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Thank you, Mr. Chairman and Members of the Committee, for the opportunity to appear before you.

I am here to discuss Governor Corzine's fiscal year 2008 budget request for the Department of Transportation and NJ TRANSIT.

Since my testimony before you last year, we have made significant strides to address our transportation needs.

Last year, Governor Corzine led the effort to reform, replenish and grow the Transportation Trust Fund.

The Transportation Trust Fund is critical to relieving congestion, improving our quality of life and growing our economy.

With your help, the Governor signed into law a \$1.6 billion per year investment program for five years.

Coupled with federal matching dollars, it is a \$3.2 billion annual investment to preserve and protect New Jersey's infrastructure.

Mr. Chairman, this is the largest capital program in State history.

Before I discuss the Governor's proposed FY 2008 operating budget, I want to briefly update you on our FY 2007 budget.

Last year, I handed members of this Committee a list of savings and efficiency measures that we would pursue throughout 2007.

In front of you should be a report card on the status of these initiatives.

For fiscal year 2008, the Governor asked both agencies to continue focusing on restraining spending and finding efficiencies.

We believe we have done just that while keeping our transportation system safe, reliable and effective.

The operating budget for the Department of Transportation for FY 2008 is slated for a 10.6% or a \$10.5 million reduction, from \$99.2 million to \$88.7 million.

That number obviously reflects a reduction from the adjusted baseline from FY 2007, which includes a supplemental snow appropriation.

The net reduction of NJDOT's budget amounts to \$489,000 for FY 2008.

Mr. Chairman, I would note that this is a reduction in NJDOT's operating budget from last year.

At the same time, it is important to point out that the demands on the transportation system and the Department have grown exponentially.

Just assuming inflation, one can logically see how the cost of doing business has risen.

However, when I appeared before you last year, I made a commitment that we would continue to find efficiencies and savings throughout the year.

The collective effort of my colleagues at the Department has given us the ability to meet the increasing demand and rising costs without seeking an increase in appropriation from the Legislature.

Let me give you some examples.

Just three years ago, the Department spent over \$1.3 million per year due to injuries sustained by employees.

This year and going forward, we expect to save at least \$640,000 per year.

Beginning this year, all projects will be bid through the Internet.

Not only will this save potential bidder's time, it will save the Department over \$165,000 annually in handling and processing costs.

Last year, we conducted an inventory of all communications equipment that was assigned to staff.

This process identified 479 blackberries, cell phones and pagers that were no longer needed, and were subsequently turned in.

Savings from this exercise totaled \$47,650.

This in a vacuum may not sound like a lot of money, but on an aggregate basis it adds up.

My goal is not to live budget to budget, but to put in place systemic reforms that will yield long term savings and efficiencies.

The few examples I have pointed out, Mr. Chairman, show that we are serious in meeting our objectives and demonstrate that the savings we achieve are not one shot but are in fact recurring.

Let me shift my focus to NJ TRANSIT.

The State's mass transit network is growing dramatically in response to population and housing demographics, and ridership demand.

In fact, we've increased service levels by about 26% systemwide in the last five years -- nearly triple the increase of the previous five years.

In the coming fiscal year alone, we will provide an additional 200,000 rail car miles, 18,000 more light rail miles, 40,000 additional bus hours with new trips on 25 routes, and nearly a million new miles of Access Link service for people with disabilities.

Even with historic levels of service and ridership, NJ TRANSIT is tightly managing its business.

NJ TRANSIT has achieved \$75 million in efficiencies over the last several years, including \$30 million in business improvements this year.

In FY 08, we will continue to aggressively pursue commercial revenues including \$5 million in the sale of excess properties, and \$4 million in cross-border leveraged leases.

In addition, NJ TRANSIT is managing long-range cost curves through health and pension program reforms.

Regarding health benefits, we are conducting an assessment of the health benefits program with an objective of identifying cost savings opportunities.

While that work continues, we have already identified \$1 million in targeted annual savings, without increasing employee contributions.

On the pension side, as the Committee will recall, on July 1, 2006 we froze our non-agreement defined benefit plan and began a program to enroll new non-agreement employees in a 401[a] program.

These business improvements enable NJ TRANSIT to offset some of the costs associated with expanded services and core service inflation.

It's important to note that basic inflation on a \$1.5 billion budget adds \$45 million of expense -- most of which is labor and fringe.

Unlike State agencies, labor and fringe, which total 60% of the budget -- are borne entirely by NJ TRANSIT.

Recognizing NJ TRANSIT's value as both a growing service provider and its critical role in relieving congestion on our roadways, the Governor's budget continues the current level of operating support for NJ TRANSIT at approximately \$300 million.

It is important to point out that this amount is unchanged from last year.

In addition to all the efficiencies NJ TRANSIT has undertaken, next month the Board of Directors will consider a proposal to increase average base fares on the system by 9.6 percent to generate \$60 million in revenue over 13 months.

We have said that raising fares is a measure of last resort and not an option of first preference.

We are at that point where we have looked at all options and a fare increase is imperative.

Mr. Chairman, the budget presented to you reflects a serious commitment on the part of this Administration to rein in spending.

To those who say that the Department needs to cut the net operating budget by more than the \$489,000, I would say we did discuss more cuts with the Treasurer's office.

Let me give you a few examples.

We can save \$2.1 million by cutting emergency electrical and road emergency spending.

We can save \$4.3 million by reducing snow overtime by 92%.

And we can save nearly \$6 million by cutting certain bus routes.

Mr. Chairman and Members of the Committee, if this exercise is just about balancing numbers on a spreadsheet, then it would be relatively simple.

But it is not.

Every proposed cut I discussed above will have a direct impact on the safety of the motorists and the integrity of the transportation system.

We cannot say to our motorists that a traffic signal that is knocked down and lying in the center of the road will have to wait till the morning to clear and repair.

We cannot have people stuck on Route 78 like it happened in Pennsylvania because our snow crews will have to wait till the morning to salt and plow.

We cannot say to bus riders that we are cutting certain routes and leave them seeking alternatives to get to work and to school.

Mr. Chairman, we submit this budget at a time when we face extraordinary market-driven cost increases above normal inflation.

We have budgeted for these increases by making real reductions which are significant, achievable and measurable.

We have generated these efficiencies without sacrificing our commitment to safety and we are not coming to you for more appropriations.

The efficiencies I spoke about earlier are necessary and fiscally prudent.

However, let me assure the Committee that these measures in no way contradict or undermine our ability to carry out the core mission of the Department or NJ TRANSIT.

Beyond cuts and efficiencies, our combined budgets continue to be a blueprint for the future through our \$3.2 billion capital program.

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

The most significant elements of the capital program will be:

\$1.9 billion for NJDOT projects;

\$1.3 billion for NJ TRANSIT; and

\$ 328 million for local aid.

As you know, New Jersey is the most congested state in the Country.

This Capital Program will spend \$266 million to unclog congestion throughout the State with projects that make our highways more efficient and take cars off of the roads.

In addition, under the Governor's initiative, we developed a \$74 million comprehensive pedestrian safety initiative.

It represents one of the largest dedicated capital investments in the Nation focused on improving pedestrian safety.

The budget will also include more than \$98 million in highway safety initiatives.

This Capital Program will contain the largest bridge program in State history at \$543 million.

Governor Corzine recognizes that transit is a critical component of our efforts to reduce congestion.

At \$1.3 billion for FY 08, NJ TRANSIT's capital program will reflect the Governor's commitment to mass transit through the TTF – with about 40% of the Fund going to transit.

NJ TRANSIT is in the process of one of the largest fleet modernization programs in the agency's history with new rail and bus equipment coming on line.

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

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