

NJ Department of Transportation

3/25/11

OFFICE OF LEGISLATIVE SERVICES ANALYSIS OF THE NEW JERSEY BUDGET FISCAL YEAR 2011-2012

BUDGET QUESTIONS FOR ALL DEPARTMENTS AND UNITS

1. The FY 2011 budget required all departments to cope with reduced appropriations. In some instances these reductions could be handled through improved efficiency and operational adjustments. In other instances less money resulted in programmatic reductions, including both fewer recipients and reduced benefits. Please provide examples of operational improvements in your department that saved money in FY 2011 and provide examples where less government meant reduction in services.

The Department of Transportation continues to carefully manage the resources appropriated for departmental purposes in the FY 2011 Appropriations Act. As part of these ongoing management efforts, for the first time, the Department of Transportation along with all of the State's other major departments and agencies is publishing data providing insight into departmental priorities and performance, including how resources are allocated across the Department's core mission areas. In this regard, the Department posts up-to-date performance data or metrics every month related to identified core mission areas, available at <http://www.yourmoney.nj.gov>. This performance measurement reporting is the first step in an ambitious, multi-year performance improvement and efficiency program known as the "Governor's Performance Budgeting Initiative." The goals of the initiative include ensuring that budget priorities align with departmental and agency missions, focusing managers on achieving positive results and outcomes for citizens, clients, and taxpayers, and building a culture of innovation and continuous improvement, while making government more transparent and accountable. More specifically, the Department of Transportation's operational improvements during fiscal year 2011 include:

Realignment of the Department's Emergency Service Patrol (ESP)

The Department evaluated the effectiveness of the ESP Program and as a result, will realign the service to focus on high density, high volume and high incident areas along core urban interstates and freeways thereby providing for increased efficiency and effectiveness of the service. This realignment under a renamed Safety Service Patrol will allow the NJDOT to realize a \$6M annual savings in federal highway funding, which will be utilized to fund various transportation infrastructure projects. The realignment will result in reduced fuel costs of approximately \$250,000 annually.

Reorganization of the Transportation Systems Improvements Program Class

Early in calendar year 2011, the department consolidated all project implementation activities under the Capital Program Management (capital project delivery) business unit to improve internal coordination and eliminate the handing off of project leadership within the organization. This realignment will create a single point of focus and accountability within the department for project execution from inception to completion and close out. Furthermore, this realignment should reduce consultant costs as now only one consultant would be with the project throughout the project lifecycle. Previously one consultant was selected for early development and another was selected for the final design of the project. This often led to rework.

Another action taken was to consolidate the Planning and Development business unit with the Capital Investment business unit under one Assistant Commissioner. Capital Investment is currently charged with developing the department's transportation capital program and managing changes throughout the year. Planning and Development houses statewide planning activities, multimodal programs, local aid programs and environmental support. One senior staff level position (valued at \$126,000) was eliminated through this action following the planned retirement of an Assistant Commissioner.

2. The FY 2011 budget included reductions requiring Federal approvals, waivers or similar actions in order to achieve the projected savings. Please identify each such reduction in your FY 2011 budget, and indicate whether approvals/waivers have been obtained. If not, please explain whether approvals are still expected in this case, and if so, why. If federal approval is not received, what alternative actions may have to be taken to achieve savings of comparable value?

The Department of Transportation did not implement any reductions requiring Federal action.

3. The revised budget plan for Fiscal Year 2011 requires appropriation lapses of \$605 million to achieve a balanced budget and an ending surplus. Please list all appropriation items and amounts in your agency's chart of accounts that have been identified to contribute to that lapse target. Please describe the impact of each lapse on the nature, breadth or level of service or benefit provided by each appropriation, and identify and quantify the population that may be affected. Please also identify the amount of FY 2012 funding, if any, recommended to restore, in part or in full, the lapsed amount.

The Office of Management and Budget has submitted under separate cover the list of anticipated lapses totaling \$605 million. This amount represents under-spending by Departments due to their diligence and oversight in managing their budgets. In addition, oversight of discretionary spending and hiring has led to surplus balances.

The New Jersey Department of Transportation is not lapsing any FY 2011 funds.

4. The FY 2011 Appropriation Act assumed savings of \$50 million from privatization initiatives. Please describe all privatization initiatives undertaken/to be undertaken by your department, and specify the effective date, the amount of savings in FY 2011 and FY 2012, respectively, and the reduction in positions, filled and vacant. Please also indicate the private vendor(s) involved in the initiative, and the quantity and quality of services required of the vendor(s) relative to the quantity and quality provided by the department prior to privatization.

It has been a top priority of the Administration that all State departments and independent authorities carefully explore a variety of opportunities to improve efficiency, reduce the cost of government services, and right-size government's footprint in New Jersey. Among those opportunities are those that would privatize, outsource, or otherwise make available a service previously provided by government employees via the private sector, but only if it can be done more efficiently and less expensively.

Following the issuance of the findings contained in the Zimmer Commission Report, numerous recommendations, either identified in that report or by the Administration before and after the release of that report, have been in various degrees of implementation. Some of the RFPs that have already been released include:

- The Department of Corrections has released an RFP for a vendor to run a pilot food service project at one adult correctional facility as a way to determine if it can save substantially and provide healthier food service options throughout the correctional facility system.
- The Department of Environmental Protection has released an RFP to find a private operator and manager of the Spring Meadow Golf Course.
- The Department of State has released an RFP to find a private operator and manager of the Trenton War Memorial.
- The New Jersey Turnpike Authority has accepted numerous bids, the result of an RFP, for a private company to provide cash toll collections on its two roads. The South Jersey Transportation Authority, which operates the Atlantic City Expressway, has done the same.

The Administration also is moving responsibility in other areas to reform a variety of enterprises whose operation can be provided by the private sector, including:

- The Department of the Treasury, after a task force involving both the executive branch and the legislature agreed to the initiative, is working to turn NJN into a private, non-profit broadcasting entity with no State subsidy.
- Leases with private vendors for the operation of Monmouth Park and the Meadowlands Racetrack are currently being negotiated.

In addition to the above, the Department of Transportation will be issuing an RFP in the spring of 2011 to establish a pilot program that will allow a vendor to provide “fence to fence” maintenance services for three highway sections. The vendor will be responsible for performing the same maintenance functions as NJDOT crews. The purpose of the pilot program is to enable the Department to evaluate vendor performance and cost.

Earlier this fiscal year, NJDOT researched the privatization of the Emergency Service Patrol with firms that provide similar services and found that the cost of utilizing a private vendor would be approximately \$1.9M/year more than the current program. Simultaneously, the Department evaluated the effectiveness of the ESP Program and as a result will realign the service to focus on high density, high volume and high incident areas along core urban interstates and freeways thereby providing for increased efficiency and effectiveness of the service. This realignment under a renamed Safety Service Patrol will allow the NJDOT to realize a \$6M annual savings in federal highway funding, which will be utilized to fund various transportation infrastructure projects.

5. For each line item reduction in the department’s or unit’s FY 2012 budget, specify the change, if any, in the nature, breadth or level of service or benefit that will be provided and identify and quantify the population that may be affected.

In developing the FY 2012 Budget, the Department of Transportation worked cooperatively with the Treasurer and Treasury staff to identify core departmental mission areas and, consistent with law, to allocate limited budget resources with reference to those core priorities. Developing the budget in this manner, from the bottom up, recognizes fiscal realities while at the same time focusing available funding on key priorities and mission areas. More specifically, as outlined in the Budget Summary, the Department of Transportation’s Direct State Services (DSS) appropriation for FY2012 is \$200,000 less (\$45.4M vs. \$45.6M) than the FY2011 appropriation. This decrease in the DSS appropriation is the result of the annualization of the attrition reductions undertaken in FY2011.

6. For each line item reduction in the department’s or unit’s FY 2012 budget, please indicate the number of positions (budgeted, funded and filled or unfilled) that will be eliminated and the number of individuals whose employment will be ended. Please also indicate areas where funded and/or filled positions are projected to significantly increase, and the justification (s) for those increases.

OMB will provide the response to this question for all agencies

7. In his budget address, the Governor stated that "Zero-based budgeting...has finally come to New Jersey." This would mark a change from budget processes used in other years. Please provide examples of how the recommended budget for your department is

substantively different than it would have been if the budget had been developed by the procedures used in prior years.

Although New Jersey experimented with a form of zero-based budgeting in the 1970's under Governor Byrne, more recent budgets were constructed primarily in an incremental manner. This process typically involved almost automatic acceptance of most, if not all, of the previous year's expenditure levels and then incrementally increasing or decreasing them to correspond with available revenues, without regard to performance. Rather than layering new upon old, zero-based budgeting requires a comprehensive system of planning, analysis, and control requiring assessment, reassessment, and justification of departmental operations and spending priorities from the ground up. Zero-based budgeting is primarily a management tool as opposed to an accounting method, and focuses on whether current departmental activities are efficient and effective in delivering timely, high quality services within core mission areas. One important example of this approach for FY2012 involved the support of New Jersey's hospitals. After undergoing a thorough, bottom-up examination of the policies and goals of the State with regard to hospital funding, the Governor's FY2012 Budget recommends increasing funding for hospitals by \$20 million while, at the same time, revising the charity care, hospital relief, and graduate medical education formulas to improve efficiency and predictability.

The Department of Transportation has identified its Core Mission Areas of Safety, Infrastructure Preservation, Mobility and Program Delivery, and has established performance indicators for FY2011. In FY2012, the Department will be building on this work.

8. Please identify any reductions in the department's or unit's FY 2012 budget that constitute one-time savings that are not likely to recur in Fiscal Year 2013.

OMB will provide the response to this question for all agencies

9. Are any of the appropriations recommended for FY 2012 required to compensate for the effects of Fiscal Year 2010 or FY 2011 reductions? If so, please identify and explain.

OMB will provide the response to this question for all agencies

10. Please list any anticipated increase in fees, fares or co-payments that are reflected in the FY 2012 budget recommendation, including the amount of revenue or cost reduction, and the intended effective date.

The Department of Transportation does not anticipate any new or increased fees, fares, or co-payments in the FY2012 Budget recommendation.

11. Please identify proposed FY 2012 budget reductions which require Federal approvals, waivers or similar actions, and the timetable for seeking and obtaining approvals in order to achieve the projected savings. Please indicate whether approvals/waivers have been previously sought and not obtained, and explain why approvals should be expected in this case. If federal approval is not received, what alternative actions may have to be taken to achieve savings of comparable value? Please also identify proposed budget reductions that may reduce the receipt of federal funds, and the estimated loss of federal funds that would result from such reductions.

No federal action is required in the Department of Transportation.