

Hearing of the House Transportation Committee

**Addressing the Status of Our State and National  
Transportation Infrastructure**

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Mr. Chairman, thank you very much for the opportunity to testify this afternoon. I'm Robert Latham, executive vice president for the Associated Pennsylvania Constructors. With 425 members, APC is Pennsylvania's largest trade association representing the highway construction industry.

We were asked to brief the committee on two items today. First is some recent public opinion research that we find very interesting. Second is the industry's position on HB 2309, sometimes called the State Police Funding Bill.

I'll start with the public opinion research. During the last two years, the Transportation Construction Industries coalition has conducted a series of polls on the highway funding issue. TCI is an organization that includes APC and several other highway construction trade associations.

In undertaking this research, TCI has had several goals, including:

- Tracking the public's *awareness* of the highway funding problem.
- Determining the public's *level of concern* about the problem.
- Seeking ways to *educate the public and to develop a constructive dialog* over potential solutions.

As with others who have conducted similar research, TCI's polling – conducted by Susquehanna Polling & Research – shows that people are wary of various individual funding solutions, such as privatizing the Turnpike, raising fees and taxes and tolling Interstate 80.

In research conducted in early March, we tried a different approach. Instead of asking respondents whether they preferred any particular funding method over another, we stripped all that back and simply asked how much more they would be willing to pay per month in order to repair and expand Pennsylvania's highway system. (We've attached copies of the questions and top-line results to the written testimony.)

We gave them four choices:

- An additional \$8 per month.
- An additional \$15 per month.
- An additional \$20 per month.
- No amount, because we do not need to repair or expand the highway system in Pennsylvania.

The \$8 per month figure comes from a funding proposal that TCI made to the Senate Transportation Committee in April 2007. It included a gasoline tax increase of about 8 cents per gallon and increased license and registration fees, which would have generated approximately \$500 million per year. It also included the I-80 tolling plan and Turnpike toll increases that became part of Act 44, which raises another \$500 million.

We calculated the cost to a “typical” motorist – someone who drives approximately 15,000 miles per year, in a vehicle that gets 25 miles to the gallon. That cost, including tolls, came out to \$8 per month.

The survey showed that 39 percent of the respondents were willing to pay an additional \$8 per month. Another 11 percent were willing to pay an additional \$15 per month, and an additional 6 percent were willing to pay another \$20 per month.

A total of 32 percent said they were not willing to pay anything because we do not need to repair or expand Pennsylvania’s highway system. Another 6 percent were undecided, and 6 percent gave some other answer.

It is interesting to note that in the very previous question, asked literally seconds before, only 12 percent said solving the funding shortfall was “not at all important.” We have some thoughts about the 20 percent who flipped, which I’ll get to shortly.

As for the tracking questions, there was a significant increase in the proportion of respondents who support an increase in state highway funding, 78 percent compared with 64 percent last June.

Also, 79 percent say the condition of the highways in their area is fair or poor, while 21 percent say excellent or good (actually, only 2 percent say “excellent”). Those numbers are essentially identical to the responses from last June.

Following are the conclusions we draw from these results:

- A majority of the public understands that the highway system is deteriorating and that it’s a problem, and they agree that it should be fixed. Only 12 percent appear to disagree.
- A significant majority – 56 percent – understand that there is no “free lunch.” They are willing to pay at least an additional \$8 per month to solve the funding problem. The so-called conventional wisdom is that “everybody knows there’s a problem, but nobody is willing to pay to fix it.” We see this as fairly convincing evidence that the so-called conventional wisdom is incorrect.
- We believe the problem with the ongoing debate is that it centers on all of the negatives about each individual funding method. But the perceptions that people have about the tolling of I-80, for example, does not, and cannot, reflect the actual experience they will have when approximately 10 toll plazas are in place on that 300-mile road. The majority of motorists will most likely discover that they are not as negatively affected by the tolls as they now believe they will be.
- Although this research did not specifically address it, we suspect that the opposition to various funding mechanisms stems from the perception that certain geographic regions and/or certain classifications of motorists are bearing a disproportionate burden. While we would not expect residents along I-80 to

embrace the idea of tolling that road, we believe they would be more accepting of the plan if they knew that all of the motoring public and all geographic regions were contributing more or less equally.

- Recently, a colleague was describing a situation in which he had asked a simple question and received a very detailed explanation. He said, "I just wanted to know what time it is, not how you made the watch." In the discussion over highway funding solutions, we've spent too much time talking about how we're making the watch. Once people accept that they will pay a modest additional amount per month to solve the highway funding crisis, *how* they pay that money becomes secondary.
- The Pennsylvania Economy League transportation study of 2006 continues to be the best blueprint for a comprehensive and lasting solution to the highway funding problem. It concluded that the solution would likely be a combination of tolling, increased license and registration fees, higher gas taxes, local taxing authority, prudent use of debt and public-private partnerships. We believe a solution that included all of those elements would mitigate the perception that a single region or single classification of motorists is bearing a disproportionate burden.
- The respondents who in one question agreed that the highway funding issue needs to be addressed, then in the next question appeared to change their minds, are worth thinking about. We suspect that they are educable. We believe they can be made to understand that there is a direct connection between a sound highway system and their economic well-being and quality of life. We believe that once they understand the magnitude of the funding challenge, most will accept a modest increase in highway user fees. Once that happens, we believe support for a comprehensive solution will increase from slightly more than half to about three-quarters of the public.
- Clearly, we still have considerable work to do in selling the public on a comprehensive solution to the highway funding problem. But we are now beginning to see how it can be done. The public is smarter than we sometimes give them credit for. They know this is an important issue, they understand that there is no free lunch, and they will support a fair and reasonable solution.

Now I'll turn to HB 2309, which was introduced by representatives Keith McCall and David Argall. This bill would shift the portion of the State Police budget coming from the Motor License Fund to a separate restricted account in the General Fund.

The industry strongly supports this legislation, but while we see it as helpful, we also wish to stress that it represents merely part of the funding solution, not a complete solution.

Specifically, House Bill 2309 would shift \$50 million annually in State Police funding from the Motor License Fund to the "Pennsylvania State Police Fund" over the next 10 years.

This bill would create a more stable source for highway funding. In recent years, an increasing proportion of the Motor License Fund has been allocated to State Police operations. This takes funding away from road and bridge maintenance and repairs, which was the original, primary purpose of the Motor License Fund.

The Governor's 2008-2009 budget calls for the State Police to receive over \$510 million from the Motor License Fund. That is approximately 73% of their total budget. To put that in perspective, the \$510 million represents approximately 7.8 cents in liquid fuels taxes – approximately one-quarter of the total.

In 1993-94, the State Police received approximately \$215 million from the Motor License Fund. That was about 67% of their budget at that time. That 67% held steady for the most part up until the 2005-2006 fiscal year budget.

We strongly encourage the committee to move this legislation forward. Even though HB 2309 would not "solve" the state transportation funding woes, it would protect vital funding for road and bridge repairs as well as reverse the trend of diverting an increasing proportion of that fund for state police operations.

It is important to note that this bill does **not** eliminate or reduce state police funding. TCI strongly supports the job the men and women of the PA State Police. The industry does not wish to eliminate or reduce their funding. In fact, the bill establishes a restricted account in the General Fund that is linked to the state sales and use tax. We believe that this is a more predictable, sustainable and growth-oriented funding stream for the State Police, given that sales tax revenue continues to grow while Motor License Funds remain stagnate.

We recognize that House Bill 2309 may not be in perfect form. We remain willing to work with the committee and the full House on any amendments that would improve the bill. We also recognize that as the General Assembly considers the Commonwealth's budget, this bill should be considered as part of those discussions.

In conclusion, Mr. Chairman, we recently brought to Pennsylvania a nationally recognized expert on economic and social trends, by the name of Joel Kotkin. We brought Mr. Kotkin here as part of our effort to broaden the highway funding discussion.

Mr. Kotkin's message provides a very important component in this discussion. He noted that America's middle class prospered and grew in the last half of the 20<sup>th</sup> Century, as we built the federal highway system. Now, faced with a 50-year-old highway system that carries far more traffic than that for which it was designed, we have greatly reduced the proportion of the resources we invest in this essential asset. At the same time, our global competitors are greatly increasing their investment in infrastructure.

We're at a critical point as we make decisions that will affect the prosperity and quality of life of the next generation. The highway construction industry is committed to helping to facilitate a comprehensive, lasting solution to the funding dilemma. Thank you for your time today and your continuing interest in this issue.

**Final Top Line Survey Results**  
**Highway Funding Questions**  
**Susquehanna Polling/Triad Strategies Spring 2008 Statewide Poll**  
**Sample Size: 700 Registered Voters**  
**Conducted: March 5-10, 2008**  
**Sampling error  $\pm 3.7\%$**

What would you say is the single most important problem facing Pennsylvania today? That is, the one that you would like to see resolved by your state elected officials. (DO NOT READ CHOICES – ONE ANSWER ONLY)

1. Taxes	131	19%
2. Drugs/crime/violence	39	06%
<b>3. Economy/jobs/unemployment</b>	<b>198</b>	<b>28%</b>
4. Growth/development/traffic	6	01%
5. Government spending/budget	23	03%
6. Politicians/government	30	04%
7. Streets/roads/transportation	32	05%
8. Healthcare/prescription drugs	59	08%
9. Medicare/social security	9	01%
10. Education/schools	50	07%
11. Gas/energy prices	32	05%
12. Terrorism/National Security	1	00%
13. War in Iraq	6	01%
14. Morality/family values	13	02%
15. Illegal aliens/Immigration	5	01%
16. Undecided/none	36	05%
17. Other	27	04%

Which of the following is the best way to stimulate job creation and economic development? (CHOOSE ONE-ROTATE)

109	(16%)	1. Guaranteed health-care coverage for all Pennsylvanians
104	(15%)	2. Creation of an energy independence fund to bolster the state's production of alternative fuels
6	(01%)	3. Provide funding for new sports stadiums, convention centers and other community projects.
120	(17%)	4. Repair and expand the state's infrastructure including roads, bridges and highways
88	(13%)	5. Increase state funding for public education
<b>196</b>	<b>(28%)</b>	<b>6. Lower business and personal income taxes</b>
41	(06%)	7. Undecided (DO NOT READ)
35	(05%)	8. None/other (DO NOT READ)

**Turning to transportation issues for a minute...**

Would you rate the overall condition of roads, bridges and highways in your area as excellent, good, fair or poor?

	<b>March '08</b>		<b>June '07</b>			
1. Excellent	11	02%	01%		<b>Total Excellent/Good: 21%</b>	<b>22%</b>
2. Good	130	19%	21%		<b>Total Fair/Poor: 79%</b>	<b>78%</b>
3. Fair	289	41%	44%			
4. Poor	269	38%	34%			

A transportation study group commissioned by the state concluded that Pennsylvania should be spending approximately \$1 billion dollars more per year on the state's roads, bridges and highways. Do you support or oppose an increase in state funding to improve the state's roads, bridges and highway system? (TEST INTENSITY)

	<b>March '08</b>		<b>June '07</b>			
1. Strongly support	320	46%	29%		<b>Total Support: 78%</b>	<b>64%</b>
2. Somewhat support	224	32%	35%		<b>Total Oppose: 16%</b>	<b>28%</b>
3. Strongly oppose	57	08%	17%			
4. Somewhat oppose	53	08%	11%			
5. Undecided	44	06%	07%			

How important do you believe it is for the state to solve this transportation funding shortfall even if it means increasing taxes or fees or making cuts in other programs - very important, somewhat important or not at all important?

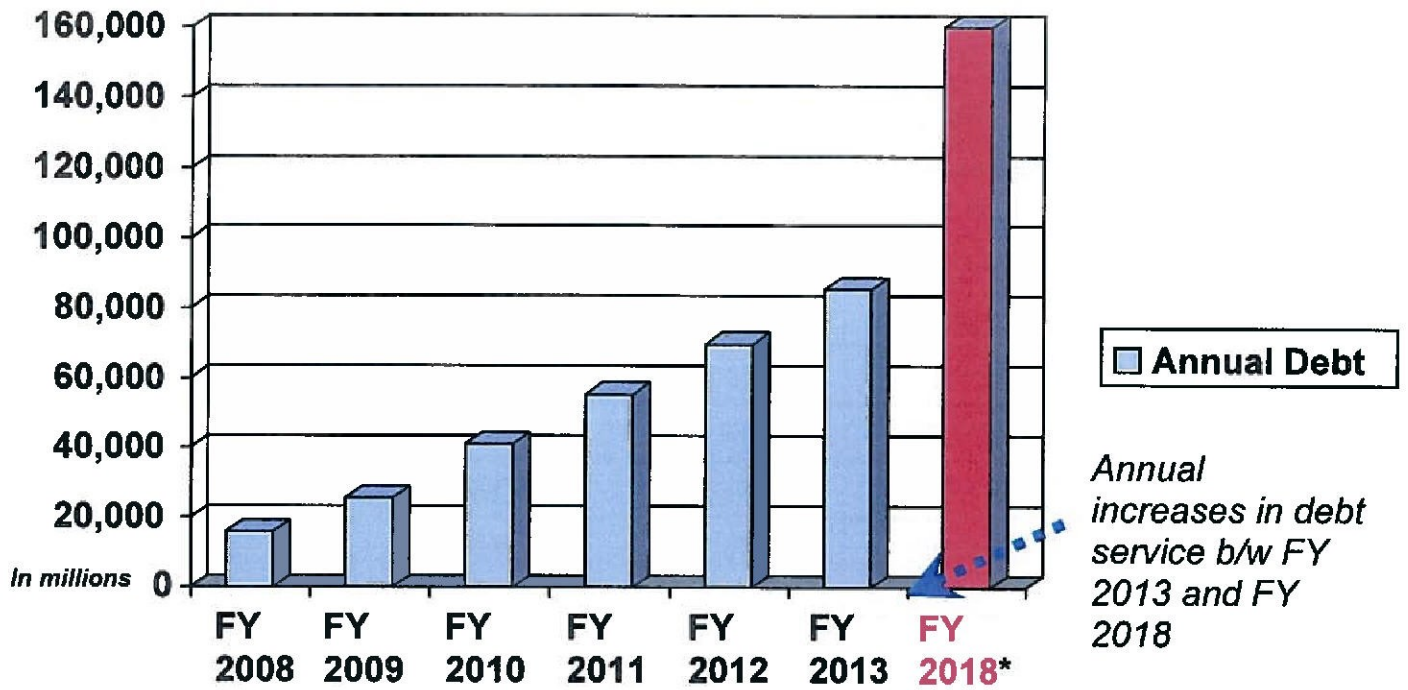
	<b>March '08</b>		<b>June '07</b>	
1. Very	208	30%	28%	
2. Somewhat	384	55%	53%	
3. Not at all	83	12%	16%	
4. Undecided	22	03%	03%	

What additional amount would you be willing to pay per month in order to repair and expand the state's highway system?

- 270 (39%)      1. An additional \$8 per month
- 78 (11%)      2. An additional \$15 per month
- 41 (06%)      3. An additional \$20 per month
- 221 (32%)     4. No amount, because we do not need to repair or expand the highway system in Pennsylvania.
- 43 (06%)      5. Undecided (DO NOT READ)
- 45 (06%)      6. None/other (DO NOT READ)



# Annual Debt Service Under Proposed Bridge Plan



*\*Debt service payments hit a maximum of \$160 million annually for fiscal years 2018-19 through 2026-27*

## State Police Funding History

FISCAL YEAR	MOTOR LICENSE FUND	%	GENERAL FUND	%
FY 2000-01	\$316,397	67%	\$153,790	33%
FY 2001-02	\$339,767	67%	\$164,245	33%
FY 2002-03	\$371,775	69%	\$169,622	31%
FY 2003-04	\$352,100	67%	\$173,622	33%
FY 2004-05	\$368,477	67%	\$184,797	33%
FY 2005-06	\$430,752	73%	\$157,416	27%
FY 2006-07 (projected)	\$514,108	73%	\$190,326	27%
FY 2007-08 (projected)	\$499,183	73%	\$183,043	27%
FY 2008-09 (proposed)	\$510,794**	73%	\$186,994	27%

\*Numbers shown in millions

\*\*Equates to approx. 7.9 cents/gallon in fuel taxes