1,255,129,006
FY2023	785,475,000	469,651,975	1,255,126,975
FY2024	826,515,000	428,502,585	1,255,017,585
FY2025	835,590,000	392,308,349	1,227,898,349
FY2026	858,235,000	365,309,889	1,223,544,889
FY2027	875,735,000	344,055,324	1,219,790,324
FY2028	895,925,000	320,618,686	1,216,543,686
FY2029	917,705,000	295,686,252	1,213,391,252
FY2030	725,710,000	279,036,159	1,004,746,159
FY2031	740,305,000	265,029,132	1,005,334,132
FY2032	755,520,000	250,353,117	1,005,873,117
FY2033	752,215,000	231,991,385	984,206,385
FY2034	797,105,000	213,109,052	1,010,214,052
FY2035	818,695,000	192,549,825	1,011,244,825
FY2036	870,345,000	172,400,800	1,042,745,800
FY2037	855,925,000	154,564,731	1,010,489,731
FY2038	852,020,000	136,631,413	988,651,413
FY2039	929,125,000	119,222,869	1,048,347,869
FY2040	1,033,015,000	94,471,725	1,127,486,725
FY2041	950,005,000	54,782,075	1,004,787,075
FY2042	266,465,000	23,801,825	290,266,825
FY2043	111,780,000	10,785,625	122,565,625
FY2044	117,050,000	5,517,400	122,567,400
Total Minimum Payments	\$ 20,859,165,000	\$ 9,063,109,250	\$ 29,922,274,250
Less Unamortized			
Interest on Capital			
Appreciation Bonds	(4,438,333,471)		(4,438,333,471)
Total	\$ 16,420,831,529	\$ 9,063,109,250	\$ 25,483,940,779

*Total debt service does not include New Jersey Transit Corporation certificates of participation which range from \$59 million to \$75.8 million through fiscal year 2019. Additionally, the 2014 Series BB Notes have a variable interest rate; therefore, interest and total debt service differ from the TTFA financial report.

SCHEDULE III
 DEPARTMENT OF TRANSPORTATION
 TRANSPORTATION TRUST FUND AUTHORITY APPROPRIATIONS
 SUMMARY OF ENCUMBERED AND UNCOMMITTED BALANCES
 AS OF JUNE 30, 2015

<u>Budget Fiscal Year</u>	<u>Pre-Encumbered</u>	<u>Encumbered</u>	<u>Uncommitted</u>
1993	\$ 35,209	\$ 521,957	\$ 630,655
1994	1,116,486	569,079	4,747,363
1995	48,000	768,140	947,811
1996	53,740	516,557	405,138
1997	260,036	219,779	1,194,975
1998	328,759	1,835,074	1,726,426
1999	3,297,042	1,405,181	1,946,785
2000	4,901,976	1,282,495	2,232,584
2001	1,541,759	3,550,559	3,486,330
2002	1,156,826	2,685,403	1,057,286
2003	3,167,053	4,000,318	1,209,638
2004	4,837,856	3,780,256	712,497
2005	1,650,289	6,552,220	2,140,746
2006	2,612,690	12,329,940	1,171,883
2007	17,968,529	10,819,721	3,136,727
2008	18,699,541	12,775,104	8,729,297
2009	4,892,901	25,083,292	12,208,778
2010	15,799,784	63,756,220	31,150,720
2011	9,341,915	51,038,221	17,408,858
2012	7,887,006	54,591,841	15,749,028
2013	14,802,337	99,604,367	5,139,464
2014	22,313,970	212,146,012	45,019,408
2015	41,181,254	233,035,401	120,874,056
Total	<u>\$ 177,894,958</u>	<u>\$ 802,867,137</u>	<u>\$ 283,026,453</u>

- Pre-Encumbered Represents appropriation balance after charging all disbursements, encumbrances, and pre-encumbrances.
- Encumbered Represents legally obligated funds reserved for future payment usually supported by issuance of a purchase order or execution of a contract.
- Uncommitted Represents appropriation balance after charging all disbursements, encumbrances, and pre-encumbrances.

Observation

Funding Concerns and Indirect GARVEE Bonds

The Transportation Trust Fund Authority's current revenue is only capable of funding debt service on previously issued bonds. There has been no resolution on how to fund new state and local transportation projects as its authority to issue new traditional bonds has been exhausted because of a statutorily imposed bonding limit. The legislature and the governor are debating this issue and are considering increasing the petroleum products gross receipt tax rates which, either by statutory or constitutional dedication, will finance funding for the state's transportation infrastructure.

The 2017 Appropriations Act states projects may be funded "from the revenues and other funds of the New Jersey Transportation Trust Fund Authority (NJTTFA) received in conjunction with the issuance of the authority's Indirect Grant Anticipation Revenue Vehicles (Indirect GARVEE) Bonds. Federal funds received in conjunction with transportation capital projects are appropriated to the authority to pay debt service and other costs related to the Indirect GARVEE Bonds." These bonds do not affect the statutorily imposed bonding limit. Federal projects are appropriated by the state's General Fund and subsequent to expenditure are reimbursed by the Federal Highway Administration. The General Fund will be impacted by the debt service and other costs related to the Indirect GARVEE Bonds.

Subsequent Events

On October 14, 2016, the Governor signed a transportation funding package into law that will raise New Jersey's gasoline tax. The law will generate \$1.2 billion annually to finance an eight-year, \$16 billion transportation program. A referendum on the November 8, 2016 ballot will ask voters to amend the State Constitution to dedicate the new revenue to transportation projects.

The NJTTFA plans to issue new money debt to support both Fiscal Year 2017 and Fiscal Year 2018 project expenditures. At the planned \$3.27 billion level, the anticipated issuance costs for new money debt is estimated to be \$12.5 million for underwriting expense and \$1,000,000 for other costs of issuance such as rating fees, printing fees, financial advisor fees, trustee's fees, bond counsel fees, and trustee's counsel fees. Per the preliminary statement issued on October 14, 2016 this debt will be issued on or about November 2, 2016.





State of New Jersey

DEPARTMENT OF TRANSPORTATION
P.O. Box 600
Trenton, New Jersey 08625-0600



CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

RICHARD T. HAMMER
Acting Commissioner

October 21, 2016

Gregory Pica, Assistant State Auditor
Office of the State Auditor
P.O. Box 067
125 S Warren St
Trenton, NJ 08625

Subject: New Jersey Department of Transportation (NJDOT)
Transportation Trust Fund Authority Appropriations – OLS Audit
(July 1, 2013 to June 30, 2015)
Auditee Response to Audit Recommendations

Dear Mr. Pica:

NJDOT's Office of the Chief Financial Officer, which provides support to the Transportation Trust Fund Authority (TTFA), has reviewed the findings and recommendations in the Office of the State Auditor's report on the TTFA's expenditures for the period July 1, 2013 to June 30, 2015.

With regard to the observation concerning the planned issuance of federal indirect GARVEE bonds, the TTFA Board of Directors approved that initiative and an accompanying federal highway reimbursement revenue note resolution at a meeting held on October 14, 2016. The proceeds from this sale are expected to be sufficient to pay for anticipated project costs in fiscal years 2017 and 2018.

Sincerely,

A handwritten signature in cursive script that reads "Gary J. Brune".

Gary J. Brune
Chief Financial Officer