

Testimony by

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for

Joint Appropriations Committee

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Mr. Chairman, members of the Joint Appropriations Committee, I thank you for the opportunity and the privilege of appearing today to outline for you the financial status and future plans of the New Jersey Department of Transportation and NJ TRANSIT.

I suppose some might view this meeting simply as an in-depth discussion of what transportation is costing the taxpayers of this State and what the spending plans are for the year to come.

But I believe this meeting is about much more than highways and bridges, buses and trains and the financial wherewithal to build and maintain them or keep them running. Today's hearing is about jobs ... it's about job opportunities ... it's about the economic viability and continued economic vitality of New Jersey. In short, this hearing today is about New Jersey's future and the foundation on which that future is built, namely transportation.

The program and budget Governor Kean has presented to the Legislature and this Committee is a program designed to build on the strengths of this State by overcoming past weaknesses.

This program isn't designed just to get us through the next year. It is a program intended to move us vigorously into the next century. It is not a figment of someone's imagination. It is real and "doable." Most importantly, it is a program that the taxpayers of this State can afford today as well as tomorrow.

I know each of you is aware that the major thrust of the Governor's transportation budget proposal this year is in the capital area. Therefore, the majority of my testimony focuses on the proposed capital program put forth by the Governor in his Budget message and incorporated in the 1985 fiscal year budget document.

However, before I go into the details of the capital side of the budget proposal I would like to highlight several of the non-capital aspects of the budget proposal put forth by the Governor.

In general, let me point out that the operating budget submitted to you, with one major exception, is a "hold the line" budget. The exception is the \$11 million increase we are requesting in the operating budget of NJ TRANSIT. It is intended to enable the statewide public transit agency to hold the line on commuter fares. The increased level of funds will allow NJ TRANSIT, for the first time, to go through a budget year without raising fares, based on the current level of anticipated federal funds. The \$11 million is a small price to pay for stabilizing commuter fares. That stability will help encourage wider use of our public transit system which now carries more than 300,000 commuters daily, making it the fourth largest transit agency in the nation.

I might add here, that a viable, affordable system of public transportation is essential to the total transportation picture of this State. There is a symbiotic relationship between our public transit system and our highway system. This budget proposal is designed to build on the strengths of both.

Overall, the combined operating budget proposal for DOT and NJ TRANSIT reflects an increase of about \$12.4 million or 4.6% over the current year's expenditures. When adjusted for inflation, the operating budget we are proposing for Fiscal Year 1985 is virtually identical to what the Legislature approved for the current fiscal year even with the \$11 million being requested for commuter bus and rail fares.

One of the ways we have been able to accomplish this is through implementation of an aggressive cost control program aimed at producing greater efficiency, productivity and cost effectiveness in the operations of DOT and NJ TRANSIT.

Just within the Department, I can tell you that as of this month the savings realized by implementing this program amounted to \$7.5 million.

Beyond that we expect to save another \$3.5 million during fiscal year 1985 through a combination of our sick leave reduction program, work hour changes for our maintenance crews and the transition of maintenance management time to worker time.

As a result of this process, I can tell you today that the Department of Transportation is a leaner, more productive and more cost effective organization than it was two years ago. If you need any proof of that I respectfully suggest that you need look no further than the DOT highway construction program and manpower levels today compared to January 1982.

In 1982 DOT had a construction program of \$220 million with a workforce of 5,626. This year we are implementing a construction program of \$451 million with a workforce that today stands at about 5,450 people. While that workforce will grow somewhat during the coming fiscal year, if the Transportation Trust Fund program is put into place it will remain well below the January 1982 level.

A similar program of cost containment has been undertaken at NJ TRANSIT. We have implemented initiatives such as risk management, elimination of an Amtrak maintenance agreement at Sunnyside Yard, service modifications where appropriate and continued to pursue savings

won in the labor agreements that were negotiated with the rail labor unions last year.

Effective, cost-efficient management of DOT and NJ TRANSIT isn't a one-shot effort. If it is to be successful, it requires a commitment to continue analyzing and reviewing the day-to-day operations of the two agencies to assure that the taxpayers are getting the best possible return for their money. I believe we have demonstrated that commitment in the past year and we will continue to strive to improve on our record.

Another area which is of great concern to us and which I know is of concern to members of this committee involves our program for Minority and Women's Business Enterprises and the respective affirmative action programs of the two agencies.

In the area of affirmative action, both the Department and Transit have on-going programs which the Governor has made clear must be a priority. In order to make these programs even more effective in the months and years to come, every manager at DOT and NJ TRANSIT who has responsibility for hiring is being evaluated in terms of the respective affirmative action programs when that manager goes through his or her annual employment evaluation. I am convinced that this added impetus from the top management of the two agencies will result in an more aggressive affirmative action program.

At the same time, both agencies are aggressively pursuing, and I might add, meeting and exceeding the goals for participation in the Minority Business Enterprise (MBE) and Women Business Enterprise (WBE) programs conducted by the Department.

While we are meeting those so-called minimum mandatory goals and in some cases exceeding them, clearly there is room for improvement. We are committed to making that improvement during the remaining months of the current state and federal fiscal years and into the future.

And that brings us to what I believe is the focal point of our budget request this year -- our capital funding program. More specifically, the Transportation Trust Fund proposed by Governor Kean in his January budget message.

As important as the \$143 million we are requesting to fund the transportation capital program is, even more important is the need for this State to establish a stable and predictable source of capital funding for transportation.

It was with this in mind that the Governor proposed the Transportation Trust Fund which is the basis for the capital program we have submitted in our Fiscal Year 85 budget.

With the Trust Fund in place, we will be able to look the citizens and taxpayers of this State square in the eyes and say: "We're protecting your \$42 billion investment in our transportation network and we're getting rid of the \$3 billion backlog in needed transportation projects that have been waiting to be done, some for more than two decades."

On the program side, the Trust Fund would enable the State in each of the next four years:

- ° to match all available federal public transit capital funds
- ° to match all available federal highway and bridge capital funds

- ° to provide 100% State funds for the State's primary highways, enabling us to complete the many missing links in our system
- ° to initiate a responsible resurfacing program that will prolong the useful life of our highways
- ° to implement a dollar-for-dollar substitution program with the counties for the Federal Aid Urban System (FAUS) program in which they are now involved. This will enable the counties and municipalities of this State to get out from under the federal requirements and red tape with which they must now contend.

I also would like to point out that this legislation contains Disadvantaged Business Enterprise language that would, for the first time, impose mandatory goals on the amount of money from this program that must be spent with businesses controlled and owned by minorities and women. In the past these goals applied only to federal funds. With the passage of this legislation the distinction between federal and state funds would disappear and disadvantaged business enterprises would be the beneficiaries.

On the revenue side, the Transportation Trust Fund would generate \$3.3 billion in State and Federal capital funds for highway and public transit over the next four years.

The State's share of these funds would come from three sources:

-- \$88 million would be appropriated annually from the general fund by the Legislature;

-- \$25 million would be contributed annually by the independent toll road authorities under agreements already reached with each of the authorities;

-- \$30 million would be generated annually by an increase in heavy truck registration fees contained in this legislation.

These three revenue sources would provide \$143 million annually which would be deposited in the Transportation Trust Fund.

In turn, the Trust Fund Authority would sell 10-year bonds in each year of the program so that an average \$230 million in State funds would be available for highway and public transit projects in each of the next four years.

This would enable the Department of Transportation and NJ TRANSIT to complete long overdue highway, bridge and public transit projects throughout New Jersey without an increase in taxes; without causing an increase in tolls and, without jeopardizing New Jersey's "Triple A" credit rating.

This program is all the more urgent for the Department of Transportation because at the end of this fiscal year the 1979 transportation bond funds that we have been using to match available federal dollars will be exhausted.

Thus if we are to continue our record of recent years of taking advantage of available federal highway funds we need some \$61 million to draw down the nearly \$344 million that will be available from Washington. Those are funds I might add that were paid by New Jerseyans and should be used to benefit New Jerseyans.

Overall this year's transportation capital budget request of slightly less than \$299 million would result in a transportation program of more than \$905 million when combined with available federal funds.

This \$299 million consists of:

- ° \$230 million that would come from the Trust Fund
- ° \$19.6 million from the Bridge Bond Act of 1983 which was approved by the voters last November; and
- ° \$49.2 million in transit capital funds remaining from the 1979 bond fund and the Transpac II Agreement with the Port Authority of New York and New Jersey. All of this money is earmarked for specific public transit projects which will strengthen the system.

Finally, the Senior Citizen and Disabled Resident Transportation Assistance Program funded through the casino revenue fund will provide \$10 million in FY 85 for transportation services for the elderly and handicapped. Seventy-five percent of these funds are allocated to the counties for local para transit services. NJ TRANSIT has conducted regional meetings with counties to discuss and finalize guidelines for the program. All of the counties were to have conducted public hearings during April in order to submit to NJ TRANSIT their first proposals by the May 15th deadline, as required in the original legislation.

The remaining 25% of the funds will be used by NJ TRANSIT to provide technical assistance to the counties to develop, purchase, operate and maintain accessible capital improvements to our existing transportation system.

I believe the transportation budget you have before you is a blueprint for the future of this State. It is a budget designed to take maximum advantage of the federal funds available to us. It is also a budget designed to make the most effective use of the taxpayer's money.

It is a transportation budget that recognizes the way things are in New Jersey and begins to make them the way they should be.

Thank you for your time and attention. I welcome any questions you might have.