



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 1060

PRINTERS NO. 2697

PRIME SPONSOR: Pyle

COST / (SAVINGS)

FUND	FY 2013/14	FY 2014/15
Commonwealth Funds	See "Fiscal Impact"	See "Fiscal Impact"
County Funds	See "Fiscal Impact"	See "Fiscal Impact"
Municipal Funds	See "Fiscal Impact"	See "Fiscal Impact"

SUMMARY: House Bill 1060 provides new revenues for roads and bridges, mass transit, and multimodal transportation. It also provides for a restructuring of the Act 44 Turnpike obligation, prevailing wage reform on local transportation projects, vertical licenses plates, a rental car fee at the Philadelphia Airport, increasing the speed limit on highways and provide for other changes. The effective dates of this legislation vary, and would range from immediately to December 31, 2016.

ANALYSIS: This legislation is a comprehensive transportation funding package that provides new revenues for roads and bridges, mass transit, and multimodal transportation. The legislation also provides for a restructuring of the Act 44 Turnpike obligation, prevailing wage reform on local transportation projects, allowing PennDOT to incur debt for highway and bridge projects and increasing the maximum speed limit to 70. In addition, the legislation includes other miscellaneous provisions such as, creating a bridge bundling program, establishing a traffic signal grant and synchronization program, creating a recurring appropriation for the Municipal Police Officer Education and Training Program, providing additional allocations for the Commonwealth's dirt and gravel road programs, establishing a Philadelphia Airport car rental fee, providing a new rebate for the Oil Company Franchise Tax to the Fish and Boat Commission, consolidating PennDOT deputates, providing for a \$5 optional county vehicle registration fee, vertical licenses plates, providing for a biennial registration program as well as expanding the diverse business program for transportation projects.

Uncapping the Oil Company Franchise Tax (OCFT): The legislation would incrementally eliminate the cap on the average wholesale price on gasoline and diesel subject to the OCFT. The cap on the average wholesale price would be increased to \$1.87 on January 1, 2014, to \$2.49 on January 1, 2015 and then be fully eliminated on January 1, 2017. The cap on the average wholesale price of a gallon of gas has been \$1.25 since 1983. The current average

wholesale price of a gallon of gasoline is over \$3. The legislation would lift the cap incrementally through January 1, 2017, when it would be eliminated. A price floor of \$2.99 is established in the legislation on January 1, 2017.

Eliminating the State Liquid Fuels Tax: The legislation would replace the 12¢ liquid fuels and fuels tax on January 1, 2014, with an increased millage rate on the Oil Company Franchise Tax. Municipalities shall continue to receive 20% of the new millage rate each year, the same percentage as they receive now from the liquid fuels and fuels tax. Counties will receive 4.17% of the total revenue which is equivalent to the ratio of the 1/2 ¢ to the 12¢ liquid fuels and fuels tax that they receive now. The millage rate is reduced annually as the cap on the Oil Company Franchise Tax increases to keep this change revenue neutral. Specifically, 64 mills are added for 2014, 49 mills for 2015, 48 mills for 2016, 41 mills for 2017 and 39 mills for 2018.

Vehicle Registration, Driver's Licensing, and Other Title 75 Fees: Most Title 75 fees are increased to the rate of the inflation with the exception of passenger vehicles, driver's licenses, light trailers, light trucks, heavy trucks, motor coaches, limousines, school buses, motorcycles, learner's permits, and antique cars. Passenger vehicles, driver's licenses, light trailers, motorcycles, learner's permits, and antique cars are not increased immediately but are allowed to increase with the Consumer Price Index for All Urban Consumers (CPI-U) on July 1, 2015. Light trucks are increased in 2014-15 and in 2016-17 at a lesser amount than the inflationary change since last adjusted in 1997. Heavy trucks, motor coaches, limousines, and school buses are increased in 2014-15 but at a lesser amount than the inflationary change since last adjusted in 1997. These fees are then increased incrementally each fiscal year until 2017-18 when they reach the rate of inflation since 1997. All aforementioned fees are subject to inflationary adjustments every two years starting July 1, 2015 with the exception of trucks, motor coaches, limousines, and school buses which will have their first CPI-U adjustment on July 1, 2019.

Pennsylvania Turnpike Commission's \$450 Million Annual Obligation per Act 44: The \$200 million from the Turnpike Commission that currently is deposited in the Motor License Fund is redirected to the Public Transportation Trust Fund for mass transit and the Multimodal Transportation Fund starting in 2014-15. The full Turnpike obligation to provide \$450 million annually (Act 44 of 2007) will cease after 2021-22. This revenue will be replaced with a percentage of the sales tax, not less than \$450 million, and will be disbursed from the sales and use tax on motor vehicles and trailers. The Turnpike Commission shall provide \$30 million in cash each year for mass transit within the total contribution so that transit authorities will have additional bondable revenue. Starting in 2022-23, and each fiscal year thereafter, the Turnpike Commission shall provide \$50 million for mass transit from current revenue.

Unrestricted Motor License Fund Fees: The Title 75 unprotected fees include title certificates, inspections stickers, requests for driver information, non-license identification cards, fees for changes to title security amount, certified copies of records are phased out of the Motor License Fund and redirected into the Public Transportation Trust Fund for mass transit and

the Multimodal Transportation Fund. These fees are gradually redirected over the first 5 years. In year 5, 77% of the fees shall be deposited into the Public Transportation Trust Fund and 23% shall be deposited in the Multimodal Transportation Trust Fund. These fees are then split between transit operating assistance and the asset improvement program.

Surcharge on Traffic Tickets: The legislation would increase all Title 75, Section 6506(a)(1) through (a)(7) surcharges by 50%. The surcharges on 6506(a)(1) are increased from \$30 to \$45 so that the General Fund continues to receive the same amount of revenue. The surcharges on 6506(a)(2) through 6506(a)(7) are increased by 50% and all of that revenue is redirected from the General Fund to the Public Transportation Trust Fund for mass transit.

Fines assessed under Title 75, Section 3111 (Failure to Obey Traffic Control Devices): This legislation would increase the current fine from \$25 per violation to \$150 per violation but will not include court costs or a surcharge. Of the \$150, \$125 will go into the Public Transportation Trust Fund and \$25 will go to the Judicial Computer Augmentation Account.

Financial Responsibility Optional Fee (Lapse of Insurance): The legislation establishes an optional \$500 fee that a driver may choose to pay in lieu of a 90-day suspension of registration for driving without insurance. The current \$300 fine remains in place. The revenue from this fee would be directed into the Public Transportation Trust Fund.

Prevailing Wage Threshold for Local Transportation Projects: The legislation also increases the threshold for local transportation projects, subject to the Prevailing Wage Act of 1961, from \$25,000 to \$100,000. This change will take place on contracts beginning January 1, 2014.

Multimodal Transportation Fund: The legislation establishes a new Multimodal Transportation Fund. Revenues to this fund will support grants for airports, rail freight, ports and waterways, intercity rail, local roads, as well as pedestrian and bicycle facilities. Revenues to this Fund include money from the Turnpike Commission, unprotected Title 75 fees as well as up to \$35 million from the Oil Company Franchise Tax starting in 2015-16.

Minimum funding levels are established for the aforementioned programs. These levels of funding are increased by the CPI-U starting on July 1, 2015 and every 2 years thereafter. The Fund shall also be used for administrative expenses incurred by PennDOT and \$1 million is appropriated out of the Fund in 2013-14 for PennDOT administrative expenses. Additional monies not delineated for the aforementioned programs shall be directed to the Commonwealth Financing Authority (CFA) for distribution to eligible programs.

Dirt and Gravel Roads: The legislation provides a \$30 million increase to the Dirt and Gravel Road Program through additional Oil Company Franchise Tax revenue. The State Conservation Commission will now be provided with \$28 million for grants whereas the Department of Conservation and Natural Resources will have \$7 million. The legislation also adds a provision to carve out \$8 million of the \$35 million dedicated to the Dirt and Gravel Road Program to be earmarked for the paving of low-volume (500 vehicles or less a day) roads.

70 MPH Speed Limit: The legislation permits PennDOT and the Turnpike Commission to establish 70 mph speed limits on highways across the Commonwealth that meet sufficient engineering and traffic criteria necessary for safe operation at such a speed.

Bridge Bundling Program: The legislation adds Chapter 93 to Title 74 to provide for PennDOT's "bridge bundling" program. The purpose of the program is to bundle state owned and/or locally owned bridges for the purposes of cost-efficient design and construction.

Local governments owning bridges that are included in the program, after having been identified as candidates by the department, shall be relieved of any local match requirement. If, however, a locally owned bridge is identified by the department and the local government refuses its inclusion in the program, that bridge will be subject to a local match of 30 percent of the non-federal share at such time as it would be constructed.

Traffic Signals Maintenance Agreement: The legislation adds Chapter 92 to Title 74 to provide for the traffic signal agility program between PennDOT and municipalities. Specifically, it provides for agreements between PennDOT and municipalities for the upgrade and synchronization of signals in a designated traffic corridor. In return, the agreement may include requirements for the municipality to provide transportation-related services to PennDOT. In cases where PennDOT contends municipalities do not meet the requirements of such an agreement, a procedure is put in place for resolution, ultimately culminating with arbitration if necessary. If a municipality still fails to meet its requirements under an agreement, PennDOT is authorized to withhold liquid fuels funds.

Traffic Signal Grant Program: The legislation provides new funding for traffic signal synchronization for municipalities. PennDOT may provide up to \$10 million in 2014-15, \$25 million in 2015-16, and \$40 million in 2016-17 and each year thereafter. Grants shall be matched by amount not less than 50% of the total project by municipalities or private entities.

Municipal Police Officer Education and Training: \$5 million is appropriated annually for this program starting in 2014-15 out of the Motor License Fund.

Philadelphia Airport Car Rental Fee Increase: The legislation amends Chapter 59 of Title 74 to add a Subchapter C which establishes an \$8 per day fee on motor vehicle rentals at the Philadelphia International Airport. The fee will be used to incur debt to build a multi-story parking facility for the use of the customers of the rental car companies, which will be conveniently located and have the vehicles of all the companies in one area.

The initial \$8 fee, effective immediately upon enactment, could be increased in the future upon the mutual agreement of the city and the rental car companies.

Fish and Boat Commission OCFT Rebate: The legislation amends Section 9511 of Title 75 to provide for a rebate to the PA Fish and Boat Commission from the Oil Company Franchise Tax that is paid on fuel used to power motorboats.

For the first five years, the rebate may only be used for the improvement of high-hazard dams and dredging/clearing in the area of the dam. The Fish & Boat Commission will be required to come before the House and Senate annually to present their plan to spend this money. Beginning in fiscal year 2018-19, the rebate may be used for a broader spectrum of motorboat-related amenities.

Consolidation of PennDOT Deputates: The legislation adds provisions enabling the consolidation of PennDOT Deputates. Specifically, creates a Deputy Secretary for Multimodal Transportation who will encompass local and public transportation, rail freight, aviation, airports, ports and waterways.

Diverse Business Participation: The legislation expands the definition of “diverse business” to also include service-disabled veteran-owned small business and veteran-owned small business, in addition to minority-owned business, disadvantaged business, and women-owned business. The legislation also extends the provisions to the Turnpike Commission

With the assistance of the Disadvantaged Business Enterprise Supportive Services Center, PennDOT is required to conduct outreach and report on its outreach program.

The legislation requires the Department of Labor and Industry, through CareerLink or another program, and PennDOT to work together on a job placement plan “to help place individuals from population groups with chronically high unemployment rates in jobs related to transportation funding.” L&I and PennDOT must issue a joint report to the Governor and all members of the General Assembly on the plan.

County Vehicle Registration Fee: The legislation would provide for any county to levy a \$5 optional vehicle registration fee. Revenue from this fee shall be deposited into the Fee for Local Use Fund in the State Treasury. PennDOT shall collect the fees at the time a vehicle is registered and the monies shall be added to the corresponding county’s allocation under section 9010(b) (relating to disposition and use of tax)

Optional Biennial Registration: This legislation would allow PennDOT to offer optional biennial registrations. This will apply to the owner or lessee of a motor vehicle (except to those registered under the International Registration Plan, those with a seasonal registration or a circus or carnival plate) and will allow them to elect to pay annual registration fees for a two-year period. Vehicle owners will still be able to register annually if they choose that option.

This legislation would also establish that registration stickers will no longer be issued or be required to be displayed on registration plates. These provisions would take effect on December 31, 2016.

PennDOT Debt Authorization: The legislation would allow PennDOT to incur up to \$500 million in debt for capital projects that are itemized in accordance with the Capital Facilities Debt Enabling Act. Debt service is hereby appropriated out of the Motor License Fund to the State Treasurer.

Vertical Motorcycle License Plates: This legislation amends Title 75, Section 1332 (related to display of registration plate) to allow registration plates issued to motorcycles to be mounted on the motorcycles in a vertical manner, with the letters displayed in a vertical alignment, provided that the mounting complies with all other provisions of Section 1332.

FISCAL IMPACT:

Commonwealth Funds

Motor License Fund: See attachment. In addition, this legislation would allow PennDOT to incur up to \$500 million in capital debt. Issuing \$500 million in bonds at 4% (assumed true interest cost) would require annual debt service payments of \$36.8 million per year (about \$736 million total) for a 20-year period beginning in mid-2014 (based on level debt service payment methodology and no capitalized interest). This payment could comfortably be absorbed within projected unrestricted Motor License Fund revenues or within projected Highway Bridge Improvement Restricted Account revenues.

Multimodal Transportation Fund: See attachment.

Public Transportation Trust Fund: See attachment.

General Fund: Although the General Fund would lose approximately \$5.1 million in 2013-14 and approximately \$10.2 million due to the loss of the \$30 surcharge on Title 75, Section 3111 violations being eliminated, the Multimodal Transportation Fund will have the statutory authority to reimburse the General Fund in the amount of \$9.45 million for 2013-14 for the PennPORTS appropriation as well as the Rail Freight Assistance appropriation. In 2014-15 and each fiscal year thereafter, the Multimodal Transportation Fund would provide relief to the General Fund for the two appropriations aforementioned as well as the appropriation for Rail Freight and Intermodal Coordination which was funded at \$868,000 in 2013-14. These three appropriations total \$10.3 million for 2013-14. That surcharge reduction would be partially mitigated as the legislation establishes a new violation in Title 75 for Turnpike fare evasion. The estimated violations are indeterminable at this point.

Fee for Local Use Fund: The optional county vehicle registration fee could also provide some additional revenue for counties through the Fee for Local Use Fund. PennDOT indicates that there are 11.5 million vehicles registered in Pennsylvania. If all counties levied this fee, this provision could add as much as \$57.5 million in the aggregate for counties annually.

Emergency Medical Services Operating Fund: The Emergency Medical Services Operating Fund would realize a reduction in revenue each year because the \$10 surcharge on Title 75, Section 3111 violations is eliminated. The amount lost from the surcharge is estimated to be approximately \$1.7 million in 2013-14 and \$3.4 million in 2014-15. This change is not expected to impact the projected level of grants in 2013-14 and 2014-15. That surcharge reduction would be partially mitigated as the legislation establishes a new violation in Title 75 for Turnpike fare evasion. The estimated violations are indeterminable at this point.

Judicial Computer Augmentation Account: The Judicial Computer Augmentation Account would realize a net increase in revenue of approximately \$2.9 million in 2013-14 and \$5.8 million in 2014-15. The \$25 of the new Title 75, Section 3111 fine would provide approximately \$4.2 million in revenue in 2013-14 and \$8.5 million in 2014-15 assuming consistent violation incidences. This account would realize a reduction in revenue from the elimination of the \$10 surcharge on Title 75, Section 3111 violations. This Account receives \$8 of that surcharge. The amount lost from the surcharge would be approximately \$1.4 million in 2013-14 and \$2.7 million in 2014-15. That surcharge reduction would be partially mitigated as the legislation establishes a new violation in Title 75 for Turnpike fare evasion. The estimated violations are indeterminable at this point.

Access to Justice Restricted Account: The Access to Justice Restricted Account would realize a reduction in revenue each year because the \$10 surcharge on Title 75, Section 3111 violations is eliminated. This Account receives \$2 of that surcharge. The amount lost from the surcharge is estimated to be approximately \$340,000 in 2013-14 and \$680,000 in 2014-15. That surcharge reduction would be partially mitigated as the legislation establishes a new violation in Title 75 for Turnpike fare evasion. The estimated violations are indeterminable at this point.

Historical Preservation Fund: According to data supplied by PennDOT, 1,132 of these plates sold in 2011-12. Increasing these fees from \$15 to \$23 or 53.33% would provide an additional \$9,054 annually assuming the same demand for these plates.

Zoological Enhancement Fund: According to data supplied by PennDOT, 1,173 of these plates sold in 2011-12. Increasing these fees from \$15 to \$23 or 53.33% would provide an additional \$9,384 annually assuming the same demand for these plates.

County Funds

The 67 counties would all receive additional funding from the uncapping of the Oil Company Franchise Tax and the dedication of the additional 1% from forestry bridges to county bridges. The adjustment to the prevailing wage threshold would also provide some savings to counties. According to the Municipal Statistics web page provided by the Department of Community and Economic Development, counties spent approximately \$120 million in the last available year (2009) on public works projects for bridges and streets. However, it is indeterminable at this point to realize the value of the projects that would be between \$25,000 and \$100,000.

Municipal Funds

Municipalities would all receive additional funding from the uncapping of the Oil Company Franchise Tax, the local bridge bundling program, and the traffic signal grant program. The adjustment to the prevailing wage threshold would also provide some savings to municipalities. According to the Municipal Statistics web page provided by the Department of Community and Economic Development, counties spent approximately \$1.52 billion in the last available year (2011) on public works projects for bridges and streets. However, it is indeterminable at this point to realize the value of the projects that would be between \$25,000 and \$100,000.

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House Appropriations Committee (R)

DATE: November 21, 2013

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.

HB 1060, PN 2697 Fiscal Range

	Year 1		Year 2		Year 3		Year 4		Year 5		Five Year Total	
	2013-14		2014-15		2015-16		2016-17		2017-18		Low	High
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
Motor License Fund (Highways and Bridges)												
Cap Utilized on Average Wholesale Price												
Uncap Oil Company Franchise Tax	\$1.87	\$1.87	\$1.87/\$2.49	\$1.87/\$2.49	\$2.49	\$2.49	\$2.49/\$2.99	\$2.49/\$3.11	\$2.99	\$3.11	5,897	6,078
Replace 12c Liquid Fuels Tax with New OCFT Millage Rate	271	271	925	925	1,309	1,309	1,537	1,590	1,855	1,983	15	15
Title 75 Fee Increases	(1)	(1)	4	4	6	6	5	5	1	1	1,224	1,224
Redirect Unrestricted Title 75 Fees to Mass Transit/Multimodal	34	34	227	227	285	285	308	308	370	370	(1,171)	(1,171)
Stop Act 44 (Turnpike) Transfer to the Motor License Fund	(63)	(63)	(196)	(196)	(284)	(284)	(284)	(284)	(344)	(344)	(800)	(800)
Redirect OCFT Revenue (Assumes \$35 million)	0	0	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(105)	(105)
Motor License Fund (Highways and Bridges)	242	242	761	761	1,081	1,081	1,332	1,384	1,646	1,774	5,061	5,242
<i>% Motor License Fund + Public Transportation Trust Fund</i>	<i>83%</i>	<i>80%</i>	<i>70%</i>	<i>68%</i>	<i>72%</i>	<i>71%</i>	<i>76%</i>	<i>76%</i>	<i>78%</i>	<i>78%</i>	<i>75%</i>	<i>74%</i>
Public Transportation Trust Fund (Mass Transit)												
Unprotected Fees	33	33	128	128	211	211	211	211	265	265	849	849
Title 75/Section 1786 \$500 Fee in Lieu of Suspension	0	0	3	3	5	5	5	5	5	5	18	18
Title 75/Section 3111 \$150 Fine (\$125 to PTF and \$25 to JCSAA	11	21	21	42	21	42	21	42	21	42	95	191
Title 75/Section 6506 Surcharges	5	5	12	12	13	13	14	14	14	14	58	58
Redirect Motor License Fund Act 44 (Turnpike) Transfer to Trans	0	0	200	200	200	200	200	200	200	200	800	800
Redirect \$30M of Act 44 (Turnpike) Transfer to Multimodal	0	0	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(120)	(120)
Public Transportation Trust Fund (Mass Transit)	49	60	334	355	420	441	421	442	476	497	1,699	1,795
<i>% Motor License Fund + Public Transportation Trust Fund</i>	<i>17%</i>	<i>20%</i>	<i>30%</i>	<i>32%</i>	<i>28%</i>	<i>29%</i>	<i>24%</i>	<i>24%</i>	<i>22%</i>	<i>22%</i>	<i>25%</i>	<i>26%</i>
Multimodal Transportation Fund												
Unprotected Fees	30	30	67	67	73	73	73	73	79	79	322	322
Redirect \$30M of Act 44 (Turnpike) Transfer to Multimodal	0	0	30	30	30	30	30	30	30	30	120	120
Redirect OCFT Revenue (Assumes \$35 million)	0	0	0	0	35	35	35	35	35	35	105	105
Multimodal Transportation Fund	30	30	97	97	138	138	138	138	144	144	547	547
Total Revenue all Funds	320	331	1,191	1,213	1,639	1,660	1,891	1,964	2,266	2,415	7,307	7,584

Notes:

First OCFT increase will be January 1, 2014

Title 75 Fees are adjusted for the CPI-U on 7/1/15 and again on 7/1/17 with the exception of trucks, school buses, limousines and motor coaches where the inflator starts on 7/1/19
 In year 5 for Highways and Bridges, the high column represents an average wholesale price of \$3.11, whereas the low column would be an average wholesale price of \$2.99

The difference between the low and high columns for mass transit are the Section 3111 fines. The low column represents a conservative revenue estimate that assumes violations will decrease by 50% because of the increased fine.