SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 2931

STATE OF NEW JERSEY

DATED: MARCH 11, 2024

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2931.

This bill amends the "New Jersey Transportation Trust Fund Authority Act of 1984" to make changes necessary to support the State's Annual Transportation Capital Program for Fiscal Years 2025 through 2029. These changes also revise the rate of tax imposed on highway fuels under the Petroleum Products Gross Receipts Tax (PPGRT) and establish an additional annual fee for zero emission vehicles from which all revenues would be dedicated to the Transportation Trust Fund (TTF).

Transportation Trust Fund Authority Renewal

The bill extends and increases the New Jersey Transportation Trust Fund Authority's (authority) existing authorization to issue transportation program bonds. Under current law, the authority is authorized to issue such transportation program bonds as are necessary to fund the Annual Transportation Capital Program, in an amount not to exceed $12 billion, through June 30, 2024. The bill extends this authorization through June 30, 2029 and increases the authority's existing aggregate bonding capacity to $15.6 billion.

The bill authorizes $10.367 billion in capital program expenditures for a five-year period from Fiscal Year 2025 through Fiscal Year 2029. Specifically, this bill allows for an average annual capital program size of $2 billion from Fiscal Year 2025 through Fiscal Year 2029. However, during Fiscal Years 2027, 2028, and 2029, the bill requires certain amounts appropriated in excess of $2 billion to be allocated to counties, municipalities, the Department of Transportation, and the New Jersey Transit Corporation for transportation projects.

Under current law, the authority is required to count premiums, and not bond discounts, against its authorized bonding capacity for transportation program bonds. This bill provides that for Fiscal Year 2016 and thereafter, any net premiums received by the authority in connection with the issuance of transportation program bonds are to be counted against the authority's authorized bonding capacity. This change allows the authority to account for the value of remaining bond premiums after subtracting the value of bond discounts in blended bond issuances when adjusting its bonding capacity after issuing transportation program bonds.

Revision to Rate-Setting Procedure for Determining PPGRT Rate

Under current law, the rate of tax imposed under the PPGRT is annually adjusted by the State Treasurer to ensure that the State realizes a statutorily prescribed revenue target, more commonly referred to as the "highway fuel cap," based on 2016 collections of highway fuel taxes. The cap amount is based on the Fiscal Year 2016 sum of: (1) the taxes collected under the Motor Fuels Tax, (2) the amount derived from taxing the gallonage of highway fuel subject to the four cent motor fuel tax, and (3) the amount that would have been derived from taxing the gallonage of highway fuel subject to the motor fuel tax at a rate of 23 cents per gallon. All revenues collected are deposited into the TTF to support transportation infrastructure projects and debt service on transportation bonds. This annual adjustment mechanism is currently set to expire at the conclusion of State Fiscal Year 2026.

The bill would modify this mechanism, beginning with Fiscal Year 2025, to gradually raise the highway fuel cap amount through Fiscal Year 2029. The amount of revenue required to be collected on highway fuel would be as follows: $2,032,000,000 in Fiscal Year 2025; $2,115,000,000 in Fiscal Year 2026; $2,199,000,000 in Fiscal Year 2027; $2,282,000,000 in Fiscal year 2028; and $2,366,000,000 in Fiscal Year 2029. If the actual revenues generated fall above or below the highway fuel cap amount set for the fiscal year, the rate of tax would be adjusted accordingly to ensure the highway fuel cap amount is realized.

The bill also provides that after the State Treasurer has determined the rate of tax pursuant to the bill, the new rate would take effect on January 1 of Fiscal Year 2025 through Fiscal Year 2029 rather than October 1, as is done under current law.

Abolishment of the Review Council

The bill would also abolish the three-member review council tasked with monitoring the implementation of the PPGRT. The review council is currently composed of the State Treasurer, the Legislative Budget and Finance Officer, and a public member jointly selected by the other two members. Under current law, following any legislative action that halts, delays, or reverses implementation of changes to the PPGRT as enacted in 2016, the review council is required to certify whether the scheduled implementation of the 2016 changes to the tax have been impeded.

Additional Fee for Zero Emission Vehicles

The bill also institutes an additional fee for zero emission vehicles registered in the State. The fee would be collected by the Chief Administrator of the Motor Vehicle Commission at the same time the vehicle is initially registered or renewed, as the case may be. Beginning on July 1, 2024, the amount of the fee would be $250 and increase by $10 on July 1 of each year until 2028. After that time, the amount of the fee would be set at $290.

A "zero emission vehicle" is defined under the bill as a vehicle certified by the California Air Resources Board or a vehicle that satisfies zero emission vehicle standards for the applicable model year. Vehicles that are produced in lieu of satisfying zero emission vehicle requirements would not be subject to the additional fee.

These additional fees would be credited to the "Transportation Trust Fund Account - Subaccount for Capital Reserves" to support transportation projects. However, the bill specifies that these collections may not be used to pay debt service on transportation system bonds, transportation program bonds, or any other bonds, notes or other obligations, including subordinated obligations of the authority until such time as these revenues may be constitutionally dedicated to the TTF.

FISCAL IMPACT:

The Office of Legislative Services (OLS) notes that the bill authorizes some $10.37 billion in appropriations for the State's Annual Transportation Capital Program from FY 2025 through FY 2029. Of that amount, an estimated $2.33 billion would be passed on as State aid to counties and municipalities for transportation projects.

The bill also provides $8.9 billion in bonding authority to the Transportation Trust Fund Authority. The OLS lacks the informational basis to determine the par amount of bonds the Authority would newly issue between FY 2025 and FY 2029 as well as the debt service structure it would select, but any additional issuance would increase debt service obligations in the aforementioned five-year period. For reference, the debt service obligations on existing bonds from FY 2025 to FY 2029 total $9.58 billion.

To cover the bill's capital program appropriations plus the cost of existing and future debt service on Transportation Trust Fund Authority-issued bonds from FY 2025 through FY 2029, the bill provides $21.60 billion in resources: some $12.70 billion in revenue and some $8.90 billion in bonding authority.

Of the $12.70 billion in revenue, some $10.99 billion would be from the combined motor fuels tax and petroleum products gross receipts tax ($1.19 billion more than under the FY 2024 revenue target for the two taxes), $1.0 billion from dedicated sales and use tax revenue stream (unchanged from current law), $650 million from the new registration fee for electric vehicles, and $60 million from the New Jersey Turnpike Authority (unchanged from current law).