

Assembly Budget Committee  
Testimony of Richard R. Sarles, Executive Director, NJ TRANSIT  
April 28, 2009

Thank you Commissioner, and Good Morning Mr. Chairman and Members of the Committee. NJ TRANSIT welcomes the opportunity to share our proposed operating and capital budgets for FY 2010.

As we close out FY09, NJ TRANSIT will serve a record number of riders – 272 million passenger trips this year. The cost effectiveness, accessibility and quality of our bus, rail, and light rail services encouraged more people than at anytime in the state's history to choose public transit as their preferred way to travel.

This – our 30<sup>th</sup> anniversary – year we celebrate many firsts for TRANSIT – with innovations in safety, technology, service and the environment.

We are the first passenger railroad in America to promote confidential reporting of certain safety concerns by employees in the Federal Railroad Administration's Close-Call program. We were the first major transit system in the Northeast to provide schedules and trip planning through Google. We are ramping up the state's first Bus Rapid Transit system. And we moved to curtail diesel idling, especially overnight in all of our rail yards, cutting fuel usage and emissions.

In preparing next year's operating budget, we are mindful especially given the state of the economy – of the public's increasing dependence on transit as an essential service to reach jobs, hospitals, universities, and other destinations – particularly for some of our most vulnerable residents.

It's important to note that two-thirds of our riders are bus customers, and 87% of local bus customers earn less than \$50,000 per household.

In preparing our capital budget, we embrace NJ TRANSIT's role as an important engine helping to drive the region's economy through transit service expansion and job creation.

Let me first address the FY10 operating budget. Given the State's continuing fiscal austerity, under the Governor's budget proposal NJ TRANSIT will reduce its operating support by \$62 million – a 20% reduction – first by cutting \$22.5 million in expenses. The balance will be offset from federal funding available through the Department.

We have worked hard with the Board of Directors and the Governor to ensure that we will be able to operate rail, bus and light rail services without any major service cuts and without a fare increase this year – NJ TRANSIT's second year in a row without a fare increase.

Despite the 24/7 nature of our business, NJ TRANSIT continues to reduce administrative expenses and after more significant reductions this year, we now spend a full 92 cents on service delivery, and only 8 cents out of every operating dollar on administrative support – an all-time administrative spending low for the agency.

In fact, when you compare us to other transit systems, NJ TRANSIT has a lower cost per passenger mile than many of our peer agencies – rail is 11% lower than peer average and bus is 21% lower than peer average.

Our recent cost cutting actions include the reduction of 140 positions through an early retirement program and abolishing vacancies as they arise, which we will get the annualized benefit of in FY10.

In addition to the hiring freeze we established last year, as of January 1, we suspended our merit pay program for 18 months – essentially freezing wages for all non-union employees.

Other reductions will be taken consistent with the state's planned furloughs and possible wage freezes. Also, by maximizing the use of technology – recognizing that more than 50,000 customers are now getting their information every day from our website, we have cut back on call-center hours, eliminating the old #800 number (while preserving a local number), and reducing the printing of millions of paper timetables which go unused. We have and continue to make these changes without adversely impacting riders, while generating budget savings.

As the state has done, we will also be conducting a dependent health care audit to reduce benefit expenses, with a projected savings of about \$2 million.

On the revenue side: it is important to note that only 16% of our revenues will come from the state, the lowest percentage of state assistance in six years. Our FY10 budget assumes commercial revenue growth of 3%, and ridership growth of about 2%. Fare-box revenue depends on a slightly hopeful assumption that the economy will rebound over the next year – as employment is one of the biggest drivers of our ridership. If that does not materialize, we would need to revisit the need for a modest fare increase next year.

On the Capital side, we propose a capital program of \$1.3 billion, first focused on safety and state of good repair investments, while also planning system improvements and expansions to address future capacity needs.

Some of the projects included in the program include the next installment of new transit buses, design of a new Portal Bridge on the Northeast Corridor, and continuation of projects such as Northern Branch, HBLR 8<sup>th</sup> Street extension, Lackawanna Cutoff to Andover, the Passaic-Bergen rail project, and expanded rail service to Jersey Shore communities, as well as the Mass Transit Tunnel.

This is in addition to capital projects funded through \$424 million of stimulus funds – which will generate a total of nearly 4,000 jobs. We are pleased to be advancing projects such as the Pennsauken Transit Center and River Line signal improvements in South Jersey, the Edison Station park and ride, Newark Penn Station plaza, and minibuses and bus shelters systemwide.

Taken together, these projects expand transit's reach statewide, making it easier to access jobs, while providing an Earth-friendly means to travel to those jobs.

This budget for NJ TRANSIT reflects that at no time in the history of our generation, have we been more powerfully aware of the role transportation investment plays in our mobility, our economy, and our environment.

This budget continues our tradition of running an efficient operation, while making those investments that are critical for our customers and for New Jersey.

Thank you, that concludes my remarks.