

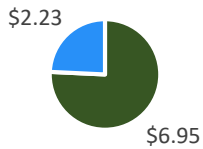
Pennsylvania Transportation Funding

Background

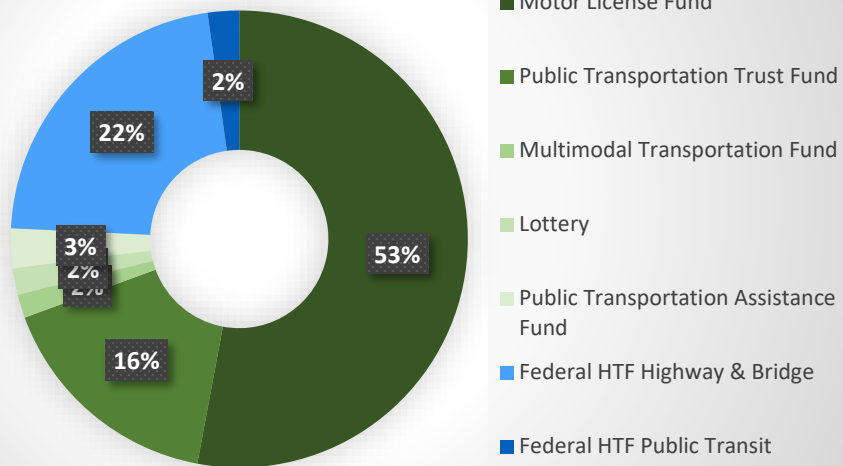
Currently, the Department of Transportation receives approximately 75% of its funding from state sources and 25% of its funding from federal sources for a total of approximately \$9.1 billion in annual funding. In other publications a total transportation budget of \$10.1B is referenced and includes monies towards the Turnpike, State Police, debt service, and other agencies. For the purposes of this document, discussion is limited to PennDOT funding (\$9.1B).

Current PennDOT Funding

Overview (\$ Billions)



■ State Funding ■ Federal Funding



	Source/Description	% of Dept Budget	Dollar Amount
State Funding			
Motor License Fund	Funded 75% by the Liquid Fuels Tax or “gas tax”, 25% through registrations and fees	53%	\$4,860M
Public Transportation Trust Fund	Funded in large part through the Turnpike payments, also sales tax and lottery fund payments.	16%	\$1,512M
Multimodal Transportation Fund	Created by Act 89, MTF is dedicated funding for ports, rail, aviation, and bike/ped.	2%	\$153M
Lottery	Funded by PA Lottery proceeds. Dedicated to free and reduced fare public transportation for Pennsylvanians 65 years and older.	2%	\$171M
Public Transportation Assistance Fund	Funded by Fees on tires, rental vehicles, and leased vehicles.	3%	\$258M
Federal Funding			

HTF Highway and Bridge	Federal Highway Trust Fund dollars allocated for highway and bridge projects.	22%	\$2,022M
HTF Public Transportation Funding	Federal Highway Trust Fund dollars allocated for public transportation.	2%	\$204M

Funding Threats and Needs

The unmet needs represent amounts needed above the current funding levels. The threats represent potential reductions in existing funding amounts. COVID Impacts refer to the projected budget implications of the COVID-19 pandemic.

THREATS:

- **Potential Federal Transportation Funding Reduction** – If federal appropriations are reduced beginning in federal fiscal year 2021 due to the insolvency of the Highway Trust Fund, then PA’s highway and public transportation funding through FY 2029-30 could be reduced by a cumulative \$6 billion.
 - o Since 2008, this crisis has been averted by Congress transferring a total of \$140 billion from the General Fund to the Highway Trust Fund. This sort-term solution may be used again. However, the inadequacy of federal gas tax revenues to fully fund the Highway Trust Fund creates a level of uncertainty in sustaining the fund into the future. The federal gas tax was last increased in 1993.
- **Potential Repeal of the Act 89 Vehicle Sales Tax Transfer** - Beginning in FY 2022-23, when PTC payments are to be reduced, and replacement funds coming from the general fund could be in jeopardy, then public transportation funding through FY 2029-30 could be reduced by a cumulative \$3.6 billion.
 - o The PTC’s mandated payments to PennDOT’s Public Transportation Trust Fund of \$450 million through FY 2021-22 and \$50 million per year through 2057 are slotted to be backfilled (at a minimum of \$450 million per year) with vehicle sales tax revenue that is transferred from the general fund beginning in FY 2022-23. This will be a negative impact to the General Fund.
 - o Due to COVID-19 impacts there is concern whether the PTC will be able to make its FY 2020-21 payments, in which case the multimodal need estimated in the following charts would increase by an additional \$450 million.

COVID-19 IMPACTS **numbers as of Sept. 1 Contact PennDOT for the latest estimates.:*

- **\$842 Million in losses from the COVID-19 crisis** – Pennsylvania’s prudent and lifesaving response to the health crisis coupled with decrease travel throughout the nation and region significantly reduced the department’s gas tax and other revenues.

Program Reductions (\$ In thousands):

Highway Related:

Highway Construction	288,240
Highway Maintenance	297,667
Green Light Go	10,000
Reinvestment in Facilities	11,000

State Bridge	42,053
Payments to Locals	102,443
Turnpike – from Gas Tax	17,723
Other Current Year Lapses	20,000
Total Highway Related	789,126
<u>Multimodal Related:</u>	
Transfer to CFA	6,587
Public Trans Assistance Fund	45,980
Total Multimodal	52,567
Total Reductions	841,693

UNMET NEEDS:

Unmet needs refer to the needs above current funding levels.

- **1.9 Billion in unmet needs for the National Highway System.**
 - o **Currently \$700 Million in unmet basic annual interstate funding needs.** The department has planned a gradual increase in interstate funding over the next few years that shifts funding away from traffic routes and local roads.
 - We have identified an annual need of \$1.2 billion to meet cyclical asset management needs. Currently, we spend between \$450 - \$500 million per year on the Interstate System. The plan put forward by the Financial Guidance Work Group will increase Interstate investment by approximately \$150 million in FFY 2021 and grow the investment by \$50 million/year until it reaches \$1 billion (FFY 2028).
 - o **\$1.2 Billion in annual unmet needs for the balance of the National Highway System** (i.e. not including the interstates). The need for funding on roads outside of the interstate system was a common plea from the members of the general assembly during this year's appropriations hearings.
 - The previously mentioned increase in funding to the interstates will divert funding from the remainder of the system, thus growing the unmet needs for the remainder of the National Highway System.
- **System Modernization and Upgrades of the NHS (including Interstates)** - There is an unmet annual need of \$2.1 billion – 3.2 billion for modernization and upgrades to the interstate system and modest upgrades to the remainder of the NHS system.
- **Maintenance and Operations** - In addition to approximately 40,000 miles of highway and 25,400 bridges, PennDOT owns and maintains a myriad of other assets across the state. These assets follow a life cycle of build, maintain, preserve and then repeat when the asset reaches its useful life. Each group of assets have relatively consistent required maintenance cycles for various activities to extend their useful life.

The below visual shows additional funding needs over the next 10 years.

TRANSPORTATION UNMET FUNDING NEEDS
(Figures in Millions of Dollars)

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>
National Highway System	1,900	1,995	2,095	2,199	2,309	2,425	2,546	2,673	2,807	2,948
System Modernization and Upgrades	2,100	2,205	2,315	2,431	2,553	2,680	2,814	2,955	3,103	3,258
Non-NHS and Maintenance & Operations	4,100	4,305	4,520	4,746	4,984	5,233	5,494	5,769	6,058	6,360
Facilities	50	53	55	58	61	64	67	70	74	78
Multimodal	1,200	1,260	1,323	1,389	1,459	1,532	1,608	1,689	1,773	1,862
Total Transportation Funding Need	9,350	9,818	10,308	10,824	11,365	11,933	12,530	13,156	13,814	14,505