

Fiscal Year 2021 Revised Budget Proposal
Questions for the Department of Transportation
Questions for the Motor Vehicles Commission
Questions for New Jersey Transit – with responses

New Jersey Transit

Operating Budget

1. The overall operating budget for NJ Transit is up \$247 million from FY 2020 and \$105 million from the original February 2020 GBM proposal. Please describe the composition of the \$247 million increase and the reasons for the \$105 million increase over the February GBM.

- Response: The \$247 million increase is primarily due to three factors:
 1. \$94 million for mandatory increases such as contractually obligated cost increases (e.g. labor/fringe and other contracts) and other mandatory costs (e.g. staff to maintain our new PTC system).
 2. \$41 million for discretionary initiatives to achieve our strategic plan
 3. \$120m budgeted for possible COVID-19 related expenses.

These are partially offset by \$8m in health care reform efficiencies.

The primary reason for the increase from the February GBM is due to \$120 million in additional funding budgeted for possible COVID-19 related expenses referred to above, offset by a deferment of most of our discretionary initiatives to later in the fiscal year as well as a reduction in a portion of our mandatory cost increases as our credit card fees have been substantially lower as ticket sales have been significantly reduced during the pandemic.

2. Between the original GBM proposal and the current budget, the amount for salaries and wages decreased by \$26 million, while materials and supplies increased by \$99 million. What specific changes were made to the budget plan since the original GBM proposal to reflect these moves?

- Response: The proposed headcount increases needed to support NJ TRANSIT's strategic plan goals and initiatives were deferred until later in the fiscal year, thereby resulting in a one-time savings in FY21. However, materials and supplies procurements to support COVID-19 response and safety needs increased dramatically.

3. Please identify any operating expenses in the FY 2021 budget that are one-time or non-recurring in nature.

- Response: The vast majority of our identified operating expenses in our FY21 budget are recurring. For example, Labor and Fringe alone represent approximately 60% of our FY21 operating budget. The extent to which COVID-19 related expenses will extend into FY22 and beyond is not yet known.

4. Farebox revenue for FY 2021 is \$369 million, down from \$993 million originally projected in the GBM. Revenue for July 2020 was \$16.3 million, down 81% year over year. Please provide the monthly projections of farebox revenue for the remainder of FY 2021, what is the expected farebox revenue in June 2021 and how does that compare to the relevant pre-COVID-19 revenue benchmark (1/2020 or 6/2019)?

- Response:

- **NJ TRANSIT’s FY21 farebox revenue by month is listed below:**

<i>\$ in millions</i>	Actual	Fcst	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Total
FY 2021	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jun	Total
COVID	16.3	21.0	20.5	24.6	27.3	31.0	30.0	31.9	37.4	41.1	46.5	52.2	52.2	379.8
Pre-COVID	84.4	83.2	80.7	85.4	84.6	87.0	76.7	75.1	81.6	81.8	85.0	88.3	88.3	993.7
O/(U)	(68.1)	(62.2)	(60.2)	(60.8)	(57.3)	(56.0)	(46.8)	(43.2)	(44.1)	(40.6)	(38.5)	(36.1)	(36.1)	(613.8)
% Revenue Loss	(81%)	(75%)	(75%)	(71%)	(68%)	(64%)	(61%)	(58%)	(54%)	(50%)	(45%)	(41%)	(41%)	(62%)
% vs. Pre-COVID	19%	25%	25%	29%	32%	36%	39%	42%	46%	50%	55%	59%	59%	38%

Note: “pre-COVID line item refers to the revenue assumptions underlying NJ TRANSIT’s original budget proposal in February.

- **NJ TRANSIT’s farebox revenue for June 2021 is anticipated to be ~\$52.2 million:**
 - (\$26.9) million lower or down (34%) vs. \$79.1 million Jan 2020
 - (\$31.6) million lower or down (38%) vs. \$83.8 million Jun 2019
 - This data suggests that fare collections will remain depressed to some degree going into FY 2022 as well. How much CARES Act funding will remain to be applied to FY 2022, and what is the expected “gap” in farebox revenue that will need to be closed in FY 2022?

1. Response: **NJ TRANSIT preliminarily estimates a passenger revenue gap of ~\$250 million based off of an average 75% ridership return throughout the year (i.e. 25% passenger revenue loss from pre-COVID levels).**

The amount of CARES funding available for use in FY22 is dependent on the pace of passenger revenue return in FY21, which itself is highly dependent on the rate at which New York City office and entertainment reopen and the extent to which COVID-19 remains a threat in our region (e.g. timing of a vaccine, the occurrence of a second wave).

Given the uncertainty surrounding the economy and the possibility of a second COVID wave in the coming fall, NJ TRANSIT is budgeting conservatively, in order to maximize to the extent possible the corporation’s fiscal stability. Assuming there is no “second wave” and ridership continues to steadily increase, by controlling spending as much as possible while still providing essential services, NJ TRANSIT currently estimates that less than 10% of CARES funding might remain available for use in FY22. This is also dependent on the level of Covid-19 related expenses incurred in FY21 which is highly uncertain at this time.

5. The FY 2021 budget is relying on \$1.796 billion in other reimbursements compared to \$830 million in the original FY 2020 budget, the difference appears to be primarily represent the drawdown of nearly \$1 billion in Cares Act funds. Is this correct?

- Response: **Yes.**
- How much of this \$1 billion will be recurring for FY 2022? Other than through an increase to the General Fund subsidy, what other existing agency funding sources are available/anticipated to close that gap in the next fiscal year?
 1. Response: **By the end of FY21, we expect to have drawn down well over 90% of the CARES Act funds awarded to NJ TRANSIT. The exact number will vary largely depending on the return of fares and the amount of additional expenses incurred due to COVID-19. NJ TRANSIT has been working closely with New Jersey's federal delegation, as well as with other transit agencies in the region and around the nation, to communicate to Congress the need for additional federal emergency relief going forward.**

Toll Increases

6. The capital plans proposed alongside the toll increases at the NJTA and SJTA also identified funding for transit initiatives. How much additional funding per year does NJ Transit currently project to receive through the toll road authorities? What portion of that funding is expected to be capital and what portion is expected to be operating?
 - Response: **NJ TRANSIT is not making a projection regarding revenue from the NJTA toll increase as the only agreement in place currently provides for \$129 million of operating support from the NJTA in FY21 after which, the agreement expires.**

Ridership/Private Bus Carriers

7. During the months of April and May when a stay-at-home order was in place and service was reduced significantly, NJ Transit operating expenses appear to have been little changed except in the areas of fuel and utilities. Were there no other opportunities to generate temporary savings while the system was partially shut down? Please explain.

Response: **Although NJ TRANSIT reduced operational service during April and May, all staff was retained and no employees faced furloughs in order to maintain a state of readiness to provide statewide public transportation to essential workers. Reducing service levels during the pandemic would also have been counter to social distancing guidelines provided by the State and Federal government. In addition, during this time NJ TRANSIT experienced substantial and significant numbers of employees unable to work due to having COVID-19, being exposed to COVID-19, or at a high level of risk of serious illness due to COVID-19. Lastly, NJ TRANSIT spent the last two-and-a-half years rebuilding a badly depleted workforce and is determined to build upon and maintain that progress.**

The reductions in ridership and service caused by the stay-at-home order for COVID-19 allowed NJ TRANSIT to do important work to the rolling stock for PTC upgrades, and increase the hours of testing, including some daylight testing.

NJ TRANSIT also incurred approximately \$50 million in COVID-19 related expenses during FY20 for labor, services, PPE and other measures that were necessary to ensure safety during the pandemic.

8. Ridership on the system is down significantly, and is projected to remain down through the entirety of FY 2021. Is NJ Transit going to be reducing the level of service or taking any other cost reduction measures in light of that reduction in passengers? Please explain the cost reduction measures that have been taken or are planned for FY 2021, and the expected budgetary savings.

- Response: NJ TRANSIT's rail, bus, light rail and Access Link paratransit services are critical for essential workers and the most transit-dependent residents of the state. NJ TRANSIT will maintain full service on all modes so that residents throughout New Jersey can travel to and from work, medical appointments, shopping, and other destinations when they need to.

NJ TRANSIT continually evaluates expenditures, contracts, public transportation needs, and upcoming projects in order to determine the most effective use of limited funding.

9. If future temporary service reductions are planned, what opportunities are there for cost savings, beyond a reduction in fuel or electricity cost

- Response: No temporary service reductions are planned.

10. DeCamp bus services carried over 5,000 passengers per day on commuter service that it ran pre-COVID-19, and has now gone out of business. Will NJ Transit be taking over any of those routes after the health crisis ends?

- Response: It is our understanding that, according to the owners of DeCamp Bus Lines, they have not gone out of business. Rather, they have temporarily suspended bus service due to low ridership until demand for New York City bound bus service returns. At that time, it is our understanding, DeCamp will resume pre-pandemic level operations. NJ TRANSIT does not anticipate taking over any of these routes after the health crisis ends.

- How has NJ Transit approached the question of assisting private carriers? What is the cost of sharing CARES Act money to keep these businesses afloat until they can return to normal service? What will the cost be for NJ Transit if these agencies close in the form of reduced federal aid and/or having to convert these private bus routes into NJ Transit operated routes? Beyond the fiscal considerations how is NJ Transit approaching the question of how to deal with these private carriers?

- Response: Under existing laws and regulations, NJ TRANSIT does not have the ability to provide CARES Act funding to private carriers.

There are two methods by which NJ TRANSIT contracts with private bus carriers: 1) purchased transportation services for regular NJ TRANSIT-branded bus routes and 2) capital equipment leases for buses and an allowance for capital maintenance. For the contracted bus routes, NJ TRANSIT has been paying private bus carriers the amounts due under the

contracts during the COVID-19 pandemic. NJ TRANSIT continues the capital equipment lease program leasing NJ TRANSIT purchased buses, at no charge, to private bus carriers for operation on their own for-profit routes.

Monetary assistance from the Federal government has restrictions on use and eligibility. The CARES Act funds provided in a grant through the Federal Transit Administration (FTA) are intended to support the operations of public transportation agencies and have very limited applicability to private entities. Under the current Federal Grants program, private carriers are not certified by the (FTA) to directly receive federal funds, including CARES Act funds. Under limited circumstances, private entities may receive funds through transportation contracts, and NJ TRANSIT has continued to pay the amounts due on the existing contracts throughout the pandemic. FTA deferred to NJ TRANSIT to abide by state contracting laws, regulations, and guidance for procurement when modifying contracts or awarding new contracts. New contracts for operating services eligible to receive CARES Act funding require public bidding and Board of Directors approval; and are subject to Federal terms and conditions. Existing contracts were previously publicly bid and approved by the Board of Directors and cannot be unilaterally modified at the request of private carriers. Contract amendments would require NJ Transit to revisit the scope and reimbursement terms of the contracts, determine CARES Act eligible expenses, add federal terms and conditions, adhere to state procurement statutes and regulations, and seek Board of Director approval.

NJ TRANSIT staff have held multiple discussions with the Bus Association of New Jersey (BANJ) and the Federal Transit Administration (FTA) over the past six months regarding the availability of federal funds for use by private bus carriers. NJ TRANSIT has supported and continues to support the private carriers' efforts to obtain emergency relief funding from Congress. We have written a letter of support to our federal delegation and briefed them on this issue, and we continue to work with the trade association that represents the private carriers as Congress debates further aid.

- How many other private carriers are currently at risk of going out of business? What is the total daily ridership of those operations? What is the expected impact on future NJ Transit operating costs?
 - Response: No other private carriers have indicated that they are going out of business. All private carriers are operating on reduced service schedules based on ridership volume and have adjusted their work force to match demand through furloughs and layoffs. During the calendar year 2019, private carriers reported 27 million passenger trips.

- Are there likely to be other private operators willing to take over the DeCamp routes when ridership returns to pre-health crisis levels? Why or why not?
 - Response: **It is our understanding that DeCamp is anticipating resuming service once ridership demand returns to a sustainable level.**

Positive Train Control

11. Please provide an update on NJ Transit's progress in implementing positive train control (PTC), will it be completed prior to the federal deadline?

- Response: **Over 50% of NJ TRANSIT's territory is currently in Extended Revenue Service Demonstration (ERSD), with the rest of the territory scheduled to enter ERSD before the federal deadline. The combination of progress of putting territory into ERSD as well as the cooperation between the Federal Railroad Administration (FRA), NJ TRANSIT, its contractors and the other railroads that NJ TRANSIT operates on, is reaffirming that the system will be fully operational prior to the federal deadline.**

12. Please outline any expected impacts to service and operations under the current project schedule. If there are any further delays or setbacks in implementation, under what scenarios would they necessitate service changes or reductions? What lines and services are most at risk of those impacts?

- Response: **The step prior to ERSD is Field Functionality Testing. While NJ TRANSIT is in Field Functionality Testing, eight different Train Crews and seven Road Foreman are dedicated to testing. NJ TRANSIT expects to reduce the number of train crews and equipment dedicated to PTC testing as additional territory enters Extended Revenue Service.**

If the PTC system does not achieve full certification by the FRA by the deadline, the FRA may impose restrictions on NJ TRANSIT's ability to operate. There are several ways to continue different forms of service, all of which would have to be approved by the FRA if warranted. The lines that are last to be scheduled for ERSD are the Atlantic City Line and the Port Jervis Line. For those lines, bus substitution will be in place if NJ TRANSIT was restricted from operating full rail service.

13. Please provide a breakdown of NJ Transit's total cost to implement PTC. The cost is well in excess of original projections, but how does the cost compare to other peer agencies?

- Response: **As of August 19, 2020, the amount spent to implement PTC totaled \$363,160,141.89. NJ TRANSIT participates in FRA roundtables and other forums with peer railroads and, based on these informal information exchanges, NJ TRANSIT has determined its cost to implement PTC is comparable to its peers.**

14. Does the agency continue to have pending contract payment issues with any of its vendors concerning issues such as vendor failure to meet goals and deadlines, or changes to deadlines and contract scope? Please outline those issues and the potential scope of the cost impact for these issues.

- Response: **PTC implementation is NJ TRANSIT's first capital priority. NJ TRANSIT is working closely with its contractor to ensure the December 31, 2020 PTC project deadline is met. NJ TRANSIT and its contractor established clear**

performance-based milestones tying payments to progress to meet FRA’s year-end statutory requirement and other requirements.

15. What additional costs will NJ Transit incur to finish implementing PTC? Once PTC is implemented, what is the likely recurring annual cost of maintaining the PTC system and when will that cost move onto the operating budget?
- Response: The current estimated capital cost to implement PTC is \$500 million. NJ TRANSIT is developing the likely recurring annual cost of maintaining the PTC system. These costs will move to the operating budget upon project completion.

CARES Act Funding

16. NJ Transit has received \$1.43 billion in spending authorization and utilized \$360 million in FY 2020, leaving roughly \$1.07 billion for FY 2021 and beyond. How much of that is to be used in FY 2021? Please provide a monthly schedule for anticipated draw downs.
- Response: NJ TRANSIT’s latest CARES Act drawdown projections for FY21 are as follows (\$, millions):

Month	Drawdown in Millions
July 2020	0
Aug 2020	\$125
Sep 2020	\$150
Oct 2020	\$100
Nov 2020	\$150
Dec 2020	\$100
Jan 2021	\$100
Feb 2021	\$150
Mar 2021	\$66.8
FY21 Total	\$941.8

17. Beyond filling shortfalls in farebox revenue, what have CARES Act funds been used for to date, and what are the anticipated uses of those funds in FY 2021?
- Response: The Coronavirus Aid, Relief, and Economic Security (CARES) Act allows for the reimbursement of operating expenses to public transportation systems through a Federal Transit Administration (FTA) grant. NJ TRANSIT has drawn down FTA funds for eligible operating expenses, the majority of which are Labor and Fringe Benefits for employees. Other eligible operating expenses NJ TRANSIT has submitted for include: Purchased Transportation, Propulsion (e.g. electric power), Revenue Vehicle Fuel, Outside/Professional Services, Utilities and Tolls, Trackage & Fees.
18. As a transparency measure, how will NJ Transit be reporting on its utilization of this aid?
- Response: Drawdown of CARES Act funds is reported in NJ TRANSIT’s monthly financial report to the Administration Committee of the NJ TRANSIT Board of Directors. NJ TRANSIT will comply with the requirements set forth in Governor Murphy’s Executive Order 166 and abide by guidance provided by the COVID-19

Compliance and Oversight Taskforce, which NJ TRANSIT's Accountability Officer is a member. In order to guard against waste, fraud and abuse, NJ TRANSIT will retain and appoint one or more Integrity Oversight Monitors to provide oversight on the disbursement of COVID-19 recovery funds. Additionally, NJ TRANSIT will report eligible and planned use of funds through the transparency website developed by the Governor's Disaster Recovery Office (GDRO).

19. NJ Transit is also listed in the August budget update as having received approximately \$30 million from the CRF. What is that funding being used for, and is that reflected in FY 2020 or 2021?

○ Response: During the Coronavirus Disease 2019 (COVID-19) pandemic NJ TRANSIT continued to provide public transportation throughout New Jersey to essential workers and others for personal, business and recreational purposes. As a result, NJ TRANSIT has incurred expenses in response to and mitigation of the Coronavirus over and above its operating budget. NJ TRANSIT has identified necessary expenditures incurred due to the public health emergency with respect to COVID-19; were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020. After a review of the U.S. Treasury's Guidance for State, Territorial, Local, and Tribal Governments (updated September 2, 2020), NJ TRANSIT's eligible expenses may fall into the following categories:

1. Expenses for disinfection of public areas and other facilities, e.g., nursing homes, in response to the COVID-19 public health emergency
2. Expenses to improve telework capabilities for public employees to enable compliance with COVID-19 public health precautions
3. Costs of providing COVID-19 testing, including serological testing
4. Expenses of providing paid sick and paid family and medical leave to public employees to enable compliance with COVID-19 public health precautions
5. Payroll expenses for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency
6. Expenses for technical assistance to local authorities or other entities on mitigation of COVID-19-related threats to public health and safety

Eligible expenses for reimbursement under the CRF have been incurred in both FY20 and FY21. Expenses are currently being reviewed for eligibility and to ensure that there is no duplication of benefits with other federal funds.

Strategic/Capital Plan

20. During the early period of the COVID health emergency, NJ Transit released a multi-year strategic and capital plan. Please outline the degree to which items in those plans will need to be revised in light of significant and potentially permanent social and business changes to commuting patterns, housing choices, telework, travel choices, etc.?

○ Response:

Since the advent of COVID-19 travel and work restrictions, NJ TRANSIT has conducted extensive tracking and analysis of ridership and economic trends. Although it is still too early to draw any long-term conclusions as to the differences in the frequency, destinations and demographic characteristics in transit use, NJ TRANSIT has developed tools and processes to track changes in all these factors. The goal is to provide leading indicators of changes in the transit market, so that service changes can be developed to respond to growing needs.

NJ TRANSIT staff develops weekly ridership analysis across all transit modes. Though normal onboard ridership counts were disrupted in the early stages of COVID-19, the return of normal operations has included a return to (pre-COVID) standard counting methods and accuracy by mode across the transit system. In addition, NJ TRANSIT has been exploring several other methods for collecting even more accurate ridership data including the use of mobile apps for ticket validation and revenue collection, including the recent rollout of this functionality on the Light Rail Transit (LRT) system. In addition, NJ TRANSIT successfully completed a proof of concept test of video analytics for this purpose.

To compare the return of transit ridership to the increase of all modes of transportation, NJ TRANSIT is comparing dynamic pre/post-ridership data using available technology to understand growth.

The specific impact of COVID on medium- and long-term travel trends is unclear at this point. It is unknown when people will return to the office, to what locations, how often they might travel, and how that differs from what happened pre-pandemic. NJ TRANSIT continues to engage with counterparts in the business and economic development community to keep abreast of developments as they unfold. There are numerous unknown variables at this point, but NJ TRANSIT has developed a scenario planning model using up to date employment and economic data, combined with COVID-era survey data, to analyze various scenarios for transit recovery. These scenarios include situations such as a “hopeful recovery”, “slow recovery”, and a “second shutdown,” all of which reflect some percentage of work from home. NJ TRANSIT is currently tracking ridership in relation to these scenarios and will continue to do so over the coming months.

21. What strategic plan initiatives are proposed to be funded through the FY 2021 operating budget? Please break down by item and budgeted cost.
- Response:
These items are broken down by the strategic growth areas in the plan:

	Labor		Non-Labor
	FTE	Budget	Budget
Reliable System	211	11,725	4,238
Sustainable Future	7	439	1,800
High Quality Experience	50	2,450	4,988
Stronger & Fairer NJ	3	121	-
Accountable Org	34	3,698	2,631
Total	305	18,432	13,658

- Will any of these items require additional operating support in future fiscal years?
 - Response: **Yes**
- Which of these items are one-time expenses, such as IT upgrades, and which are ongoing in nature and will increase the annual operating budget of the agency?
 - Response: **These items are expected to be ongoing and will increase the operating budget of the agency beyond FY21.**
 - Do any of these items represent investments in efficiency that will result in lower future operating budget costs?
 - Response: **Most of these items represent investments aimed at enhancing the customer experience; some of these investments will also reduce our operating cost.**

Paratransit

22. Prior to the introduction of paratransit reform legislation (A4208/S2517), NJ Transit was already working on transitioning Access Link to a brokerage model, where instead of using contract carriers for all of the trips, NJ Transit would use special scheduling software to distribute trips as a broker among multiple potential carriers. Please explain how that model was originally intended to work.

Response: **For some time, NJ TRANSIT has been exploring service options with Transportation Network Companies to address service delivery challenges. Early discussions with Uber and Lyft were not fruitful and NJT began discussions with Via Transportation in 2019. Recent legislation has resulted in more in-depth research with Trapeze, a software platform, that further expands the initial brokerage concept to include other potential service providers. Trapeze has improved the current application to address NJT broker requirements.**

23. Was the investment in new technology and a new service model intended to simply improve service, or to also reduce costs? Please explain.

- Response:

It has not yet been determined whether there will be a reduction in costs. Consistent performance measures across all providers also need to be identified to evaluate whether the model results in service improvement.

NJ TRANSIT is committed to the goals of the paratransit reform legislation, which are to:

- Improve mobility options for all people with disabilities through the establishment of best practices and the collaboration and coordination of services, technology and software.
- Eliminate redundancy and increase cost effectiveness of paratransit services.
- Establish common standards, best practices, metrics and methodologies

The TRANSIT-led centralized approach to providing services will use a brokerage system where requests are matched with the provider best able to deliver the most efficient trip, at a particular time on a particular day. The Trip Broker is “blind” to the distribution of trips and parameters are adjustable (productivity, OTP, etc.) depending on the specified requirements.

24. Please provide an update on the current progress in shifting Access Link over to a brokerage model, and when that shift is currently expected to be complete.

o Response:

NJ TRANSIT has obtained a quote from Trapeze, the software program company, and preliminary discussions have been held with both Via Transportation and Mercer ARC to discuss brokerage opportunities. NJ TRANSIT has arranged for Trapeze to provide a software demonstration to Mercer ARC. Together, the stakeholders can work through a number of practical issues that must be addressed, including contractual standards, technologies and interfaces needed for procurement and continued ADA compliance.

Performance requirements must be developed for any proposed software to assure that minimum thresholds for functionality and interoperability can be met and that the software application can be implemented successfully. The establishment of common standards, best practices, metrics and methodologies are necessary to evaluate performance.

NJ TRANSIT recognizes that this is an ambitious endeavor and will require time and resources. Additional staff and a consulting team will be needed to effectively implement this project.