

New Jersey Department of Transportation  
Bureau of Research

## Technical Brief



### FHWA Local Highway Finance Reporting

*The Federal Highway Administration requires State departments of transportation (DOTs) to compile, analyze, and report State motor-fuel, motor-vehicle, driver license, motor-carrier data and highway finance data associated with expenditures by State and local governments. The purpose of this study was to develop a new methodology and procedures for collecting and analyzing local government roadway revenue and spending data in New Jersey.*

### Background

Local governments in New Jersey are required to submit detailed budget and financial audit data to the NJ Department of Community Affairs (NJDCA) on an annual basis. In the past, NJDCA analyzed these data and produced a report that could be used to estimate local highway revenue and spending in New Jersey. However, several years ago the NJDCA stopped analyzing and reporting the data previously used to complete federal reporting related to local highway finance. As a result, research was needed to develop a new methodology and procedures for collecting and analyzing local government roadway revenue and spending data so that NJDOT can complete the FHWA Local Highway Finance Report.

### Research Objectives and Approach

1. Investigate the current methods used by state Departments of Transportation (DOTs) to complete Local Highway Finance Report, FHWA Form 536.
2. Develop a methodology for estimating local government highway revenues and expenditures in New Jersey.
3. Implement the methodology to estimate revenues and expenditures for FY2015.
4. Develop recommendations regarding the on-going collection and maintenance of local government highway finance data in New Jersey.



Figure 1. Local Road Project, Ocean City, NJ

Based on the review of current practices, the research team developed a sampling and estimation methodology that relies on the collection and analysis of local government revenue and expenditure data as reported in local government financial audit reports. Audit reports for Fiscal Year 2015 were used to complete the analysis. In all, data for a total of 177 municipalities and 13 counties was compiled and analyzed.

## Findings & Conclusions

Analysis results indicated that roadway-related spending by local government units (municipalities and counties) in New Jersey totaled an estimated \$3.2 billion dollars in FY 2015. Approximately 57 percent of all local roadway-related spending was for highway law enforcement and safety. Spending for routine maintenance represented another 22 percent of overall spending, while outlays for capital projects represented 17 percent of overall local government spending on roads. The remaining four percent of spending was for road and street services. The vast majority of revenue used to support local highway spending (94 percent) came from general fund appropriations, proceeds from local bond sales, and miscellaneous other local receipts. Only about six percent of the revenue used to support local highway spending came from State grants, Local Aid, and/or Federal grants.

Given current practices for reporting local finance data in New Jersey, the process of collecting and analyzing data on local highway revenues and expenditures is very labor intensive and time consuming. In the short-term, NJDOT should allocate a minimum of 650 labor hours to replicate the sampling, data collection and analysis process on a biennial basis. In the longer term, representatives from NJDOT should work with the NJDCA to develop a guidance document establishing improved procedures for identifying, coding, and reporting roadway-related revenues and expenditures within the current structure of finance reporting requirements. NJDOT should also consider requiring local government units to report data on local roadway-related revenue and expenditures as a condition of receiving local aid funding.

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A final report is available online at: <http://www.state.nj.us/transportation/refdata/research/>. If you would like a copy of the full report, send an e-mail to: [Research.Bureau@dot.state.nj.us](mailto:Research.Bureau@dot.state.nj.us).

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