



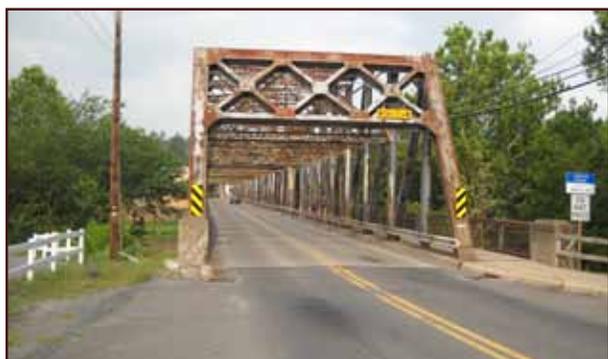
EXECUTIVE SUMMARY

Transportation Funding Advisory Commission



Tom Corbett, Governor

August 2011



Introduction

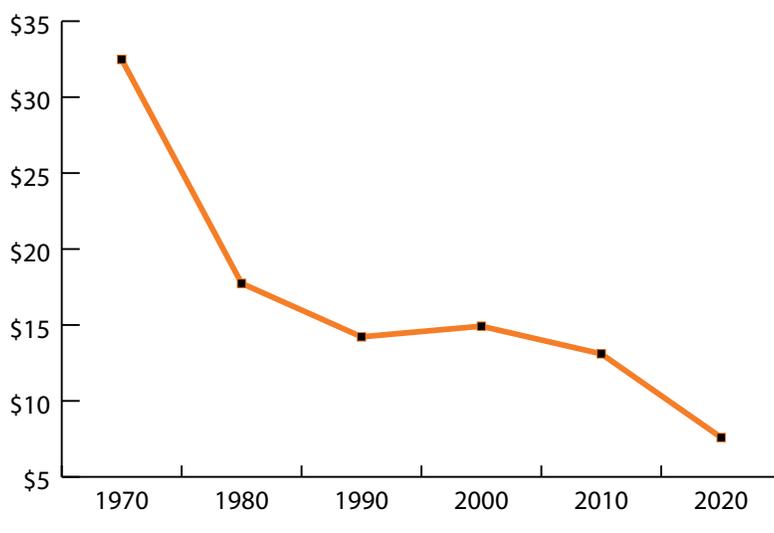
Pennsylvania's transportation facilities have served as a key component of economic strength for many generations. Today, much like the rest of our nation, Pennsylvania transportation infrastructure is aging significantly due to decades of underinvestment. Roadways, bridges, transit, rail freight, aviation, ports, and intercity passenger rail have all suffered as a result of insufficient funding, creating significant maintenance backlogs and reductions in service.

Due to increasing vehicle fuel efficiency, Pennsylvania now collects less fuel tax revenue per mile traveled than it has at any time in the past. This has led to a serious decline in the amount of money available to be spent on improvements to the transportation system, leading to a growing funding gap.

We are in need of a financial plan to allow all responsible providers to make necessary long-term improvements in all modes.

Governor Tom Corbett established the Governor's Transportation Funding Advisory Commission (TFAC) on April 21, 2011. TFAC by Executive Order was specifically created to develop a comprehensive, strategic proposal for addressing the transportation funding needs of Pennsylvania. Chaired by the Secretary of Transportation, the Honorable Barry J. Schoch, P.E., TFAC has studied and prepared a comprehensive listing of potential revenue sources as well as cost-saving modernization options that will support additional funding for all transportation modes.

Monthly Motor Fuel Tax Paid by the Average Driver by Year in 2010 Dollars



Transportation Needs

In 2010, the Pennsylvania State Transportation Advisory Committee (TAC) produced a report that quantified the state's unfunded transportation needs at approximately \$3.5 billion.

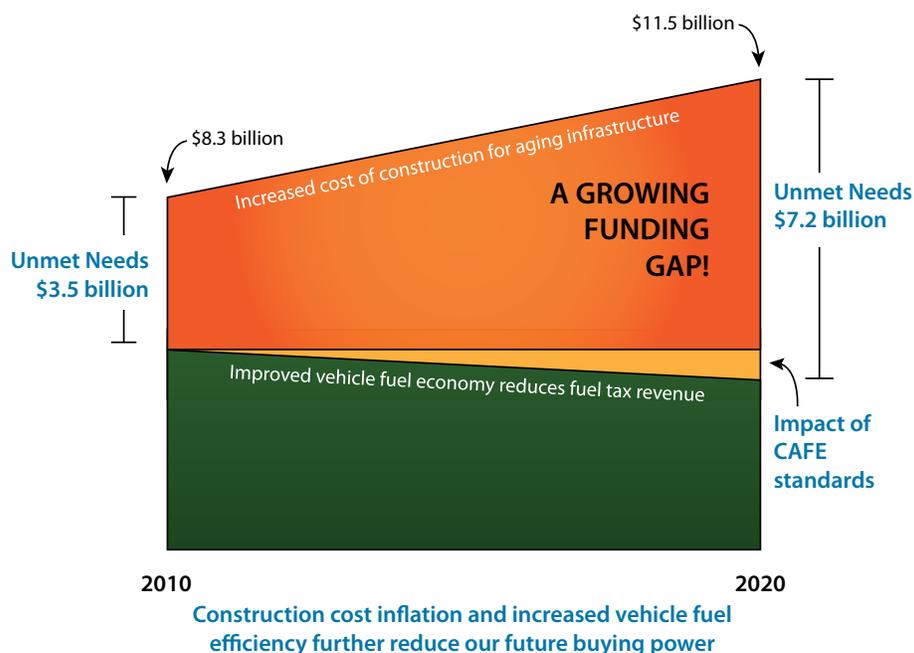
The gap is growing and will reach an estimated \$7.2 billion in 10 years if we do not take action to address the transportation need. The gap is growing because of continued decline in fuel tax revenue due to vehicle efficiency, reduced buying power due to inflation, and increasing costs of the Pennsylvania State Police consuming a bigger slice of the Motor License Fund.



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Pennsylvania's Transportation Funding Needs

The consequences will impact our economy, environment, and quality of life as the Commonwealth will be unable to undertake new projects to relieve congestion and will fall further and further behind in maintenance. Service cut-backs will be unavoidable and safety will become an issue. Declining trip reliability will affect the economy and most aspects of everyday life for Pennsylvanians, even those who rarely drive.



Highway/Bridge/Transit

| Highway Element | Description | Additional Annual Funding Need (in millions) | | |
|----------------------------|--|--|----------------|-----------------|
| | | 2010 | 2020 | 2030 |
| Safety | Improvements expected to reduce fatal crashes. | \$75 | \$116 | \$190 |
| Pavements | Addresses the quality of pavements by getting them back on a proper cycle of preservation, along with addressing the backlog of reconstruction needs for the 40,000-mile state system. | \$1,761 | \$2,731 | \$4,450 |
| Bridges | Addresses the backlog of Structurally Deficient bridges on the state system. | \$370 | \$1,290 | \$920 |
| Congestion Management | Includes better operation of the system through Intelligent Transportation Systems (ITS) | \$70 | \$91 | \$227 |
| Capacity | Addresses the need for new capacity on the Core Highway System. | \$300 | \$465 | \$758 |
| Local Highways and Bridges | Addresses the backlog of local bridge and roadway projects. | \$250 | \$388 | \$632 |
| Traffic Signals | Funds a collaborative traffic signal modernization and retiming program between PennDOT and local governments. | \$182 | \$282 | \$460 |
| Transit | Provides assistance to the state's transit agencies for approved operating expenses and capital improvements. State grants to transit systems are combined with federal and local dollars. | \$484 | \$1,383 | \$3,063 |
| TOTAL | | \$3,492 | \$6,746 | \$10,700 |

Source: Pennsylvania State Transportation Advisory Committee, *Transportation Funding Study*, May 2010.

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Other Modes

| Mode | Description | Additional Annual Funding Need (in millions) | | |
|--------------------------|---|--|-------------|-------------|
| | | 2010 | 2020 | 2030 |
| Aviation | Funds the state Aviation Development Program to provide funding to preserve, upgrade, and, when practicable, build new facilities. | \$8 | \$10 | \$18 |
| Rail Freight | Funds the Rail Freight Assistance Program to establish or re-establish rail service or to expand/maintain existing rail service. | \$12 | \$20 | \$30 |
| Intercity Passenger Rail | Subsidizes operations and capital equipment charges for the Keystone and Pennsylvanian trains operated by Amtrak, as required by the federal Passenger Rail Investment and Improvement Act of 2008 (PRIIA). | \$14 | \$18 | \$24 |
| TOTAL | | \$34 | \$48 | \$72 |

Source: PennDOT analysis

Funding Targets in millions (Highway/Bridge/Transit/Local)

| Mode/Recipient (total) | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|------------------------|--------------|----------------|----------------|----------------|----------------|
| Highway and Bridge | \$460 | \$920 | \$1,070 | \$1,425 | \$1,800 |
| Local Government | \$60 | \$130 | \$200 | \$250 | \$300-\$400 |
| Transit | \$200 | \$225 | \$275 | \$325 | \$300-\$400 |
| Total Goal | \$720 | \$1,275 | \$1,545 | \$2,000 | \$2,500 |

Funding Targets in millions (Aviation/Rail Freight/Passenger Rail)

| Mode/Recipient (total) | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|
| Aviation | \$7 | \$8 | \$9 | \$10 | \$11 |
| Rail Freight | \$9 | \$11 | \$13 | \$15 | \$17 |
| Intercity Passenger Rail | \$13.8 | \$13.8 | \$13.8 | \$13.8 | \$13.8 |
| Other Intermodal Investment | \$24.2 | \$21.2 | \$18.2 | \$15.2 | \$12.2 |
| Total Goal | \$54 | \$54 | \$54 | \$54 | \$54 |

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Summary of Issues for TFAC

(based on TAC report and expert testimony)

1. Total annual user fee revenue goal: \$2.5 billion by Year 5.
2. Long-term funding strategy for freight movement and vehicle user fees that is not based on fuel consumption.
3. Multimodal Freight Study to examine economic opportunity and investment needs.
4. Private sector involvement in finance.
5. Flexibility for local governments to adopt finance plans/invest in local/regional transportation.
6. Modernization strategies to embrace new technologies, reduce delivery costs, enhance customer service, promote provider cooperation to reduce overlap and costs, and ensure every public dollar for transportation is wisely and efficiently spent.
7. Evaluate revenue options that are user-based, provide choices for motorists where appropriate, and are inflation-sensitive.
8. Evaluate each option's net effect on the already-stressed General Fund.
9. Estimate cost impacts to average driver.
10. Examine statewide benefits of finance plans to compare investment to taking no action in terms of transportation benefits for all modes.



Modernization

As a result of strategic modernization, we can better meet customer needs and save money in the process—for us and our customers. Through rigorous evaluation, a number of modernization opportunities internal to PennDOT were identified, from business processes to management systems that will support future project decision-making. Recommended modernization items follow.

Modernization is about using today's tools to best serve today's customers within today's financial realities.

Driver and Vehicle Services

| Recommended by TFAC | Description | Principal Benefits |
|---|---|--|
| Implement biennial registrations | Renew vehicle registrations every two years instead of every year. | <ul style="list-style-type: none"> Registration paperwork cut in half. Yearly savings of \$5 million (PennDOT). Yearly total customer postage savings of \$1.5 million. |
| Issue eight-year driver's licenses | Make driver's licenses valid for eight years, double the current four-year licenses. | <ul style="list-style-type: none"> Convenience—customers only go to driver license centers once every eight years for a new photo and license. Yearly savings of \$500,000 (beginning four years after implementation). Yearly total customer postage savings of \$100,000. |
| Eliminate safety inspections for new vehicles | Require annual inspections only for cars more than two years old. | <ul style="list-style-type: none"> New car buyers save time. Statewide, owners of new vehicles save \$24 million a year. |
| Consolidate driver license centers | Consolidate driver license centers to achieve greater efficiency and improve customer service. | <ul style="list-style-type: none"> Driver license centers with more convenient hours. Yearly cost savings of \$650,000. |
| Eliminate vehicle registration stickers | Phase out the requirement to affix a registration sticker to each license plate each year. | <ul style="list-style-type: none"> One less task for vehicle owners. Yearly savings of \$1 million (PennDOT). Potential for enhancing online registration renewal. |
| Optional third party non-CDL driver's license skill testing | Currently road tests are free and conducted by PennDOT, typically with a several-week wait to schedule. This option would allow drivers to choose to pay to take a test sooner through a private testing service, or pay PennDOT a fee to take a driver test. | <ul style="list-style-type: none"> More choices to better serve customers. Yearly revenue increase of \$1.65 million. New private sector jobs at third-party testing centers. |
| Authorize fine option in lieu of suspension for driving without insurance | Failure to maintain insurance currently results in a three-month suspension of vehicle registration. This option would allow violators to pay a \$500 fine instead. | <ul style="list-style-type: none"> Customers can still drive to work and be productive and independent. |

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Traffic Control, Enforcement, & Safety

| Recommended by TFAC | Description | Principal Benefits |
|---|--|---|
| Update traffic signals to LED and optimize timing | Currently, municipalities own and maintain the state's 14,000 traffic signals. In this option, PennDOT would oversee modernizing signals and optimizing their operation. | <ul style="list-style-type: none"> • Drivers can see LED lights better, improving safety. • Energy costs reduced by 80% for local governments. • Existing roadways can handle more traffic for a relatively modest investment, reducing congestion and improving air quality. • Faster transition statewide to consistent, updated signals. |
| Automate work zone traffic control | Installation of speed enforcement cameras in work zones could provide more hours of monitoring while reducing the assistance needed by the Pennsylvania State Police. | <ul style="list-style-type: none"> • Work zone speed limits would be taken seriously 24/7, reducing crashes and saving lives. • \$2 million in savings—deployment and operation would be self-funding. |
| Install red-light-running cameras | Automated enforcement of traffic signals has proven effective in Philadelphia and other states, producing a 25% average reduction in intersection crashes. | <ul style="list-style-type: none"> • Intersections would be monitored around the clock, improving driver behavior and reducing crashes and fatalities. • Local police would not be stretched as thin. |
| Expand and update HOP permitting | Expanded use of online permit applications; aligning PennDOT fees with administrative costs. | <ul style="list-style-type: none"> • Streamlined application review process. • Costs and responsibilities would be more fairly allocated. • Option to pay higher fee for expedited guaranteed service within specified timeframe. |

PennDOT Project Delivery

| Recommended by TFAC | Description | Principal Benefits |
|---|---|--|
| Expand program management and outsourcing | Bundle individual projects into programs—such as rehabilitating 100 to 300 bridges at one time—and engage experienced private sector program managers to produce benefits for PennDOT as well as local governments. Continue to investigate and implement appropriate opportunities to outsource processes and services. Currently PennDOT contracts out about 74% of its workload. | <ul style="list-style-type: none"> • Improved project delivery. • Lower costs. |
| Eliminate local cost share for ADA curb ramps | When improving state highways, PennDOT would construct curb ramps compliant with the Americans with Disabilities Act at all affected cross-streets, and seek maintenance agreements with municipalities in lieu of cost-sharing. | <ul style="list-style-type: none"> • Cost savings to local governments (\$238 million). • Efficient installation statewide. • Clear-cut maintenance responsibilities. |
| Modify review process for minor projects | PennDOT executes about 600 minor projects (such as small bridge repairs) each year. This option would streamline the required design submissions and reviews with consultants performing the work. | <ul style="list-style-type: none"> • Minor projects built more quickly, reducing project costs and delivering benefits sooner. • PennDOT scrutiny more appropriately directed toward complex projects. |
| Streamline new technology approval | Implement faster processes for testing and verifying performance of prospective materials and technologies while mitigating risk. | <ul style="list-style-type: none"> • A faster road to better-performing, more cost-effective projects. • More competition among suppliers and greater sourcing options. |

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Transit

| Recommended by TFAC | Description | Principal Benefits |
|---|--|--|
| Study consolidation of small transit systems to serve regions where appropriate (shared-ride and fixed-route) | Consolidation would only be done based on the outcome of a study. The studies (conducted jointly by PennDOT and the involved transit providers) will examine regions to determine whether consolidation would reduce annual expenses. If the study outcome estimates annual savings, providers and local government would have the option of following the recommended actions or providing increased local funds to match the projected annual savings. | <ul style="list-style-type: none"> • \$18 to \$25 million in savings. • Customers dependent on transit do not lose this vital service. • Reduces pressure to increase local share of state funding. |

Aviation

| Recommended by TFAC | Description | Principal Benefits |
|---|---|---|
| Update the Aviation Development Program prioritization process | Place greater emphasis on project readiness, including local share availability and local permitting approvals. | <ul style="list-style-type: none"> • Projects could move forward quickly if funding becomes available. |
| Maximize opportunities to fund aviation projects with the Aviation Restricted Account | Adjust charges and reimbursement methods for PennDOT Flight Services that would reduce the burden on the Aviation Restricted Account. | <ul style="list-style-type: none"> • More funding available for aviation projects. |
| Consider aviation entitlement program with the state grant program | Guarantee funding to an annual statewide development/maintenance program for airports at a specified level year after year. | <ul style="list-style-type: none"> • More predictable funding levels. • Economies of scale. • Stretches available funds further for actual construction. |

Inter-Agency Coordination

| Recommended by TFAC | Description | Principal Benefits |
|--|--|---|
| Consolidate to a Statewide Traffic Management Center | Co-locate the traffic management operations of the Pennsylvania Emergency Management Agency, the Pennsylvania State Police, the Pennsylvania Turnpike Commission (PTC), and PennDOT into one centralized statewide facility with modernized equipment and communications technologies. | <ul style="list-style-type: none"> • Motorists would receive reliable, real-time 511 information. • The highway network would be managed as a system. • More efficient and effective communication and collaboration among entities. |
| Agility agreements with PTC and local governments | Formalize cooperation between PennDOT and local governments, as well as the PTC, through agility agreements. They facilitate joint planning, training, and materials development as well as shared use of materials and equipment and exchange of services. | <ul style="list-style-type: none"> • Common-sense approach to managing transportation infrastructure. • Cost savings for PennDOT and local governments/PTC. • Better roadway maintenance and service. |
| Enhanced collaboration | Broader collaboration among state agencies, the PTC, transportation management areas, and county and municipal governments, all with overlapping jurisdictions and goals. Efforts would align responsibilities with areas of strength, with PennDOT taking the overall lead. | <ul style="list-style-type: none"> • Transportation system planning, development, operation, and maintenance would be better managed. • Streamlined methods would be more cost-effective. |

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Energy

| Recommended by TFAC | Description | Principal Benefits |
|---------------------------|---|--|
| Support alternative fuels | Biodiesel, compressed natural gas (CNG), electric plug-ins, magnetic recharge, and other technologies could offer promise for the future fueling of PennDOT's fleet and Pennsylvania's transit vehicles, school buses, and privately-owned fleets. This would require an initial investment in vehicles, fueling stations, and service garages. | <ul style="list-style-type: none"> • Reduce emissions/improved air quality. • Potential for lower fuel costs. • Potential for more stable fuel sources. • Long-term economic benefits—job creation in Pennsylvania-based energy. |

Finance

| Recommended by TFAC | Description | Principal Benefits |
|---|--|--|
| Marketing and advertising within state right-of-way | State law does not allow any marketing or advertising within the state right-of-way. New options for advertising could include 511 sponsorship signs, static sponsorship advertising above variable message boards, and video sharing agreements for video from PennDOT traffic cameras. | <ul style="list-style-type: none"> • \$5 million in new revenue for PennDOT. • Increased customer awareness of 511 services and congestion that will improve safety and provide better route planning. |
| Move PA's Fuel Point of Taxation to the terminal (RACK) | The Department of Revenue currently collects motor fuel taxes at the wholesale distributor level. This option proposes imposing the liquid fuel tax at a higher point in the distribution chain, to the terminal, or "RACK." | <ul style="list-style-type: none"> • \$25 million in additional revenue. • The point of taxation would be consistent with the federal gas tax. |
| Service patrol advertising | Allowing commercial businesses to advertise on the trucks that provide service patrols in urban areas can cover the costs of this service. Currently the service is paid for directly by PennDOT. | <ul style="list-style-type: none"> • Save the \$4.2 million per year PennDOT currently spends on this service. • Potentially provide increased service if additional revenue is generated. |



Recommended Funding Package

This funding shortfall will not be corrected in a short amount of time. Funding will have to be enhanced over a period of years through various methods. Further, transportation investments take time to plan, design, and construct. In recognition of this fact, **TFAC adopted a target of identifying \$2.5 billion in additional resources** through new funding sources as well as increased efficiencies and cost savings. The target is to be achieved over a five-year period, allowing time for additional funding to come on line throughout a transition period and allowing a more gradual increase in fees.

Recommended Funding Package

Sources (in millions) Highway/Bridge/Local/Transit

| Funding Source | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|--|--------------|----------------|----------------|----------------|----------------|
| Cap and move \$300 million of State Police costs to General Fund | \$0 | \$17 | \$114 | \$228 | \$300 |
| <i>If PSP capped and not shifted to General Fund</i> | <i>\$0</i> | <i>\$0</i> | <i>\$0</i> | <i>\$0</i> | <i>\$0</i> |
| Increase vehicle and driver fees to inflation (3% per year going forward), phased in for commercial vehicles over 26,000 pounds. | \$383 | \$431 | \$480 | \$532 | \$574 |
| Fuels: Uncap Oil Company Franchise Tax (AWP) over five years | \$272 | \$544 | \$817 | \$1,089 | \$1,361 |
| Fee and fine increases - Motor License Fund | \$17 | \$17 | \$62 | \$62 | \$172 |
| Modernization and cost savings - Motor License Fund | \$10 | \$20 | \$30 | \$50 | \$66 |
| Restructure Act 44 - Motor License Fund decrease | (\$200) | (\$200) | (\$200) | (\$200) | (\$200) |
| Restructure Act 44 - Transit increase | \$200 | \$200 | \$200 | \$200 | \$200 |
| Dedicate 2% of existing Sales Tax revenue to transit | \$0 | \$22 | \$100 | \$150 | \$172 |
| Total required Local Transit - 15% of new money, only if local option source enabled <ul style="list-style-type: none"> • Small Games of Chance (50) transit local funding • Local Transit match - other sources | \$0 | \$0 | \$45 | \$52.5 | \$55.8 |
| Modernization - Consolidate/ regionalize transit delivery | \$0 | \$0 | \$5 | \$10 | \$20 |
| Total Funding | \$682 | \$1,051 | \$1,653 | \$2,163 | \$2,700 |
| <i>If PSP capped and not shifted to General Fund</i> | <i>\$682</i> | <i>\$1,034</i> | <i>\$1,539</i> | <i>\$1,935</i> | <i>\$2,400</i> |

Impacts to Typical Driver (in actual dollars)

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|--|---------------|---------------|---------------|---------------|---------------|
| Vehicle and driver fees increase to inflation | \$14 | \$16 | \$18 | \$19 | \$21 |
| Fuels: Uncap OCFT (AWP) over 5 years (if entire increase is passed on to the consumer) | \$22 | \$43 | \$64 | \$83 | \$101 |
| Fee and fine increases - Motor License Fund | \$0 | \$0 | \$0 | \$0 | \$10 |
| Total Additional Yearly Cost | \$36 | \$59 | \$81 | \$103 | \$132 |
| Weekly Cost | \$0.70 | \$1.14 | \$1.57 | \$1.97 | \$2.54 |

Intermodal Transportation Funding

Revenue generated from surcharges on moving violation traffic tickets is currently deposited into the General Fund and could be redirected into a new Intermodal Transportation Fund. This revenue could be used to increase funding for Aviation, dedicate money for the Rail Freight Assistance Program and Intercity Passenger Rail, and provide additional funding to Pennsylvania's Ports and Waterways.

Recommended Funding Package

Summary (in millions) Aviation/Rail Freight/Passenger Rail

| Mode/Recipient (total) | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|
| Aviation | \$7 | \$8 | \$9 | \$10 | \$11 |
| Rail Freight | \$9 | \$11 | \$13 | \$15 | \$17 |
| Intercity Passenger Rail | \$13.8 | \$13.8 | \$13.8 | \$13.8 | \$13.8 |
| Other Intermodal Investment | \$24.2 | \$21.2 | \$18.2 | \$15.2 | \$12.2 |
| Total Funding* | \$54 | \$54 | \$54 | \$54 | \$54 |

*Annual total funding will be based on actual revenue generated.

Decade of Investment

PennDOT will be able to begin reinvesting in new capacity projects after years of “maintenance first” project planning, and is committing to reduce the backlog of projects resulting from an aging infrastructure and years of underinvestment. A decade of investment will result in the following infrastructure improvements:

- System-wide safety enhancements and Intelligent Transportation Systems (ITS)
- Reduction in structurally deficient bridges
- Improved roadway resurfacing and reconstruction
- New road and bridge capacity projects
- Increased transit facilities and services
- Upgrades and improvements for rail freight network, airports, and ports



Legislative Action Recommendations

- Provide enabling legislation so local governments can have the option to raise revenue to support transportation investment.
- Pass public-private partnership legislation.
- Amend Act 44 of 2007 to shift Pennsylvania Turnpike Commission payments and expand tolling authority to interstates.
 - » Direct all required Act 44 payments directly to transit.
 - » Transition all Act 44 payments currently for transit operating costs, to be used for capital projects.
 - » Enable tolling authority on other interstates within Pennsylvania, with toll revenue dedicated exclusively to the corridor from which it was collected. TFAC does not recommend tolling of any interstate. However, recognizing that tolling is mileage-based rather than based on fuel consumption, and considering that federal laws could change in the future, TFAC recommends creating enabling state legislation now.

Follow-up Study Recommendations

- Determine the feasibility of alternative highway funding for Pennsylvania including usage based charges such as expanded tolling, logistics fees, freight charges and vehicle miles travelled (VMT) fees.
- Develop a comprehensive Commonwealth Freight Movement Plan
- Research opportunities to avoid delays due to utility relocation for roadway improvement projects.