Testimony by PennDOT Secretary Leslie S. Richards

House Appropriations Committee

Dec. 14, 2017

Chairman Saylor, Chairman Markosek, members of the committee, thank you for the opportunity to answer questions about balances in the Public Transportation Trust Fund, the Multimodal Fund, the Pennsylvania Infrastructure Bank and the Highway Beautification Fund. Joining me is Deputy Secretary for Multimodal Toby Fauver, who manages our programs that rely on these funds.

The bulk of the funds I will be discussing today provide stable and predictable funding for public transit, on which millions of our citizens rely. And those are people who live both in our two largest cities — Philadelphia and Pittsburgh — and dozens of other towns across the state.

Our citizens rely on transit to get to work and for trips that entail some of the other basics of everyday life — shopping, medical appointments, and recreation.

Transit provides shared rides in rural areas where some of our citizens have no other means of getting around.

Here in the Harrisburg region, Capital Area Transit has been adding special routes that supply critically needed links between people in our in-town neighborhoods and good-paying jobs in warehouses in our outlying communities.

And these funds — created over the last 10 years or so — replaced haphazard and unpredictable funding streams that allow transit to stabilize, and provide needed services and help our economy to grow.

Some details of how the funds work:

Money for the PTTF comes from a combination of sources: The Pennsylvania Turnpike, sales taxes, the Public Transportation Assistance Fund, unrestricted motor license fees, traffic violation fines, and the Lottery.

The PTTF supports $1.021 billion in transit-operating subsidies, $432 million in transit capital projects, and $82.5 million for programs of statewide significance, which includes passenger rail service.

Much of the money for capital projects in the Public Transportation Trust Fund comes from Turnpike-issued tax exempt bonds. This amounts to $375 million. I would note that the source of this money is turnpike-issued debt, and under the bond indenture agreements, the money cannot be transferred to non-capital uses without the bonds losing their tax-exempt status.

Transferring those bond proceeds would translate into credit rating downgrades for the Turnpike, tens of millions of dollars in higher borrowing costs for the Turnpike, additional pressure for more toll increases, a reduced capital program for Turnpike improvements, and reduced traffic on the turnpike, further jeopardizing its financial condition.

I would like to offer some background about PennDOT's transit responsibilities as we discuss this funding.

One reason Act 44 of 2007 was adopted was to give PennDOT greater oversight over transit operations, and PennDOT takes that duty very seriously.

Among the steps we take:

- Evaluate and prioritize investments.
- Analyze performance and identify opportunities to improve public transportation efficiency, effectiveness, and customer service.
- Undertake a performance review of each transit agency every five years.
- Produce an annual performance report and post it on our website. It details, by agency, financial information and passenger and operating data such as vehicle miles and hours and other performance statistics. We have done this each year since 2008.
- Provide technical assistance to transit agencies to implement improvement strategies.
- Analyze transit systems for compliance to ensure continued eligibility for state and federal funding.
- Analyze safety and security and ensure actions by transit agencies to remedy problems.

One of the purposes of Acts 44 and 89 was to create more predictable and stable transit funding for services that generate more than 400 million rides a year on 35 fixed-route transit agencies across the state.

In 2007, when Act 44 was enacted, in recognition of a significant increase in funding and predictability, there was an expectation of accountability, transparency, and prudent management of the Commonwealth's investment. This was the first time in many years that transit systems could plan service based on a reliable and growing funding source.

In the third year of the legislation, 2010, revenue fell far short of projections. Fortunately, we had a small reserve from the previous two years. Although we had to reduce transit grants and payments by almost 4 percent in June 2010, without the reserve, the reduction would have been greater and could have resulted in operating deficits and service cuts. At that time, we resolved to build a budgetary reserve that would mitigate future economic downturns and the potential for funding reductions, which can wreak havoc with operations.

We set a reserve target of 5 percent on operating funds. While 5 percent may seem like a large amount, it only equals about 2 ½ weeks of transit subsidies.

Operating payments to the 35 transit agencies across the state are paid monthly. But they are given notice in advance of what they can expect for the entire fiscal year, and the transit agencies make their annual budget and operating decisions based on that information.

Public Transportation is solely funded by the Public Transportation Trust Fund and the Public Transportation Assistance Fund.

One other historical note: Under Act 44 a significant portion of capital finds for transit was to come from revenue from the tolling of Interstate 80. When that was not approved by the federal government, it left a $150 million shortage in Act 44 available for transit capital funds. Act 89 of 2013 made up that shortfall. Overall, the inability to add tolling of I-80 cut Act 44's annual transportation funding, including highway and bridge, from $900 million to $450 million.

Among the plans for the PTTF funds are:

- $800 million in capital rail projects over the next five years.
- New transit facilities are under construction in Erie and Centre counties, and more are planned for Armstrong, Lackawanna, Luzerne, Bradford, McKean, Schuylkill and Westmoreland counties; DuBois-Clearfield County; Hazleton; Endless Mountains; and Harrisburg.

With Act 89, we are addressing the huge statewide transportation needs that affect everyone's constituents. Transportation is a core function of government and a service that impacts each of the state's more than 12 million residents. The balances in the PTTF represent commitments to projects constituents are expecting and need and cutting these will have a widely-felt impact.

Moreover, the loss of $50 million from the Multimodal Fund will deny much-needed assistance to communities around the state who rely on critically needed resources through the Commonwealth Financing Authority. Many communities and legislators rely on this program to direct much needed aid to their municipalities for safety improvements to intersections and safety improvements for pedestrians and bicyclists.

Likewise, the $25 million reduction in the Pennsylvania Infrastructure Bank would stop a variety of local transportation improvements. The state Infrastructure Bank can be used by municipalities and developers to finance local match shares of larger infrastructure projects. In fact, more than $20 million of this funding is already committed or in the approval process for projects improving community roadways. Again, the step impacts these projects:

- $500,000 for public street and drainage reconstruction projects in North Manheim Township, Schuylkill County;
- $26,000 for street improvements in Stillwater Borough, Columbia County; and
- $263,000 for street and drainage improvements in Beaver Meadows Borough, Carbon County.

The proposal to take $500,000 from the Highway Beautification Fund would force us to redirect funding from construction or maintenance activities. We rely on this fund to pay for federally mandated surveillance and enforcement of outdoor advertising and junkyard laws on more than 16,000 miles of roadway statewide. This is not a minor task — failure to maintain an effective program could result in losing up to 17 percent of the more than $1.5 billion in total highway funds we receive from the Federal Highway Administration.

We understand these are difficult financial times and the need for sacrifice extends widely. But in making such sweeping decisions about diverting money from funds established to meet critical needs, there needs to be a complete understanding of the ramifications and that is what I have attempted to do today.

Thank you for the opportunity for me to address these issues.