May 27, 2015

The Honorable Gary S. Schaer  
Chairman, Assembly Budget Committee  
State House Annex  
P. O. Box 068  
Trenton, NJ 08638-0068

Dear Chairman Schaer:

It was a pleasure to testify before your Committee on May 4, 2015 regarding the FY 2016 budget requirements of the New Jersey Department of Transportation. I hope that my testimony and responses to questions raised were helpful in understanding the programmatic and financial challenges we will face in the upcoming year.

I am attaching responses from the Department of Transportation to the follow-up questions that were listed in your May 6, 2015 letter. If you have any other questions or concerns, please feel free to contact me at (609) 530-3536.

Sincerely,

Jamie Fox  
Commissioner

Enclosure

c: David J. Rosen, Legislative Budget and Finance Office  
Charlene Holzbaur, Office of Management and Budget  
Aaron Binder, Assembly Democratic Office  
Christopher Hughes, Assembly Republican Office  
Patrick Brennan, Office of Legislative Services

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New Jersey Department of Transportation’s Responses to Assembly Budget Committee’s follow-up questions

Assemblyman Webber:

- Please attach an estimated dollar value to cost savings that could be realized from the following changes to both NJ Transit and Department of Transportation capital projects:
  - Public-private partnership enabling legislation (A1558 & 3870)
    
    Answer: The Department has not conducted any analysis of the cost savings that might be realized from public-private partnerships. Notwithstanding the lack of such data, the Department believes having the statutory authority to enter into public-private partnerships for capital projects would provide it with another procurement method and potential source of financing for exceptionally large, complex projects.

  - Design-build legislation (A1690)
    
    Answer: While the Department has not conducted any analysis of the cost savings that might be realized from design-build, it recognizes that there should be a time savings in delivery of a capital project that is advanced as design-build, rather than the traditional design-bid-build process since under design-build the project must only go to bid once.

  - Revising the bid process so that low bidder does not need to be selected (in whatever manner is most cost effective for the department.)
    
    Answer: Historically, states and localities award construction contracts to the lowest responsible bidder, as the process has long been considered the most objective approach and the best way to prevent favoritism.

    In addition to Design-Build there are several alternative procurement methods that can be utilized including Bid Average Method (BAM), Cost plus Timed Bidding (i.e. A & E Bidding), Best Value Bidding and Contracting, Lump Sum Bidding, and Reverse Auction Bidding. While the Department believes these methods have merit, it is unaware of any studies citing any one as the most effective method to reduce costs in the construction project delivery process.

  - Utility relocation reform (A1709)
    
    Answer: On average $50m annually in TTF and federal capital is spent to relocate utilities affected by planned road construction. In many other states, and on local projects in NJ, these costs are paid by the affected utilities. With the exception of pre-engineering, field location testing, and engineering design and review, A-1709 does not reassign these costs to the utilities but rather strengthens NJDOT’s ability to manage the work and thus avoid claims for contract delays. This may be accomplished either by authorizing the department’s contractor to control the construction schedule and the timing of utility relocation or, where appropriate, to assign responsibility to the utility itself.
Reducing or eliminating the use of prevailing wage (A4015)

Answer: In accordance with federal and state law, all transportation projects in NJ are subject to prevailing wage. No formal studies have been performed by the Department on the possible cost savings that would result from the elimination of prevailing wage requirements.

Revising project labor agreements

Answer: Project labor agreements do not apply to transportation projects.

NJ Transit will submit a separate response.

What percentage of State and Federal Transportation Trust Fund projects by project count and dollar volume are subject to prevailing wage and/or project labor agreements? Of the projects subject to prevailing wage and project labor agreements, what share of those are required pursuant to federal law and what share is required pursuant to State law, and what share if any, was not required by law? Please provide annual figures covering the period from FY 2014-2016.

Answer: As noted above, transportation projects are not subject to project labor agreements. In accordance with federal and state law, all transportation projects in NJ are subject to prevailing wage. Specifically, the NJ State law that is cited in the Special Provisions of contracts for both federally-funded and state-funded projects is Chapter 150, Laws of 1963 (N.J.S.A. 34:11-56.25 et seq.) Since the state law is more comprehensive, even federally-funded projects carried out in NJ are subject to the NJ State law.

Please identify the portion of State Transportation Trust Fund balances that are directly connected to the construction of State road and bridge projects. Spending is considered directly connected if the funds are necessary for the road or bridge project to advance, including engineering and planning costs. Spending is not considered directly connected if the project is not either essential to a road or bridge project, or necessary to prevent the closure of a road or bridge, which would include non-essential signs, landscaping, ITS enhancements, bicycle and pedestrian improvements, local aid funds, NJ Transit funds, non-construction engineering and planning activities, research, training, ferry projects, trails, dredging, Salt storage facilities, buildings, etc. Please provide annual figures covering the period from FY 2014-2016.

Answer: From FY14 through FY16, the annual average of TTF funds directly budgeted for State road and bridge projects totaled $400m. Specifically, the amounts were as follows:

FY2014 $379.7m
FY2015 $422.1m
FY2016 $397.4m

As requested, these figures exclude TTF spending for local roads and bridges, NJ Transit, and other modes of transportation such as airports, freight, and pedestrian and bicycle improvements. It should also be noted that a significant portion of the State’s investment in roads and bridges tends to be funded from federal funds, which are not represented in this analysis.

Assemblyman Brown:

- Please identify the amount of labor on State transportation projects performed by veterans and local residents by dollar volume and total employment, as well as any targets maintained by the department for the employment of veterans and local residents. Specifically, please identify any of these targets that are required pursuant to project labor agreements. Please provide annual figures covering the period from FY 2014-2016.

Answer: As noted above, transportation projects are not subject to project labor agreements. While NJDOT receives weekly payroll information from its contractors and subcontractors on individuals who work on various transportation projects, this information does not include their addresses. In fact, the Federal Highway Administration (FHWA) specifically prohibits the collection of information on the addresses of individual workers from prime and subcontractors. Therefore, the home address of the contractor’s employees cannot be determined. Similarly, the information that is provided does not indicate whether the employee is a veteran. NJDOT does not maintain targets for the employment of veterans and local residents.

- What percent of federal and State funded Department of Transportation and NJ Transit construction contracts are awarded to In-State vs. Out-of-State vendor/contractors? Please provide annual figures covering the period from FY 2014-2016.

Answer: In FY2014, a total of 99 construction contracts were awarded at a cost of $791.6m. Seven of those contracts were awarded to out-of-state contractors at a cost of $28.7m (3.6%). In FY2015, a total of 81 construction projects have been awarded to date at a cost of $626.7m, of which five were awarded to out-of-state contractors at a cost of $184.4m (29%). NJ Transit will submit a separate response.

- What percent of workers on federal and State funded Department of Transportation and NJ Transit construction projects are In-State vs. Out-of-State residents? Please provide annual figures covering the period from FY 2014-2016.

Answer: As noted above, while NJDOT receives weekly payroll information from its contractors and subcontractors on individuals who work on various transportation projects, the Department
does not have their individual addresses, therefore their home address cannot be determined. NJ Transit will submit a separate response.

Assemblyman Schaer:

- At the conclusion of FY 2016, what is the amount of “bills” that will be payable by the Transportation Trust Fund based on prior appropriations?

Answer: Presently, a total of $1.2b in TTF funds has been obligated for projects. Though this amount fluctuates, it is considered to be representative of the level of obligations that may be outstanding at any one point in time. These obligations gradually convert to cash expenses. In a given fiscal year, approximately half of the annual cash expenses are attributable to projects initiated in the current fiscal year and the other half relates to projects established in prior fiscal years. Nonetheless, the degree of financial exposure that may exist should the TTF not be reauthorized prior to the end of FY2016 is directly affected by two provisions that appear in every TTF-supported contract. Each contract is subject to appropriation and may be terminated for convenience. Upon a termination for convenience, NJDOT would need to pay for costs incurred to that date plus the contractors’ costs for demobilization, etc. The Department would need to determine an estimate for the termination of convenience and set up a reserve for these costs.

- What is the status of the Route 52 Causeway Replacement Contract A Construction Fund and what is total amount of federal funds being appropriated from that fund to the TTF? Page D356 of budget reads:
  
  “Federal funds received in conjunction with the Route 52 Causeway Replacement Contract A Construction Fund are hereby appropriated to the New Jersey Transportation Trust Fund Authority to pay debt service and other costs related to the Grant Anticipation Revenue Vehicles (GARVEE).”

Answer: The Route 52 Causeway Replacement project is finished and in service. The semi-annual debt service payments related to the federal Grant Anticipation Revenue Vehicle (GARVEE) are ongoing, amounting to $14.8m in FY2015 and a projected $14.9m in FY2016.