

Testimony of Commissioner James Redeker
Appropriations Committee
Fiscal Year 2014 Deficiency Hearing
March 25, 2014 10:00 a.m.
Legislative Office Building, Hearing Room 2C

Good morning Chairwoman Bye, Chairwoman Walker, and members of the Committee. I am Jim Redeker, Commissioner of the Department of Transportation (Department). I appear before you to discuss the Fiscal Year 2014 deficiency of \$7 million in Personal Services (PS) and \$3 million in Rail Operations.

The Department has encountered substantial unexpected and unbudgeted costs in several appropriations this fiscal year to date, resulting in an overall projected deficiency. It is not uncommon for the Department to experience a severe winter season that leads to a budget shortfall in the Other Expenses (OE) and PS appropriations. Unfortunately, this year we have also been faced with major issues in the Rail Operations appropriation. Significant unbudgeted costs were the result of events that we could not anticipate or control. We have, and will continue, to evaluate each appropriation, implement cost savings measures, and make every effort to absorb a portion of these budget shortfalls within available funds. However, due to the significance of our projections, we believe that a bottom line deficiency is unavoidable.

The Department's snow and ice removal budget is based on an average 12 storms per year, and to-date we have encountered 15 storms, as well as 10 activities. Winter storm costs for de-icing materials and contractual services, as well as fuel and equipment repair, have exceeded budgeted amounts by over \$7 million to-date. A transfer of funding from PS to OE was approved by the Finance Advisory Committee in early March to replenish OE. While resulting in a deficiency of \$7 million in PS, this transfer allowed the Department to continue to make purchases required to maintain a safe transportation infrastructure. Also, the Department was able to provide road salt to several towns and municipalities, avoiding emergency situations. While we anticipate being reimbursed, it may not occur before the end of the fiscal year. We have restricted OE spending to only the most critical and continue to look for ways to achieve savings.

The Rail Operations appropriation is projected to have a net shortfall of \$3 million. The factors driving this shortfall include infrastructure improvement initiatives resulting from the May 2013 derailment (*in the amount of \$2.9 million*) and costs associated with the power disruption that occurred in October 2013 (*totaling \$7.5 million*). The cost components of the power disruption include lost revenue while the service was down, substitute bus service and discounts offered to monthly and weekly ticket holders authorized by the governors of New York and Connecticut. These expenses are partially offset by savings achieved related to the purchase of assets such as hand held ticket issuing machines and vehicle replacements coming in slower than expected, and also updated Metro North budget information for the second half of the fiscal year.

The Department continues to closely monitor expenditures in all of its appropriations and will continue to work with OPM to look for ways to achieve savings to mitigate any remaining shortfalls.