

*Considerations related to transportation infrastructure
funding in Pennsylvania*

THE LONG, BUMPY ROAD AHEAD

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The keystone is the critical piece that supports and holds in place an arch. Without a doubt, in terms of transportation, Pennsylvania is the Keystone State; supporting the movement of goods and people, thus acting as an economic catalyst. But for how much longer can the Commonwealth's infrastructure bear this responsibility without major investment?

Under investment in infrastructure compounded with the average age of roads and bridges are quickly placing the state on a destructive path. Time and time again, Pennsylvania is reported as having significant highway mileage with a poor roughness rating as well as a high number of structurally deficient bridges. For drivers, these infrastructure challenges materialize themselves through travel delays, rerouted traffic and increased vehicle maintenance costs.

However, as Governor Corbett addressed transportation funding in his 2012-2013 budget address, he said, "Transportation must be confronted as its own distinct and separate topic. This problem has grown for the past several decades and it will not be solved overnight. But, whatever solution we enact must be a lasting one." The state is now in a position where a "deferred maintenance" mentality will no longer serve the interests of communities, residents or businesses. The condition of transportation infrastructure impacts the quality of life for all Pennsylvanians as well as economic stability.

In moving forward the primary issues become who will fund, and how to fund, the changes. With the state's unemployment rate still hovering just under eight percent and a general disinterest in fee generation or incurring debt, implementing a transportation strategy places the Commonwealth



DEFERRED MAINTENANCE Due to the decrease in available funds for maintenance, repairs and reconstruction, the state has been put in the position of delaying or postponing projects

in a quandary. If the state is to confront transportation issues, it will have to be a multi-faceted approach incorporating elements of repairing, rebuilding, modernization and flexibility. In addition, any strategy will require support from the public, local leaders, the industry, state leaders and state legislators. To continue ignoring the problems associated with transportation infrastructure will only come at the detriment of each and every Pennsylvanian for years to come.

The Federal Scene

Pennsylvania is not alone in this funding quagmire; the federal government has been struggling to identify an effective funding strategy for the nation's program for a number of years. Unable to come up with a comprehensive solution, the federal surface transportation bill has been operating under eight consecutive, temporary extensions with the current extension facing expiration at the end of March.

As was referenced in this month's Front Line, the U.S. Senate passed a two-year \$109 billion bill that would fund road and transit projects; however, as March drew to a close there had yet to be any action in the House. U.S. House Majority Leader Eric Cantor (R-VA) recently

commented that Republicans are delaying a long-term bill as they seek a way to fund transportation in a time of severe fiscal constraints, and he does not believe there is enough bipartisan support to pass the Senate bill. At *Borough News'* press time, it appeared another extension may be looming as the two chambers cannot strike an agreement.

Only further compounding issues at the federal level is the Congressional Budget Office's recent forecast that the Highway Trust Fund (HTF) account that pays for highways and highway programs is expected to only remain solvent into 2013. This would have already occurred, but a number of fund transfers from the Treasury in recent years precluded the bankruptcy from happening.

There are two interconnected reasons for why the HTF account has been waning. First, the current federal gas tax was set at 18.4 cents per gallon of gasoline in 1993 and is not tied to inflation. As a result, its purchasing power has declined dramatically. Yet members of Congress on both sides of the aisle, as well as President Obama, have opposed any proposals to increase the gas tax as a way to help support the fund. In addition, Corporate Average Fuel Economy, or (CAFE)



WELL TRAVELED Under the Accelerated Bridge Program the Commonwealth was able to take the number of structurally deficient bridges from over 6,000 to under 5,000; however, there are 25,000 bridges with an average age of 50 years and the department must work on 300 bridges per year to keep even

standards were integrated in 1975 and have since been regulated by the Highway Traffic Safety Administration. CAFE standards have led to improved vehicle fuel efficiency, which drives down fuel consumption and with it gasoline-based revenues. For example, in 1980, the average passenger car got 16 MPG, and in 2010, with the improved standards, the average MPG for a passenger car was 23.8. The dilemma presented by the institution of CAFE standards is that there are multiple benefits derived from increased fuel efficiency; however, there is a direct impact on the gasoline tax revenue collected. It is widely recognized that gasoline taxes are not sustainable in the long-term and that other revenue sources must be sought.

The Federal Highway Administration (FHWA) is even seeking ways to encourage states to find alternatives, or improvements, to conventional highway grant funding strategies. "Adding flexibility for states' use of federal funds to meet local needs is key to helping them deliver projects more quickly," said Federal Highway Administrator

Victor Mendez in a recent press release. FHWA's "Every Day Counts" initiative, designed to shorten the time for highway project delivery, enhance roadway safety and protect the environment is attempting to help all state departments of transportation pursue new financial flexibilities. In regards to the initiative, U.S. Transportation Secretary Ray LaHood said, "In today's climate of tight budgets, it is essential that we do everything we can to help states get the most out of their transportation dollars to deliver safe and reliable roads and bridges for all communities. We look forward to seeing the results of these alternative methods, in hopes of helping states make the most of their federal funding."

Pennsylvania at a Glance

The Commonwealth has a diverse transportation network that cuts across a number of sectors. For example, the state owns 40,000 miles of roads, municipalities own and maintain 77,000 miles of roads, and there are over 6,000 bridges over 20 feet in length that are not state-owned and 25,000 that are

state owned. But the network is not only restricted to roads and bridges, Pennsylvania is also home to 133 public use airports, 15 commercial service airports, 58 operating railroad companies, over 60 community/shared ride systems, approximately 40 urban and rural transit agencies, and 4 ports. Just by reviewing some of the statistics, it is easy to understand why transportation funding becomes such a complex issue at the state level. As the system continues to age, pressures to alleviate the system's distress will only continue mounting.

In 2011 Governor Corbett tasked the Transportation Funding Advisory Commission (TFAC) to develop a strategy addressing Pennsylvania's transportation needs. TFAC was comprised of industry experts, government representative, and the business, energy and environmental communities. The final report addressed a number of recommendations covering the areas of modernization, a suggested funding package, a 10-year plan for strategic investment, legislative action required, and proposed follow-up studies.

TFAC also took into consideration the burden that would be placed on taxpayers and vehicle owners and drivers. In an era of "doing more with less," it was necessary to quantify the financial impact these recommendations would have on the typical driver. With vehicle and driver fees increased to inflation, uncapping the oil company franchise tax over five years, and fee and fine increases, the initial, additional weekly cost per driver would be \$.70. The additional weekly cost per driver would be \$2.54 by the fifth year. In comparison, cable TV cost \$12 per week in 2009, and cell phones averaged \$18 per week in 2010. Though TFAC calls upon individuals to make an investment in the system, it is not substantive in comparison to a number of common goods and services.

Legislatively there has been little activity since the August 1, 2011 release of the TFAC report; however, a number of bills seeking to adopt some elements of the report have been introduced. In particular, there are seven bills currently in the General Assembly that could help improve transportation infrastructure. Senate Bill 1326, introduced by Senator Jake Corman (R-Centre), and House Bill 2101, introduced by Representative Mike Hanna (D-Clinton), are companion bills that would amend Titles 74 (Transportation) and 75 (Vehicles) of the Pennsylvania Consolidated Statutes to, among other items: create a fund for use by the Department of Transportation (PennDOT) for infrastructure repairs; create a two-year registration cycle; provide for third-party driver's license testing; exempt new cars from safety inspection; and permit the use of radar guns for speed detection in an active work zone. Senator Corman was also the prime sponsor for Senate Bill 1327, which would also amend Titles 74 (Transportation) and 75 (Vehicles), adding language to permit Public Transportation Trust Fund allowances to not lapse; directs all required Act 44 payments from the Turnpike Commission exclusively to transit; and adds language allowing PennDOT to study consolidation of local transportation organizations.

Senator Corman and Representative Hanna also have companion bills – Senate Bill 4 and House Bill 2099 – that would also amend Title 75 (Vehicles), to provide penalties for violators; uncap the Oil Company Franchise Tax; permit PennDOT to charge a reasonable fee for administering a driver skill test; and make other changes related to fees and penalties. Further details can be learned about each of these bills by visiting the General Assembly's website, www.legis.state.pa.us, and searching the bill number.

The P3

There are two other bills of significance currently in the General Assembly, and they relate to enabling legislation for public-private partnerships, or P3s. A P3 is a contractual agreement between a government entity and private entity in which the business may help finance, construct, operate or maintain a project or facility. The result is often reduced project time and costs; however, a P3 is not appropriate for every project. Senator John Rafferty (R-Montgomery) is the prime sponsor of Senate Bill 344, and Representative Rick Geist (R-Blair) introduced House Bill 3. Both bills create the ability to enter into a P3 as well as identify the process through which a P3 would follow. Though there is likely to be a wide range of P3 opportunities throughout the Commonwealth, it is important to note that if and when the enabling legislation is passed, P3s represent another piece of the puzzle.

The PSP Effect

Public safety is of significant importance to all levels of government; however, funding police services comes with a price tag. For boroughs running their own police department, it is likely that the department will be the largest line item in the budget. Since public safety is such an expensive, yet worthwhile, investment, the topic is the base of frequent discussions.

At the local level, there were 1,180 police departments in 2010, which includes traditional, regional and contracted services. In addition, there were 1,258 municipalities relying on coverage from the Pennsylvania State Police (PSP). PSAB members support legislation requiring municipalities of a certain population threshold to pay a fee for PSP coverage. The majority of boroughs support a local force with the exceptions being 255 boroughs that use PSP services. In the current legislative session, boroughs

supported Representative Mike Sturla's (D-Lancaster) introduction of House Bill 1228, and though there has been no movement since its introduction in March 2011, boroughs continue supporting the legislative intent of the bill.

At the state level, a question currently being asked is whether or not PSP funding should come from the Motor License Fund. The PSP currently receives \$570 million from the fund for highway patrol operations, but the fund also provides for highway and bridge improvement, design, maintenance and purchase of rights-of-way, as well as aviation activities and PennDOT licensing and safety activities. The Motor License Fund is composed of monies received from liquid fuels taxes, licenses and fees on motor vehicles, aviation fuel tax revenues, federal aid for highway and aviation purposes, contributions from local subdivisions for highway projects and other miscellaneous highway revenues. With the fund being generated from these sources, it is valid to question if revenue should be diverted from the fund to support PSP highway patrol operations. TFAC supported either moving PSP costs to the General Fund or capping the costs at \$300 million.

Moving Forward

As has been pointed out by many in the field, the challenges facing transportation infrastructure did not happen overnight nor will the challenges be resolved overnight. The pressures of our nation's quickly deteriorating transportation system are felt at all levels of government as well as residents and business owners. There is no one cure-all for infrastructure woes, but it is clear that as both the federal and state governments try to tackle the issue of funding, we all bear the responsibility for the transportation network as system users. **(B)**