

Fiscal Year 2021 Revised Budget Proposal

Questions for the Department of Transportation

Questions for the Motor Vehicles Commission

Questions for New Jersey Transit

Department of Transportation

Cost reduction measures

- Please identify the specific cost saving measures taken or to be taken during the second half of FY 2020 and during FY 2021 to reduce the budget deficit.
 - To what extent will or can any of those measures be backfilled with CARES Act funds?

Answer:

FY 2020: Due to COVID-19 the Department had lower operating expenses of \$8.3M, which were used to reduce the snow supplemental. The reduced costs were due to limited staff working in the office and in the field as well as other COVID-19 restrictions. Some of the reduced expenses include: vehicle parts and fuel, tolls, travel, office supplies, security costs, energy, water/sewer, medical, and the inmate litter patrol program.

FY 2021: In the 12-month period, the Department prepared budget cuts totaling \$1,976,000 that have been accepted by the Office of Management and Budget. These cuts reduce the Department's Direct State Services appropriation from \$44.8M to \$42.8M.

Capital Program Delivery

- During the stay-at-home order and to a lesser extent even now, traffic on State roadways is down significantly. A major cost driver identified on NJ highway construction projects historically has been traffic, causing projects to be completed over night at a greater labor cost, over limited temporal and spatial windows, creating various cost inefficiencies.
 - Please describe progress on construction projects over the last 6 months relative to before the health crisis. What has the impact been on project time to completion and project costs?
 - What mechanisms have been available to DOT to take advantage of decreased traffic to reduce costs?
 - Have these conditions allowed the agency to advance projects more quickly than in the recent past?

Answer:

In late March 2020, the State experienced its lowest traffic volumes at 25% of the normal vehicle miles traveled (VMT) on its roads. These lower VMT conditions allowed the Department to advance project construction. Work hours were extended one hour in the a.m. and one hour in the p.m. peak periods. Other projects

moved from night time to day time construction. The Department did experience early completion on some projects. There was no change in the Department's progress on the capital program, as construction was deemed essential and continued as scheduled. It should be noted that the Department completed the goals of the FY 2020 Capital Program.

- How have county and municipal governments been doing in expending local aid funds? Has the department noticed any change in the average time to complete local aid projects? How much aid funding has the department rescinded in FY 2020, and how much is at risk for FY 2021?
 - The department noted previously that it had been ramping up its support staff for local aid given an identified need of more support for the locals. How has this worked out, and has it improved program delivery for local units?
 - **Answer:**
Since only receiving the increased allotments in Local Aid funding in FY 2018, it is too soon to assess the performance of the counties and municipalities.

In FY 20, approximately \$5.66M was rescinded over all programs.

Through the Local Aid Resource Center, Local Aid is able to provide “Commitment to Communities” so that there is a one stop shop for municipalities and counties. Having the Resource Center as an easily identifiable contact has been essential to making sure that access is constantly available while we navigate communication with alternate work locations. This includes developing videos so that locals have support on demand on a number of important topics. The most viewed video is the NJDOT Local Aid Success Story about Woodbine, NJ.

Transportation Trust Fund

- Please provide an update on the financial condition of the trust fund.
 - Projected total project disbursements in the FY 2021 TTFA financial plan are about \$1.85 billion, despite an annual capital program size of \$2 billion for each of the last four years. Why has project spending from the TTFA continued to lag behind the appropriation level?
 - **Answer:**
Appropriations are made in full with the passage of the state budget. However, expenditures related to construction and professional service contracts are usually based on invoicing and expended over time as work is performed and costs are incurred/billed.

- When should we expect expenditures to catch up to the appropriations?
- Over the last four years generally, between DOT, NJ Transit, and Local aid project appropriation categories, how have expenditure levels compared with appropriation level by category? In which area have been expenditures lagging appropriations the most, and why?

Answer:

Given that funds are appropriated annually, but expended over several years, the expenditure level is anticipated to exceed the appropriation. The expenditure level exceeds the appropriation level for the NJDOT capital program this year (\$812M v. \$810M).

NJTTF (millions)				
NJTTF	NJDOT	Local Aid	NJ Transit	
FY 2018				
Expenditures	\$ 678	\$ 239	\$ 610	
Appropriations	\$ 899	\$ 425	\$ 676	
%	75%	56%	90%	
FY 2019				
Expenditures	\$ 756	\$ 278	\$ 763	
Appropriations	\$ 810	\$ 430	\$ 760	
%	93%	65%	100%	
FY 2020				
Expenditures	\$ 812	\$ 308	\$ 610	
Appropriations	\$ 810	\$ 430	\$ 760	
%	100%	72%	80%	

- The TTF financial plan notes \$1.78 billion in projected debt service costs for FY 2021 (Program Bonds, Prior Bonds, and Indirect GARVEE pay-go). Is the TTF currently on a path to make it to FY 2024 with the existing sources of annual dedicated revenue (~\$2B Gas taxes, \$200M sales, \$12M tolls) and planned \$2B annual projects without debt service restructuring?

Answer:

Existing sources of annual dedicated revenue will be sufficient and do not require further restructuring.

- Does the TTFA have any plans to refinance the Indirect GARVEES in order to spread out the payments and reduce the size of annual debt service payments for FY 2021-2031? Why or why not?

Answer:

These bonds cannot be refinanced until 2026. In addition, the State typically does not pursue refinancing bonds that would extend the term of the refunding bonds past the final maturity of the bonds to be refunded.

Vehicle Miles Travelled Fee/ Road Use Charge

- The department sent out an email to certain individuals offering them the opportunity to pilot a mileage-based user fee pilot in October run in coordination with the Eastern Transportation Coalition. What is the source of funds being used to run this study?
 - Please provide details on the size and scope of this study. How is the study intended to inform future decisions about potential fees of this nature? Will the results and findings be provided to the Legislature given that there are existing bills attempting to organize pilot programs for this purpose?

Answer:

The NJ Mileage Based User Fee (MBUF) Pilot study is funded by a USDOT Surface Transportation System Funding Alternatives program grant. The pilot is one of three state demonstrations being administered by the 17-state partnership of the Eastern Transportation Coalition (formerly the I-95 Corridor Coalition). The scope of these demonstration pilots is neutral in investigating potential solutions to establishing a sustainable and equitable transportation funding approach. The results will be made public.

Toll Increases

- The NJTA and SJTA both approved toll increases that will go into effect on September 13, increasing tolls by 36% on the Turnpike, 27% on the GSP, and 37% on the AC Expressway. The increase also provides for annual indexed increases of up to 3% annually in 2022. These increases will fund a \$24 billion NJTA capital plan and \$500 million SJTA capital plan.
 - What is the statistic that is going to be used for the index? Will the boards need to adopt and the Governor approve the specific indexed increase each year?

Answer:

For both NJTA and SJTA, it is a flat 3%.

- How many of the projects in each of the capital plans had already been publicly identified as needed projects prior to the announcement of the proposed toll increases?

Answer:

All of the projects in the NJTA capital plan had been identified as needed projects prior to the announcement of the proposed toll increase. The projects were identified as part of the development of a 20-year long range capital plan.

All of the projects in the SJTA capital plan had previously been publicly identified in SJTA's 10-year capital plan for the past several years.

- The widening in 2008 was part of a \$7 billion capital program, this program is \$24 billion. Why is this program so much more expensive than the previous program? Are these really essential projects needed to keep the toll roads in a state of good repair or are these expansion projects? For expansion projects, what are the underlying traffic and demographic patterns that would justify such expansions?

Answer:

The program presented in 2020 is significantly longer than the program presented in 2008.

The projects are essential and do include capacity improvements. However, those capacity improvements may not include widenings.

- What amount of toll road traffic is expected to be diverted to non-toll alternative highways such as routes 1, 9, 35, 40, 78, 130, and 295? If this has the effect of creating additional crowding on these roads isn't this just shifting the financial pressure to the trust fund to address increased wear and tear on these highways?

Answer:

The 2020 toll increases approved for the three toll roads are significantly less than prior years and while some diversion is expected it is nominal and expected to last a short period of time of less than 24 months. In addition, the impact of COVID-19 will make it difficult to attribute what the diversions actually are.

- The Commissioner's NJTA hearing report and recommendation letter identified an ability to provide \$375 million to NJ Transit in FY 2021 and \$525 million annually thereafter and then references a reduced reliance on capital to operating transfers or fare increases, suggesting that these were meant to be NJT operating support.
 - Why does the NJTA contribution to NJ Transit in the FY 2021 proposal remain \$129 million, rather than the \$375 million anticipated by the toll increase?

Answer:

CARES Act funding has been sufficient to support NJ Transit's operations; therefore, we are only contributing the \$129M, which is currently under agreement.

- *What is the intended distribution of this newly available funding between operating and capital uses? Will this be laid out in an agreement between NJTA and the State Treasurer or through some other mechanism? When will this funding agreement be finalized?*

Answer:

The transfer is intended to support NJ Transit's operations. The new agreement will be put in place soon.

- *This plan includes \$16.7 billion in capacity expansion projects. The State has a lot of pressing highway infrastructure needs. The non-tolled State highway system has an appreciable backlog of state-of-good-repair projects that could elevate the Statewide percentage of roadway in good condition and reduce the number of structurally deficient and obsolete bridges. Why is capacity expansion to the NJTA system preferable to transferring some of this \$16.7 billion to DOT for state-of-good repair projects, following through on the principle of fix-it-first?*

Answer:

This plan is necessary for the NJTA to maintain its assets in a state of good repair.

- Please provide an update to projected toll revenues given additional traffic data that has been collected since the stay-at-home order was lifted. After accounting for operating expenses, debt service payments, and mandatory reserves what is the projected NJTA and SJTA revenue surplus for FY 2021 and 2022?

Answer:

NJTA - YTD through August 2020, toll revenue is down about 24% on both the NJ Turnpike and the Garden State Parkway. For the year ended 12/31/2020, toll revenue is expected to be down about 13%, or \$200 million, compared to the prior year.

SJTA - In April 2020, SJTA's toll revenue loss was approximately 66% as compared to 2019. Since the stay-at-home order was lifted, toll revenue loss has coalesced around 23% as compared to the prior year.

Neither agency projects surplus revenues.

Other

- The outbreak of COVID-19 has brought profound changes to almost every aspect of transportation especially in NJ/NY. It is important to understand the short-term and long-term impact of the pandemic on behavior and travel trends because it can help us develop results-oriented approaches to aid decision-making, and provide actionable insights to enhance the resiliency of transportation systems in the face of future disease outbreaks. Has the Department of Transportation conducted research on the short-term and long-term impacts of COVID-19? What conclusions have been drawn?

Answer:

As we are still in the midst of the pandemic, any research conducted at this time would be inconclusive.

- Please list the amount and uses of any CARES ACT funding received or anticipated by the department, and the extent to which this aid can substitute for State funds.

Answer:

FEMA Public Assistance Grants federal share (75%)

Of NJDOT COVID-19 expenses, an estimated \$750,000 would be eligible for FEMA reimbursement 75% of which make up the federal share of \$562,500. Reimbursement for COVID-19 expenditures for overtime, cleaning and personal protection equipment will be credited to Department accounts of first instance costs.

Treasury's CARES Act Coronavirus Relief Fund (CRF) - FEMA non-federal share (25%)

Of NJDOT COVID-19 FEMA eligible expenses, \$187,500 would qualify for reimbursement as the non-federal share of FEMA qualified expenditures and will be eligible for reimbursement from the -CRF. Reimbursement for COVID-19 expenditures for overtime, cleaning and personal protective equipment will be credited to Department accounts of first instance costs.

FAA - General Aviation Airports

NJDOT is eligible for CARES Act grants for an estimated total of \$99,000 for improvements to the two NJDOT owned general aviation airports (Greenwood Lake and South Jersey Regional).