

TESTIMONY OF COMMISSIONER KRIS KOLLURI, ESQ.
ASSEMBLY BUDGET COMMITTEE
TUESDAY APRIL 25, 2006

Thank you Chairman Greenwald and members of the Committee.

I appreciate the opportunity to discuss with you Governor Corzine's fiscal year 2007 budget for the Department of Transportation and NJ TRANSIT.

As you know, in an effort to streamline government and address a \$4.5 billion deficit, the Governor focused his efforts on reducing State Government expenditures first, before considering measures to raise new revenue.

Within the Executive Branch the Governor's mandate to Department heads was clear: identify real, substantial cost reductions, manage more efficiently, and do more with less.

Mr. Chairman, at the Department of Transportation and NJ TRANSIT we have done just that.

The budget for the Department of Transportation for FY 2007 is slated for a 16.8% or \$17.5 million reduction, from \$103.9 million to \$84.4 million.

That number obviously reflects a reduction from the adjusted baseline from FY 2006, which includes a supplemental snow appropriation.

But the reductions are real.

We started by first cutting the number of political appointees by 14 positions – that's a 50% reduction.

I have also reorganized my senior leadership team, eliminating two Assistant Commissioner positions as well as an Executive Director position, as part of an overall reduction at the Department of 128 positions, a 3.2% total decrease.

And these cuts will be permanent.

We have cut an additional \$1.6 million by building efficiencies, in our snow removal, landscaping, physical plant and equipment contracts among others.

When I appeared before the Assembly Appropriations Committee a few weeks ago regarding the Governor's Transportation Trust Fund plan, I stated that the Governor directed the Department to reduce the Department's historic dependency on capital dollars for maintenance functions.

In other words, capital dollars are to be used for maintenance functions only if they met a five-year useful life test, which is allowed under state law.

We have done that.

The Department has scrubbed its budget and gone through the entire draft capital program to ensure that all funding expenditures meet the five-year useful life requirement set forth in statute.

Items that did not meet this threshold were removed or funded from other areas.

This has invariably placed more of a burden on the Department's operating budget, meaning that the DOT is forced to fund additional maintenance needs from a leaner general fund budget.

But we are prepared.

Mr. Chairman, at the Direction of Governor Corzine, Executive Director of NJ TRANSIT George Warrington has achieved nearly \$30 million in business efficiencies in the upcoming fiscal year through cost savings and commercial revenue growth.

These improvements include more than \$15 million in cuts by eliminating 70 positions; continuing to tighten up materials management and parts inventories; cutting back on third-party professional services including marketing and advertising; and reducing administrative and overhead expenses throughout the company – from travel, training, printing and postage, to reductions in banking fees, for example.

In addition, NJ TRANSIT will achieve nearly a half million dollars in annualized savings going forward from state-of-the-art crew optimization software that is being implemented this year.

NJ TRANSIT is also aggressively pursuing new commercial revenue streams that will total over \$15 million in revenue growth, a nearly 20% increase.

However, Mr. Chairman as you will see, the Governor's budget includes a \$22 million increase in state subsidy for NJ TRANSIT.

While the efficiencies that George Warrington has put in place help, they will not offset extraordinary cost escalations in fuel, electric power, and insurance premiums.

To put it into perspective, every penny increase in diesel fuel price means a \$350,000 annual cost burden.

Put differently, NJ TRANSIT's diesel fuel prices per gallon are 96% higher than 2004 and 45% higher than just last year.

That means the additional \$22 million earmarked for NJTRANSIT in FY 2007 will almost entirely be consumed by fuel costs alone.

In addition, electricity costs on NJ TRANSIT's rail lines using electric propulsion are rising at a rate of 14% per year.

Finally Mr. Chairman, on the heels of Hurricane Katrina and in the wake of the London and Madrid bombings, insurance premium costs have increased almost 50% in the last three years.

NJ TRANSIT will have to bear these additional costs in order to maintain its current level of service, which has grown to meet record ridership demand. In fact, next year NJ TRANSIT will serve more than 875,000 daily riders.

And I assure you we are prepared.

Mr. Chairman and Members of the Committee, the budget before you represents a solid down payment on the Governor's commitment, especially considering that this Administration has been in office less than 100 days.

In fact, our work on this front continues as we meet here today.

Let me briefly highlight three initiatives we have undertaken:

First, Governor Corzine recently issued a directive to each agency to reduce the number of cars by 10%.

On April 28, we will deliver a total 113 cars.

DOT will eliminate 78 passenger vehicles, a reduction of 12% of our fleet, while TRANSIT will eliminate another 35 passenger vehicles, also a 12% reduction.

And we are going one step further to reduce costs.

Many DOT employees have individually assigned cars or submit for mileage reimbursement to enable them to travel to project locations or respond to emergent road conditions.

We have determined that many cars that have been individually assigned are being underutilized while at the same time the Department was spending too much on mileage reimbursements.

Therefore, I have recently enacted a new Department Policy governing Vehicle Assignment and Mileage Reimbursement.

Beginning with the car assigned to me -- that vehicle has been placed in the pool so that it can be more fully utilized by others in the Department -- we will eliminate many individually assigned vehicles by requiring that more of our employees utilize pool cars.

This reform will dramatically reduce the more than \$1.2 million in vehicle mileage reimbursements submitted by Department personnel each year.

Second, we are pairing down the amount of money we spend on publishing reports and newsletters.

Between the Department and NJ TRANSIT, we will save more than \$500,000 in FY 2007 on printing by converting many publications, schedules and forms to electronic formats that will be available on our website and intranet sites where practical.

Third, Mr. Chairman, I would like to discuss the critical issue of escalating health care and long-term pension costs at NJ TRANSIT.

Recognizing double-digit cost growth in this area, NJ TRANSIT under George's leadership has focused on managing, containing and reversing cost curves in both the near and long term with an objective of mitigating extraordinary cost growth.

On the health care side, TRANSIT reduced plan administration fees by nearly a million dollars this year.

And on July 1, TRANSIT will offer new non-union employees a defined contribution 401(k) plan with a fixed Company contribution, in lieu of TRANSIT's traditional defined benefit pension plan.

Current non-union employees will have the option of switching to the new program, which will significantly mitigate TRANSIT's future cost growth while giving employees control over pension fund investments.

The efficiencies I spoke about earlier are necessary but are also fiscally responsible and will not in any way weaken our ability to carry out the core mission of the department.

We will continue to ensure that the roads, bridges and rails are safe, efficient and reliable.

Governor Corzine has said, and I firmly believe, that even in hard times, a budget has to be a blueprint for the future and it has to reflect our values.

The \$3.2 Billion capital program proposed by the Governor will improve the quality of life for working families, ensure the vitality of our state's economy and provide property tax relief.

Working closely with the Metropolitan Planning Organizations, we have defined a specific set of priorities that will improve safety, relieve congestion, promote smart growth and Fix-it-First, provide resources to our cash-strapped communities, and increase mass transit capacity.

That is what the people of this State expect and deserve.

And the program will contribute to the state's economic development, directly supporting over 100,000 jobs and supporting a multi-billion dollar network of roads, rails, waterways and airports moving more than 375 million tons of freight annually, which generates billions of dollars for the State's economy.

I am grateful to the Governor and to the Legislature for making the difficult choices to provide the funding necessary to repair and rehabilitate our roads, bridges, and public transit systems.

With your support, this plan funds a five-year, \$1.6 billion annual capital program, which represents the largest TTF capital program in the State's history.

Mr. Chairman, in addition, we have also been able to secure close to \$1.55 billion in federal funds for FY 2007.

The most significant elements of the capital program are:

\$1.9 billion for NJDOT projects;

\$1.3 billion for NJ TRANSIT projects; and

\$413 million for local aid.

One of my highest priorities as Commissioner is to ensure that our roads and bridges are safe.

The budget includes more than \$76 million in highway safety initiatives.

With our Fix-it-First policy, we are using our transportation dollars to clear up the bottlenecks we now have.

We know that New Jersey drivers spend 261 million hours sitting in traffic every year.

This Capital Program will spend \$253 million to ease congestion throughout the State with projects that make our highways more efficient and take cars off of the roads.

This budget will also fund \$525 million to repair and replace bridges throughout New Jersey.

As the most densely populated state in the nation, with 70% of residents living within 5 miles of a train station, it is appropriate that Governor Corzine's transportation budget devotes roughly half of the state's transportation capital resources to mass transit.

This budget will invest in the complete overhaul of 76 longer distance cruiser buses and the replacement of every transit bus in our fleet -- 1,460 buses that are primarily used for local service.

In addition, NJ TRANSIT will replace or overhaul almost 230 rail cars and 148 coaches and will begin to place into service the first of 234 multilevel rail cars.

We will also invest in 14 railroad stations and create over 4,000 new parking spaces for commuters.

Finally, the Governor's transportation budget allows NJ TRANSIT to move forward with critically needed capacity expansion projects such as THE Tunnel project, PATCO extension, River line signal improvements, Northern Branch DMU service, the Passaic-Bergen rail project, MOM and the Lackawanna Cutoff, among others.

Mr. Chairman, the Governor's transportation budget reflects his commitment to reduce operating expenditures, while ensuring that necessary capital is available to repair and rehabilitate our transportation infrastructure.

With your support, we can begin the process of streamlining government, while preserving the quality of life of residents and ensuring that our continued mobility will drive economic growth and prosperity.

Thank you.