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HOUSE OF REPRESENTATIVES

TRANSPORTATION COMMITTEE HEARING

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MONDAY, APRIL 28, 2008

1:00 P.M.

PRESENTATION ON
STATUS OF STATE AND NATIONAL
TRANSPORTATION INFRASTRUCTURE

BEFORE:

HONORABLE JOSEPH F. MARKOSEK, MAJORITY CHAIRMAN
HONORABLE RICHARD A. GEIST, MINORITY CHAIRMAN
HONORABLE PAUL COSTA
HONORABLE MICHAEL F. GERBER
HONORABLE KATE HARPER
HONORABLE DICK L. HESS
HONORABLE MARK K. KELLER
HONORABLE RONALD S. MARSICO
HONORABLE RON MILLER
HONORABLE JOHN SABATINA, JR.
HONORABLE DANTE SANTONI, JR.
HONORABLE MARIO M. SCAVELLO
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1 ALSO PRESENT:
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3 HONORABLE THOMAS R. CALTAGIRONE
4 HONORABLE MARK B. COHEN
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6 DEBRA B. MILLER
7 REPORTER
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1 CHAIRMAN MARKOSEK: Good afternoon,
2 everybody. Thank you for attending the hearing this
3 afternoon.

4 The House Transportation Committee hearing
5 will now be in session.

6 I'm Representative Joe Markosek, majority
7 chair. With us here, of course, we have
8 Representative Rick Geist, the Republican chair.

9 And some of the members here with us are
10 Dante Santoni from Berks County and Mark Keller from
11 Perry County. And we have a special guest -- as I
12 like to call them, wannabes for Transportation --
13 Representative Chairman Tom Caltagirone, Chairman of
14 the Judiciary Committee, from Berks County as well.

15 So with that, we will have some members who
16 will be coming in as we proceed. I see
17 Representative John Sabatina has just joined us, from
18 Philadelphia County.

19 Representative Geist, do you have any
20 opening remarks?

21 REPRESENTATIVE GEIST: No, let it roll.

22 CHAIRMAN MARKOSEK: Okay.

23 The first folks on our agenda today are
24 Mr. Eric Madden, Deputy Secretary for Aviation and
25 Rail Freight from PENNDOT, as well as Mr. Brian

1 Thompson, who is Acting Director of the Bureau of
2 Design, also with PENNDOT.

3 Mr. Madden, come forward, please, and Mr.
4 Thompson is going to use the podium. We are going to
5 start with opening remarks by Mr. Eric Madden.

6 Eric, you may proceed.

7 MR. MADDEN: Good afternoon. Can you hear
8 me?

9 CHAIRMAN MARKOSEK: Yes; I can hear you.

10 MR. MADDEN: Great. Thank you.

11 Good afternoon, Mr. Chairman and members of
12 the committee. It's my pleasure to be here.

13 Again, I'm Eric Madden. I'm the Deputy
14 Secretary for Aviation and Rail Freight under the
15 Pennsylvania Department of Transportation.

16 Joining me is Brian Thompson, who is our
17 Acting Director for the Bureau of Design at the
18 department.

19 It is our pleasure to be here today to talk
20 a little bit about the Governor's programs in detail
21 for Pennsylvania.

22 As you recall, in February of this year, the
23 Governor in his budget address had put a primary
24 focus on the infrastructure of Pennsylvania.

25 Pennsylvania's infrastructure is very vast

1 and very rich, but it is an infrastructure that is
2 aging, and realizing that that infrastructure is
3 aging, he wants to put a strong emphasis on bringing
4 more attention to the infrastructure and bringing
5 more financial commitment to the infrastructure to
6 move it forward.

7 So given that, I will basically talk about
8 three aspects of that, which is basically a teaser on
9 the bridge program. Brian will go into that in much
10 larger detail. I will talk about the aviation and
11 the rail freight programs and have a little snippet
12 about our Pennsylvania Infrastructure Bank.

13 So given that, again, the Governor has
14 presented a program, a very aggressive agenda, to
15 address the bridges and our aviation and rail freight
16 programs in Pennsylvania.

17 We will say that the Governor recognizes
18 that infrastructure is absolutely critical to the
19 vitality of this State, and we are very fortunate to
20 have a person that, quite honestly, just gets it.
21 And not just getting it, but also realizes that we do
22 have some challenges, and this challenge on
23 infrastructure has been a bridge crisis.

24 Now, this isn't a surprise to anyone, by any
25 stretch of the imagination. If you look at the chart

1 -- and Brian will go into this chart -- you will see,
2 again, he will go into it in much larger detail, but
3 we have 25,000 bridges over 8 feet in distance; 5,900
4 of those are structurally deficient. That's a big
5 number. It just is.

6 The fact of the matter is, we have been
7 aggressively trying to drive that number down, and
8 with this plan that the Governor has proposed, over
9 the next 20 years, we will aggressively try to drive
10 that number down to the ballpark of some 3,200
11 bridges.

12 But to do that, we have had some aggressive
13 financing to make this happen since 2003. But to hit
14 our targets, we feel that we must have, quite
15 honestly, an investment of \$1.6 billion per year
16 every year to drive that number down. That does not
17 get us to zero, but that drives the number down so
18 we can start taking much larger bites of the apple
19 here.

20 Again, Brian will go into the bridge program
21 a little bit further. Right now, we'll actually go
22 into a little bit more of my bailiwick, which is in
23 aviation and rail freight.

24 Pennsylvania is very fortunate to have a
25 very robust aviation community here. We have over

1 800 airports, heliports, and seaports in
2 Pennsylvania. Of that 800, 134 are for public use,
3 and of that 134, 15 offer some form of scheduled
4 service.

5 Over the past few years, we have had a
6 capital bond program of \$5 million to help fund those
7 projects to promote economic development at those
8 aviation facilities. The Governor has proposed,
9 quite honestly, to double that program to \$10
10 million.

11 What does that do for us? It provides a
12 greater opportunity to do hangar development, runway
13 extensions, taxiway extensions, runway
14 reconstruction, and basically terminal improvements.

15 One project which we had just funded this
16 past year, as an example of how critical this is,
17 State College Airport is the one commercial service
18 airport in this nation that does not have an
19 air traffic control tower. This program, which we
20 funded this year, will help fund that air traffic
21 control tower at that airport.

22 This is real projects, real economic
23 stimulus. Hangar development at your general
24 aviation airport is part of their lifeblood. It
25 creates real dollars for that airport.

1 Much like on the rail freight side, we have
2 a \$20 million capital bond program for the rail
3 freight. The Governor has proposed that we increase
4 that bond appropriation to \$30 million.

5 So of those \$20 million that we had in this
6 fiscal year, we had \$93 million in demand. That
7 number has increased steadily year after year, and
8 that number will increase from here on out.

9 Rail, quite honestly, is popular again, and
10 it is part of the option and part of the way we get
11 ourselves out of congestion and how we build a much
12 more seamless transportation system.

13 Again, with that investment, we will do and
14 provide, again, a greater opportunity to rail
15 clearances, to purchase new rail, to rehabilitate
16 rail, and rehabilitate the bridges. Again, real
17 projects.

18 Again, Pennsylvania is a State that is very
19 well positioned in terms of its rail infrastructure.
20 We have more rail companies in Pennsylvania than
21 anywhere in the State and the Union, and we have
22 more, well, actually, we are riding fifth in terms of
23 the actual mileage of the track at 6,000 miles of
24 track.

25 So we have a very huge investment to take

1 care of in Pennsylvania in terms of rail freight, and
2 the Governor has stepped up to that. And with your
3 approval, we will be continuing that in the future
4 years.

5 In regard to our Pennsylvania Infrastructure
6 Bank, this is a revolving loan bank which is housed
7 within our department here. It is capitalized at
8 \$17 million.

9 Again, the demand for that has been
10 absolutely phenomenal for this fiscal year. The
11 \$17 million, we exhausted that in the first 6 months.
12 The Governor has proposed that we increase that
13 capitalization to \$30 million.

14 This provides greater opportunities,
15 particularly to our municipalities. They use this as
16 a source of money to actually match Federal, State,
17 local, private investment for a multitude of
18 projects, which could improve bridge replacement,
19 roadway resurfacing, signalization, all of the above.
20 This has been a very vibrant program, and it has been
21 something that is growing over time.

22 This increase in the \$30 million
23 appropriation will, if you will, add another arrow to
24 the quiver, which will be something that other people
25 could use to answer the question of how we fund

1 transportation projects.

2 With that, I will move to Brian, who will go
3 into much further detail on the bridge program, and
4 after his presentation, we will be back for question
5 and answer.

6 CHAIRMAN MARKOSEK: Okay. Thank you, Mr.
7 Deputy Secretary.

8 Brian, before you begin, I would just like
9 to recognize that Representative Watson has arrived,
10 Representative Hess, Representative Harper,
11 Representative Siptroth, and Representative Chairman
12 Ron Marsico.

13 We have both Chairmen of the Judiciary
14 Committee here with us today, and I do not know if
15 that's a message here in some fashion, but
16 nevertheless---

17 REPRESENTATIVE GEIST: Joe, when you tell us
18 to be here, we show.

19 CHAIRMAN MARKOSEK: We're happy to have
20 them.

21 And, Brian, if you will just bear with the
22 committee here for a second. I have to apologize.
23 We forgot maybe the most important thing. We didn't
24 do the Pledge of Allegiance today.

25 So I'm going to have Representative

1 Caltagirone lead us in the Pledge of Allegiance.

2 (The Pledge of Allegiance was recited.)

3 CHAIRMAN MARKOSEK: Okay. Thank you very
4 much.

5 Brian, what an introduction. There you go.
6 You may proceed when ready, and we have a slide show
7 available as well.

8 MR. THOMPSON: All right. I would like to
9 say good afternoon, and I would like to thank the
10 House Transportation Committee for allowing me to
11 come and talk to you today about bridges.

12 As I have been introduced, I am the Acting
13 Director for the Bureau of Design, but leading up to
14 this position, my entire career has been as a bridge
15 engineer. So I can say that I'm kind of excited
16 about being part of a program that has a focus on
17 improving our bridges here in Pennsylvania.

18 And today I'm going to talk about our
19 program in three areas. First is the condition of
20 our bridges; second, our bridge letting statistics;
21 and third, our Accelerated Bridge Program.

22 I will begin with the condition of our
23 Pennsylvania bridges.

24 I will begin with some Pennsylvania bridge
25 statistics. First, we have about 25,000-plus bridges

1 that are State-owned bridges here in Pennsylvania.
2 These are bridges that have spans of over 8 feet
3 in length. We have a deck area of approximately
4 110 million square feet.

5 And I will preface this a little bit in
6 terms of talking about the deck area in that while we
7 talk about bridge counts -- the number of our bridges
8 -- we manage our bridge program by and large by our
9 deck area. And I guess we like to compare it to, if
10 we were managing real estate, if we had enough
11 houses, we would be managing those houses by the
12 square footage in terms of their value, and the area
13 of our bridge decks are predictors for us in terms of
14 managing the costs for replacement and
15 rehabilitation.

16 Next, I will talk about structurally
17 deficient bridges.

18 Since last summer with the I-35 bridge
19 collapse in Minnesota, there has certainly been a lot
20 of focus on the term "structurally deficient," and
21 I'll talk a little bit before I get into the numbers
22 about what "structurally deficient" means in terms of
23 our bridges and nationally.

24 Structurally deficient is a condition of a
25 bridge. When we inspect a bridge, we rate three of

1 the primary components: the deck; the superstructure,
2 which is the beams; and the substructure, which
3 contains the piers, abutments, et cetera. We rate
4 those for a condition from zero to 9, zero being the
5 worst and 9 being the best.

6 A bridge becomes structurally deficient when
7 one of those components has a condition rating of 4,
8 which is poor condition. Five would be fair
9 condition, 4 would be structurally deficient. As we
10 go lower, 3 would be a serious condition; 2,
11 critical; and zero and 1 are conditions where the
12 bridge may have to be closed or perhaps is closed.

13 In terms of structurally deficient as it
14 relates to Pennsylvania bridges, we have over 5,000
15 structurally deficient bridges in the State. Those
16 are State-owned bridges. And from a deck area, we
17 have 22.5 million square feet, which is about
18 20.5 percent. Our count -- backing up -- is about
19 23 1/2 percent of our bridge population.

20 Next, just another statistic that we have,
21 our average age of our bridges here in Pennsylvania
22 is 50 years, and that becomes significant as we move
23 on, because that somewhat shows how we can project
24 our bridge conditions as we move forward. I will get
25 into that with some additional slides.

1 Next, how do we compare with our neighboring
2 States -- and I'm going to catch up here. This slide
3 shows bridge data for bridges over 20 feet, and we
4 use 20 feet because that is the data that
5 Pennsylvania as well as other States report to the
6 Federal Highway Administration. So this is the only
7 data we have to compare. And this data shows that we
8 have 24.7 percent of our bridge population that is
9 structurally deficient as compared to the national
10 average of 8.4 percent. In other words, we are about
11 three times the national average.

12 In comparison to other adjacent States, only
13 New Jersey and West Virginia have percentages of
14 structurally deficient bridges that are above the
15 national averages. Delaware and Maryland, New York
16 and Ohio, all are below the national average of
17 8.4 percent.

18 This slide shows our bridge population
19 relative to its age, and we are showing the deck
20 area, again, because that is the indicator that we
21 manage our bridges by, and really what this shows is
22 that we have a lot of bridge population that was
23 built 30 to, say, 50 years ago. And as you can see,
24 there is certainly this large population where, as I
25 indicated previously, that our average age is

1 50 years.

2 In essence, we have an aged bridge
3 population that we have to manage, and it is kind of
4 like a car. As your automobile becomes older, there
5 is more to manage in terms of maintenance and other
6 things as we move forward, and that's the same as we
7 have in the aged bridge population.

8 This next slide is what we call a bridge
9 deterioration curve, and on the vertical axis we show
10 the condition going from bad at the bottom to good at
11 the top, and then that is over time on the horizontal
12 axis. And we will divide this slide into three areas
13 or three stages, as we call it.

14 The first stage is a stage where the bridge
15 undergoes a condition from, say, the time when it is
16 new to the time when it begins to show signs of
17 deterioration. And what we say in terms of our
18 bridge condition and inspection ratings is that this
19 is a condition of, say, a 9, which is excellent
20 condition, down to a condition 5, which is fair
21 condition. In Pennsylvania, we have approximately
22 19,000 bridges that fall into this stage 1 category.

23 The next stage is what we identify as
24 stage 2, and this is a stage when the bridge has
25 begun its deterioration, and as you can see, the rate

1 of deterioration as we are faced with is not linear.
2 So it is not like we have this long, predictable line
3 that once deterioration starts, that we can monitor
4 it by. But rather, we get into this stage where
5 deterioration becomes, the rate of deterioration
6 becomes much more rapid.

7 And this is a stage where, from a bridge
8 condition standpoint, where we are structurally
9 deficient, and we will say that any one of the
10 components as I described earlier -- the deck,
11 superstructure, or substructure -- fall into a
12 condition rating of 4, which we classify as a fair
13 condition.

14 The next stage, which we identify as
15 stage 3, is a stage where we have progressed into the
16 deterioration such that deterioration is happening at
17 a very rapid pace. From a bridge inspection
18 standpoint, we have one or more components that are
19 3 or less. So those components are serious,
20 critical, or in a condition where we have to begin
21 emergency repairs or perhaps close a bridge, post a
22 bridge for load restrictions, or limit the bridge to
23 the number of vehicles or lanes.

24 From a numbers standpoint, we have about
25 1,500 bridges within Pennsylvania that fall under

1 this category. Now, this is a stage where we do not
2 like to be in with our bridges, because again, this
3 is a stage where we have to engage with emergency
4 repairs and, again, perhaps closures.

5 The next slide. This slide shows a
6 condition of a bridge that we would say went from
7 the, say, stage 2 category to the stage 3 category
8 very quickly and we had to begin emergency repairs.

9 This is a bridge in Hershey, Pennsylvania.
10 When the biannual inspection was performed last
11 January, the inspectors noticed severe corrosion in
12 some of the webs of the main members and immediately
13 contacted the Harrisburg district office, and it was
14 determined that the bridge would become posted for a
15 3-ton load restriction until emergency repairs were
16 made.

17 An emergency contract was immediately
18 initiated, and emergency repairs have since been
19 completed on the bridge. But again, this is a
20 condition where when we get into emergency repairs,
21 the cost of completing these repairs comes much
22 higher than what we would like and a cost that is
23 normal to our normal bridge maintenance and repair
24 program.

25 Just one more slide relative to conditions.

1 This is a bridge in Somerset County, SR 2037, and
2 this slide shows some severe corrosion and a number
3 of the steel girders of the bridge. And if you look
4 closely, you will see the bottom flange of the steel
5 girders; there's a lot of section loss, and this is
6 the result of years of corrosion, perhaps the bridge
7 undergoing or being subject to icing chemicals, or
8 de-icing chemicals. And again, as we move on, the
9 rate of deterioration continues and we continue to
10 have advanced section loss and have to engage in
11 serious repairs or perhaps sometimes replacement of
12 the bridge.

13 The next portion of my presentation is
14 really just one slide to talk about some letting
15 statistics, and there are a number of items on this
16 slide and I will separate them out.

17 The green line represents the construction
18 costs for bridge improvements and millions of dollars
19 from the period of 1997 through 2007. As you can
20 see, we have gone from about \$107 million in 1997 to
21 \$554 million this past year in 2007.

22 The red line represents the number of
23 projects associated with those dollars, and again,
24 moving from left to right, we had 102 projects,
25 bridge improvement projects, in 1997, and that moved

1 up to 225 in year 2007.

2 And I will just talk about a couple little
3 blips on this or explain some of the data here. In
4 the year 2000, you might say while there's a big jump
5 in bridge dollars but not a whole lot of increased
6 projects, some of the explanation there is that as I
7 talked at the beginning of my presentation, we manage
8 our bridges in part by the deck area, and in this
9 time frame, we built a lot of big bridges. So the
10 numbers do not increase in terms of the bridge
11 counts, but the dollars in terms of the costs are
12 those projects' increases.

13 Then if you look from year 2005 to 2007, you
14 will see a steep rise in construction dollars and not
15 a whole lot of increase in projects and bridge
16 projects, and the explanation here is twofold.

17 First, this is a period where we had
18 undergone several years of very high inflation in our
19 construction program, and so this is reflected in the
20 dollars. And the second part of this is, again, we
21 were concentrating on some of our very large bridges,
22 and so those large bridges involve a lot of costs and
23 we do not get a lot of counts.

24 The next part of the slide, at the lower
25 right-hand corner, is bridge preservation spending.

1 In the year 2005, we began a bridge preservation
2 program that was focused on keeping our good bridges
3 good. In other words, we want to keep our bridges
4 from getting SD.

5 If you have driven around the Harrisburg
6 area this past year or perhaps the past couple of
7 years, you will notice a lot of the bridges that
8 cross over our interstate highways and other
9 roadways, you will see construction going on, and
10 these are projects where we are replacing the deck
11 expansion joints, the areas of our roadway runoff in
12 the winter. Of course, it has salt with that. That
13 leaks through the decks and gets onto our
14 substructures, and that initiates deterioration.

15 This program is to eliminate those leaking
16 deck joints and, in many cases, apply a latex overlay
17 to help protect the deck. Our goal with this program
18 is, going back to our bridge deterioration slide, is
19 to extend that stage 1 life of the bridge so that we
20 are not getting into stage 2 or stage 3.

21 And as you will see here, in 2005, we had
22 dedicated \$44 million; in 2006, \$133 million; and
23 then in 2007, \$119 million. And there are a lot of
24 bridges associated with these, and those are not
25 reflected in the numbers above in the red lines. So

1 the number of these projects is actually many more
2 than that that is reflected in red, okay?

3 Now I will get into what our Accelerated
4 Bridge Program is about.

5 I'll begin by talking about our current
6 funding, and this number at \$1.1 billion is a little
7 different from the construction number on the
8 previous slide. This is what we call a fully loaded
9 cost, meaning this includes construction costs,
10 right-of-way costs, engineering costs, all costs
11 associated with putting that project out. And again,
12 our current program is about \$1.1 billion.

13 With our Accelerated Bridge Program, our
14 intent is to have this increase by \$500 million, up
15 to \$1.6 billion a year. And where does this come
16 from? First, from directing a larger portion of the
17 current funding to bridges. That would include
18 Act 44 funding as well as other funds from our
19 program.

20 And then next, of course we have heard about
21 the proposed bonding, and this is at \$200 million a
22 year for 10 years.

23 This slide shows some funding history, and
24 again, these are fully loaded costs from 1997 up to
25 2018, which is our 10-year program. As you will see,

1 in 1997, we were slightly over \$200 million; got up
2 to about \$600 million in the early 2000s; again, up
3 to \$1.1 billion this past year; and then ramping up
4 to \$1.6 billion for the years 2008 through 2018.

5 And I want to talk just a little bit about
6 this, and as you will see, in the years out at \$1.6
7 billion, it is a sustained spending. And we looked
8 at a whole lot of scenarios as we were evaluating our
9 bridge program, and some had more funding, perhaps
10 instead of \$200 million at 10 years of bonding, say
11 \$400 million a year for 5 years, and a number of
12 other scenarios.

13 And this would have produced a whole lot
14 more funding in the early years, but our evaluation
15 and discussion with the industry show that that would
16 cause some inflationary aspects to our program, and
17 from a construction-contractor perspective, a
18 sustained program is more advantageous to them
19 because they have a way of predicting how to increase
20 their staffing and resources to deal with the program
21 instead of a small, short-term duration on an
22 increase in spending.

23 Okay. What do we get for the proposed
24 program? And this shows the SD bridge results, as we
25 move on. Again, today, we are about 23.5 percent of

1 SD percentage, which is 5,935 bridges. In 5 years,
2 with the proposed spending, we would be down to 18.3
3 percent, or 4,612 bridges; at 15 years, moving down
4 to 12.7 percent, or 3,208; and at 25 years it would
5 be about half of the current value of SD bridges at
6 2,890.

7 And I just want to point out that the
8 remaining SD bridges, we indicate it that way because
9 we are doing two things as we move out. We are
10 reducing the number of SD bridges, but we are also
11 encountering new additional SD bridges as we move on.
12 And we have, based on history, some indicators that
13 tell us what we can expect as we move on, and that
14 has been integrated into these numbers. So again,
15 these numbers reflect what we take off, but also some
16 numbers that come on as we move on in time.

17 This slide shows some history of SD bridges
18 and then our projections as we move out. And of
19 course in this line, we would like to see the line
20 going from left to right going down, because that
21 represents improvement in our bridges.

22 And as you will see, from year 2003 to 2007,
23 we actually had an increase in SD bridges, and you
24 might say, well, we have been putting a lot of
25 dollars into our bridges and we haven't gotten much

1 in terms of our results. A couple of explanations.

2 First, at the end of 2005, we had a bridge
3 collapse in Washington County, I-70, and that was an
4 adjacent non-composite box beam bridge. As a result
5 of what we learned from that bridge, a number of our
6 bridges or that type of bridge became SD because of
7 some things that we found about the capacity of that
8 bridge.

9 And in addition, as a result of that
10 occurrence, we took another look at our bridge
11 inspection program, made some changes, and that in
12 itself resulted in some more, what I will say, strict
13 inspections, and those inspections where we had some
14 bridges that may or may not have been SD became SD as
15 a result of some more strict inspections. So we got
16 up to 5,937.

17 In addition, in the northeast portion of the
18 State, that is the year when we had our flood, our
19 severe flood, and we had a number of bridges that
20 became SD during that time.

21 So again, that gets us to 5,935, which is
22 our current number, and our projections, as we move
23 on in time, again with the program, shows that we are
24 moving down to 5,785 in 2008, and in 5 years, 4,612
25 in 2013, and then all the way to 3,208 in year 2023.

1 Now I will talk about some of the key
2 components of our Accelerated Bridge Program. First
3 is to focus on SD bridges.

4 When we met with our MPOs and RPOs last
5 summer, as well as our districts, the goal was to
6 dedicate at least 85 percent of our bridge
7 improvement spending to SD bridges. The MPO/RPOs
8 worked with our districts in focusing their attention
9 on those bridges.

10 And I guess also I will say that in the past
11 couple of months, we have been reworking those
12 bridges with the MPO/RPOs to develop a program that
13 will meet the objectives of this program, and that
14 has been very successful as we have moved on.

15 Next, we have what we call a risk assessment
16 tool. This is a tool that PENNDOT developed about a
17 year ago. It is a tool that we use in developing a
18 house, where for each bridge, each bridge essentially
19 has a risk score. The score is based on an equation
20 that uses the bridge conditions, bridge size, among a
21 number of other factors that compute the score. And
22 those scores are computed from a statewide
23 perspective and then for each district, and the
24 districts have been asked to use this for
25 establishing priorities for the bridge program.

1 Next, big bridges. Big bridges are some of
2 our highest assets, our highest value assets that we
3 have in Pennsylvania, and if we don't fix our big
4 bridges, we are going to struggle with meeting our
5 deck-area objectives.

6 And just from a numbers standpoint, big
7 bridges represent about 3 percent of our SD bridge
8 population but approximately one-third of our deck
9 area. So if we do not focus on our big bridges, we
10 are going to struggle with meeting our deck-area
11 objectives.

12 Next are our bridges under 500 feet. We
13 separate these into two categories. This is rapid
14 delivery. Now, these are bridges that we can get out
15 quickly, perhaps within 2 years to construction.
16 These are deck replacement projects and other
17 projects that just aren't going to take a whole lot
18 of time to get them under design and complete. They
19 may not necessarily be our most high-risk bridges,
20 but the process where we include these in the program
21 will help us prevent these bridges from getting to
22 the point where we have to replace these bridges. So
23 that's a big part of the program as well.

24 We also will have our conventional delivery.
25 Some bridges are just going to take a period of time

1 to get them to construction. These are our complex
2 bridges, bridges with complex right of ways, usually
3 utility issues, and we just know that there are some
4 of these that fit in this category, and we had to
5 prepare for those and take that time and include
6 those in the program.

7 And lastly, bridge preservation. As I spoke
8 in a previous slide, bridge preservation, again, is
9 our way of keeping our good bridges good, and we want
10 to continue that program to help prevent or keep our
11 SD on to a minimal percentage.

12 This slide represents an allocation of funds
13 with a program that we presented at \$1.6 billion.
14 The lower portion of this slide, the yellow area,
15 represents the bridge preservation, and we propose to
16 dedicate \$100 million a year to bridge preservation.

17 As you work your way up, the line-shaded
18 area represents our rapid delivery projects, and as
19 you see, they start out with a strong funding, and
20 then as we move over in time, those funds essentially
21 then give way to the bridges above those in the
22 purple shading, and those are our conventional
23 delivery projects. Those projects are going to take
24 more time.

25 And at the top of the slide, the reddish

1 area is our big bridges, and we want to ensure that
2 we have a dedicated sustained funding for those
3 bridges, because again, if we don't take care of
4 those bridges, we are going to have struggles in
5 meeting our objectives.

6 Next, I want to talk about how we are going
7 to do this. First, we are going to expand the use of
8 our design build contracts. PENNDOT has been using
9 design build since the late 1980s, and we expect that
10 in meeting the objectives of this program, we could
11 use more design build contracts.

12 Design build allows us to get to
13 construction quicker than conventional delivery, and
14 we have had a lot of successes with design build with
15 our contracts, and we expect those to be more
16 prevalent with this program.

17 Our next is, we are going to group contracts
18 by region and type. What we mean by this is, instead
19 of one bridge or two bridges per contract, we are
20 going to have group contracts that may be up to
21 10 projects within one contract.

22 In the past, we talked about perhaps using
23 up to 20, and that is still available. So far in
24 working with the districts and MPOs, their needs have
25 been identified that they are going to be developing

1 these, up to 10 at least at this point.

2 The advantage of that is that we gain
3 economies in grouping these projects by perhaps
4 having similar types of bridges, where the contractor
5 can, if these are design builds, he can elect to
6 specify a similar beam type for a number of bridges
7 and generate the economy that way.

8 We will continue streamlining our design.
9 Several years ago, we began a process with what we
10 call pro-team meetings, where we bring together a lot
11 of our experts from the department at the beginning
12 of our project, get them together, and talk about the
13 project and talk about the most reasonable options
14 for the replacement of those bridges so we are not
15 studying a lot of options and focus on those that are
16 more practical and are likely to become the
17 recommended alternate. That has been very successful
18 for us, and we're going to continue using those
19 principles.

20 We are going to use Smart Transportation
21 principles as we move. The Secretary has been
22 talking about the use of Smart Transportation. This
23 is something that is going on nationally. And we
24 have 10 principles that we are following within
25 PENNDOT, and I'm going to just really talk about two.

1 The first is money counts. We know that we
2 are going to get that, that with this additional
3 spending, we need to use this money wisely, and it is
4 our intent to make sure that there is good value for
5 this increased spending.

6 Second, we have what we call rightsizing as
7 part of this program, and rightsizing means that we
8 are going to develop the right project. And what
9 that means is, if a 30-foot bridge is adequate for
10 the replacement as opposed to perhaps a preferred
11 bridge of 40 feet, we are going to look strongly at
12 the 30 feet to determine if that meets the needs of
13 the project. If replacing the bridge on a current
14 alignment as opposed to a new alignment meets the
15 objectives of that particular site, then that is what
16 we will do. And again, that is what we call
17 rightsizing.

18 We are going to design our bridges for a
19 100-year life. As you saw at the beginning of the
20 presentation, a lot of our bridge population is
21 50 years old, and we are now experiencing a lot of
22 problems associated with those 50-year-old bridges.
23 We want our bridges to last a lot longer than these
24 past bridges.

25 And I guess what I will say is that I have

1 given this presentation a number of times, and one of
2 the comments I got was, are you going to be designing
3 bridges that are kind of gold plated, and that is
4 really not the concept. We are not going to be
5 increasing the cost, and in many cases, the cost is
6 actually less.

7 When I talked about leaking deck joints, one
8 of the objectives that we have with our 100-year
9 bridge life is to eliminate deck joints, and we have
10 been doing that successfully for a number of years
11 and we will continue that.

12 What that does is that protects our
13 substructure and keeps the saltwater in the winter
14 months from getting under our beams and substructure.
15 And actually by eliminating those deck joints, that
16 actually saves us money. So in many cases, you save
17 money by designing our bridges for the 100-year life.

18 How are we going to implement the program?
19 First, we have already assembled what we call an
20 Accelerated Bridge Program delivery team in PENNDOT's
21 central office here in Harrisburg. What we know is
22 the expectations of this program are going to be high
23 in terms of us meeting the objectives and also
24 reporting the objectives to both the public and our
25 legislators, and we have a dedicated team that is

1 going to be responsible for ensuring that we meet the
2 objectives.

3 In fact that team is already in place and
4 has been, for at least a month, working with the
5 districts. And our districts are also in the process
6 right now of reestablishing or redefining some of
7 their teams within their districts to help ensure
8 that we meet the program objectives.

9 From an agency perspective, we know that we
10 can't do this without cooperation with our agencies.
11 That includes the Department of Environmental
12 Protection, the Fish and Boat Commission, et cetera.
13 And we have already met with all the agencies to talk
14 to them about the program, the goals, to determine
15 ways that we can improve the delivery of the program.
16 And we have had a lot of success within those
17 meetings, and the recommendations from those
18 meetings, we are already working to develop some of
19 those initiatives.

20 Coordination with the MPO/RPOs. I think I
21 talked earlier that we have already done that. We
22 did that last summer, and recently we met with them
23 in terms of redefining the program.

24 We also need to have coordination with our
25 business partners. That involves the Associated

1 Pennsylvania Constructors, APC, and our consultant,
2 both consulting engineers. We have had several
3 meetings with both business partners to talk about
4 the program and discuss ways to improve the
5 effectiveness and delivery.

6 Authorizations needed for the program.
7 First, of course, the capital budget needs to be
8 approved, and that, of course, is upcoming and we
9 look forward to action on that.

10 Next, of course, is approval of the bonding
11 as we proposed at \$200 million at 10 years.

12 As I go into a summary, the summary of the
13 program -- \$2 billion of bonding over 10 years, or
14 \$200 million a year, plus a larger focus of current
15 funds that result in \$1.6 billion a year.

16 Results in 3 years. The Governor has talked
17 about improving a thousand bridges in the first
18 3 years, and that we define as being let or rebuilt
19 within that period. As I said, we have been meeting
20 with our districts and MPOs and RPOs, and that list
21 of those thousand bridges has currently been
22 developed, it is being refined right now, and it is
23 almost complete.

24 Results in the first 10 years -- \$15.5
25 billion of total expenditures on bridges; 4,100 SD

1 bridges let or rebuilt; resulting in a 40-percent
2 reduction in SD bridges.

3 And I'll just leave you with a slide of a
4 bridge recently rebuilt.

5 CHAIRMAN MARKOSEK: Thank you very much,
6 Brian.

7 The Chair would like to note the presence of
8 Representative Ron Miller, who has joined us, and
9 also a former Representative, Gene McGill, who is
10 here with us today.

11 Chairman Geist has a question.

12 REPRESENTATIVE GEIST: Thank you very much.

13 I have a couple of questions that I would
14 like to pursue, if I could, please.

15 First of all, what is the inflation rate on
16 structural steel per year right now? For the
17 department. I'm sure you are tracking this every
18 day.

19 MR. MADDEN: Actually, if you have been
20 tracking some of this through the Associated General
21 Contractors, which is the national organization
22 through our own APC here, they have been estimating a
23 construction cost index inflation rate of about 6 to
24 7 percent a year.

25 REPRESENTATIVE GEIST: And structural steel

1 is 12 percent a year, projected for the next 5 years?

2 Is that correct?

3 MR. MADDEN: I will have to take your word
4 for that, but it is rather significant, yes.

5 REPRESENTATIVE GEIST: In your estimations,
6 what percentage of inflation did you use?

7 MR. MADDEN: We had a bonding at a rate of
8 5 percent.

9 REPRESENTATIVE GEIST: And your estimate on
10 replacing bridges and repairing, did you place in
11 there the use of alternates, in allowing the
12 contractors that you are going to do these contracts
13 with the ability to do alternates?

14 MR. THOMPSON: Yes. That is our standard
15 policy, to allow alternates for our contracts.

16 REPRESENTATIVE GEIST: The next question
17 follows in line with all of that.

18 The bond issue sounds very, very nice. Out
19 of what pot do you take the money to repay the bond
20 issue?

21 MR. MADDEN: Well, let me tell you
22 something, just to throw this out there. When we had
23 discussed the issue of bonding, it is something that
24 the department had been very nervous about, because
25 we know our history, we learned from our history, and

1 we do not want to repeat that.

2 This initiative that has been put forward to
3 do bonding at a very conservative, responsible level
4 puts us in a position where we can actually address
5 some of the issues in a more aggressive fashion than
6 what we have.

7 REPRESENTATIVE GEIST: Out of what fund, out
8 of what fund pays for the bonds?

9 MR. MADDEN: We have a Restricted Bridge
10 Account, which is actually---

11 REPRESENTATIVE GEIST: Will that be in the
12 General Fund or will that be in the Motor License
13 Fund?

14 MR. MADDEN: That is in the Motor License
15 Fund, to repay the bonds.

16 REPRESENTATIVE GEIST: And as you project
17 this out year to year to year, you are getting some
18 pretty big numbers in the out-years.

19 MR. MADDEN: Yes. This is something that we
20 have actually taken into consideration, and we
21 actually have done the numbers for the whole
22 20 years, and the \$180 million that actually comes
23 into the Restricted Bridge Account will be able to
24 accommodate the demand that is going to be there for
25 the debt repayment.

1 REPRESENTATIVE GEIST: The next question on
2 bonding.

3 Isn't it true that when we are rebuilding
4 interstate highways now, that we are still paying the
5 bonded indebtedness from the department bonds so the
6 debt, we are actually doing double-duty on those
7 interstates?

8 MR. MADDEN: There's a small portion of the
9 current department's debt service which is paying the
10 old portion of highway and bridge accounts, yes.

11 REPRESENTATIVE GEIST: I really think that
12 we have to be very, very prudent when we take a look
13 at the use of bonds and how bonds are used in the
14 highway program.

15 I have been at this business for a long,
16 long, long time, both in the consulting business and
17 in the General Assembly, and for those of us who are
18 in the checkout line of this business and have been
19 here for a long time, straddling the future with
20 those payments is a very, very hard decision to make.
21 It may be an easy solution today, but down the road,
22 it is going to cost a lot of people a lot of money.

23 Thank you. That concludes my questions.

24 CHAIRMAN MARKOSEK: Okay. Thank you.

25 Representative Mark Keller of Perry County.

1 REPRESENTATIVE KELLER: Thank you, Mr.
2 Chairman.

3 Thanks for your testimony.

4 I wanted to direct these questions to Brian,
5 since you did the presentation with the PowerPoint.

6 Let us go back to the comparison with
7 neighboring States where you show 24.7-percent
8 deficient. One of the questions I'm asking there is,
9 when it is compared to other States, am I correct in
10 assuming that Pennsylvania has a lot more bridges
11 than any of these other surrounding States?

12 MR. THOMPSON: Yes.

13 REPRESENTATIVE KELLER: So this really does
14 not show us a real good comparison, I don't think,
15 you know, by the fact that if you took the number of
16 bridges that Delaware versus Pennsylvania has or New
17 York versus Pennsylvania, you know, the amount that
18 they have to take care of versus the amount that
19 Pennsylvania has to take care of is substantially
20 different.

21 MR. THOMPSON: In many cases, that is
22 correct.

23 REPRESENTATIVE KELLER: Okay.

24 Now, the next thing we are going to go to is
25 the fact that you show, after 25 years, on another

1 slide, that we are still, after 25 years, going to
2 have 11.5-percent structurally deficient bridges, and
3 the national average is 8.4. After 25 years, we are
4 still not going to be at the national average.

5 MR. THOMPSON: That is correct.

6 REPRESENTATIVE KELLER: Well, I do not know,
7 it just seems kind of strange to me that if we are
8 trying to accomplish something, you know, and compare
9 with other States, that we need to, you know, maybe
10 look at that a little differently.

11 The last question I have of you is this:
12 When you have talked about the project delivery
13 method and how you are going to streamline these
14 things and how you are going to move through, and
15 then your implementation, you have on there
16 "Coordination with Agencies," how come you haven't
17 done that in the past?

18 I mean, I know for a fact that time after
19 time after time, the Department of Transportation is
20 dealing with the Department of Environmental
21 Protection over issues that should have been taken
22 care of long before you got into the process of
23 building that particular bridge, wherever it may be.
24 You know, that, I do not think, is a new idea. I
25 think that is an idea that should have been done a

1 long, long time ago.

2 The other part about it that I kind of take
3 offense to is the fact of coordinating with MPOs.
4 You are coordinating with MPOs, and I happen to be
5 the Chairman of the Harrisburg MPO, and I find it
6 quite interesting that it is either, here it is, take
7 it or leave it. And if you call that coordinating
8 with MPOs, I have a little problem with that, because
9 last Friday, it was, here are the projects and here
10 are the programs; you know, you can either take it or
11 leave it.

12 So as far as coordinating with the MPOs that
13 are working at the local level and know, you know, I
14 think firsthand what needs to be done, I just have
15 some problems with that, and hopefully we can
16 coordinate and work with those MPOs throughout the
17 Commonwealth to actually do what you say you are
18 going to do with this.

19 You know, I think we are all on the same
20 page, but I think we need to have that open
21 communication a little more open than what it has
22 been in the past while. So if you could just -- you
23 know, I'm not really asking for an answer; I'm
24 basically just giving you some statements as to what
25 I have seen firsthand and happening, and, you know,

1 it is kind of difficult to deal with.

2 I mean, we in this region, I think, are
3 doing a fine job, and I must commend the people from
4 the department that we work with in working through
5 this. But, you know, I have some questions on these
6 implementations that, you know, I think should have
7 been in effect a long, long time ago, too.

8 So thank you.

9 CHAIRMAN MARKOSEK: Chairman Marsico.

10 REPRESENTATIVE MARSICO: Thank you, Mr.
11 Chair.

12 Thanks for your testimony.

13 First of all, I want to say that I certainly
14 agree with Chairman Geist with regard to the bonding
15 issues. I'm very concerned about that as well.

16 But I also am concerned to a degree with
17 Representative Keller, who is doing a fantastic job
18 here in the Harrisburg area for the HATS Board as
19 chair, that there seems to be more dictating than
20 coordinating with HATS and with the MPOs. I know,
21 because I served on that committee as well and just
22 recently actually resigned from the committee.

23 But my question is, how much money -- a very
24 interesting question, if you think about this -- has
25 the Rendell Administration, through PENNDOT, received

1 from Washington? Or else let us do it this way. How
2 much money, Federal flex money, has the Rendell
3 Administration received from Washington since the
4 beginning of the Administration? Does anyone know?
5 I mean, do you two know?

6 MR. MADDEN: I could find that out and get
7 back to you.

8 REPRESENTATIVE MARSICO: Well, we know that
9 recently -- was it 2 years ago? Three years ago
10 there was \$450 million flexed from Washington, flexed
11 dollars that went to mass transit, and 3 years ago
12 this committee and members of this committee were
13 very concerned about that, those dollars going to
14 mass transit and not to bridge funding and
15 preservation and repair and not to our highways.

16 We saw this coming 3 years ago, and now you
17 are coming to us requesting support for bonding and
18 capital budget projects, et cetera. And I do not
19 know, I just tried to tell you a couple years ago
20 that this was going to happen.

21 Now, there was some controversy as to how
22 many bridges were actually under -- was it under
23 repair or consideration for preservation? And that
24 we told you how many it would be, and now you are
25 agreeing with us.

1 So I guess my question is, I mean, do you
2 have any idea, first of all, on the flex dollars,
3 those dollars that could have been used -- we know it
4 was \$450-some million, but does anyone have any idea
5 of the total flex dollars since the Rendell
6 Administration came in, and before, the Ridge
7 Administration actually did a very good job with
8 that. Can you give me those dollars?

9 MR. MADDEN: I do not know the exact number,
10 but as it was set up in ISTEA, it is allowing the
11 Federal dollars to be more flexible to be used for
12 both highway and bridge purposes and for public
13 transportation. There were provisions in the Federal
14 law that allowed the flexibility for States to flex
15 Federal dollars.

16 REPRESENTATIVE MARSICO: Well, 6 years into
17 this Administration, you finally figured out that
18 there was a bridge problem in this State. So I just
19 wanted to make those comments.

20 Thank you, Mr. Chairman.

21 CHAIRMAN MARKOSEK: Okay. Thank you.

22 Representative Siptroth.

23 REPRESENTATIVE SIPTROTH: Thank you, Mr.
24 Chairman.

25 I will direct this question to Brian, if you

1 would.

2 Brian, can you give us -- is there any
3 statistic, any State statistic, that gives us an
4 average time from when a bridge is built, a new
5 bridge, to when it would reach the beginning of
6 stage 2 at level 4? Are we talking, you know, 50
7 years? 35 years? Is there any statistic at all?

8 MR. THOMPSON: We do not have that specific.
9 It really depends on the type of bridge, its
10 location, and a lot of other aspects.

11 REPRESENTATIVE SIPTROTH: The elements?

12 MR. THOMPSON: Right. In some areas, we
13 know in some of the local regions, they do not use
14 salt for winter services, and those bridges, of
15 course, are typically lasting longer.

16 But I guess what I will say is that
17 certainly in the past 10 years, a lot of the things
18 that we have been doing with our designs and
19 detailing of our designs will ensure that those
20 bridges last a lot longer. We do provide protection
21 around reinforcement bars with epoxy coatings and
22 these other types of protective measures.

23 So what I will say is our more recent
24 bridges we expect to last a whole lot longer than
25 those built in the sixties and seventies.

1 REPRESENTATIVE SIPTROTH: Okay. Another
2 question, and you may elect to or not to answer this.

3 About 25 years ago, PENNDOT's theory was
4 just to let the bridges go to a deteriorated state
5 and replace them, and I think that this is what is
6 coming back to get us today.

7 It was not this Administration particularly,
8 but it was the theory within PENNDOT, and I think
9 that that is of great concern, I mean, that we not
10 only provide new structures but we also provide the
11 maintenance of the existing structures after they are
12 built. And is this budgetary process going to permit
13 that to continue?

14 MR. THOMPSON: Right. I guess I will just
15 focus on that there are several aspects of it, and
16 part of that is the hundred million dollars in
17 preservation spending which, as we say, is keeping
18 our good bridges good. And that is certainly a
19 component of this that helps us to keep the SD on,
20 which is what we call it. Those are our bridges that
21 are not structurally deficient now but will become
22 structurally deficient either by not doing anything
23 to them for various reasons or to actually engage in
24 this preservation maintenance-type of activity that
25 will extend what we call the stage 1 life of the

1 bridge. And that is our goal with that program, and
2 we believe that that is one of the key components of
3 our program.

4 REPRESENTATIVE SIPTROTH: Okay. So in
5 essence what you are saying is that in theory,
6 PENNDOT's mindset has changed somewhat in providing
7 at least a portion of the budgetary process for the
8 maintenance of the bridges.

9 MR. THOMPSON: Right. As I had indicated,
10 in 2004 we began the dedicated bridge preservation
11 spending program, and our goal is to keep that at
12 \$100 million a year.

13 REPRESENTATIVE SIPTROTH: Okay.

14 MR. THOMPSON: We think that is very
15 important.

16 REPRESENTATIVE SIPTROTH: One other
17 question.

18 Is there a listing by legislative districts
19 as to the structurally deficient bridges? Is that
20 anyplace to be found? Is there a site, a Web site
21 that we can go to to find those bridges that have
22 been identified in the structurally deficient
23 category?

24 MR. THOMPSON: On our site?

25 REPRESENTATIVE SIPTROTH: Anybody's site.

1 MR. THOMPSON: On our PENNDOT site, we have
2 all of our SD. Actually, we have the condition
3 ratings of all of our bridges on our Web site. It is
4 not separated into---

5 REPRESENTATIVE SIPTROTH: Legislative
6 districts?

7 MR. THOMPSON: ---legislative districts, but
8 we can certainly do that.

9 REPRESENTATIVE SIPTROTH: Okay. If you
10 could provide that, I would certainly appreciate that
11 myself.

12 As you know, I'm sitting right in the middle
13 of what was the Marshalls Creek Bypass, and those
14 funds, temporarily at least, moved to provide for the
15 needs of the structurally deficient bridges. So I
16 have some concern and am trying to convince my folks
17 as to, you know, where some of these dollars are
18 going to go.

19 I would like to echo Representative Keller's
20 and Marsico's concerns about the bonding, but more
21 specifically in the coordination with the RPOs as
22 well as the MPOs. The rural planning organizations
23 are just as important, especially when you are
24 classified in that sector and you are in a
25 fast-growing area. So I think that that needs to be

1 taken into consideration, and more coordination
2 rather than dictation needs to be done with those
3 particular organizations.

4 Thank you very much. Thank you, Mr.
5 Chairman.

6 CHAIRMAN MARKOSEK: Thank you.

7 Representative Kate Harper.

8 REPRESENTATIVE HARPER: Thanks.

9 Whichever one of you feels more comfortable
10 answering can answer. I have a couple of questions
11 related to the future, and then I also have the same
12 concerns as Representative Siptroth with respect to
13 the current situation.

14 You said you have projected out the bond at
15 5 percent. You must have a chart that shows the
16 bond. If you are doing so much per year over the
17 next 10 years, you must have a chart that shows what
18 debt service will be---

19 MR. MADDEN: Yes.

20 REPRESENTATIVE HARPER: ---at the end of the
21 10 years. Is it on your computer?

22 MR. MADDEN: No, not on the computer.

23 REPRESENTATIVE HARPER: Forgot that one,
24 huh?

25 MR. MADDEN: No. If you would like it, we

1 could provide it to you.

2 REPRESENTATIVE HARPER: I think the
3 committee would like it. And I would also like to
4 know, do you plan on paying that out of the Motor
5 License Fund?

6 MR. MADDEN: Yes. We have---

7 REPRESENTATIVE HARPER: Because sooner or
8 later, I mean, what are we using the Motor License
9 Fund for now? Sooner or later, this amount of
10 borrowing has to eat that fund up, right?

11 MR. MADDEN: Well, right now, our debt
12 repayment out of the Motor License Fund is in the
13 ballpark of roughly \$27 million. If you look at
14 where we were back in the late seventies, 1977-78,
15 when we were just in a bad time, we just were, our
16 debt repayment was in the ballpark of some
17 23 percent, which is rather significant. So if you
18 look at---

19 REPRESENTATIVE HARPER: And what's the
20 percent now? You were giving me numbers and then a
21 percent, so what is the percent?

22 MR. MADDEN: If we did the entire bond
23 program for the entire length of the program for
24 \$2 billion over the next 20 years, our debt repayment
25 would be at about 3.8, 3.9 percent.

1 REPRESENTATIVE HARPER: Of that fund?

2 MR. MADDEN: Yes.

3 REPRESENTATIVE HARPER: The Motor License
4 Fund has grown that much?

5 MR. MADDEN: Yes.

6 REPRESENTATIVE HARPER: Or the debt service
7 has gone down?

8 MR. MADDEN: Our debt service has gone down.
9 We have paid off, from the seventies, the late
10 seventies, eighties, we have paid off a large portion
11 of that debt service, and ever since then, we have
12 taken a rather -- like I said, we have learned
13 tremendously from our past, and we have gone
14 pay-as-you-go.

15 REPRESENTATIVE HARPER: Okay. So we are not
16 looking at an increase in the motor license fees
17 right now?

18 MR. MADDEN: That is not on the table at the
19 moment.

20 And the registration fees? I'm sorry?

21 REPRESENTATIVE HARPER: Right. Any of those
22 fees -- registration and license fees.

23 MR. MADDEN: That has not been a proposal on
24 the table at the moment.

25 REPRESENTATIVE HARPER: Okay. Just

1 checking.

2 I have no doubt that you need money for
3 bridges, because I have the same concern that
4 Representative Siptroth has, that it seems as though
5 the road money has been diverted to bridges. Is that
6 accurate?

7 I got road projects all over Montgomery
8 County that are slowing to a halt because there is no
9 money available for things that were on the tip.

10 MR. MADDEN: The pie of money that we had is
11 as it is. What we need to do is, actually, we have
12 had a strong focus on bridges for awhile, and now we
13 are just, if you look at the chart that we have had,
14 we have put more and more, gradually more and more
15 money into bridge investment, and we believe to get
16 to that point where we can actually start knocking
17 down that structurally deficient bridge number from
18 5,900 down to 3,200, I believe it was, we need to
19 have a sustained investment of \$1.6 billion.

20 REPRESENTATIVE HARPER: Okay. But is it
21 accurate that the more and more money into the
22 bridges has come at the expense of local road
23 projects?

24 MR. MADDEN: There has been some
25 reallocation, yes.

1 REPRESENTATIVE HARPER: Okay.

2 Do you have a commitment from the Governor
3 that he doesn't need to flex any more money because
4 we passed Act 44 last year?

5 I voted for Act 44.

6 REPRESENTATIVE GEIST: That is why you are
7 getting your projects cut.

8 REPRESENTATIVE HARPER: I voted for it.

9 I mean, do we have a commitment or not,
10 because I thought that if we provided a dedicated
11 funding source for mass transit, we wouldn't have a
12 need to flex any more highway dollars.

13 MR. MADDEN: I believe that may be a
14 conversation you need to have with the Governor,
15 ma'am.

16 REPRESENTATIVE HARPER: Okay. So he has not
17 made a commitment in that regard. I think we ought
18 to ask for that.

19 Thank you, Mr. Chairman.

20 CHAIRMAN MARKOSEK: Okay. Thank you.

21 Representative Ron Miller.

22 REPRESENTATIVE MILLER: Thank you, Mr.
23 Chairman.

24 Gentlemen, I apologize for being a little
25 bit late here.

1 The last picture that you left us with, the
2 nicely rebuilt bridge, one of my concerns, and
3 Representative Keller started to talk about it or
4 touched on it briefly, at what process are the
5 environmental studies done in a design project for a
6 bridge? That has to be done before that bridge
7 project is let. Is that not true?

8 MR. THOMPSON: Yes.

9 REPRESENTATIVE MILLER: Okay. In reality,
10 so when you are saying that we are going to do a
11 thousand bridges in the next 3 years, either we are
12 talking structural deficiencies that are very minor
13 and doesn't impact any of these supports or anything
14 else for that bridge that might require a stream
15 encroachment, or we are talking -- do we have that
16 many ready to go now in the process that they have
17 met their environmental impacts and their studies?

18 That is my concern. When we say a thousand
19 bridges in 3 years, are we somehow going to expedite
20 the process with DEP? How long does it take to get
21 the environmental studies done for any one project?

22 MR. THOMPSON: It is going to occur as a
23 combination of what we call rapid delivery projects
24 and conventional projects that are already well under
25 way, and a number of those will be big bridges, as I

1 talked about in the presentation.

2 So it is really a combination of all of the
3 above. Some of the projects, whether they are just
4 deck replacements, the environmental activities
5 associated with those is very minimal, and so those
6 will be part of the program.

7 And while those are not our highest-risk
8 bridges, those are bridges that we want to keep from
9 becoming our high-risk bridges. So it is really a
10 combination of all of the above.

11 And yes, we know that there are certainly
12 bridges that we have identified as conventional, and
13 they are going to run their course. They are going
14 to take 3, 4, 5 years to get through the design and
15 environmental process.

16 But we have met with DEP, and we had already
17 taken some action with DEP in the past. We developed
18 a special permit called a GP-11, which streamlines
19 our permitting process for a lot of our bridges as
20 opposed to going through our full permit submission
21 process.

22 So we have already done that in many cases,
23 and we are going to take advantage of all the permits
24 in coordination with what we have done with DEP to
25 help streamline this. And some of it has to do with

1 meeting with DEP and establishing our priorities so
2 that they know which are our most important projects
3 to move forward, and that is just a matter of us
4 working together to do that.

5 REPRESENTATIVE MILLER: Okay. I appreciate
6 that.

7 I would suggest that if we can do a GP-11
8 permit, then I would need to understand that better.
9 To expedite bridges, maybe we ought to do that for
10 all the bridges and get rid of the problem areas that
11 we have been having for many, many years -- getting
12 the environmental studies done. Anything we can do
13 to streamline that would be important.

14 Just one quick follow-up question, one last
15 question.

16 From the Appropriations Committee hearings,
17 my impression was that the repayment comes out of the
18 restricted bridge fund?

19 MR. MADDEN: The Restricted Bridge Account,
20 yes.

21 REPRESENTATIVE MILLER: Okay. So what the
22 reality is that we are talking about is over a
23 10-year period, we see the amount of money that is in
24 that bridge fund that is used to build bridges gets
25 used mostly for paying debt. So that at the end of

1 the 10 years we are down pretty low, and then it
2 starts to build again slowly and that what actually
3 is available is not for debt service. Is that not
4 correct? Is that not the way that works?

5 MR. MADDEN: To a certain degree, but the
6 main focus is, we are still building bridges. We are
7 just doing it at an accelerated rate.

8 REPRESENTATIVE MILLER: But a lot of money
9 that would have been spent on bridges is being used
10 for debt service. So it helps to accelerate it up
11 front, but in the end, we probably end up with less
12 projects done than we would have had otherwise
13 because we spent money on debt service.

14 MR. THOMPSON: I think the only other aspect
15 maybe to consider is when we talk about inflation,
16 and as we move on and inflation continues to climb at
17 the rates that we have seen in recent years, some
18 States had dedicated and improved their bridges, a
19 lot of their bridges, 5 years ago, and when you go
20 back and look, you can say they were pretty smart for
21 having done that because they avoided the high
22 inflationary period.

23 So as we move on, at least in doing this, as
24 we had indicated, as a sustained funding, that will
25 also help to head off some of the deeper inflation.

1 REPRESENTATIVE MILLER: And I appreciate
2 that being added in, because I do appreciate that
3 does have an impact. Thank you.

4 Thank you, gentlemen.

5 Thank you, Mr. Chairman.

6 CHAIRMAN MARKOSEK: Yes, sir.

7 Representative Dick Hess.

8 REPRESENTATIVE HESS: Thank you, Mr.
9 Chairman. I just have one question.

10 Going back to the funding, has the
11 department given any thought to making a request to
12 the Legislature to be able to toll some of our large
13 bridges -- high-maintenance, high-traffic bridges --
14 in order to pay for some of these projects? Or is
15 this something that was not even on the table?

16 MR. MADDEN: I believe when the Governor had
17 put forth a proposal in February, I believe that was
18 not specifically on the table, no.

19 REPRESENTATIVE HESS: Okay. Thank you.

20 CHAIRMAN MARKOSEK: Representative Kathy
21 Watson.

22 REPRESENTATIVE WATSON: Thank you, Mr.
23 Chairman.

24 Gentlemen, good afternoon. Thank you for
25 being here.

1 May I direct you to, well, it's page 25 in
2 our handout. I'm presuming it may be the same
3 slide 25 for you. It starts with "Project Delivery
4 Methods." I would like a bit more of an explanation
5 on your expanded design build contracts, but
6 particularly your group contracts by region and type.

7 Explain to me how that is going to work.
8 Some of that perhaps I do not understand, but it
9 sounds like it could be a little suspect to me, just
10 like one vendor is going to get a whole lot in the
11 area, and how is that going to work?

12 MR. THOMPSON: The way this will work is our
13 districts will evaluate their areas. And let us say
14 perhaps we have a watershed, and there are, say, 10
15 bridges, SD bridges, within that watershed. They can
16 contract out, whether it is design build or whether
17 it is just conventional design bid build, they can
18 contract out those bridges under one contract.

19 So there is more efficiency in terms of the
20 design of those, because the consultant who is
21 designing that work will be evaluating one area, and
22 there will be efficiency in evaluations they do for
23 the waterway permits. Coordination with the agencies
24 could also be more efficient because of, again, that
25 one waterway.

1 In addition, if it is design build and the
2 contractors, and let's say there are 10 of them, and
3 there are 5 bridges that could be a span of 24 feet
4 or 26 feet or 28 feet, a contractor can work with a
5 particular vendor and say, well, while we can do one
6 that is 24, 26, and 28 feet, if I make all the beams
7 28 feet long and of a particular type, that they can
8 produce those more efficiently. So we expect that to
9 help improve both the timeliness of the placing of
10 the designs and then costs as well.

11 REPRESENTATIVE WATSON: Okay. And I think
12 what we are really talking about is economy of scale,
13 the way you described it.

14 But go to, since we are talking about your
15 hypothetical in a watershed, it gets to really a
16 question I wanted as a follow-up to Representative
17 Miller's question, and maybe working with DEP as a
18 State agency in your GP-11 permit is one thing; how
19 do you propose for bridges in, let's say a watershed,
20 crossing the water, dealing with the Army Corps?

21 Have you had conversations with the Corps?
22 I'm particularly familiar with them in District 6.
23 They make DEP look amazingly speedy.

24 MR. THOMPSON: Yes, we have met with the
25 Army Corps of Engineers, and I guess what I will say

1 is that we have been working to improve our
2 relationship with the Corps. And what I will say is
3 recently, we began funding positions at the Corps to
4 review our projects, and those are dedicated people
5 that their position is to review and to expedite our
6 projects.

7 And we also now, as part of that process,
8 have a contact that we have an elevation process,
9 where we have disagreements, and we can go to this
10 particular individual to discuss our issues and to
11 help resolve issues. And I will say we have been
12 doing that for about the past 6 to 9 months, and we
13 have been having, I will say, success with that.

14 REPRESENTATIVE WATSON: Mr. Chairman, a
15 follow-up question, because that is fascinating.

16 CHAIRMAN MARKOSEK: You may.

17 REPRESENTATIVE WATSON: We are funding --
18 we, as in State -- somebody at particular locations
19 of the Corps to work and review our projects.

20 MR. THOMPSON: That is correct.

21 REPRESENTATIVE WATSON: And do we have
22 someone in Philadelphia for the Army Corps there?

23 MR. THOMPSON: I'm not sure if they have
24 appointed the person yet, but there is a deposition
25 available for that.

1 REPRESENTATIVE WATSON: Okay. I'm really
2 trying -- I find this amazingly interesting and I
3 think something that perhaps later we need to pursue.

4 I will let it go, because otherwise my mind
5 is just too far off on that one, but we will have to
6 talk about that one. The State is helping the Feds
7 pay for the Feds' stuff. Wow, we are so good and
8 altruistic, I'm amazed. It better not be in
9 Philadelphia, Mr. Chairman, or we will have a hearing
10 just on that one, okay?

11 In any event, I appreciate what you
12 discussed here, and I made some notes on your, I
13 don't know, I think you originally said 10 principles
14 that PENNDOT has developed?

15 MR. THOMPSON: Yes.

16 REPRESENTATIVE WATSON: You highlighted two:
17 money counts, getting good value, and I think we used
18 to call it value engineering before; and rightsizing,
19 developing the right project?

20 I'm sorry, and I'm not trying to be
21 antagonistic, smart-mouthed; I don't know, whatever
22 you want to call it.

23 REPRESENTATIVE GEIST: Just be yourself.

24 REPRESENTATIVE WATSON: But I am being
25 myself, as Chairman Geist mentioned. Thank you,

1 Chairman. He has known me a long time.

2 But very seriously, I guess I do not
3 understand, in terms of contracting, what we have
4 been doing, and money set aside, as to how we get the
5 money and the work needs to be done. Shouldn't we
6 have been doing that all along? Why is this
7 something to be something new?

8 I mean, just listening to that, quite
9 frankly, if I were the average taxpayer, I would get
10 a little disturbed in terms of, what do you mean now
11 we are developing rightsizing of a project; didn't we
12 do that always? And any taxpayer will tell you,
13 money is always counted and we want a good value.

14 So I guess I'm not understanding the point
15 of those things. I thought that was part and parcel
16 of every contract that has been done for the last, I
17 don't know, 30 years. Explain to me, please?

18 MR. THOMPSON: Well, what we mean by
19 rightsizing is, when we get into our design
20 standards, there are minimum standards and then there
21 are preferred standards, and the tendency in the past
22 was to use preferred standards in terms of the site,
23 et cetera, and what this program does is look at the
24 minimum standards and determine whether those minimum
25 standards will be sufficient to meet the needs of the

1 site.

2 REPRESENTATIVE WATSON: Okay.

3 Representative Siptroth, I would think that
4 he would be up on this one, but wouldn't that get
5 down to, if the minimum meets the deal, that we are
6 going to end up 30 years down the road with bridges
7 that do not hold up, as we argued that bridges built
8 in the sixties and seventies didn't hold up?

9 In other words, I would presume using
10 preferred was we were trying to get the best value
11 and use the DEP thing of the best-management
12 practices we know. And this says to me, okay, I
13 understand, I'm trying to build as cheap as possible
14 and get away with it in the average language.

15 My question to you is, that sounds good and
16 I appreciate stretching a dollar, stretching dollars
17 that we evidently are going to borrow, but then my
18 question is, are we begging the issue that 30 years
19 from now, long after I'm not here, that people will
20 be sitting here doing this same thing because they do
21 not hold up?

22 MR. THOMPSON: I would not equate that to
23 building it cheaper but rather smaller.

24 As I indicated in my presentation, our goal
25 is to design our bridges to last 100 years, and so

1 regardless, rightsizing does not mean that we are
2 going to disengage the design from the 100-year life
3 strategy. What it means is, again, in most cases,
4 meeting the minimum standards in terms of geometrics
5 but not necessarily the quality, and not the quality,
6 I will say, of the design.

7 REPRESENTATIVE WATSON: Thank you,
8 gentlemen.

9 CHAIRMAN MARKOSEK: Thank you,
10 Representative.

11 Gentlemen, thank you very much. I know you
12 have another appointment this afternoon. We really
13 appreciate the time that you have spent here. A very
14 good presentation, a lot of data, and we thank you
15 very much for that and we appreciate it.

16 MR. MADDEN: Thank you very much.

17 CHAIRMAN MARKOSEK: Let us see, we have
18 Chairman Mark Cohen joining us today, so we welcome
19 Mark.

20 At this point in time, I would like to
21 introduce Mr. Jack Schenendorf, who is the Vice Chair
22 of the National Surface Transportation Policy and
23 Revenue Study Commission.

24 And for those that are not aware, that was a
25 recent Federal effort to study our transportation

1 system nationwide and make recommendations, which
2 they have, and I will have to say some of them are
3 controversial but I think they in many ways did the
4 right thing, at least in terms of grappling with a
5 very, very serious problem that we see here as a
6 microcosm in Pennsylvania, but it is really
7 nationwide.

8 Mr. Schenendorf, thank you very much for
9 attending here today. The committee welcomes you,
10 and you may begin, sir.

11 MR. SCHENENDORF: Thank you, Mr. Chairman.

12 Mr. Chairman, Chairman Geist, other members
13 of the committee, it is an honor to be here today.

14 I'm going to talk a little about this
15 commission. It was established by section 1909 of
16 SAFETEA-LU. Basically we were asked to look out
17 50 years to look at what our surface transportation
18 system should look like and what we needed to do at
19 all levels of government to try to provide that kind
20 of a system.

21 We have come up with a blueprint. We
22 have our report that was issued in the middle
23 of January. You can find it on
24 "www.transportationfortomorrow.org."

25 Basically what we found, as a starting

1 point, is that we have been very blessed as a nation
2 for this past 50 years. Our parents and our
3 grandparents gave us a new interstate system, debt
4 free, with excess capacity.

5 That system, coupled with the excess
6 capacity in our national freight rail system and the
7 deregulation of our national freight rail system,
8 meant that as a nation, we had excess capacity in our
9 transportation system. It was the preeminent system
10 in the world. It helped drive our economy, and the
11 economic growth that we have sustained over the last
12 50 years has been in large part due to what our
13 parents and grandparents did for us.

14 But today, we are in a different situation.
15 Today, we are in a crisis, and we have two
16 significant challenges.

17 The first is, the system is aging and over
18 the next 50 years is going to need to be replaced and
19 repaired. You all know this as well as anybody. You
20 grapple with this in the State of Pennsylvania. The
21 fact that I like to use to give people a feeling of
22 the dimension of this is, in the Washington, DC,
23 area, we just replaced the Woodrow Wilson Bridge,
24 which is a key link on the I-95 corridor. That
25 bridge cost \$14 million to build in the 1960s, and it

1 was just replaced at a cost of \$2.4 billion, and
2 these kinds of projects are all over the United
3 States, and every State is going to have to undertake
4 them over the next 20, 30, 40, 50 years.

5 In addition to the aging of our system, we
6 have outgrown our system, and the excess capacity in
7 many areas is gone. We have congestion as a result,
8 transportation costs. But after decades of decline,
9 as a percentage, GDP is now going up and our
10 businesses are now becoming less competitive because
11 of transportation, at the same time that we are
12 trying to compete in a global marketplace where other
13 countries are making major national investments.

14 The combination of the need to grow and
15 expand our system is made even more dramatic by what
16 is coming. We have 150 million new people coming to
17 the United States -- that is what the population
18 growth is going to be like in the next 50 years --
19 and in order to handle the growth in projected
20 freight, we have to build a Port of Seattle every
21 year for the foreseeable future. We have to build
22 that much additional capacity into our port system,
23 and, of course, all that freight then has to move in
24 our national surface transportation system, which is
25 already congested.

1 And the cost, the estimated cost of dealing
2 with this problem, of both the aging, which is about
3 half the cost, and the other half is to provide the
4 additional capacity we need, we have estimated that
5 at \$225 billion a year to \$340 billion a year from
6 all levels of government.

7 Today, all levels of government are
8 investing \$87 million a year. We are significantly
9 under-investing in our national surface
10 transportation system -- our highways, our transits,
11 our bridges, like the Minnesota bridge. Those kinds
12 of collapses are becoming more frequent, and our
13 transportation system is going to become a second- or
14 third-class transportation system, and if that
15 happens, it is going to drag our economy down with
16 it, because you cannot have a first-rate economy with
17 a second- or third-class national transportation
18 system. It is that simple.

19 As a result of this, the commission came up
20 with some recommendations. I will just give you the
21 four key recommendations.

22 The first is that we have to substantially
23 increase our investment up as a nation, all levels of
24 government and the private sector, into that range of
25 \$225 to \$340 million a year. It is going to be

1 necessary to do that, to put in place a freight rail
2 system that carries a greater market share than it
3 carries today.

4 First-class transit systems in all of our
5 major metropolitan areas that can handle the movement
6 of people.

7 A world-class intercity passenger rail in
8 our 15 to 20 densest corridors and 300 to 500 miles
9 in length.

10 Non-motorized transportation in many of our
11 major metropolitan areas of walking, biking, and the
12 like to help move people.

13 And even doing all of those things, we still
14 need substantial highway capacity over and above what
15 we have today in order to meet the growth that is
16 coming and to keep our economy moving and our people
17 moving.

18 And not only do we have to make those
19 investments in all of those modes, but we need to do
20 it in an integrated way so that we have a seamless
21 transportation system in which our goods and people
22 can move.

23 And the second major recommendation, and
24 this was one of the most contentious ones on the
25 commission, was that we are recommending that the

1 Federal government continue to be a full partner in
2 meeting this challenge.

3 There are some who thought that it was time
4 for the Federal government to get out of this
5 business and to hand it over to the State and local
6 governments and the private sector, but we rejected
7 that.

8 This is a national problem. Our national
9 security and our national economy is at stake, and
10 this Federal government needs to be a full partner in
11 the solution with State and local governments and the
12 private sector in solving this problem.

13 The third set of recommendations that we
14 made and really the heart of our recommendations is
15 reform with a capital "R". The Federal program needs
16 major, major reform.

17 And one of the problems with the program is
18 it has lost its sense of mission and purpose. When I
19 started on the committee of transportation back in
20 the 1970s, the program was designed to build and
21 construct the interstate system. Once that was
22 completed, money was just given back to the States,
23 and it has not had any real sense of purpose on how
24 it is to be spent. We think that sense of purpose
25 and mission has to be restored.

1 That is why you have these donor/donee
2 fights. That is why you have so many earmarks today,
3 because there isn't an overriding national purpose,
4 and so everybody is just trying to grab what they can
5 grab for themselves, either States or members of
6 Congress.

7 And in order to have that next set of
8 national purposes, what we recommended is, today
9 there are about 108 funding streams in the Federal
10 program, putting aside the earmarks. If you have
11 108 priorities, you do not have any, and so we
12 recommended narrowing it down to 10 performance
13 driven outcome-based programs that would be designed
14 to solve problems like putting the infrastructure in
15 a state of good repair, reducing congestion by
16 20 percent in our major metropolitan areas, reducing
17 fatalities. We have got a set of 10 programs that, I
18 can go into more detail if you want later on, but
19 those programs would form the heart and core of the
20 Federal program as we envision it.

21 We also recommended major reforms in
22 project deliveries, and the Federal government is no
23 longer holding up these projects and getting the time
24 down to a reasonable time without reducing any
25 environmental requirements.

1 Our fourth set of recommendations dealt with
2 financing, and to make a long story short, I mean,
3 what we feel is that, first, before you even get to
4 financing, you really need to reform the program and
5 give it a sense of mission. People are not going to
6 pay more for the existing program after everything
7 that has happened. You have really got to tell
8 people what you are going to do, government has got
9 to be accountable for achieving results, and then you
10 talk about the financing.

11 We recommended that the fourth basic
12 principle to be followed, first, we basically
13 strongly support the user-fee pay. The users of the
14 systems should pay for these systems. Mass transit
15 is a slight General Fund subsidy at the Federal
16 level, which we propose to continue, but otherwise,
17 all the increased investment we are talking about
18 should come from the users.

19 Secondly, by and large, you should be a
20 pay-as-you-go system. The system simply can't be
21 overloaded with debt and long-term payments of 80 and
22 100 years, as some of these projects today are going
23 that.

24 Third, there shouldn't be a diversion.
25 Money that is generated from transportation needs to

1 stay in transportation, and preferably in the
2 corridor from which it is generated.

3 The idea of taking transportation dollars
4 and using it to pay off the bonding in the State of
5 New Jersey or when you are using it for home-heating
6 oil subsidies in Chicago the commission just found is
7 wrong. We have too big of a problem in
8 transportation. The money needs to stay in
9 transportation, and people will not support increases
10 in funding if it is being used for other purposes.

11 And fourth, we should continue the funding
12 guarantees at the Federal level that ensures that the
13 money that is collected is actually spent.

14 Those are our general principles and
15 specifics in the long term. We would recommend
16 moving to a BMT-type tax to replace the motor fuel
17 tax over the long term. That is going to take a
18 number of years.

19 In the interim, we recommended increases in
20 the Federal motor fuel tax. We recommended a freight
21 fee. We recommended that a portion of customs fees
22 be dedicated to the trust fund. We recommended that
23 they pay a small ticket tax on transit and intercity
24 passenger rail users so they are paying into the
25 system. And we recommended that increased use of

1 tolling, congestion pricing in some areas, and
2 private-sector investment, we are going to need to do
3 all of those things. But with respect to tolling and
4 private-sector investment, it had to be done very
5 carefully to make sure that it was aligned with the
6 public interests, and we recommended some conditions
7 to make that happen.

8 That is more or less a summary of our
9 recommendations. But the one thing I'm not sure I
10 mentioned, and I just want to go back and make sure I
11 mentioned it, is in these corridors of 300 to 500
12 miles, that this intercity passenger rail is
13 critical.

14 And one of the things that we have to get
15 over is this fight between the modes. We need to do
16 all of the above. We can't say, okay, we have moved
17 transit now, or we are doing intercity passenger
18 rail, or we are doing highway now or bridges now. We
19 as a nation have to do all of it, because if we don't
20 do all of these things, we are not going to be able
21 to move people.

22 We have lived off the excess capacity that
23 our parents and grandparents gave to us in this
24 interstate system, and it has served us very, very
25 well, and it is gone. We have got to provide that

1 additional capacity now for future growth, and it has
2 got to be all the modes working together, pulling
3 their piece of it. It is not a simple math, like the
4 interstate was. It is everything working together,
5 but it is going to take a tremendous investment.

6 So those were our conclusions. I guess our
7 main challenge for Congress and for State and local
8 officials is really, are you going to step up and do
9 the same thing for your children and grandchildren
10 that your parents and grandparents did for this
11 generation?

12 Thank you.

13 CHAIRMAN MARKOSEK: Okay. Thank you, Mr.
14 Schenendorf.

15 I just have a couple of questions and
16 comments.

17 Your report, and I know you grappled with
18 some very, very difficult issues, and I commend you
19 for that. There were 12 folks, I believe, as part of
20 the commission, part of the report. Is that correct?
21 And the final signoff included how many?

22 MR. SCHENENDORF: Nine of the twelve signed
23 on to the report -- five Republicans, four Democrats
24 -- ranging the whole political spectrum -- very
25 conservative, very liberal, a CEO of a major

1 railroad, a CEO of a trucking company, a CEO of a
2 major business, the Secretary of Transportation, the
3 Deputy Secretary or former Deputy Secretary of
4 Transportation, and another administration employee
5 and an economics professor of the dissenters, and it
6 was primarily over the Federal role.

7 Their view was that the Federal government
8 really didn't need to be a full partner any more and
9 basically this program could be turned over to the
10 private sector and State and local governments. That
11 was the major disagreement, and they had dissenting
12 views, which I encourage you to read in the back of
13 the report.

14 CHAIRMAN MARKOSEK: Okay. So just to
15 reiterate that the majority of the commission, which
16 was bipartisan, it sounded like, in nature, agreed
17 that the Federal government should take a much
18 greater role, and three of the members basically
19 thought it should be turned over to the States and/or
20 privatized? Is that a good summary?

21 MR. SCHENENDORF: Yes, sir.

22 CHAIRMAN MARKOSEK: Okay.

23 A couple of other things in your testimony.
24 You mentioned, and sorry I missed it, I caught the
25 part of it about the Port of Seattle?

1 MR. SCHENENDORF: Right.

2 CHAIRMAN MARKOSEK: Can you give me that
3 statistic again, please?

4 MR. SCHENENDORF: In order to handle the
5 projected freight that is coming, we have to add to
6 our port capacity each year in an amount equivalent
7 to the Port of Seattle. So it is the equivalent of
8 building a Port of Seattle every year for the
9 foreseeable future. Spread amongst all of our ports,
10 that much additional capacity, but the point being
11 that all of that additional capacity in the ports is
12 going to mean more freight that all has to move over
13 the surface system.

14 CHAIRMAN MARKOSEK: Okay. And then also the
15 statistic that you threw out, I think it was \$350
16 billion---

17 MR. SCHENENDORF: \$225 to \$340 billion.

18 CHAIRMAN MARKOSEK: Is what we should be
19 spending each year?

20 MR. SCHENENDORF: Yes, sir.

21 CHAIRMAN MARKOSEK: And we are spending
22 \$87 billion?

23 MR. SCHENENDORF: Yes, sir.

24 CHAIRMAN MARKOSEK: And this is from all
25 sources -- Federal, State, et cetera.

1 MR. SCHENENDORF: Yes, sir.

2 CHAIRMAN MARKOSEK: So we are woefully
3 short.

4 MR. SCHENENDORF: Woefully short. And we
5 see it every day. We all see it -- our businesses
6 see it, you know, everybody sees it. This isn't a
7 surprise.

8 CHAIRMAN MARKOSEK: You were here just
9 previous to the previous speakers. You know, our
10 Governor has a plan to borrow money. I'm just
11 curious to get your initial thoughts on that based
12 on, you know, what may or may not actually be other
13 alternatives available to us here in Pennsylvania,
14 which until your suggested plan would pass, I mean,
15 we are still basically dealing with the status quo.

16 MR. SCHENENDORF: But even under this plan,
17 this plan would require State and local governments
18 to pick up a huge amount of these increases. So even
19 if we get this increase at the Federal level, we
20 still have to have substantial increases at the State
21 and local level.

22 You know, we basically send the people a
23 straightforward way to pay for this, basically the
24 pay-as-you-go principles of raising the money now.

25 You know, we are recommending additional

1 tolling and we are recommending private sector, which
2 is really debt over time as being a part of it.
3 There are certain projects that will be amenable to
4 that. The gap, the investment gap, is so big that we
5 need to use all the tools available to us. But as a
6 primary source of funding to meet the demands of the
7 future, debt service, it didn't seem like the right
8 way.

9 I mean, I was just struck by a deal that was
10 just signed in northern Virginia for two lanes of the
11 beltway there by a private company, where they had
12 given them, to congestion price two lanes, an 80-year
13 lease, and they have no rate of return cap on how
14 much profit they can earn, and that is the equivalent
15 of somebody having signed that before the Depression.
16 Before the Great Depression in 1929, we would still
17 be paying on that today. That revenue stream would
18 be gone, and in this particular case, 90 percent of
19 it is going overseas to an overseas company, and we
20 do not want to rely on those kinds of arrangements
21 for a big bulk of it. You know, there would be some
22 projects like that, but---

23 CHAIRMAN MARKOSEK: I know one of the
24 findings of your report, it is similar to a report
25 that we had done here in Pennsylvania, the Governor's

1 Reform Commission report, which Chairman Geist was a
2 member of that commission.

3 MR. SCHENENDORF: Which we were at.

4 CHAIRMAN MARKOSEK: And that report called
5 for some increases, when you talk about
6 pay-as-you-go, some increases in the fuel tax and
7 also in the fees, fee increases, licensing fees,
8 those kinds of things.

9 MR. SCHENENDORF: Right.

10 CHAIRMAN MARKOSEK: I know that, just
11 briefly, if you could go over some of those
12 pay-as-you-go items that were in your report.

13 MR. SCHENENDORF: Well, we recommended --
14 and again, we were focusing on the Federal piece of
15 this -- we recommended an increase in the motor fuel
16 tax from 5 to 8 cents a gallon for 5 years. That
17 would be a total of 25 to 40 cents. We also
18 recommend a freight fee of some type be imposed, be
19 it a container fee or a bill-of-lading fee. We also
20 recommended a part of the existing customs fees that
21 are collected, a portion of those be dedicated to the
22 trust fund.

23 And again, based on the user-fee principle,
24 we felt that if we are going to make a significant
25 contribution to transit and to intercity passenger

1 rail, then those passengers should pay a small ticket
2 tax so everybody is paying something into the trust
3 fund.

4 And then we also mentioned that if there is
5 a carbon tax or a cap-and-trade at the Federal level,
6 that the portion of that that comes from
7 transportation -- revenues that are generated -- it
8 ought to go back into the trust fund to be used for
9 transportation.

10 So those were our basic pay-as-you-go
11 financing mechanisms that we proposed. But, I mean,
12 we were proposing that all of those be used. This
13 wasn't one or the other, that all of them be used to
14 help pay for the Federal portion of this.

15 CHAIRMAN MARKOSEK: Okay. I applaud you for
16 taking on some of those difficult issues and
17 recommending some very difficult solutions. It's not
18 easy.

19 MR. SCHENENDORF: I want to just note, you
20 know, that one of the things that has gotten the
21 attention is the gas tax. Obviously, 40 cents a
22 gallon sounds like a lot, but I would just make two
23 points about that.

24 Since the time when the gas tax was raised
25 last, when the price of gasoline was about a dollar a

1 gallon, it is now up to \$3.50, \$4 a gallon. We are
2 paying \$2 or \$3 more than we were paying then, and
3 all that money is going overseas to people that
4 aren't all that friendly toward the United States.

5 If a piece of that were going back into the
6 United States to build our infrastructure and to
7 provide for a strong, growing economy, we would be a
8 lot better off.

9 And the second piece of it is that if you
10 have a car that gets 20 miles to the gallon, a
11 40-cent increase in the gas tax is 2 cents a mile
12 that you are paying. The price on that project in
13 northern Virginia is 10 cents a mile to a dollar a
14 mile in rush hour, or 10 cents at the low end and a
15 dollar at the high end, which is 5 to 20 times as
16 much as the 40-cent gas tax.

17 So the gas tax, once you sit down and you
18 say, here is what we want to do; here are our
19 national objectives; here is what it is going to
20 cost; how do we fund this? And then you say, let's
21 look at all the funding options and see which ones
22 are the best and how can we use them together, it
23 gets pretty easy. I mean, I think people will
24 understand these things and will be much more willing
25 to pay it under that kind of a concept than just

1 politicians going out and saying, well, let's just
2 raise the gas tax. You really need to say what the
3 mission is and get a covenant with the American
4 people, the way we had it with the interstate system.

5 Dwight Eisenhower, conservative President,
6 tripled the gas tax to pay for the interstate system,
7 and the last increment of the increase was voice
8 voted. Can you imagine that happening in Congress
9 today?

10 CHAIRMAN MARKOSEK: Thank you very much.

11 Chairman Geist.

12 REPRESENTATIVE GEIST: Thank you very much.

13 Joe said a lot of the things I wanted to
14 say. I think that your remarks were brilliant.

15 We have to find a methodology in
16 Pennsylvania to really convey to people what is going
17 on. The last time that Congress had enough fortitude
18 to raise it was 1992, and that is really a shame.

19 I liked everything you said. I think that
20 when you were talking about freight containers and
21 stuff, you were talking a little bit about a ton-mile
22 tax? Is that correct?

23 MR. SCHENENDORF: No, a container fee or a
24 bill of lading.

25 REPRESENTATIVE GEIST: A bill of lading,

1 okay.

2 Well, I thought that was brilliant, so thank
3 you very much, and I will just shut up.

4 CHAIRMAN MARKOSEK: Thank you, Chairman.

5 Let's see; Representative Siptroth is next.

6 REPRESENTATIVE SIPTROTH: Thank you, Mr.

7 Chairman.

8 Mr. Schenendorf, thank you for joining us.

9 You had mentioned a couple of times
10 private-sector involvement. Do you think there is
11 really an appetite to have the private sector,
12 through whatever means, whether it be through tolling
13 and then repaying those private sectors and then
14 absolving the tolls at some point, co-joining States
15 and the Federal government at the hip to be a part of
16 a good transportation network, including, you know,
17 highway funding?

18 MR. SCHENENDORF: I do. I mean, I think the
19 commission basically concluded that the private
20 sector can be a part of the solution here, and really
21 needs to be a part of the solution.

22 This investment gap is so great that we
23 really need to make use of all of the tools. The
24 question is making sure that in these private-sector
25 deals, that they are done in a way that the project

1 interests are aligned with the public interests and
2 make sure that, sure, you are going to be paying for
3 the profit margin for that company. But if it is not
4 too long a lease and there are not enough ways to
5 reconsider the lease, depending on certain
6 circumstances, if there's a fair rate of return but
7 not an exorbitant rate of return, then they can be
8 good things. But again, it is project by project,
9 and it has got to be worked through, and each State
10 is going to need some flexibility to do it.

11 But our fear is that some of these deals
12 that have been signed currently are projects that are
13 not all that good, and the big fear is that if the
14 public says no to all projects and no to all tolling
15 because of some bad deals, then you will be throwing
16 out the good with the bad, and that would be a shame,
17 because we really need all of these sources, because
18 the public sector needs to get in and make sure the
19 public sector and the public interest is protected in
20 these deals so that the public does not revolt
21 against them.

22 REPRESENTATIVE SIPTROTH: Okay.

23 Again, do you think that there is an
24 appetite in the private sector to move this to
25 fruition?

1 MR. SCHENENDORF: There seems to be. I
2 mean, the private sector that we saw in Washington
3 that came before us just said there are a lot of
4 companies that want to go out and do this. And some
5 of the deals, I think, are extraordinarily good right
6 now. Maybe that is why they want to. I think they
7 have really done it in a way that protects the public
8 interests, and maybe they won't be quite as
9 interested, but hopefully this thing will---

10 REPRESENTATIVE SIPTROTH: You know, I am in
11 no way indicating that I'm necessarily for leasing
12 the turnpike, because I have some very, very strong
13 reservations about the long-term things. I am more
14 looking at a short-term private investment.

15 MR. SCHENENDORF: We recommend it more in
16 the context of project by project. I think leasing
17 these turnpikes is a much different arrangement and
18 needs to be looked at very, very closely.

19 REPRESENTATIVE SIPTROTH: Okay. Thank you.
20 Thank you, Mr. Chairman.

21 CHAIRMAN MARKOSEK: Okay. Thank you.
22 Chairman Cohen has a question.

23 REPRESENTATIVE COHEN: Thank you, Mr.
24 Chairman, for giving me this opportunity.

25 I'm interested in this story of the Woodrow

1 Wilson Bridge, which was, in the early 1960s you
2 said, \$14 million; now in 2007 or 2008 it is
3 \$2 1/2 billion? That is far above the rate of
4 inflation. How did the cost escalate that much, and
5 I'm also disturbed about your view that that is a
6 typical situation.

7 MR. SCHENENDORF: Oh, yeah. I mean, in
8 part, it is that the bridges are designed much
9 differently now. It is that you got to keep the
10 existing bridge in place while the traffic is going
11 on, so they had to find a location for it, which
12 means you have got to build approaches into the
13 bridge in addition to the bridge itself. We are
14 looking now toward the longer term, so it is
15 designed, the subbase is designed for expansion in
16 the future; the cost of materials. You put all of
17 that together and these projects are just far more
18 expensive.

19 But I think you could talk to the people in
20 the State of Pennsylvania and they will tell you, I
21 mean, the Springfield Interchange in Northern
22 Virginia, \$10 million to build; it was just replaced
23 at a cost of \$800 million. Frank Busalacchi, the
24 Secretary of Transportation for Wisconsin, who is on
25 the commission, said there are projects like that all

1 over the State of Wisconsin, major interstates that
2 they have to inspect, be rebuilt, reconstructed.

3 REPRESENTATIVE COHEN: Well, in terms of the
4 capacity of the Woodrow Wilson Bridge, which is just
5 easy to focus on because it is one project, what was
6 the capacity before? What is the capacity now?

7 MR. SCHENENDORF: Well, it is a larger
8 capacity now, obviously, and that is part of the
9 cost.

10 REPRESENTATIVE COHEN: And it is a more
11 durable bridge now?

12 MR. SCHENENDORF: It's a more durable
13 bridge. It is constructed to a much higher standard
14 than the original.

15 REPRESENTATIVE COHEN: Okay.

16 Thank you, Mr. Chairman.

17 CHAIRMAN MARKOSEK: Thank you.

18 Representative Watson, for questions.

19 REPRESENTATIVE WATSON: Thank you, Mr.
20 Chairman.

21 Thank you very much. This is absolutely
22 fascinating, and certainly it is amazing that what
23 had to be an immense amount of work can be reduced to
24 something like this.

25 If I may go back to your four key

1 recommendations, your second one when you were
2 talking about the Federal government being a full
3 partner and then talking about wide-ranging reform,
4 which there would have to be, and I believe you
5 quoted something like 108 funding streams and get
6 them down to maybe 10.

7 In, I guess, the long version of your
8 report, did you foresee then how this would be
9 accomplished? In other words, would this be done by
10 a continuing committee that would devise what I will
11 call essentially an overall transportation plan for
12 the United States of America for the next 20-some
13 years that the States would buy into or each State be
14 represented in how it would dovetail? And the reason
15 I'm asking that, if you did something or thought of
16 something like that, did you then prioritize from the
17 Federal viewpoint, what would they work on first that
18 would be a primary, overarching Federal
19 responsibility?

20 And yes, am I trying to lead somewhere?
21 Yes, I am, because there is a part of me that sees
22 mass transit as being something the Feds should get a
23 lot more involved in and indeed look at it overall,
24 and with that, look at rail. That, to me, most
25 easily could translate into Federal initiatives, even

1 more so than our roads and our bridges, which will,
2 you know, break down State by State.

3 So all of that, sir. Thank you.

4 MR. SCHENENDORF: That is a big question.

5 First of all, from a Federal perspective, I
6 think it was the feeling that all of this has to be
7 done, and certainly a big piece of it is much
8 improved transit. As I mentioned before, this
9 intercity passenger rail and these very dense
10 corridors were essential pieces, but so is adding the
11 highway mileage on the interstate.

12 So it is reconstructing the existing highway
13 system that we have so that it is brought up into a
14 state of good repair and kept in a state of good
15 repair.

16 So the 10 programs that were recommended
17 were performance-based programs, and let me just give
18 you an example of one of them to show you kind of how
19 it would work.

20 One of them is that major metropolitan areas
21 of a million or more, to reduce congestion by
22 20 percent from today's levels by 2025 in the face of
23 growth that is coming, and basically what would
24 happen is if that program were enacted at the Federal
25 level for those communities of a million or more,

1 Federal, State, local, official stakeholders would
2 sit down and come up with the standards and the
3 metrics, how are we going to measure this? how are we
4 going to do it? And then it would be up to each of
5 these areas to come up with their plan -- transit
6 improvements, non-motorized improvements, land use,
7 highway construction -- that is basically going to
8 allow them to get control of congestion and reduce
9 congestion from today's levels by 2025. And all of
10 our studies show that that is going to be an
11 aggressive transit program, an aggressive
12 non-motorized program. Intercity passenger rail in
13 most of these cities that are in those corridors
14 would be affected. Additional highway construction
15 and bringing all of the existing infrastructure in
16 this state of good repair, that all of that would be
17 developed by them at that level, and then these plans
18 would be all knitted together.

19 You would have all of these plans. You
20 would have the plans for the national freight program
21 and plans for the other national programs. They
22 would all be knitted together, and so it would be a
23 coordinated effort between Federal, State, local, and
24 regional planning entities to develop the actual
25 transportation plans to meet these performance

1 criteria that would be set up for each one of these
2 programs.

3 So at the end of the day, all of this would
4 produce a national overall plan for our national
5 portion of our system, which would include transit,
6 intercity passenger rail, intercity freight, and the
7 major highway networks that comprise about 20 percent
8 of the road mileage for carrying 80 percent of the
9 traffic.

10 REPRESENTATIVE WATSON: A follow-up, please,
11 Mr. Chairman?

12 Would there then be, as you envision in
13 describing that, the financial plan that would be
14 somehow superimposed with it, because in doing work
15 in the district, in my district, and working with
16 PENNDOT, whenever we have done this, and with DVRPC,
17 the Delaware Valley Regional Planning Commission, but
18 what happens is, if it is not somehow staged and the
19 money figured out, everybody sits there with a plan
20 and goes, well, it would take \$16 million; do you
21 have 16? No. Do you have 16? And nothing gets done
22 in terms of that.

23 But if indeed, much like the old-fashioned,
24 kind of a teacher's outline for a lesson plan, each
25 thing is assigned a value of who is responsible and

1 the planning is there financially, which might
2 involve a public-private partnership or it might
3 involve tolling, but somehow there has to be an
4 overlay of a financial plan. Is that part of it?

5 MR. SCHENENDORF: That would be part of it.
6 We have this plan, and the next step would be that a
7 cost estimate would be developed for all of the
8 elements of the plan, and then a financing plan for
9 how it was going to be financed, over what period of
10 time.

11 The methodology that is envisioned is the
12 same as the interstate was funded with, which was the
13 cost to complete that was revised on a semiannual, on
14 an every 2 years, and then the funding at the Federal
15 level, and then the State and local contributions
16 were sufficient to complete the system over a certain
17 number of years, and these programs would be funded
18 in that same way. You have that financial plan. You
19 decide how many years you are going to take to
20 implement it -- 10 years, 15 years. That tells you
21 how much you have to spend each year. And then the
22 funding would be set in order to accomplish the
23 goals, and that is when the accountability would come
24 in.

25 And this is very frightening for State and

1 local governments and the Federal government, because
2 it would really make them identify the projects that
3 needed to be done to meet transportation objectives,
4 how much they are going to cost, and then actually
5 people would be able to track whether or not these
6 projects were being built and whether the money was
7 being provided.

8 And constituents would know exactly what
9 their money was going for, and if you did do
10 congestion pricing and if you did do tolling or you
11 did do the private sector, they would be able to see
12 it as the piece of the pie and then see how it would
13 fit in, and there would be a lot more support, in my
14 judgment, for these various methods, because people
15 would understand, this is what we are doing to make
16 our city livable or move freight throughout the
17 country so we have a healthy economy. Whichever the
18 programs you are talking about, they would be able to
19 link it to real results that they could keep track
20 of.

21 I don't think people will provide a penny
22 more for these programs the way they are run today,
23 because they have no trust of where the money is
24 going to go or how it is going to be spent.

25 REPRESENTATIVE WATSON: I couldn't agree

1 with you more. Thank you very much, sir.

2 Thank you, Mr. Chairman.

3 CHAIRMAN MARKOSEK: Okay.

4 Thank you, Mr. Schenendorf. I really
5 appreciate you being here today.

6 MR. SCHENENDORF: My pleasure.

7 CHAIRMAN MARKOSEK: It was excellent
8 testimony, and just one real quick last question or
9 thought.

10 I know you have an enormous Federal
11 transportation background, and I would be very
12 curious -- you do not even have to answer this
13 question if it is not appropriate -- but in your
14 estimate or analysis, or prediction even, for the
15 Federal Congress this year on getting the new bill,
16 the transportation funding bill, reenacted or passed.
17 I know that the Highway Trust Fund is in serious
18 financial jeopardy, and I'm just curious, if you
19 wouldn't mind, just sharing some of your thoughts
20 relative to that.

21 MR. SCHENENDORF: Well, the trust fund has a
22 short-term problem for 2009, which I do think
23 Congress will fix. There are a number of different
24 ways you can fix that, and I think that will take
25 care of that.

1 Next year, next January, you are going to
2 have a new Congress, you are going to have a new
3 administration, and SAFETEA-LU expires September 30,
4 2009. Getting that bill reauthorized is going to be
5 a big task under any circumstances.

6 You got all of the controversy over projects
7 with donor/donee, the hangover from the Bridge to
8 Nowhere and the Coconut Road projects and all of
9 that, and you have got the trust fund facing a
10 20-percent reduction in spending, the existing level
11 of taxes. So all of that is going to make it
12 extraordinarily difficult to get a bill.

13 Our commission is saying that in addition to
14 dealing with all of that, you really got to almost
15 wipe the slate clean and have a new beginning. This
16 isn't a standard reauthorization. God willing,
17 there's a better way. I think that is all going to
18 take time, and I would be very surprised if we got a
19 major bill either way through by September 30. I
20 think there will be some sort of extension.

21 But I do think it will get done. I think
22 when the people focus on this, it has to be done. I
23 mean, we are digging a deeper and deeper hole. These
24 projects, whether you are talking about transit,
25 whether you are talking about intercity passenger

1 rail, whether you are talking about Woodrow Wilson
2 Bridge-type projects, they take a long time, even
3 with expanding it, and if we do not get hold of this,
4 our system is going to slump into a state of gridlock
5 that is going to affect our economy, and we won't
6 generate the revenues to do this or anything else
7 because our economy will be suffering so from it.

8 So I'm optimistic that, maybe not within
9 that 9 months, but within a period of time. I know
10 on the House side, Jim Oberstar is a very, very
11 seasoned Legislator. He has done this for many, many
12 years, and I think he has really taken this up. He
13 is calling for a transformational bill. It is going
14 to take some time.

15 But I do think that one of the things that
16 we found is that it is going to take everybody -- I
17 mean, I worked on TEA-21, and we had a major
18 challenge there trying to unlock the trust funds, you
19 know, take them off-budget and make sure the money
20 was spent.

21 People told us that couldn't be done, and
22 because of the coalitions we built, many of them with
23 State Legislators, Governors, city and county people,
24 the private sector, we built a coalition that was
25 able to do it.

1 Well, this is an order of magnitude harder
2 than that. So we need the same coalitions, but we
3 also need all of the stakeholders out there talking
4 to the American people about the significance of this
5 problem, business talking about it, because what is
6 really at stake here is our competitiveness in the
7 world markets in the next 50 years and whether we are
8 going to be a first-class economy or a second-class
9 economy.

10 So there is a lot at stake, and everybody is
11 going to have to work on it and talk about it, you
12 know, from the constituents, and raise transportation
13 and the importance of transportation as an issue.
14 Because the thing I always come back to is that
15 transportation is essential to a healthy economy. It
16 is not the only thing; you need other things to make
17 sure the economy is healthy. But without a healthy
18 transportation system, the economy can't be healthy.

19 And everything everybody wants to do from
20 one end of the political spectrum to the other end of
21 the political spectrum is all based on a healthy,
22 robust economy generating the revenue to do it. So
23 everybody has a stake in making sure that that
24 economy is good, and transportation needs to be a
25 part of that.

1 CHAIRMAN MARKOSEK: Okay. Amen.

2 We appreciate it a lot. Thank you, Mr.
3 Schenendorf. We appreciate it.

4 MR. SCHENENDORF: Thank you.

5 CHAIRMAN MARKOSEK: Our next person to
6 testify is an old friend of the committee, Bob
7 Latham, from the Associated Pennsylvania
8 Constructors, and I see, Bob, you have a guest.

9 MR. LATHAM: Yes, sir.

10 CHAIRMAN MARKOSEK: Would you introduce him,
11 please?

12 MR. LATHAM: Mr. Chairman, thanks for having
13 us here today.

14 My name is Bob Latham. I'm Executive Vice
15 President of the Associated Pennsylvania Constructors,
16 and we represent some 400 businesses throughout
17 Pennsylvania. And by all estimates, the program that
18 we represent serves to employ about 60,000 people in
19 the Commonwealth based on the size of the program.

20 With me here today is Dan Hawbaker. He is
21 Chairman and CEO of Glenn Hawbaker, Inc., in State
22 College, Pennsylvania. I will let Dan introduce his
23 company a little bit later.

24 I have been asked then and we will talk
25 today about two things: recent polling and public

1 research that we have done. I'm also going to talk a
2 little bit about legislation that has been introduced
3 to hopefully provide some more funding for our
4 highway and bridge system here in Pennsylvania.

5 And then, finally, Mr. Hawbaker is going to
6 talk about ways that we can save money in rebuilding
7 our highways through the use of recycled asphalt
8 product.

9 And I'm just going to take a few minutes to
10 run through the survey that we did recently here. I
11 presented, I believe I have presented you with a copy
12 of our testimony, so I'm not going to read it here
13 today, but I'm going to just hit some of the
14 highlights of the survey.

15 I thought it was interesting that Mr.
16 Schenendorf finished up here, it was a really good
17 segue, I think, with his comment that transportation
18 is essential to a healthy economy. We have always
19 agreed with that, and according to our polling
20 numbers, apparently a lot of people in Pennsylvania
21 agree with that as well.

22 One of the things that we, of course, asked
23 people, along with some of the pressing issues of the
24 day, was what do they think is the best way to
25 stimulate the economy? There are a number of issues,

1 a number of programs that are being talked about
2 here. We are talking about energy policy. We are
3 talking about health care these days. We always talk
4 about education. We asked people what do they think
5 would be the best way to stimulate the economy?

6 Of course, lowering business and income
7 taxes is always the most favorite. But we think it
8 was somewhat surprising and somewhat telling to see
9 that, at least the results of our poll show that the
10 general public believes that building and investing
11 in our highway infrastructure and repairing and
12 expanding that system is a better way to stimulate
13 the economy than energy independence, increased
14 funding for public education, and guaranteed health
15 coverage, and, of course, projects such as stadiums,
16 convention centers, and that sort of thing. I think
17 that the message there is that people are starting to
18 understand that basic infrastructure investment is
19 key to our economy.

20 We also had been tracking this for several
21 years and tried to get an idea of what the public's
22 understanding of this was over a period of time, and
23 basically we asked them what the overall condition or
24 they think the overall conditions of the roads and
25 bridges is in their area. I think that that is open

1 to interpretation depending on where you are. If you
2 are trying to drive from Norristown to center-city
3 Philadelphia, you may rate the condition of your
4 roads as pretty poor because it takes you an hour to
5 go 10 miles. If you are in rural Bedford County, you
6 may rate the condition of your roads poor because you
7 feel like you are on a washboard as you drive down a
8 country road. And I'm not sure, I can't remember
9 whether the department's presentation had a
10 discussion, but of course their local roads is where
11 they have a condition problem as opposed to the
12 interstates.

13 We asked the public whether they support or
14 oppose an increase in funding to improve the State's
15 roads and bridges, and interestingly enough, a year
16 ago, only 64 percent were in favor of that increase.
17 In March of this year, 78 percent were in favor of
18 it. So I think we are starting to see the
19 recognition on the part of the public.

20 Now, the importance of this issue:
21 certainly the recent events such as the collapse of
22 the bridge in Minneapolis, and of course I also point
23 out that we had an experience here in Pennsylvania.
24 We lost a bridge in Washington County -- fortunately,
25 we didn't lose any lives -- about 2 or 3 years ago,

1 and in that situation, you know, on a small, rural
2 road in Perry County, I believe it was, a dump truck
3 went through a State road bridge. And then, of
4 course, most recently we have had the---

5 REPRESENTATIVE GEIST: Keller waved him over
6 when it was full. He wanted that bridge replaced.

7 MR. LATHAM: I can help you. Every cloud
8 has its silver lining.

9 You know, we have seen the Birmingham Bridge
10 in Pittsburgh, a major commercial viaduct, and then,
11 of course, Interstate 95, which was almost a
12 Minnesota-type collapse that happened. So we don't
13 have to go outside of the State to look at this issue
14 and why people are starting to believe that it is
15 important.

16 I think it is important also to understand
17 that when we asked folks whether they supported it
18 even if it meant raising taxes, we are starting to
19 see some movement in that regard as well.

20 Now, the only question is, when you come
21 back to the final question of which tax would you
22 like to pay more of, I guess you could say we duck
23 the issue of which tax and ask them how much they
24 might be willing to pay? And there is a reason for
25 that, because we think that the debate over the last

1 couple of years has started to center around whether
2 this is a regional issue or whether this is a
3 particular concern to you. I mean, obviously, some
4 people load the gas tax, other people, now we have
5 this whole debate over the tolling of Interstate 80,
6 so if you go up on the I-80 corridor and say, what
7 should we do, they probably would be much in favor of
8 the leasing of the turnpike because they probably
9 don't think that that is going to affect them very
10 much. But if you ask them whether they would be
11 willing to pay more tolls, they probably would not
12 want to do that.

13 So we thought it would be important to strip
14 away the biases against the particular funding
15 mechanism and ask folks, are you willing to pay more
16 to fix your infrastructure, period, and if so, how
17 much? And we found it interesting that we started
18 with \$8 a month and went as high as \$20, and then we
19 had, of course, a number of people that do not want
20 to pay anything, because they want good roads and
21 want safe bridges; they just don't want to have to
22 pay for it, which is the American way. But in any
23 event, we were very happy to see, obviously very
24 happy, and very interested to see that the folks were
25 willing to pay \$8 a month.

1 I would just like to point out, about a year
2 ago, before we got into the whole Act 44 debate,
3 there was a discussion around a Pennsylvania Economy
4 League study that recommended a series of approaches
5 to funding our State's road and bridge crisis, and
6 transit crisis at the time as well. And they
7 recommended an increase in the fuel taxes, some
8 regional funding mechanisms, tolling, some prudent
9 use of debt, and a mixing of public-private
10 partnerships. And we estimated that that program
11 would have cost the average motorist anyway about
12 \$4 a month, if you take into account the increase in
13 the fuel tax, the additional tolls that they would be
14 paying, and some regional taxes that they would pay
15 under that scheme.

16 So, I mean, I guess the message here is that
17 we think that the public is starting to understand
18 that we have an issue here. There seems to be some
19 interest or some willingness to pay for some of this,
20 and I think it is just a matter of vetting out which
21 is the best approach.

22 We have talked about, here today we talked
23 about national taxes; we talked about other funding
24 mechanisms. The Governor has, of course, proposed a
25 \$200 million a year bond financing program for

1 bridges. One of the things in the PEL study, and we
2 supported last year, was some prudent use of debt.
3 But we characterized "prudent use of debt" as using
4 debt but providing a new payback stream. I think one
5 of the concerns that has been expressed by the
6 committee here today is that the bond program that is
7 being proposed does not have a new dedicated source
8 to pay back that funding stream.

9 I'm going to turn for a moment, if I may, to
10 House Bill 2309, which is a bill that would address
11 some of what we believe and others believe are some
12 of the inequities in the funding of the Pennsylvania
13 State Police.

14 Several of you here today are cosigners of
15 that, cosponsors of that bill, and we appreciate
16 that. And I think what we have to do is start to
17 recognize that over the last few years, and it
18 transcends Administrations, I will say, we seem to be
19 shifting more and more of the responsibility for the
20 funding of the Pennsylvania State Police to the Motor
21 License Fund.

22 Historically, about two-thirds of the
23 State Police's operating budget was paid for by the
24 Motor License Fund. Now it is about almost
25 75 percent. And that does not sound like too much on

1 the percentage basis, but when you look at the chart
2 that we have provided you -- or has been provided to
3 us and we just reprinted it -- you will see that, you
4 know, over the past, I think since 2000, the cost of
5 the Motor License Fund has gone up almost
6 \$200 million a year while the cost of the General
7 Fund is only about \$30-some million a year. And I
8 guess, you know, if the General Fund had borne that
9 brunt, we wouldn't be talking about bond financing
10 today for bridges because we would have the money
11 available in the Motor License Fund. But literally
12 7 to 8 cents per gallon of the gas tax is now going
13 to the State Police.

14 And this legislation seeks to look at a
15 different way to fund the State Police without taking
16 so much from the Motor License Fund, and we think it
17 merits some debate and merits consideration.

18 One of the things that may be considered is
19 if the lift is too high to move \$50 million a year
20 out of the Motor License Fund responsibility to the
21 General Fund, perhaps you take a look at the debt
22 service that would be incurred by the Governor's bond
23 program and tie the number to that. It would be a
24 way to jump-start the bridge program, which we think
25 is essential. It would also leave that money

1 available in the Motor License Fund so we do not
2 start to fall behind on our road repair, which there
3 is a concern that a number of highway improvement
4 projects might get lost in the shuffle with that.

5 So, I mean, I would just like to close my
6 remarks and turn it over to Mr. Hawbaker here by
7 saying, you know, we have done some public research
8 here. I think the public might be starting to come
9 around and start to understand that in order to have
10 a good highway system, everybody is going to have to
11 pay a little bit more.

12 We think that House Bill 2309 is a good
13 start in terms of getting some more money into the
14 system, and it might be the way to bridge that whole
15 controversy over more debt versus whether we need to
16 get at this bridge problem that we have.

17 MR. HAWBAKER: Thank you, Mr. Chairman, for
18 the opportunity to be here today.

19 CHAIRMAN MARKOSEK: Mr. Hawbaker is it?

20 MR. HAWBAKER: Yes, Dan Hawbaker. I'm the
21 President and CEO of Glenn Hawbaker, Inc. We operate
22 out of State College, Pennsylvania. We are a heavy
23 highway construction service and products.

24 CHAIRMAN MARKOSEK: Okay. Welcome, sir.

25 MR. HAWBAKER: Thank you.

1 As Bob had introduced me, I'm here to talk
2 about recycling today.

3 Our company operates about eight asphalt
4 plants in four districts across the State of
5 Pennsylvania, mostly across the northern tier, and
6 our annual production of asphalt metrics exceeds
7 1.3 million tons out of those plants on an annual
8 basis.

9 I'm here to represent really the interests
10 of the Pennsylvania Asphalt Pavement Association. We
11 have a concern about recycling or reclaimed asphalt.
12 We think it has a great potential to affect a
13 substantial savings to the Commonwealth.

14 We can reduce the cost of our product we put
15 out today through recycling, or what we refer to as
16 RAP. On a national scale, 80 percent of the
17 reclaimed asphalt is recycled. Now, I would compare
18 that to pop cans and aluminum, which is about 60
19 percent, and newspapers, which is perhaps about 56
20 percent.

21 As energy prices have risen, we have all
22 been impacted, and we in the asphalt business have
23 also been hit. Right now, we are paying almost
24 \$400 per ton for liquid asphalt. If you consider
25 that each ton of what we call reclaimed asphalt

1 product contains about 4 to 6 percent asphalt, we are
2 looking at each ton of RAP, in and of itself,
3 containing about 16- to 20-plus dollars' worth of
4 asphalt.

5 As our Deputy Secretary, Rick Hogg, just
6 mentioned, from time to time we have linear
7 stockpiles out here on our roadways that could be
8 recycled back into asphalt products. As an
9 association industry, we are confident that some
10 significant savings would be achieved if we could be
11 more aggressive in putting this material back into
12 the roadways of Pennsylvania on a statewide basis.

13 In 2007, our company recycled over 130,000
14 raw tons of RAP. Some of that 130,000 tons was
15 placed on Pennsylvania roadways. And on the
16 commercial projects, we put the rest onto those
17 projects because it was easier for application and to
18 place it in those areas. In some highway districts,
19 we have been able to recycle up to 25 percent RAP on
20 occasion.

21 On a statewide basis, we lack a consistent
22 policy on RAP. We hear that, yeah, you can recycle
23 as much as you want, but then the issue comes down to
24 support for that policy throughout. And without a
25 consistent policy, we are kind of in a situation

1 where many of the producers will not invest in the
2 equipment required to do RAP in a positive way that
3 ends up with a quality product.

4 The RAP mixes, in whatever portion you put
5 them together, measures up to a virgin mix. I'm
6 talking about a virgin mix being new stone, new
7 asphalt put into a mix. Some producers have already
8 engaged in recycle, and a policy commitment across
9 all districts to recycle would be significant instead
10 of to make an investment by these other producers who
11 have not. We are talking about \$300,000 to \$500,000
12 to modify a plant to carry RAP forward.

13 Speaking for the association, we are seeking
14 support to effectively recycle as many tons of
15 asphalt as can be made available by the department
16 and have that returned to the producers. If that
17 were returned to producers over a period of time, you
18 would see competitive forces work positively to
19 impact the cost of a ton of blacktop across the State
20 placed on roadways.

21 With current technology, recycled asphalt
22 can be made equivalent to virgin mix and would not
23 require and save the resources of asphalt and the
24 resources of aggregate.

25 Without a doubt, we can meet every quality

1 standard that would be required that would make it a
2 virgin mix, and I think that the savings here could
3 be substantial. If you consider the situation right
4 now, I think that based upon our best numbers that we
5 can figure out, less than 5 percent of the milled
6 material or the material taken up off the roadways is
7 put back into the department roadways.

8 We also have to consider that there are
9 approximately 23 million tons of blacktop laid in the
10 State annually. So if you would take a couple of
11 bucks a ton, extrapolate that across \$23 million, we
12 are talking real money.

13 So what we would like to talk about is some
14 kind of a statewide policy that would encourage the
15 department to adapt a policy of returning RAP to the
16 producers and also implement a process over time to
17 make something happen that would implement a
18 recycling process.

19 That is my message, Mr. Chairman.

20 MR. LATHAM: Thanks for your time. I really
21 appreciate it.

22 CHAIRMAN MARKOSEK: Okay. Thank you.

23 I think Chairman Geist has a question.

24 REPRESENTATIVE GEIST: Thank you very much.

25 If we have to accomplish this legislatively,

1 I would be more than glad to draft legislation,
2 because at a minimum, you are talking about a penny a
3 gallon out of 31 cents that we collect now, and the
4 max, using the numbers you did, was 3 cents a gallon
5 that we would save in asphalt costs every year in
6 Pennsylvania. And if that takes legislation to do, I
7 will be more than glad to put a bill up.

8 The department should be demanding this
9 rather than prohibiting it.

10 MR. HAWBAKER: Representative Geist, over
11 time, you have probably talked to many contractors,
12 because you have been in this business a long time.
13 Across the State, there are 11 highway districts, and
14 so policies vary from location to location. But I
15 think that this is something that is truly worthy of
16 something to look at across the State as a policy.

17 But the important thing is getting this
18 material back to the producers so that they can take
19 action and then know that if they invest in recycling
20 equipment, that there is an option or an opportunity
21 for return.

22 REPRESENTATIVE GEIST: Well, when you get
23 Bob and Jason there to work with Eric and myself, and
24 I'm sure Joe, we will try to help you out. Thank
25 you.

1 MR. HAWBAKER: Representative Stevenson has
2 also expressed an interest in supporting this effort,
3 too.

4 CHAIRMAN MARKOSEK: Okay. Thank you.

5 The Chair recognizes -- and I forgot to
6 recognize him when he came in -- Representative Paul
7 Costa from Allegheny County is here---

8 REPRESENTATIVE COSTA: I'm easy to miss.

9 CHAIRMAN MARKOSEK: ---and he has a
10 question.

11 REPRESENTATIVE COSTA: Thank you, Mr.
12 Chairman.

13 I'm just curious, and you don't have to give
14 away trade secrets, but how do you get their
15 reclaimed asphalt and turn it back into asphalt that
16 we normally see that is being put on the road?

17 MR. HAWBAKER: What we would do is process
18 this much like we do virgin aggregate. We crush
19 virgin aggregate into specific sizes, and we would
20 have processing equipment that would, again, take it
21 back to probably three different sizes, and then by
22 the feed system, feed it back in in proportion to
23 whatever percentage of RAP we wanted to put in the
24 mix. And we have the potential to go up, with some
25 plants, up to 50 percent RAP.

1 REPRESENTATIVE COSTA: And it is the same
2 quality as what we are seeing with the virgin?

3 MR. HAWBAKER: It will meet the same quality
4 criteria.

5 REPRESENTATIVE COSTA: Cool. Thank you.

6 CHAIRMAN MARKOSEK: Representative Miller.

7 REPRESENTATIVE MILLER: Thank you, Mr.
8 Chairman.

9 If I understood your testimony correct, only
10 about 5 percent is being recycled now. What is
11 happening to the other 95 percent?

12 MR. HAWBAKER: Across the State, it varies
13 according to district as to how they employ it. They
14 may take it back, and one of the regrettable
15 circumstances is they place it on the highway
16 shoulders, which is not a good application, because
17 that is, I would say, a 20-plus-dollar-a-ton material
18 whenever you can go to a local quarry and probably
19 get the material for half that price delivered to the
20 same site.

21 So it is used for those purposes and used by
22 the districts to do various other things.

23 REPRESENTATIVE MILLER: Okay. I would just
24 ask if maybe, you know, through Mr. Latham or others,
25 we could get some data as far as -- I know, for

1 example, some of it in York County was used to
2 possibly pave some municipal roads. It wouldn't have
3 been State highways; it might have been a tradeoff
4 with some other shared services or something.

5 If there is any way that you can help us to
6 find out how much of it is actually being used. I
7 mean, at 5 percent, I think you were referencing on
8 the State highway system, and if there's another
9 percentage of it going to non-State highways, that is
10 fine also. It would meet your intent as far as the
11 recycling goes.

12 So if there is any further data. But I
13 agree, it is just terrible if we are not doing a
14 better job with that.

15 MR. LATHAM: One of the things that we are
16 working as an industry, and we even worked with the
17 department on a number of these technical issues, and
18 we have been talking with them, and I know the
19 asphalt association has as well, about ways to
20 contain costs.

21 I mean, obviously one of the biggest
22 problems that we have seen in highway construction
23 over the last 3 to 4 years has been a staggering
24 increase in the cost of materials, led by steel and
25 now petroleum products, and this is driven mostly by

1 world demand. I mean, we are starting to see it now
2 in food prices and other things as well, the type of
3 inflation that we are in.

4 So we have been working with the department
5 to see how we can try to mitigate their costs, and
6 one of the things we are working with them on is to
7 try to increase, greatly increase the percentage use
8 of recycled product.

9 And I think what we would like to do, we
10 will get you the information you asked for,
11 Representative, and also keep the committee abreast
12 of how those things are going, and if they are not
13 going well, then maybe we will see where we go from
14 there.

15 REPRESENTATIVE MILLER: Thank you.

16 Thank you, Mr. Chairman.

17 CHAIRMAN MARKOSEK: Okay. Thank you.

18 I think Representative Sabatina had a
19 question. It has been asked?

20 REPRESENTATIVE SABATINA: Yeah.

21 Representative Miller stole my question, but thank
22 you anyway. I'm glad you asked.

23 CHAIRMAN MARKOSEK: Okay. And we have
24 Chairman Cohen, who has a question.

25 REPRESENTATIVE COHEN: Yes.

1 Could you go over the history of the
2 increase in asphalt costs and how much the recycling
3 and asphalt will reduce them?

4 MR. HAWBAKER: This would be difficult to
5 nail down to an exact number, because it is a
6 function of how far you would have to haul it back to
7 your plant to recycle it.

8 But I think that a little bit of history, 5
9 to 6 years ago we were less than \$100 a ton; now we
10 are up to \$400 a ton for virgin asphalt. So that has
11 been the escalation factor.

12 REPRESENTATIVE COHEN: That is because of
13 rising oil prices?

14 MR. HAWBAKER: Yes.

15 REPRESENTATIVE COHEN: And that was \$400 a
16 ton? And if we recycled it, what would it be?

17 MR. HAWBAKER: If you recycle it coming back
18 -- well, the recycled material is something that is
19 already there. So what you are using is yesterday's
20 asphalt at yesterday's prices to put it back in the
21 mixes, but you are going to have some processing
22 costs to get it back to where it needs to be.

23 But we could look at a savings of perhaps \$2
24 to \$3 a ton.

25 REPRESENTATIVE COHEN: \$2 or \$3 a ton?

1 MR. HAWBAKER: Yes.

2 REPRESENTATIVE COHEN: So we could get it
3 down to about \$398 a ton?

4 MR. HAWBAKER: No. I am talking about the
5 mix that we would lay on the roadways. So if you
6 consider that we lay somewhere between 20 and 25
7 million tons a year---

8 REPRESENTATIVE COHEN: Right.

9 MR. HAWBAKER: ---and you start to multiply
10 \$2 to \$3 a ton, we are talking numbers of about
11 \$40, \$60 million a year.

12 REPRESENTATIVE COHEN: Okay. Thank you.

13 CHAIRMAN MARKOSEK: Okay. Now, seeing no
14 other questions, gentlemen, thank you very much. We
15 appreciate it. It was very interesting. And again,
16 I think the committee did very well. Very good
17 questions today.

18 I would like a couple of housekeeping items.
19 Tomorrow we have our tour at 9 a.m. over at the Enola
20 rail yard, and I would like the members to just stick
21 around briefly to talk about an administrative issue
22 after we adjourn.

23 So with that, thank you, and meeting
24 adjourned.

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(The hearing concluded at 3:37 p.m.)

1 I hereby certify that the proceedings and
2 evidence are contained fully and accurately in the
3 notes taken by me on the within proceedings and that
4 this is a correct transcript of the same.

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Debra B. Miller, Reporter

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