

COMMONWEALTH OF PENNSYLVANIA  
HOUSE OF REPRESENTATIVES

TRANSPORTATION COMMITTEE HEARING

STATE CAPITOL  
EAST WING  
ROOM 60  
HARRISBURG, PENNSYLVANIA

WEDNESDAY, FEBRUARY 11, 2009  
9:00 A.M.

PRESENTATION ON  
BUDGET PROPOSAL AND FEDERAL ECONOMIC STIMULUS

BEFORE:

HONORABLE JOSEPH J. MARKOSEK, MAJORITY CHAIRMAN  
HONORABLE MIKE CARROLL  
HONORABLE PAUL COSTA  
HONORABLE MICHAEL GERBER  
HONORABLE GARY HALUSKA  
HONORABLE TED HARHAI  
HONORABLE MARK LONGIETTI  
HONORABLE TONY PAYTON  
HONORABLE JOSEPH PETRARCA  
HONORABLE JOHN SIPTROTH  
HONORABLE TIM SOLOBAY  
HONORABLE CHELSA WAGNER  
HONORABLE RICHARD GEIST, MINORITY CHAIRMAN  
HONORABLE JOHN EVANS  
HONORABLE KATE HARPER  
HONORABLE DICK HESS  
HONORABLE RON MARSICO  
HONORABLE RON MILLER  
HONORABLE KATHARINE WATSON

HEATHER L. ARTZ, RMR, CRR  
REPORTER

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## P R O C E E D I N G S

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CHAIRMAN MARKOSEK: Good morning, everybody. Thank you for attending. The first order of business is to have our good friend Representative Joe Petrarca from Westmoreland County lead us in the pledge.

(Pledge of allegiance was said.)

CHAIRMAN MARKOSEK: Thank you. This is our second hearing in a week's time relative to stimulus and budget transportation issues. And again, as our lead-off hitters here, we have PennDOT lined up, back for more -- by popular demand, Jim Ritzman, as well as Suzanne Itzko who is here today. Suzanne, welcome, relatively new deputy secretary at PennDOT. So welcome and I'm sure we'll be working quite a bit with you.

Jim, if you'd like to maybe start off with kind of the Cliff Notes version of where we left off last week and we'll have Suzanne.

MR. RITZMAN: Okay, great. Again, thank you for the opportunity to be here this morning and just share a little bit about the hot issues in transportation. And obviously those things we all know amount to money. Money makes the world go round and also allows us to get an awful lot of things done.

1     *So with that said, primarily, the testimony I have is*  
2     *exactly the same as what it was before. I said*  
3     *probably three numbers changed, two of them have to do*  
4     *with dates and the other one is just a little bit of*  
5     *clarification. Again, a lot of these numbers are ever*  
6     *changing and, again, I would say nothing substantial*  
7     *changed from the last time.*

8             *Again, as a high level overview of what's*  
9     *happened since last week, as you know, the Senate*  
10    *passed their version of the Economic Recovery Package*  
11    *yesterday. So right now we have a House bill and a*  
12    *Senate bill, conference committee, membership has been*  
13    *drafted or put together, and we believe they're*  
14    *starting those discussions today. The intent or the*  
15    *hope is still to have a bill for the President to sign*  
16    *by President's Day. So it's a very aggressive*  
17    *schedule. There are some major issues between the*  
18    *House bill and the Senate bill, and I would say the*  
19    *biggest one, Pennsylvania is right there on the House*  
20    *bill, our portion would be about \$1.25 billion and on*  
21    *the Senate side it's about \$900 million. So there's a*  
22    *350 gap or difference between the two bills. And*  
23    *that's huge.*

24             *One of the other primary components that's*  
25    *in the Senate bill is there's a competitive process*

1       *for discretionary projects nationwide. It's*  
2       *\$5.5 billion. And that would be for projects in the*  
3       *range of 20 million to 500 million that you could make*  
4       *application for. So that's the other component that's*  
5       *there in the Senate side.*

6               *Other than that, the primary difference I*  
7       *would say is the issue of use it or lose it. On the*  
8       *House side, you need to obligate 50 percent of the*  
9       *funds within 90 days. And on the Senate side it would*  
10       *be obligating 50 percent of the funds within 180 days.*  
11       *So I think those are the main issues that are going to*  
12       *be worked through in that conference committee. And,*  
13       *again, we expect it to happen pretty quickly.*

14               *The one key point that I made last week is*  
15       *while this sounds like a tremendous amount of money,*  
16       *you know, a billion dollars, somewhere around that for*  
17       *Pennsylvania, it's greatly appreciated, greatly*  
18       *needed, but when you look at our overall inventory of*  
19       *needs, it doesn't get us over the hump.*

20               *We have about 5900 structurally deficient*  
21       *bridges, and this is about another year's worth of*  
22       *winnowing that down. So it's key to remember that*  
23       *it's economic stimulus. We'll be thrilled to take*  
24       *advantage of those resources. We want to be in a*  
25       *position to catch anything that comes our way.*

1           And that's, I guess, the transition to the  
2 next point that I want to make of how Pennsylvania  
3 approached being prepared. What we did, primarily as  
4 PennDOT, looked at those projects that were on the  
5 existing TIP in the years two, three, and four. So  
6 those projects that are funded in 2010, 11, and 12, we  
7 looked to see which projects of those could be  
8 accelerated or advanced into this current year. And  
9 that was our primary target for identifying the  
10 economic stimulus or economic recovery projects.

11           We also used our existing formulas to  
12 distribute funds across the state to say here are the  
13 guidelines or the targets that we have for each  
14 region. If those accelerated projects fell short of  
15 the target of \$1.5 billion, over and above what we  
16 anticipated to see, we looked for additional quick  
17 delivery-type projects that had minimal to no  
18 right-of-way, utility, permitting requirements and  
19 identified those as well. Our whole emphasis was to  
20 be able to be in a position to deliver \$1.5 billion  
21 over and above our current letting program within a  
22 six-month time period. Again, just with all the  
23 speculation going on, that's how we worked it.

24           So we have a candidate list that we've  
25 shared with our MPOs and our RPOs and everybody who's

1 interested. And what we're in the process now of  
2 doing also is also looking at other locally driven  
3 projects or other projects that counties or  
4 municipalities have identified as shovel ready, and  
5 the MPOs and the RPOs are the forum for us to really  
6 focus on the vetting process and prioritization so we  
7 know which projects can be advanced.

8           And our main thrust is to say, you know,  
9 right now on the House side, obligation within 90  
10 days, so that means you have to have a project that's  
11 ready for the contractors to bid on in that 90 days.  
12 And that's what we're saying. We really need to be  
13 sticklers on to make sure that Pennsylvania utilizes  
14 not only the resources that are allocated to  
15 Pennsylvania, but is in great -- great position in  
16 being ready for those projects or those resources that  
17 other states may not be available -- may not be ready  
18 to utilize.

19           And again, that's pretty much what I wanted  
20 to focus on and the Cliff Notes version. I'd be happy  
21 to answer any questions at this time.

22           CHAIRMAN MARKOSEK: Okay. Thank you, Jim.  
23 Before we move on to Suzanne, just the information to  
24 the members that we're not taking any formal roll  
25 today, although your presence will be noted by the

1     *staff. Representative Hickernell was here earlier, as*  
2     *well as Representative Marsico. There's a lot of*  
3     *meetings going on. Folks will be coming and going as*  
4     *we speak. So there's no formal votes with this*  
5     *meeting, but we will recognize the members certainly*  
6     *that are here and that will be noted.*

7             *Also, Representative Geist I'm told is on*  
8     *his way and should be here soon as well.*

9             *With that, Suzanne.*

10            *REPRESENTATIVE HARPER: Can we ask questions*  
11     *now or later?*

12            *CHAIRMAN MARKOSEK: Well, I guess we can do*  
13     *either one. Suzanne, if you'd wait a second.*

14            *MS. ITZKO: That's fine.*

15            *CHAIRMAN MARKOSEK: Sure, we'll take some*  
16     *questions of Mr. Ritzman.*

17            *REPRESENTATIVE HARPER: Right.*

18            *CHAIRMAN MARKOSEK: Representative Harper.*

19            *REPRESENTATIVE HARPER: I'm not sure this is*  
20     *working. You can hear me anyway?*

21            *MR. RITZMAN: Sure.*

22            *REPRESENTATIVE HARPER: My question is the*  
23     *two packages differ also in the 90 days and the 180*  
24     *days. And I understood that within 90 days you get a*  
25     *lot of paving projects. Within 180 days you can do a*



1 *little bit more sophisticated stuff, maybe some*  
2 *intersectional improvements, maybe some bridges.*

3 *Do you guys maintain two lists or will you*  
4 *be able to, because I would hate to see us not use --*  
5 *do a bridge project because we thought we had to be*  
6 *ready for 90 days if the final version of the bill*  
7 *gives us 180 days to get ready. Are you ready for*  
8 *that?*

9 *MR. RITZMAN: Good question. One of the*  
10 *illustrations I used last time was if somebody gave me*  
11 *a thousand dollars and said I had 15 minutes to spend*  
12 *it or 24 hours to spend it, I'd spend it differently.*  
13 *And it's sort of the same thing. We want to be ready,*  
14 *we have a package of projects that we can have ready,*  
15 *but until we know, one, how much you have, and two,*  
16 *what the rules are, we don't want to say positively*  
17 *this is the list, because you're right. If you have*  
18 *90 days or 180 days, you may make different choices.*

19 *REPRESENTATIVE HARPER: Right.*

20 *MR. RITZMAN: And we want to be ready to*  
21 *catch whatever happens and we want to make sure that*  
22 *the planning process doesn't slow down the production*  
23 *process. But the final decision of where -- which*  
24 *projects, we want to be as close to the end line as we*  
25 *can be but not across it.*

1           *REPRESENTATIVE HARPER: Okay.*

2           *MR. RITZMAN: So excellent point.*

3           *REPRESENTATIVE HARPER: Thanks. And I do*  
4 *appreciate PennDOT is ready, because I think we're one*  
5 *of the few states in the nation that is ready if the*  
6 *money comes.*

7           *MR. RITZMAN: Absolutely.*

8           *REPRESENTATIVE HARPER: Great. Thank you.*

9           *CHAIRMAN MARKOSEK: Representative Miller.*

10          *REPRESENTATIVE MILLER: Thank you,*  
11 *Mr. Chairman. York County, in looking at the*  
12 *delegation as we looked at the project list, we were a*  
13 *little disappointed there were some projects that*  
14 *weren't on. And we've been talking to the York County*  
15 *Planning Commission and trying to understand this.*  
16 *And also it appears like neighboring counties, there's*  
17 *huge amounts of projects on their list, minimal amount*  
18 *on the York County list. But what I think I heard you*  
19 *say was the funds are being driven out the projects by*  
20 *the existing formula for MPOs.*

21          *MR. RITZMAN: Correct.*

22          *REPRESENTATIVE MILLER: So that the fairness*  
23 *issue shouldn't become an issue down the road.*

24          *MR. RITZMAN: Correct.*

25          *REPRESENTATIVE MILLER: The second*

1 question -- I appreciate hearing that. The second  
2 question I have is if we have these constraints, and  
3 one of the projects that I asked about was the bridge  
4 on I-83, bridges over Lake Redman are also scheduled  
5 to be done. They're already in the works because of  
6 the decking and it's just -- you can't keep the  
7 blacktop on them. They patch them about every week  
8 this winter. So they're scheduled to be done.

9 But if you have this demand that they must  
10 be let within the 90 days, could you not take a  
11 project like that and shift it to this and gain  
12 yourself an extra 180 days to let additional projects  
13 with the existing TIP funding?

14 MR. RITZMAN: Yeah, excellent questions,  
15 both of them. And I'll hit the first one first  
16 because I may have skimmed over that. What we did was  
17 just by way of distribution, we looked at -- we just  
18 recently went through appropriating update and we took  
19 the same share that each of the regions received in  
20 that last program update that was developed through  
21 consensus and all that kind of stuff. So we focused  
22 that to say here's the fair share, because we wanted  
23 an even distribution and we set up projects. If there  
24 are other projects that seem to make sense, we're  
25 certainly willing to consider those. And, again, the

1 MPO is the process, this MPO planning process is the  
2 way to get those prioritized and vetted.

3           The second piece with the bridges is, yeah,  
4 there's a number of different things. We've been  
5 working closely with Federal Highway Administration as  
6 they're striving to interpret what some of the wording  
7 means. On the House side there's some -- it's called  
8 maintenance of effort. There's some more stringent  
9 rules on how you have -- how a state would have to  
10 ensure that all the state resources that were  
11 originally planned to be utilized in the given time  
12 period are still being utilized so that the federal  
13 funds don't supplant the existing funds.

14           We believe there's some opportunity to do  
15 some flipping of projects of which ones are  
16 characterized as economic recovery and which ones are  
17 characterized as just the regular program which would  
18 run -- expire September 30th. So we believe there may  
19 be some opportunity. We just weren't counting on it  
20 at this point until we see that.

21           The other big benefit here is when we've  
22 looked at advancing TIP projects to use this money,  
23 what that creates is an opportunity in the existing  
24 TIP then for other projects to be advanced. So it's  
25 a -- almost a two tier. While we get some of the

1 already prioritized projects advanced, it also creates  
2 capacity for some additional projects to be identified  
3 next year. So it's really helpful for a number of  
4 different points.

5 REPRESENTATIVE MILLER: Thank you. Thank  
6 you, Mr. Chairman.

7 CHAIRMAN MARKOSEK: Representative Joe  
8 Petrarca, Westmoreland.

9 REPRESENTATIVE PETRARCA: Thank you,  
10 Mr. Chairman. Quick questions. This stimulus money  
11 that we're getting, is it -- will it only be for  
12 construction or will any of that go to maintenance  
13 projects? What's the breakdown there? And I have a  
14 follow-up question about my county's, Westmoreland.

15 MR. RITZMAN: Okay. Again, I would say I'm  
16 not sure how it's going to end up. What we believe is  
17 that depending on how this whole maintenance effort is  
18 that we'll have some flexibility to arrange things.  
19 We have set it up, I would say, very conservatively to  
20 say we're looking at this point of only construction  
21 so that we're in a position for the more stringent of  
22 the requirements. And then if there are more relaxed  
23 where we could switch some funding around, then it  
24 provides some more opportunity to advance more of  
25 the -- I would still call them system preservation

1       type projects but probably what you mean by the  
2       maintenance.

3                   REPRESENTATIVE PETRARCA:   And Westmoreland  
4       in District 12-0 I had heard last year, so that this  
5       information is old, that in Westmoreland there may  
6       only be about 20 miles of paving work done in the  
7       summer of '09. Obviously the paving contractors and  
8       municipalities, a number of people are very worried  
9       about that. And I don't know, apparently liquid  
10      asphalt and some of the costs would come down from  
11      last year, but I don't know if that is the case or  
12      that was the case of 20 miles, let's say, if that is  
13      changing or has changed at this point.

14                   Is there any timetable to know where we will  
15      be this year and when you expect to know based on the  
16      stimulus bill where we will be and how all this will  
17      fall out?

18                   MR. RITZMAN:   I would say a month,  
19      hopefully. Hopefully winter is behind us. I know  
20      it's been rather rough winter by way of maintenance  
21      costs. So you know, from that side of things I think  
22      there's probably not additional revenue or additional  
23      resources from the maintenance funds that can be  
24      redirected to highways. I will say about half of the  
25      stimulus money was for pavement and about half was for

1 structures. So we really looked at trying to balance  
2 that out.

3 REPRESENTATIVE PETRARCA: And to see the  
4 list that you're talking about, the current list, we  
5 can contact your office?

6 MR. RITZMAN: Sure. And also I would say,  
7 again, we're working with SPC to identify -- they've  
8 already identified some of the projects that the  
9 counties have raised and that we really need to focus  
10 on figuring out which ones get the priority for the  
11 resources available.

12 REPRESENTATIVE PETRARCA: Thank you. Thank  
13 you, Chairman.

14 CHAIRMAN MARKOSEK: Thank you.  
15 Representative Dick Hess from Bedford County.

16 REPRESENTATIVE HESS: Thank you,  
17 Mr. Chairman. Just a few quick questions. You say  
18 shovel ready projects. How close to the line are you  
19 on shovel ready? Is it contracts been let?

20 MR. RITZMAN: No. What the -- the  
21 requirement is that it needs to be obligated in 90  
22 days. That's the more stringent of the two. What  
23 that means is we have to have a package for the  
24 contractors to bid on that's able to be approved by  
25 federal highways to say advertise for it. So that's

1 shovel ready.

2           It pretty much means if you already don't  
3 have things that you're just touching up the corners,  
4 you're probably thinking of a -- need to think of a  
5 different project. For instance, you know, anything  
6 with the right-of-way, utility kinds of issues are  
7 awfully difficult. I know we've had a couple  
8 inquiries about from some townships who said, oh,  
9 here's a great bridge that's closed, we'd love to have  
10 this on the stimulus project. And we're saying if you  
11 don't have a reimbursement agreement established  
12 already, that's probably enough to hang you up from,  
13 again, this initial surge of projects that would be  
14 delivered with the economic recovery monies.

15           REPRESENTATIVE HESS: Well, really you're  
16 talking about shovel ready, I think that's the wrong  
17 term to use because people think you use shovel ready,  
18 tomorrow you're going to start throwing dirt. And  
19 that's not so, because you haven't even have the  
20 contracts let yet.

21           MR. RITZMAN: Right.

22           REPRESENTATIVE HESS: You haven't even let  
23 it for bid yet and there may be a window of 30 days or  
24 60 days or 90 days depending on the size of the  
25 project you're going to be using. So I think the



1 shovel ready is the wrong term to use.

2 MR. RITZMAN: Okay.

3 REPRESENTATIVE HESS: Even permits  
4 themselves can hold them up a long time because you  
5 wouldn't have the permits yet even.

6 MR. RITZMAN: No, but I guess what we're  
7 concerned about is the perception that, okay, we have  
8 time to bring a new project to the table and we can  
9 advance that project with these resources.

10 So it needs to be putting the ribbon on the  
11 package rather than thinking what gift I'm going to  
12 buy kind of thing.

13 REPRESENTATIVE HESS: I just feel that  
14 that's the wrong term because of the deception to the  
15 general public, because they think you're going to  
16 start throwing dirt or pushing dirt in the next week  
17 when you say shovel ready. And you might be  
18 three months down the road.

19 MR. RITZMAN: Sure.

20 REPRESENTATIVE HESS: Maybe even longer  
21 depending on your permits and the size of the project  
22 and so on. Okay. Thank you very much.

23 MR. RITZMAN: Thank you.

24 CHAIRMAN MARKOSEK: Representative Kathy  
25 Watson, Bucks County.

1                   *REPRESENTATIVE WATSON: Thank you. We*  
2                   *agreed this doesn't work, so I'll speak up. And if --*  
3                   *thank you. And if we can have something perhaps of a*  
4                   *dialogue, your one answer might spark another*  
5                   *question.*

6                   *MR. RITZMAN: Okay.*

7                   *REPRESENTATIVE WATSON: I have a couple in*  
8                   *my head. But following along what others have been*  
9                   *asking you, about looking at your handout piece,*  
10                  *deliverable -- in your second paragraph, second page*  
11                  *on your economic recovery, you use the phrase*  
12                  *"deliverable within six months of the signing of the*  
13                  *legislation."*

14                  *Has that in either of these proposed*  
15                  *packages, is it defined specifically? Does*  
16                  *deliverable mean, I guess following Representative*  
17                  *Hess, in the common vernacular, that would mean we cut*  
18                  *the ribbon within six months and the bridge is open?*  
19                  *Is it really that or what is it? Because I think that*  
20                  *has to be terribly limiting in terms, and that will*  
21                  *spark another question.*

22                  *MR. RITZMAN: Right. What we use, this was*  
23                  *work that we did in advance of either the House bill*  
24                  *or the Senate bill. We just said Pennsylvania needs*  
25                  *to be ready. We're going to put together a project*

1 listing that says we can -- deliverable is my  
2 definition of saying we can get it to construction  
3 letting. We can bid it out to the contractors within  
4 six months. Currently the House bill says half of the  
5 money needs to be obligated in 90 days. And that's  
6 almost the same thing except for an advertisement  
7 time. So that means federal highways needs to be able  
8 to say yes, these projects are ready to be bid. So  
9 that's the term that's currently both in the House and  
10 in the Senate. So that our approach was somewhat  
11 different than the House's currently, but we're still  
12 prepared for what the House is doing now.

13 REPRESENTATIVE WATSON: All right. And  
14 following along with that, you mentioned, of course, I  
15 think we all know the number, but 5900 structurally  
16 deficient bridges. And indeed we know, especially  
17 those of us who are married to civil engineers and get  
18 nightly lectures, but we know about the different  
19 grades in that, that just to say structurally  
20 deficient, some are perfectly fine and some are at  
21 least have a weight restriction and others might have  
22 been closed.

23 Can we be assured or is it possible that  
24 those that are seriously structurally deficient, are  
25 they going to be on the list to be fixed or do they

1       *somehow, because something wasn't done and they're*  
2       *missing -- missing the boat seem -- and I understand*  
3       *and you and I can have the discussion, yes, but I'm*  
4       *going to take the money then for this so then we'll*  
5       *switch the listing --*

6                MR. RITZMAN: *Exactly.*

7                REPRESENTATIVE WATSON: *-- to here so -- I*  
8       *mean, reassure me.*

9                MR. RITZMAN: *Well, you're right with the*  
10       *terminology for structurally deficient. Structurally*  
11       *deficient does not mean it's not safe to travel and it*  
12       *means that there's a major deterioration that we need*  
13       *to fix. So it's a matter of timing, looking at those*  
14       *projects.*

15                *Again, one of the real issues with this*  
16       *stimulus -- with the shorter time frame is to say*  
17       *what's deliverable, what's able to get to construction*  
18       *letting so the -- the hundred or so bridges that would*  
19       *be advanced that are structurally deficient would not*  
20       *be the hundred worse projects. A lot of those are*  
21       *already in building our existing program, our*  
22       *Transportation Improvement Program, or if we think*  
23       *they still have useful life of a certain amount of*  
24       *time and there's not going to be any traffic*  
25       *implications we may be prioritizing other bridges.*

1                   *REPRESENTATIVE WATSON: And final question*  
2     *if I might, Mr. Chairman, following, and this is more*  
3     *of an internal question for PennDOT and I certainly*  
4     *mean no disrespect, having worked with District 6*  
5     *extensively and I know the hard work they do and the*  
6     *people, but this is going to put, in a shorter amount*  
7     *of time, an inordinate amount of pressure on PennDOT*  
8     *workers inside, review plans, get this, do this, all*  
9     *of that process which traditionally or historically*  
10    *has taken longer than the time frame we're talking*  
11    *here.*

12                   *Are we going to be ready for that in light*  
13    *of there's been some downsizing through PennDOT?*  
14    *Somebody has it I saw -- I'm sorry, stepped on your*  
15    *report there.*

16                   *MS. ITZKO: That's okay.*

17                   *REPRESENTATIVE WATSON: -- that you've done*  
18    *a good job in one way, okay, but then suddenly there's*  
19    *this immense crisis and are we going to be able to do*  
20    *all of this with the reviews? I mean, I've seen the*  
21    *time frames with some of my municipalities over time.*  
22    *And, you know, good work, just takes them a long time.*  
23    *Can we make all that?*

24                   *MR. RITZMAN: We're very confident that*  
25    *we've done, I'll say, the preliminary work to identify*

1 those projects that can be delivered in the timely  
2 fashion. So we're very comfortable with the list that  
3 we've prepared as a candidate list. And it's --  
4 again, it's larger than the amount of funds that we  
5 anticipate receiving. So I think we'll be in a really  
6 good position. No doubt it's going to be an awful lot  
7 of work. And when we said about under pressure and  
8 under stress, that will definitely be the case because  
9 our normal goal for construction lettings next year is  
10 \$1.8 billion. So this is putting another billion or  
11 so in a short time period over and above what is  
12 already on the plate. So I appreciate that comment.

13 REPRESENTATIVE WATSON: Thank you. Thank  
14 you, Mr. Chairman.

15 CHAIRMAN MARKOSEK: You're welcome.  
16 Representative Mike Carroll.

17 REPRESENTATIVE CARROLL: Thank you very  
18 much, Mr. Chairman. My questions focus on the second  
19 50 percent. The first 50 percent has to be obligated  
20 within 180 days, at least we get that to be the case.  
21 And then in your testimony suggests that the selection  
22 process emphasize candidates, bridge deficiency,  
23 paving needs and so on. Is that same criteria in  
24 place for the second 50 percent? You talked a little  
25 bit about what projects and how the selection process

1 will occur for that second 50 percent.

2 MR. RITZMAN: We would really like to see --  
3 again, it's an economic recovery package. So we  
4 really want to get that second 50 percent out the door  
5 as quickly as possible, too. So at this point we're  
6 saying, view them all as economic recovery; let's  
7 deliver these projects that we can get people to work  
8 in Pennsylvania as quickly as possible. It also sets  
9 the stage for us to be in the front of the line if  
10 there are other states who are not able to use their  
11 funds, that we have a better case to receive  
12 additional resources for Pennsylvania.

13 REPRESENTATIVE CARROLL: But will your  
14 selection process for that extra 50 percent, will it  
15 be projects that may not be defined by bridge  
16 deficiency, paving needs, and safety?

17 MR. RITZMAN: No. Right now we're saying  
18 let's advance as much as we possibly can focusing on  
19 our bridge needs or system preservation needs, and  
20 then I think the opportunity to advance additional  
21 projects is because of those projects that for the  
22 future years we've been able to advance now. That  
23 gives us a little bit more time to think about the  
24 kinds of project that we want to advance.

25 REPRESENTATIVE CARROLL: Because it just

1 seems to me we have so much money directed towards the  
2 bridges. I know it's important, but we have the Act  
3 44 money that I know the district has been using for  
4 bridges, we have private money that is being used for  
5 bridges, and now we have this additional stimulus  
6 money on top of the regular program. And it seems to  
7 me at some point we're going to have to look beyond  
8 just bridges and just look at some other projects.

9 MR. RITZMAN: I would really like to be  
10 optimistic about that, but I can't fathom it under the  
11 current funding scenarios that we have or we envision,  
12 that in 20 years, the next 20 years we'll be talking  
13 about dealing with our structurally deficient bridge  
14 problem because it's that mammoth.

15 Right now, our 2007 we estimated needing  
16 \$11 billion today to deal with just the bridge issue.  
17 So when you winnow away, you know, that there's other  
18 bridges that are becoming structurally deficient, it's  
19 a very serious problem that we probably don't talk  
20 about enough, even though people are tired of hearing  
21 it.

22 REPRESENTATIVE CARROLL: Thank you.

23 CHAIRMAN MARKOSEK: Okay. Chairman Geist  
24 has arrived and also I was remiss in not mentioning  
25 Secretary Biehler had planned to be here today. Was



1 called to the Whitehouse, asked for our permission to  
2 go there instead. I reluctantly gave him that  
3 permission. And but he said that he would send his  
4 top notch staff, they're all here pretty much. So we  
5 do appreciate PennDOT folks that are here today. And  
6 they will stick around throughout the meeting I'm  
7 told. So we have additional questions.

8 Suzanne, you've been waiting patiently and  
9 you may proceed.

10 MS. ITZKO: Thank you. Good morning,  
11 Mr. Chairman, members of the committee. Thank you for  
12 having us here today to review the Department of  
13 Transportation's '09-10 budget.

14 First slide you have in front of you is a  
15 depiction of Motor License Fund non-restricted  
16 revenues. As you know, we rely heavily on revenues  
17 from the motor license funds to deliver our program.  
18 You'll see from the graph last fiscal year we've  
19 remained stable in the first half of the year and  
20 beginning in January, as a result of the weakening  
21 economy and higher fuel prices, revenues started to go  
22 down. That downward trend continued in the first half  
23 of this fiscal year. And we project a shortfall of  
24 \$150 million by the end of the current fiscal year.

25 Added to the problem, on the next slide

1 describes our actual expenditures versus our adjusted  
2 buying power. And what this chart is showing you is  
3 that our expenditures do the same level of projects  
4 has more than doubled in the past 20 years.

5 The next slide shows our current \$72 million  
6 shortfall. The Motor License Fund is composed of  
7 three major components, the first of which is taxes on  
8 the sale of liquid fuels; the second is on fees  
9 generated through the sale of licenses and  
10 registrations; and the third component is the, quote,  
11 other component, which is comprised of payments from  
12 the turnpike, vehicle code violations, and interests  
13 from investment earnings. Of these \$72 million, \$51  
14 million of that loss is as a result of losses in  
15 investment earnings.

16 This will have an impact on three major  
17 program areas at PennDOT. The first of which, if you  
18 look at the slide called local highway and bridge,  
19 described our payments to municipalities. We make a  
20 major payment on April 1st of every year. These  
21 payments are going to be reduced by 4.9 percent in the  
22 '09-10 budget year. The blue portion of the bar  
23 describes the April 1st payment. And the top part  
24 describes the turnpike program funding for local  
25 projects and other maintenance funds. And that will

1 *be decreased in the next fiscal year.*

2 *The next chart, which is called State*  
3 *Highway and Bridge Improvement, describes our*  
4 *construction funding. We expect funds for*  
5 *construction to be decreased by 9.7 percent in '09-10.*  
6 *The blue portion of the bar represents our primary*  
7 *construction funds. The right portion describes our*  
8 *funding for the restricted bridge account as well as*  
9 *other expenditures.*

10 *As you know, in the current fiscal year*  
11 *Governor included \$350 million in bonds to address our*  
12 *structurally deficient bridges.*

13 *We target 411 structurally deficient bridges*  
14 *in combination with other construction appropriations*  
15 *and restricted bridge account. We are on target to*  
16 *meet that goal. We have let so far 175 bridges since*  
17 *the program began July 1st, 2008. And that is*  
18 *described on the next two charts.*

19 *In the '09-10 budget the Governor has*  
20 *included an additional \$200 million in bonds for the*  
21 *accelerated bridge program. Again, combined with our*  
22 *restricted bridge account and other construction*  
23 *funds, we will be able to target an additional 360*  
24 *structurally deficient bridges not including in the*  
25 *fund.*

1           Our final category is state highway  
2 maintenance. Our maintenance funds are expected to be  
3 decreased in '09-10 by 7.2 percent. We've done a  
4 number of revisions in budget in the last year, every  
5 time we got news about revenues. Maintenance is  
6 always the last to be cut. Last year we increased the  
7 maintenance fund by \$63 million. This year, as I  
8 mentioned earlier, they will be reduced by  
9 7.2 percent. And if you look at the chart, the  
10 biggest charge will be the addition of supplemental  
11 funds. With our base maintenance funding we will be  
12 back to previous levels and when the economy gets  
13 better we hope to get those levels higher to what they  
14 were in '06-07, for example.

15           The next page will show you some Department  
16 cost wide savings. Beginning last summer as we headed  
17 into the '08-09 fiscal year, we initiated a series of  
18 video conferences with our districts to identify and  
19 brainstorm some cost savings initiatives that we could  
20 take advantage of. We continue to track those  
21 savings. We continue to push that initiative down to  
22 the districts and to the county level. And these are  
23 just some of the examples that we've done in  
24 combination with other things that we've done in  
25 central office.

1           *Next slide shows you a complement. We are*  
2           *currently authorized at 12,011 positions with a*  
3           *current vacancy rate of 96 percent. We expect the*  
4           *reduction of 135 vacant positions by the end of this*  
5           *fiscal year, bringing our new authorized total to*  
6           *11,876. And I should note that the 135 positions are*  
7           *outside of project delivery. For example, we will not*  
8           *be eliminating any positions in our construction or*  
9           *maintenance programs.*

10           *Next slide gives you an overview of the*  
11           *Rebuild Pennsylvania Initiative. And with that I'm*  
12           *going to have Eric Madden, deputy secretary for rail*  
13           *and aviation, come up and tell us about the rail*  
14           *mediation.*

15           *MR. MADDEN: Good morning. Thank you,*  
16           *Mr. Chairman, members of the committee. My pleasure*  
17           *to talk about the aviation and rail freight portion of*  
18           *the budget.*

19           *CHAIRMAN MARKOSEK: One second. Will you*  
20           *just identify yourself for the stenographer?*

21           *MR. MADDEN: Of course. My name is Eric*  
22           *Madden, I'm the deputy secretary for aviation and rail*  
23           *freight and at PennDOT.*

24           *Again, building on the success that the*  
25           *governor had put forth in last year's budget and*

1 Rebuild PA, as you'll note in fiscal year 2008-2009,  
2 there was a \$10 million increase in the Rail  
3 Transportation Assistance Program and a \$5 million  
4 increase in the Aviation Transportation Assistance  
5 Program, which had been very successful and we have  
6 done a fantastic job of getting those projects which  
7 are truly ready to go out the door and shovel ready  
8 and operating.

9 As a part -- as part of phase two of Rebuild  
10 PA, the Governor, as you heard in his budget address,  
11 wants to go forward with an initiative to assist  
12 specifically CSS -- CSX and Norfolk Southern  
13 Transportation. These initiatives, as you may  
14 understand, CSX is part of a national gateway  
15 initiative which is a corridor-wide project which  
16 starts basically in North Carolina, comes up through  
17 Virginia, D.C., makes a left-hand turn in Maryland,  
18 comes through the tail end of Pennsylvania through  
19 Bedford County, through Pittsburgh and on to Ohio.

20 REPRESENTATIVE GEIST: Did you say Bedford  
21 County's the tail end of Pennsylvania?

22 MR. MADDEN: Not necessarily. The tail end  
23 of the corridor. Sorry. Specifically, in the whole  
24 corridor has a cost of about \$724 million. Specific  
25 to Pennsylvania, CSX has initiative where we would

1 have two intermodal terminals, one of them is also  
2 already existing in Chambersburg. A second will be  
3 built just outside of Pittsburgh and along the line in  
4 that corridor heading through Bedford County, which is  
5 an important part of Pennsylvania.

6 REPRESENTATIVE COSTA: The jewel.

7 MR. MADDEN: The jewel of Pennsylvania. On  
8 through, there would be 17 clearances which the bridge  
9 clearances have a cost of about \$70 million. This is  
10 a joint, true public-private partnership between us,  
11 the federal government, and CSX. The state would be  
12 putting up \$35 million, the federal government  
13 \$35 million, and CSX will be putting up \$98 million  
14 for the project.

15 CSX is one of those companies that has over  
16 a thousand employees here. This would have an  
17 immediate impact of about a hundred jobs and regional  
18 has the potential for about 2500 jobs throughout the  
19 region here. Norfolk Southern, this is part of the  
20 crescent corridor. This is an initiative to basically  
21 relieve some of the congestion of I-81, the truck  
22 congestion on I-81. The corridor from basically  
23 Louisiana all the way up through -- through  
24 Pennsylvania on all the way to the Port Authority of  
25 New York/New Jersey. Specific to Pennsylvania, this

1 is a project that would have -- well, the  
2 corridor-wide the project is about \$2.5 billion.  
3 Again another state investment, federal, investment by  
4 Norfolk Southern, and I'm sure you may hear more from  
5 Mike Fesen who is here today.

6           Specific in Pennsylvania, this would  
7 include, broken out over several phases, this would  
8 include improvement through several of the intermodal  
9 terminals which are already in Pennsylvania and  
10 providing opportunity to double track the mainline to  
11 provide increased frequency and better service.

12           Through these two initiatives, including  
13 initiative outside of which is happening outside of  
14 Philadelphia on the CSX mainline, through this  
15 double-stack initiative, Pennsylvania will be one of  
16 the very few states that have double-stack clearance  
17 north, south, east, west, border to border for three  
18 Class 1s, which is -- this is big deal.

19           When talking about particularly Class 1 and  
20 double-stack clearance, you're essentially talking  
21 about an interstate and doubling it, doubling the  
22 capacity of it. So this is a great opportunity that  
23 we have to take advantage of. And I should mention  
24 Norfolk Southern has over 5,000 employees in this  
25 state. If we do crescent corridor there's an



1       *opportunity to increase that number -- well,*  
2       *regionally by 2,000 -- by 20,000 but specifically to*  
3       *Pennsylvania there's an opportunity to do another*  
4       *10,000 employees here.*

5               *So if this is true economic development and*  
6       *we wanted to -- the Governor actually put this program*  
7       *together and wanted to do it over and above the*  
8       *existing \$41 million program to not impact the*  
9       *voracious need of the existing short line and regional*  
10       *railroads here in Pennsylvania.*

11               *CHAIRMAN MARKOSEK: Okay.*

12               *MR. MADDEN: Thank you.*

13               *CHAIRMAN MARKOSEK: Thank you, Eric and*  
14       *Suzanne. We have some questions, Eric maybe.*

15               *MS. ITZKO: We're going to have --*

16               *CHAIRMAN MARKOSEK: Oh, Toby Fauver.*

17               *MS. ITZKO: -- Toby Fauver talk about mass*  
18       *transit.*

19               *MR. FAUVER: Thank you, Mr. Chairman,*  
20       *members of the committee. My name is Toby Fauver,*  
21       *deputy secretary for local and area transportation.*  
22       *Just take a couple minutes and give you an update on*  
23       *what's going on with public transportation funding.*  
24       *You'll see a graph in your package. Let's see. It's*  
25       *the last graph in the packet. I get mine open. There*

1 we go. And you'll see public transportation funding  
2 continuing to grow. And there's -- it may be a little  
3 bit misleading, though, because the overall public  
4 transportation funding continues to grow because of  
5 Act 44 and the capital piece that the turnpike pays in  
6 growing by another \$50 million, in the next fiscal  
7 year.

8           The sale -- the operating piece of public  
9 transportation funding is now dedicated from turnpike  
10 payments. It also comes from sales tax, dedicated  
11 piece of sales tax. The dedicated piece of sales tax  
12 is declining with overall tax revenues. And decline  
13 hit us this year. Fortunately, we're in a trust fund.  
14 We have a small balance. It was 6 or \$8 million  
15 balance of funds that you could apply instead of  
16 prorating or reducing operating funding in the year  
17 we're in. We've been able to apply that balance that  
18 was left in the trust fund to make up for the  
19 projected deficit by the end of the year to keep  
20 operating payments whole, which has been a good thing.  
21 And it's actually a good result of the trust fund.

22           Going into next year, we sent letters out to  
23 all the transit agencies in the state in November  
24 warning them that the next budget year may be  
25 difficult. Sales tax revenues are declining;

1 funding -- tax revenues across the Commonwealth are  
2 declining; local tax revenues are declining. We asked  
3 transit agencies to identify action plans back to us,  
4 modeled after what the state is doing, but identify  
5 action plans back to us of things that they're going  
6 to do to save money, administrative funds, travel  
7 funds, whatever, that they can identify in order to  
8 preserve as much service as they can going into next  
9 year. We don't -- I don't believe that there will  
10 have to be any service cuts given the projections we  
11 have next year, but it's possible if the economy takes  
12 a turn for the worse.

13 And we -- I want to make sure that the  
14 transit agencies are thinking in that mindset and are  
15 doing everything they can to preserve service with the  
16 funding that we're providing to them.

17 So if there's any questions, glad to take  
18 them.

19 CHAIRMAN MARKOSEK: Okay. Chairman Geist.

20 REPRESENTATIVE GEIST: You mentioned the  
21 revenue from the turnpike. Are you anticipating the  
22 decrease in revenue? I met with Joe Brimmeier  
23 yesterday. He said ridership is down 5 percent. That  
24 was his number.

25 MR. FAUVER: On the turnpike.

1           *REPRESENTATIVE GEIST: Yeah. And that*  
2           *translates into a pretty big loss in capital, right?*

3           *MR. FAUVER: Well, the payments coming in*  
4           *from the turnpike are guaranteed in the legislation.*  
5           *So this -- this coming year, the total payment that*  
6           *public transportation will get will be 400 million.*  
7           *250 million for operating and 150 million for capital,*  
8           *which is 50 million higher than capital than what we*  
9           *did in the year we're in.*

10           *The following year, though, because*  
11           *Interstate 80 tolling hasn't taken place, there will*  
12           *be a decline in that. The capital -- the capital goes*  
13           *to zero in the following year and the operating*  
14           *payment remains the same in 250 million with no*  
15           *growth. So that will present a challenge in the*  
16           *following year. But right now we're still planning a*  
17           *\$400 million level this coming year.*

18           *CHAIRMAN MARKOSEK: Okay. Representative*  
19           *Marsico.*

20           *REPRESENTATIVE MARSICO: Give me -- can you*  
21           *go to someone else?*

22           *CHAIRMAN MARKOSEK: One moment.*  
23           *Representative Paul Costa.*

24           *REPRESENTATIVE COSTA: Actually, I had a*  
25           *question for Mr. Madden.*

1           MR. MADDEN:    *Sure.*

2           REPRESENTATIVE COSTA:   *Eric, you talk about*  
3   *the double stacking being able to go east, west,*  
4   *north, south in Pennsylvania. What happens now when*  
5   *they come from other states? Do they have to unload*  
6   *or --*

7           MR. MADDEN:    *You have to unload. If you*  
8   *don't have the clearance you have to take it off.*

9           REPRESENTATIVE COSTA:   *And how do those*  
10   *states around us, are they -- do they have the ability*  
11   *to do this also?*

12          MR. MADDEN:    *That's why we need the*  
13   *multistate initiative specifically for their*  
14   *double-stack clearance. And CSX, their national*  
15   *gateway there are, I believe, North Carolina is*  
16   *double-stack cleared; Virginia's double-stack cleared.*  
17   *There is one issue with the Virginia Avenue Tunnel*  
18   *which is in D.C. That tunnel right now is currently*  
19   *single track and single stacked. That, of course,*  
20   *would have to be addressed, which is a significant --*  
21   *somewhere in the ballpark of 130 million for that*  
22   *project alone. The rest of Maryland is double-stack*  
23   *cleared. Pennsylvania is not currently along that*  
24   *line. And there are, I think, one or two bridge*  
25   *clearances in Ohio that need to be double-stack*

1       *cleared.*

2                   *REPRESENTATIVE COSTA: Thank you.*

3                   *MR. MADDEN: Sure.*

4                   *CHAIRMAN MARKOSEK: Ron Marsico.*

5                   *REPRESENTATIVE MARSICO: Thank you,*  
6       *Mr. Chairman. Susan -- is it Susan?*

7                   *MS. ITZKO: Suzanne.*

8                   *REPRESENTATIVE MARSICO: Is it Itzko?*

9                   *MS. ITZKO: Yes.*

10                   *REPRESENTATIVE MARSICO: So I got that part.*

11                   *REPRESENTATIVE CARROLL: The hard part.*

12                   *REPRESENTATIVE MARSICO: Right. You*  
13       *mentioned about talking about the complement,*  
14       *personnel complement, and the fact that you've had a*  
15       *decrease in the complement and, in fact, you've had a*  
16       *decrease in the complement. How does that compare, I*  
17       *mean, your analysis of outside consultants that have*  
18       *been hired in terms of comparing that to the number of*  
19       *in-house PennDOT employees that were decreased? I*  
20       *know that those consulting contracts have gone up.*  
21       *And that's a major concern to me, especially in this*  
22       *area where a lot of the state workers live in my*  
23       *district have lost their jobs or have been shifted*  
24       *somewhere else or most have lost their jobs to outside*  
25       *consultants. And that's a big concern of mine.*

1           MS. ITZKO: Like I said earlier, we -- we do  
2 expect a decrease of 135 positions. But none of those  
3 positions will be in project delivery-type areas. So  
4 there will be obviously with the addition of stimulus  
5 money there will be a lot of work going out to the  
6 private sector. A lot of the work we want to keep  
7 in-house because we have done analysis what it costs  
8 for our people to do it versus what an outside  
9 consultant can do, and that comes out to, I believe it  
10 was, \$53 an hour difference for our people versus the  
11 outside.

12           But there's a lot of money we hope coming to  
13 Pennsylvania, which will hopefully get our positions  
14 filled as well as put some work out to the private  
15 sector.

16           REPRESENTATIVE MARSICO: Okay. But your  
17 outside consultant contracts have risen in the last  
18 several years; is that correct?

19           MS. ITZKO: I believe so, yes.

20           REPRESENTATIVE MARSICO: Okay. Thank you,  
21 Mr. Chairman. Thank you.

22           CHAIRMAN MARKOSEK: You're welcome.  
23 Representative Katie Harper.

24           REPRESENTATIVE HARPER: My question's for  
25 you, Suzanne, also. And it may be that I don't

1 understand the chart on Page 2.

2 MS. ITZKO: Yeah.

3 REPRESENTATIVE HARPER: Or it may be that  
4 the chart doesn't go far enough.

5 MS. ITZKO: Okay.

6 REPRESENTATIVE HARPER: I understood that  
7 when gas prices -- this is the gas tax revenue  
8 largely?

9 MS. ITZKO: That's a portion of it.

10 REPRESENTATIVE HARPER: Okay. I understood  
11 when gas prices hit a high last summer, I guess, you  
12 know, we had a substantial drop. But gas prices have  
13 actually moderated since then. Are we seeing an  
14 increase in people driving or not?

15 MS. ITZKO: There was a slight increase in  
16 consumption, which was part of the stabilization that  
17 I was talking about in the last four months. So it  
18 went up slightly.

19 REPRESENTATIVE HARPER: Okay. So this chart  
20 just doesn't go far enough.

21 MS. ITZKO: It goes to the end of the fiscal  
22 year.

23 REPRESENTATIVE HARPER: But it still shows  
24 it dropping.

25 MS. ITZKO: Right.



1           *REPRESENTATIVE HARPER:* I guess what I'm  
2     *trying to figure out is it less of a drop or we*  
3     *actually get back up where we were? It looks like*  
4     *it's -- it looks like it keeps dropping. And I had*  
5     *had thought we had a blip that we were possibly going*  
6     *to recover from. And I'm not sure whether we have*  
7     *recovered or not. Are we getting the gas tax revenue*  
8     *today that we expected at this time last year.*

9           *MS. ITZKO:* Would it be okay if I call our  
10    *budget director up?*

11           *CHAIRMAN MARKOSEK:* Dave Margolis.

12           *REPRESENTATIVE HARPER:* Sorry, didn't mean  
13    *to give you --*

14           *CHAIRMAN MARKOSEK:* We have the talent here,  
15    *we might as well. Dave, if you can introduce,*  
16    *identify yourself for the --*

17           *MR. MARGOLIS:* Dave Margolis, David Margolis  
18    *the director of bureau of fiscal management. Yes,*  
19    *what's happened is that we pretty well now are*  
20    *continuing near estimate for fuels and for our*  
21    *licenses and fees. The area that we're continuing to*  
22    *run below estimate is primarily in treasury earnings.*

23           *REPRESENTATIVE HARPER:* Okay. Which we all  
24    *know are still down.*

25           *MR. MARGOLIS:* Which had been estimated to

1 be 5 or 6 million a month, and at this point we are  
2 not losing money, but we're not gaining any treasury  
3 earnings either. So most of the estimate by  
4 Department of Revenue between now and the end of the  
5 year will be the fact they're not expecting us to gain  
6 any of that treasury earnings. Hopefully that will  
7 pick up next year.

8 So we've stabilized in the -- in really the  
9 PennDOT, you know, the fuels and the licenses and  
10 fees, but until the treasury earnings start picking up  
11 we'll be on a downward slope compared to previous  
12 estimates.

13 REPRESENTATIVE HARPER: Okay. My second  
14 question's related, so don't go away. On the Act 44  
15 money, the turnpike, I know, experienced a decrease in  
16 volume. We talked about that a little bit earlier.  
17 And that is -- part of that's probably related to the  
18 decrease in the economy, you know, fewer vehicles,  
19 whatever. But in my area of the state, which is the  
20 southeast, which accounts for two-thirds of all the  
21 traffic, most of the traffic is commuter traffic  
22 there. Okay. And some of it, I guess, was affected  
23 by the most recent toll increase.

24 What are the projections for the turnpike's  
25 revenues? You know, I mean, are they as bleak as this

1 or are we looking at a blip there because we had a  
2 toll increase and we also had an economic issue that's  
3 probably depressing the amount of traffic on the  
4 turnpike which of course we need for mass transit and  
5 everything else?

6 MR. MARGOLIS: Well, as Toby pointed out,  
7 the Act 44 set an amount of payment from the turnpike  
8 regardless --

9 REPRESENTATIVE HARPER: Right. It's  
10 guaranteed.

11 MR. MARGOLIS: -- of their ridership.

12 REPRESENTATIVE HARPER: It just means  
13 they're going to have a problem.

14 MR. MARGOLIS: In PennDOT we certainly had  
15 our own financial problems. And, frankly, I, you  
16 know, we haven't looked at the turnpike situation  
17 because it's their obligation under Act 44 to make the  
18 numbers work, just as it's our obligation to provide  
19 you with a balanced budget.

20 REPRESENTATIVE HARPER: Right. They've  
21 indicated they're going to make the payment, but I'm  
22 just thinking, you know, where are they getting the  
23 money?

24 MR. MARGOLIS: Well, I'm sure as we've done,  
25 as Suzanne indicated, a number of budget revisions

1       ourselves in order to bring you a balanced budget,  
2       that they're in the same situation. As you indicated,  
3       because of the toll increase I'm sure this is a  
4       particularly challenging year for them.

5                REPRESENTATIVE HARPER: Thank you very much.  
6       Thank you, Mr. Chairman.

7                CHAIRMAN MARKOSEK: You're welcome.  
8       Representative Mike Carroll.

9                REPRESENTATIVE CARROLL: Thank you,  
10      Mr. Chairman. Eric, my question's for you and it has  
11      to do with the crescent corridor.

12               MR. MADDEN: Yes.

13               REPRESENTATIVE CARROLL: Could you please  
14      expand a little bit, you mentioned in your testimony  
15      that you're talking about the parallel track in  
16      certain areas and intermodal terminal improvements.  
17      Can you expand a little bit on what exactly's been  
18      happening in Pennsylvania and what the split of the  
19      financing is with respect to the Commonwealth  
20      participation and the rail participation?

21               MR. MADDEN: In Pennsylvania, the -- for the  
22      whole improvement that is necessary for the crescent  
23      corridor is in the ballpark of \$449 million. Now,  
24      this will be, again, much like the national gateway,  
25      will be a partnership between the federal government,

1 *Norfolk Southern, and the State of Pennsylvania.*

2 *This first phase, which we are talking about*  
3 *right now, is \$45 million, which will be a state*  
4 *investment. Norfolk Southern will actually be putting*  
5 *in another significant investment of their own for*  
6 *another -- an intermodal terminal of which they're not*  
7 *at liberty to identify where that will particularly*  
8 *be, but it will be in Pennsylvania at the moment.*

9 *There are two terminals, intermodal*  
10 *terminals outside of Allentown and one in Harrisburg,*  
11 *which will have -- just they'll do track improvements*  
12 *inside just to make it more efficient to move goods*  
13 *and services.*

14 *They are trying to -- and Mike may elaborate*  
15 *on this more, try to bifurcate their domestic and*  
16 *international market coming out of Louisiana and Port*  
17 *Authority of New York/New Jersey. And they basically*  
18 *want to use Pennsylvania as a hub to try to manage the*  
19 *traffic.*

20 *REPRESENTATIVE CARROLL: So the \$45 million*  
21 *in phase -- Phase 1 --*

22 *MR. MADDEN: Yes.*

23 *REPRESENTATIVE CARROLL: -- is a state*  
24 *investment?*

25 *MR. MADDEN: Yes.*

1                   *REPRESENTATIVE CARROLL: And that is to do*  
2                   *exactly what?*

3                   *MR. MADDEN: That is to do two improvements*  
4                   *in the two terminals in Harrisburg and just south side*  
5                   *of Allentown and to do roughly about 20 million miles*  
6                   *of double tracking.*

7                   *REPRESENTATIVE CARROLL: When do we expect*  
8                   *that to happen?*

9                   *MR. MADDEN: Well, it's one of the great*  
10                  *things about railroad projects are they are quite*  
11                  *honestly truly shovel ready, because you don't have to*  
12                  *go -- it's all within the right-of-way. Once the*  
13                  *money is set aside and -- you have to realize this is*  
14                  *a reimbursement program, so they need to outlay the*  
15                  *cash first. So they can go ahead, they can start*  
16                  *bidding and they can start spending the cash first and*  
17                  *then they come to us and ask for reimbursement.*

18                  *So once it's approved by in the graces of*  
19                  *the General Assembly, there is really not too much*  
20                  *stopping us.*

21                  *REPRESENTATIVE CARROLL: Thank you.*

22                  *CHAIRMAN MARKOSEK: Thank you.*

23                  *Representative John Siptroth, Monroe County.*

24                  *REPRESENTATIVE SIPTROTH: Thank you,*  
25                  *Mr. Chairman. Eric, it appears that the aviation side*

1 of the budget is pretty flat lined. Would you concur  
2 with that? And/or can we expect any type of stimulus  
3 money regarding aviation at all?

4 MR. MADDEN: Yes. On the state side is flat  
5 in terms of funding for the aviation program. In  
6 regard to the stimulus, there are two proposals out  
7 there. Of course the House version has a \$3 billion  
8 proposal for AIP discretionary funds which would  
9 basically be distributed using existing formula at  
10 95 percent, not a hundred percent federal money, to  
11 the states. The Senate version has approximately  
12 \$1.2 billion, same formula, same distribution, and  
13 some of that would be coming to Pennsylvania, which we  
14 would be ready to go.

15 In terms of identifying those projects which  
16 are ready to go, we have received guidance from the  
17 Federal Aviation Administration which is probably a  
18 step further than what is out there on the highway  
19 side. They have basically told us that design work  
20 has to be completely done. There's no design for this  
21 whatsoever. We are -- basically once the money comes  
22 we go out to bid and we start moving dirt.

23 REPRESENTATIVE SIPTROTH: Are we in a  
24 financial position to meet that 5 percent obligation  
25 on the projects?

1           MR. MADDEN: Yes. We'll use existing  
2 resources in the aviation development program to --  
3 well, two and a half percent. The way it's broken,  
4 95 percent federal government, two and a half from the  
5 state, two and a half percent from the locals.

6           REPRESENTATIVE SIPTROTH: Thank you.

7           CHAIRMAN MARKOSEK: Representative John  
8 Evans, Erie County.

9           REPRESENTATIVE EVANS: Thank you,  
10 Mr. Chairman. I believe this question should be  
11 directed to the budget secretary who spoke earlier.  
12 There was legislation introduced last session, and I  
13 believe it has been reintroduced this session, to move  
14 the funding for the state police complement out of the  
15 liquid fuels category into another category freeing up  
16 that money for highway projects and so on. How much  
17 of a fiscal impact would that make on the budget if  
18 that was to happen?

19           MR. MARGOLIS: I appreciate the promotion.  
20 Suzanne prefers just to call me director. I probably  
21 won't get a promotion, particularly in this economic  
22 climate.

23           The decision on the placement of the state  
24 police is really up to the General Assembly.  
25 Certainly the constitution and statute permits highway



1 patrol to be funded out of the motor fund. So it's  
2 really a matter of the ability of some other funding  
3 source, some other fund to pay the state police costs.

4 So with the roughly half a billion dollars  
5 that's funded to the state police from a strictly  
6 state transportation standpoint it would certainly,  
7 you know, be beneficial to be able to use additional  
8 money on the roads. But on the other hand, the state  
9 police provide a certainly invaluable service and it  
10 has to be funded somewhere. So that's something as we  
11 don't really control the Motor License Fund, so that's  
12 really a call for you in the General Assembly.

13 REPRESENTATIVE EVANS: Are there any other  
14 states that do it like we do, as far as the funding of  
15 that matter -- manner I should say?

16 MR. MARGOLIS: Well, highway funding varies  
17 among states is that most states do not even have a  
18 dedicated Motor License Fund. So a lot of states rely  
19 on extra general revenues even for their highway  
20 program. So we really benefit in terms of stability  
21 in funding in that regard. But in most cases the  
22 General Assembly would be making that choice not only  
23 for how much fund the -- you know, the state police,  
24 but in terms of balancing their general fund, they  
25 would also be determining how much went to highways.

1     *We have the different structure, so the Motor License*  
2     *Fund does stand on it's own.*

3             *But as to whether or not the highway patrol*  
4     *is funded out of the Motor License Fund, certainly by*  
5     *tradition it's always been done that way. But it*  
6     *doesn't need to be.*

7             *CHAIRMAN MARKOSEK: Chairman Geist.*

8             *REPRESENTATIVE GEIST: Thank you very much.*  
9     *I have a series of a couple questions. Are there any*  
10    *of the federal monies that come to Pennsylvania that*  
11    *do not have to be appropriated by this General*  
12    *Assembly back for PennDOT's use? Is this normal*  
13    *federal cash flow? Simple question.*

14            *MR. RITZMAN: I think so.*

15            *REPRESENTATIVE GEIST: You either know or*  
16    *you don't know. Somebody has to know.*

17            *MR. RITZMAN: Yeah, I mean the answer as we*  
18    *understand is yes. Again, it's a bill, so until we*  
19    *know what actually happens.*

20            *REPRESENTATIVE GEIST: And every one of the*  
21    *projects that we're going to do that are not*  
22    *maintenance really need to go through and be voted on*  
23    *by the State Transportation Commission; is that*  
24    *correct?*

25            *MR. RITZMAN: It would be a matter of*

1       *timing, I believe. So that's -- we could certainly*  
2       *talk about that at tomorrow's meeting. Because of*  
3       *this -- we would need to schedule another State*  
4       *Transportation Commission meeting in order to do*  
5       *something like that.*

6                *REPRESENTATIVE GEIST: I would think by that*  
7       *law that has to happen.*

8                *Now, here's another question for you.*  
9       *Knowing that all this has to take place as a process,*  
10       *and knowing the fact that many legislators have had*  
11       *projects cut -- poor Gary Haluska up there has taken a*  
12       *terrible beating -- did the Department consult with*  
13       *any members of this General Assembly about the ability*  
14       *to do projects in their districts and was any input*  
15       *sought by the Department with any members of the*  
16       *House?*

17                *MR. RITZMAN: Not directly, no.*

18                *REPRESENTATIVE GEIST: The MPO process, was*  
19       *it dictated by the Department or did it go up through*  
20       *the MPO process?*

21                *MR. RITZMAN: I'm not sure what your*  
22       *question is.*

23                *REPRESENTATIVE GEIST: Every one of the*  
24       *projects has to be on the MPO, correct?*

25                *MR. RITZMAN: Correct.*

1                   *REPRESENTATIVE GEIST: And there are*  
2 *projects that have been listed that weren't on MPOs,*  
3 *correct?*

4                   *MR. RITZMAN: Oh, absolutely, about half the*  
5 *projects.*

6                   *REPRESENTATIVE GEIST: Where did they come*  
7 *from?*

8                   *MR. RITZMAN: Primarily from our district*  
9 *office assessing preservation needs and quick*  
10 *delivery.*

11                   *REPRESENTATIVE GEIST: And did those*  
12 *district engineers consult with any members of the*  
13 *General Assembly that had those projects in their*  
14 *districts?*

15                   *MR. RITZMAN: I'm not aware of those*  
16 *conversations.*

17                   *REPRESENTATIVE GEIST: Why not? These are*  
18 *the folks that have to make the votes. How do you*  
19 *explain something -- when a House member has to know*  
20 *their district better than anybody, how do you explain*  
21 *to them how a project was spawned, moved something*  
22 *else out of the way, something else is there, without*  
23 *input from the people who have to vote for the federal*  
24 *funds to go through? I've been doing this for*  
25 *31 years, and it kind of amazes me that that doesn't*

1       *happen. I would -- I would think that our district*  
2       *engineers should be in Gary Haluska's office talking*  
3       *about those projects. I would think that they should*  
4       *be in all of our offices. That didn't happen at all.*  
5       *So tomorrow, the State Transportation Commission will*  
6       *move a changed budget once again with many changes I*  
7       *assume?*

8               *MR. RITZMAN: Yes.*

9               *REPRESENTATIVE GEIST: And somehow, some*  
10       *way, that MPO process, which I believe is totally*  
11       *flawed because it cuts the legislator out of the*  
12       *process unless they're on the MPO, we have to find a*  
13       *way for the Department to work with the people who*  
14       *make the votes to fund you. And there's a huge*  
15       *disconnect in this process that's gone on. Huge*  
16       *disconnect.*

17               *MR. RITZMAN: I guess the point I'd want to*  
18       *make is the MPO/RPO process is a federally mandated*  
19       *process.*

20               *REPRESENTATIVE GEIST: That is correct.*

21               *MR. RITZMAN: So --*

22               *REPRESENTATIVE GEIST: We happen to be state*  
23       *representatives and we also have the responsibility to*  
24       *appropriate every dollar that comes back to us and the*  
25       *Feds hold us hostage. How many things do we have to*

1 do before we get our own tax monies back? Seven now,  
2 correct?

3 MR. RITZMAN: Again, one point I want to  
4 make is with regards to the candidate list. The  
5 intent of that candidate list was to show that  
6 Pennsylvania was ready to catch whatever could come  
7 our way. The whole vetting and prioritization process  
8 is just beginning.

9 REPRESENTATIVE GEIST: The process was  
10 flawed in the fact that you published stuff and put  
11 stuff out that blind sided representatives in their  
12 district who complained to me that they had absolutely  
13 no input in that process and that he read it in the  
14 paper. And I just wonder why that disconnect is  
15 there. I mean, is it on purpose? Is it something  
16 that's done as a policy matter? Or how does it get  
17 done anymore?

18 MR. RITZMAN: Again, the intent of that list  
19 was a candidate list to say that we're ready to catch  
20 whatever comes our way in a short-term duration before  
21 that list was public, was -- was publicized. We did  
22 sit down and review with the House and Senate  
23 transportation staff, review those lists.

24 REPRESENTATIVE GEIST: Have any of the  
25 projects that have been cut because they were designed

1 and ready to go, have any of those been added to that  
2 federal list to bring them back on? I think you  
3 called it right sizing.

4 MR. RITZMAN: Have any of the projects --

5 REPRESENTATIVE GEIST: 219, I mean, we have  
6 projects all over the place that were cut, have any of  
7 those been reinstated as candidate projects?

8 MR. RITZMAN: None of the projects of the  
9 candidate list have been approved yet. That's just  
10 the beginning of a process. Again, the key point here  
11 is focussing on quick delivery projects. Advancing  
12 those that are already prioritized on the TIP in the  
13 out years in the year 2010, 11, and 12, advancing  
14 those projects and then identifying additional  
15 projects if needed. And about half of them were just  
16 for acceleration.

17 REPRESENTATIVE GEIST: I'm not going to ask  
18 anymore questions. I'm going to make one  
19 recommendation. I really strongly recommend that the  
20 relationship between the Department and the General  
21 Assembly is vastly improved, that you listen to  
22 members and get their input on what's needed in their  
23 districts. I think it's imperative that that be done.

24 MR. RITZMAN: We'd be happy to entertain  
25 your suggestions on what projects are the appropriate

1 projects, knowing federal eligibility requirements as  
2 well as the quick turnaround time. So if anybody does  
3 have projects, again, the MPOs in different parts of  
4 the state have solicited project information from  
5 various counties and municipalities. That's all part  
6 of the vetting and prioritization process that's  
7 beginning and yet to continue.

8 CHAIRMAN MARKOSEK: Okay. With that line of  
9 questioning, we have three other members now that want  
10 to say something. We do have other folks who were  
11 nice enough to show up today and be part of this and  
12 we are running out of time. I see at least one member  
13 has waived off. PennDOT people will be around.

14 For very, very short last comments,  
15 Representative Costa and then Haluska, please.

16 REPRESENTATIVE COSTA: Thank you,  
17 Mr. Chairman. I represent the 134th Legislative  
18 District which is in District 11. And I don't know if  
19 it's because I'm on the transportation committee or  
20 Dan Cessna is a constituent of mine, but he's in  
21 constant contact with our office all the time --

22 MR. RITZMAN: Thank you.

23 REPRESENTATIVE COSTA: -- and checks with us  
24 all the time. I don't know how things work in other  
25 areas, but we're fortunate to have Dan Cessna. He



1 keeps in contact with us.

2 CHAIRMAN MARKOSEK: Representative Haluska.

3 REPRESENTATIVE HALUSKA: Thank you,  
4 Mr. Chairman. It's kind of ironic that I had to deal  
5 with the Ridge Administration and along comes the  
6 Rendell Administration and we're doing some work on  
7 Route 219 and they call me up and tell me, Well, Gary,  
8 if you don't have the money to build the road we're  
9 not going to do any preliminary engineering or  
10 anything. And here we find ourselves not only with  
11 federal money that need ready made projects that are  
12 ready to go to work. Well, if you continue that  
13 philosophy that Rendell Administration said you'd be  
14 sitting here holding the bag because you wouldn't --  
15 you didn't have the money for any of these projects  
16 and you wouldn't be doing the preliminary engineering,  
17 so lo and behold here comes the federal money, you  
18 guys would have been standing here going we didn't  
19 spend any money to do any engineering or anything so  
20 we don't have any ready made projects so I guess we  
21 don't get any money. So it's kind going to come back  
22 to bite you I think.

23 MR. RITZMAN: There's a delicate balance of  
24 what we do to look at ensuring that we have designs  
25 and the construction and the right balance of those

1 projects. What we want to do is make sure that as  
2 part of planning you as part of our long-range  
3 planning requirements and 12-year program planning  
4 requirements, our STIP planning requirements, that we  
5 look at what our anticipated revenues are and that we  
6 balance to ensure that we have the designs squared  
7 away with construction and make sure that we don't  
8 design too much that just sits, that can't get to  
9 construction.

10 What we encountered over the past years,  
11 2004 I believe, 2006, was the last time that we looked  
12 at this, we just had massive amounts of engineering  
13 resources going into projects that we couldn't  
14 realistically envision go into construction ever, and  
15 we said this does not make sense. We need to make  
16 sure that we're taking care of our existing system as  
17 best we can and maximize our whole focus to maximize  
18 the dollars going to construction.

19 So what we try to do is, you know, the  
20 just-in-time delivery of making sure that as resources  
21 are available, we have the right number of projects  
22 ready for construction. If you spend too much on  
23 engineering, you're not going to get enough  
24 construction done. And that's where the real change  
25 happens.

1                   CHAIRMAN MARKOSEK:   Okay.   Thank you, Jim,  
2   Eric, Suzanne, Toby, the budget secretary.   Thank you  
3   all.   You, again, did a very good job, very  
4   professional job.   We appreciate it very much.

5                   Okay.   We have our friends from the rail  
6   industry here today.   We see Joe Gerdes and our good  
7   friend Jerry Vest.   And I'm told that Mike Fesen  
8   cannot attend but he will submit comments for the  
9   record.

10                  MR. GERDES:   That's correct.   For the  
11   record, Mike unfortunately could not be here today and  
12   he asked for consent to submit his comments for the  
13   record, make himself available.   Mike is asking if he  
14   can submit his comments and he'll make himself  
15   available also to members of the committee if there's  
16   any questions.

17                  CHAIRMAN MARKOSEK:   Well, we're glad that  
18   you're here.   And you may proceed.

19                  MR. GERDES:   I'll go first, Mr. Chairman.

20                  CHAIRMAN MARKOSEK:   Whoever wants to be the  
21   lead-off hitter.   Jerry can be the clean-up hitter.

22                  MR. GERDES:   My name is Joe Gerdes.   I'm the  
23   executive director of the Keystone State Railroad  
24   Association.   Good morning, Chairman Markosek,  
25   Chairman Geist, and members of the Transportation

1       Committee. Thank you for allowing me to speak today  
2       on behalf of the membership of the Keystone State  
3       Railroad Association, an association representing many  
4       of the Commonwealth's Class I, II, and III railroads,  
5       non-operating railroad owners, and numerous vendors  
6       and suppliers to railroad industry.

7                It's a pleasure to be here today. You will  
8       be hearing from Jerry Vest with Genesee & Wyoming and  
9       who will do a much better job than I talking about the  
10      specifics of some of the projects and some of the  
11      challenges and opportunities that the railroad  
12      industry faces here in Pennsylvania. So I will be  
13      extremely brief.

14               This committee knows all too well the issues  
15      facing the transportation infrastructure here in the  
16      Commonwealth. And we as an industry certainly  
17      understand the complexity in trying to find the  
18      solution on how to fund the many vital projects that  
19      are out there and simply need to be done.

20               As you and your colleagues in the House and  
21      across the rotunda in the Senate work to finalize this  
22      year's budget, I ask that you keep in mind the  
23      successes of the partnership that you've already  
24      created with the rail industry in Pennsylvania.

25               This is a partnership that is working and is

1 *helping to prepare Pennsylvania's transportation*  
2 *infrastructure for tomorrow.*

3 *Thanks to you, Pennsylvania has been a*  
4 *leader in partnering with the rail industry to ensure*  
5 *rail's vital place in Pennsylvania's modern*  
6 *transportation system.*

7 *I know I'm preaching to the choir, but one*  
8 *thing is certain, the amount of freight that will be*  
9 *moving through the northeast, and particularly*  
10 *Pennsylvania, will be growing at an astronomical rate*  
11 *over in the next 10 to 15 years. This, coupled with*  
12 *increased vehicular traffic, will put a tremendous*  
13 *strain on our roads, bridges, and highways.*

14 *The Commonwealth's freight rail network will*  
15 *be a vital pressure relief valve to help move this*  
16 *freight and keep commerce and people moving*  
17 *efficiently in an environmentally sound way in*  
18 *Pennsylvania. It's also important to highlight many*  
19 *of the areas serviced by our railroads, particularly*  
20 *our Class II and our Class III railroads, are areas*  
21 *that might well be cut off from any future economic*  
22 *expansion because of lack of efficient and reliable*  
23 *transportation to get their goods marketed.*

24 *The funding provided by the state through*  
25 *the Rail Freight Assistance Program and the Rail*

1     *Transportation Assistance Program and any leveraged*  
2     *stimulus dollars are important investments by the*  
3     *Commonwealth to make sure this doesn't happen, the*  
4     *investments, as you will hear, that will have an*  
5     *immediate and direct effect on our economy but more*  
6     *importantly will pay tremendous dividends in the years*  
7     *to come.*

8             *Again, Mr. Chairman, thanks to you and your*  
9     *colleagues for your leadership and helping to foster*  
10    *and grow our Commonwealth's rail infrastructure.*

11            *As Deputy Secretary Madden was here, I just*  
12    *wanted to also acknowledge the great work that he and*  
13    *his staff do. They are our industry's interface with*  
14    *the Commonwealth and have done an extremely great job*  
15    *administering these programs. Our Governor and our*  
16    *legislature on both sides of the aisle have been great*  
17    *partners with our industry and we look forward to*  
18    *working with you to ensure the support and partnership*  
19    *continues.*

20            *And with that I'd like to thank the chair*  
21    *and pass it on to Jerry.*

22            *CHAIRMAN MARKOSEK: Thank you, Joe. Jerry*  
23    *Vest from Genesee & Wyoming Railroad, turns out to be*  
24    *an international railroad actually.*

25            *REPRESENTATIVE GEIST: We need a trip to*

1 Australia. We need to go look at that.

2 CHAIRMAN MARKOSEK: Took the words right out  
3 of my mouth. They have an Australian line.

4 MR. VEST: They haven't let me go there yet.  
5 Thank you, Chairman Markosek, Chairman Geist, and  
6 members of the committee. It's a pleasure and an  
7 honor to be here, be invited to give a few brief  
8 remarks about the role that short line regional  
9 railroads play in the Commonwealth and specifically  
10 the opportunity we have in Pennsylvania for Class II  
11 and III railroads to play a role in our recovery and  
12 our investment infrastructure.

13 Let me preface my comments by just a few  
14 data points, if I could. And Deputy Secretary Ritzman  
15 said that the numbers are all over the board here as  
16 it relates to stimulus. And I don't want to aggravate  
17 that, but in my prepared document I reference the  
18 definitions of Class I, II, and III railroads. It's  
19 established by the Service Transportation Board, in my  
20 written document I have, Class I railroads are 250  
21 million annual revenue and above. That actually is a  
22 base number. It's currently indexed to \$360 million  
23 and above. And it's important to note that the  
24 smallest Class I is also 2 billion in annual revenue.  
25 So there are seven Class I's in the United States.

1     *There are four of them present in our -- in our state*  
2     *here. But they are -- they are large, extremely large*  
3     *and on the top end of this range.*

4             *Regional railroads we have two, one of which*  
5     *is owned by the Genesee & Wyoming, Buffalo and*  
6     *Pittsburgh Railroad. There are two in the state;*  
7     *there are fewer than 20 nationwide. They range from*  
8     *below the 360 million down to 29 million. And they*  
9     *typically are clustered down in the lower end of that*  
10    *range too in annual revenues.*

11            *And then finally the vast bulk of railroads*  
12    *in the United States, regional railroads are short*  
13    *lines or Class III railroads. They on the current*  
14    *index are revenues less than 29 million a year. And*  
15    *they are typically significantly less than that.*

16            *There are approximately 550 Class II and III*  
17    *regional short line railroads in the United States.*  
18    *In the Commonwealth here we have 55. So we have*  
19    *10 percent presence of all these smaller railroads in*  
20    *the state, which is significant. In fact,*  
21    *Pennsylvania's routinely referenced as the leading*  
22    *state in terms of freight railroad presence.*

23            *Class II and III railroads cover the entire*  
24    *Commonwealth, from Erie to metropolitan Philadelphia*  
25    *to the northern quadrant of the state down to*



1 Washington County.

2 Short line regional railroads play a  
3 critical role. There's approximately 2,900 miles of  
4 track used by the short line regional railroads  
5 utilizing 450 -- approximately 450 locomotives. The  
6 most important statistic I think is that the freight  
7 equivalent of what we handle a year is 1.6 million  
8 truckloads. And those are trucks that are not on our  
9 roads, not on our highways, not on the turnpike,  
10 deteriorating pavement, deteriorating our bridges  
11 faster, and deteriorating our quality of life through  
12 air and congestion.

13 One catchy statistic perhaps many of you  
14 heard is that a freight railroad can handle 1 ton of  
15 freight with 1 gallon of fuel 436 miles, which is a  
16 phenomenal statistic. But this is -- it's one that is  
17 well justified and I think really reflects the green  
18 nature of our industry.

19 Beyond these statistics, there's four facts  
20 or qualitative facts that I'd like to touch on too as  
21 a way of introduction. Very briefly, first is that  
22 without the short line regional railroads, many  
23 communities and hundreds of customers in the  
24 Commonwealth would be without rail freight service.  
25 And we -- these communities are truly, we consider,

1     *the jewels of the Commonwealth. They are very*  
2     *important to us. They're our lifeline. We are made*  
3     *up of short line regional railroads supply that*  
4     *typically lighter density cast off by larger*  
5     *railroads. And in that nature we provide what is*  
6     *called the first mile and last mile for many movements*  
7     *of freight for these customers.*

8             *Rail network, rail freight network in the*  
9     *United States is a network. And there's a tremendous*  
10    *amount of traffic that's handled by multiple*  
11    *railroads. It's very common for one of our regional*  
12    *or short line railroads to be the originator or*  
13    *terminating carrier for a move that might certainly*  
14    *involve one Class I but could involve multiple Class*  
15    *1s and even another short line or regional railroad.*

16            *This low density, this tremendous local*  
17    *connection is another factor that leads us to be*  
18    *extremely customer oriented. We pride ourselves in*  
19    *our intense focus and serving our customers and*  
20    *communities because without that local interface we*  
21    *wouldn't survive. And that is the key for our*  
22    *industry to be able to expand freight and to actually*  
23    *grow our business.*

24            *And that really reflects itself in this*  
25    *entrepreneurial spirit that most short line railroads*

1 really demonstrate.

2           There's another common theme that goes with  
3 regional and short line railroads in the state. And  
4 that is deferred maintenance. It's a significant  
5 factor. These lines are almost all spinoffs of large  
6 railroads, but four of the large railroads dispose of  
7 them either through a sale or lease to short line or  
8 regional railroads. They went through a period of  
9 non-investing in them. So we are, you know, in a  
10 continual effort to catch up. Some of you probably  
11 are well aware of the standard of 286,000 pounds per  
12 loaded freight car. This is a national standard that  
13 Class I railroads are probably 99.9 percent capable  
14 over their lines of handling 286,000-pound cars. We  
15 as a sector of the freight industry are constantly  
16 working to upgrade our rail and our bridges so we can  
17 handle those cars.

18           Specific to the Genesee & Wyoming, we own  
19 and operate four regional short line railroads. I  
20 mentioned Buffalo and Pittsburgh as the regional  
21 railroad. We also have York Railway and October 1st  
22 of last year part of Pittsburgh and Ohio Central and  
23 the Aliquippa and Ohio River short lines. All four of  
24 these properties have shovel ready projects and as  
25 Deputy Commissioner Madden mentioned in his testimony,

1 shovel ready is truly shovel ready. We operate on our  
2 own property and usually our projects can be addressed  
3 from an environmental standpoint through a categorical  
4 exclusion, which is basically filling out a form  
5 saying that there is no need for further environmental  
6 study or reporting.

7 And especially with the short line and  
8 regional freight railroad, our investments are to  
9 rebuild our bridges, to rebuild our lines, to replace  
10 track that was taken out but the footprint remains.  
11 So these projects, what we need are money.

12 And the money is an issue. The Association  
13 of American Railroads three years ago did a survey of  
14 large Class I railroads and found that 17 percent of  
15 their gross revenues on average is reinvested back  
16 into their physical plan. They compared that to other  
17 industries in the United States that we typically  
18 think of as capital intensive, things like  
19 petrochemical, steel, mining, automotive and those  
20 industries were all in the range of 5 to 8 percent.  
21 So 17 percent of the top line -- of course you all  
22 know the bottom line. Our cash that comes out of the  
23 bottom is what funds our investment. So 17 percent  
24 off the top is phenomenal.

25 When I saw that my first reaction was to do

1 an impromptu survey of our own property. The Buffalo  
2 and Pittsburgh, for instance, is above 17 percent in  
3 terms of what we reinvest of our gross revenues back  
4 into our physical plant and infrastructure.

5 So we're faced with this long-term challenge  
6 of deferred maintenance. We have a series of projects  
7 that are ready for this recovery package. They will  
8 help not only long-term, very long-term, certainly  
9 longer than my life or remaining life, improvements to  
10 the freight infrastructure in the Commonwealth, but  
11 they will also represent adding stability and  
12 improving the service level for the industrial sector  
13 jobs at the companies we serve and that is critical.  
14 So as we improve and make more reliable our service,  
15 we are actually helping the economy in that manner.

16 And finally, there is a stimulating impact  
17 in this if as we go out and do this work on our  
18 railroads we bring in contractors to do the work and  
19 so we will be helping that sector of the economy.

20 And it's important on that note, too, if I  
21 could, that Pennsylvania is a unique state and the  
22 rail industry as it relates to suppliers. In our  
23 state we have a rail producer, two manufacturers of  
24 locomotives. We have many producers of cross-ties and  
25 quarries producing ballasts. So we are truly in a

1 unique situation where we invest money in our rail  
2 infrastructure in Pennsylvania, there's a multiplying  
3 effect with those investments that stay in our state.

4 We have, as Eric Madden mentioned,  
5 supplied -- we were one of the railroads that supplied  
6 PennDOT with a list of shovel ready projects on the  
7 Buffalo and Pittsburgh line. We had nine projects in  
8 the western part of the Commonwealth totalling  
9 10.6 million total investment potential.

10 My final comments really I've been in  
11 government affairs for Genesee & Wyoming for going on  
12 over four years now. I've been in the rail industry  
13 for over 20. This is my first forte into state and  
14 government affairs. Most of my job's been in other  
15 areas of railroading.

16 But it's been very much a learning  
17 experience for me. We have presence in over 20 states  
18 across the country. And one thing that's amazed me is  
19 every one of these states are different in how they  
20 approach infrastructure, how they approach rail  
21 freight, how they approach within the DOTs their focus  
22 in terms of the multi-level balanced approach. And I  
23 take quite a bit of pride being a resident in the  
24 Commonwealth that Pennsylvania is truly a leader in  
25 this area.

1           *PennDOT over the years has developed a great*  
2     *track record and Eric Madden and his team certainly*  
3     *continue that, working very closely with freight*  
4     *railroads. And through your alls efforts in the state*  
5     *legislature, you've continued to focus to give*  
6     *opportunities for public/private partnerships for*  
7     *funding. And we feel strongly that both either of the*  
8     *House or the Senate bill can provide an opportunity*  
9     *for flexing a small piece of this funding through rail*  
10    *infrastructure needs. So we thank you very much for*  
11    *this opportunity to be here this morning.*

12           *CHAIRMAN MARKOSEK: Okay. Thank you, Jerry*  
13    *and Joe. I have a question and it's relative to, I*  
14    *guess, the economy. You know seeing the reduction in*  
15    *the number of traffic in general, whether it's on the*  
16    *turnpike or trucks, those kinds of things, how*  
17    *significant has the reduction been in the rail*  
18    *industry and do you benefit in the -- that's the wrong*  
19    *word, but since a lot of truck -- truck industry is*  
20    *either shut down or in some cases gone out of*  
21    *business, do you then -- are you then able to get a*  
22    *lot more local freight, you know, through the rails?*

23           *MR. VEST: That's an excellent question,*  
24    *Chairman Markosek. And to answer, it's kind of*  
25    *multi-faceted. We are not immune to the economy on*

1     *our end of our four railroads. We've had customers*  
2     *that are either shutting down or basically furloughing*  
3     *operations. One of which you'll recall, one of our*  
4     *three customers on our northern sub in Butler County*  
5     *announced several weeks ago a three-month furloughing*  
6     *of operations. And so there's several hundred jobs*  
7     *that people don't have incomes against and those are*  
8     *hundreds of carloads of freight we don't have to*  
9     *handle.*

10             *So it's -- we are certainly impacted by*  
11     *this. What we saw on our properties last year, the*  
12     *spiking of diesel prices for trucking was a renewed*  
13     *focus and interest on rail freight. And I think that*  
14     *was generally seen across the rail industry, rail*  
15     *freight industry.*

16             *What has dramatically tempered that, though,*  
17     *is the other element of your question, and that is*  
18     *with the downturn of the economy there is less demand*  
19     *for movement. As you all know, we're drive demand.*  
20     *People aren't making things, people aren't importing*  
21     *or exporting things, they don't need to move them.*  
22     *And so this -- the decline in the economy has hit the*  
23     *trucking industry as it has hit us. And that has made*  
24     *them much more hungry for traffic. So actually the*  
25     *stabilization of diesel fuel prices and the decline in*



1        *them over the last couple months and the softening of*  
2        *the economy has actually created a very*  
3        *hypercompetitive situation with the trucking industry.*

4                    *CHAIRMAN MARKOSEK: Representative Miller.*

5                    *REPRESENTATIVE MILLER: Thank you,*  
6        *Mr. Chairman. I don't know. I guess I have a*  
7        *question and maybe the Department has to answer it,*  
8        *but the federal stimulus money coming in, is there a*  
9        *specific pot that has to go to railroad or can they be*  
10       *funded out of the general transportation side of the*  
11       *pot of stimulus money coming in? I don't know if*  
12       *that's -- the Department can answer that for me or*  
13       *maybe you know.*

14                   *MR. VEST: Deputy Secretary Madden and I*  
15       *have been in many, many dialogues as we've been*  
16       *watching this unfold in the federal level. And until*  
17       *the final bill comes out of conference, all we can do*  
18       *is report --*

19                   *REPRESENTATIVE MILLER: Speculate.*

20                   *MR. VEST: -- on what we see transpiring.*  
21       *There's nothing definitive. Neither the House nor the*  
22       *Senate bill has specific allocation of money for rail*  
23       *freight. However, it then becomes an issue or*  
24       *question, I believe, of what money is in the recovery*  
25       *infrastructure funding that could be possibly used for*

1 rail freight. The Senate bill, I believe, and I don't  
2 have the final read of it, but I believe had language  
3 in it that allowed very clearly for the flexing of the  
4 highway money, the 27 billion across all states, to be  
5 part of the -- at the discretion of the state to be  
6 flexed to rail freight. The House bill in its final  
7 form did -- had no reference. But there -- I believe  
8 there is a precedent of taking federal highway  
9 accounts and with cause flexing them to rail freight  
10 projects. But this is something that until the final  
11 bill is determined, it's hard to say.

12           REPRESENTATIVE MILLER: With that answer, I  
13 guess what it appears to me is that we have the  
14 perfect opportunity here for a backstop if we would  
15 find ourselves not being able to release enough  
16 projects, whether it's environmental clearances or  
17 whatever, you know, that maybe I'd like to see rail  
18 get some money out of it. By the same token, if we  
19 were in danger of losing any federal funds, if we  
20 truly have rail projects that are shovel ready, we  
21 could use them, we should certainly not lose that  
22 money. That was all I was going at.

23           MR. MADDEN: And Jerry was very correct. In  
24 the Senate version there is about \$27 billion, which  
25 is, again, this is in the draft form of the bill,

1       which would be allocated to the states which would be  
2       useable flexible, quote unquote, for all highway --  
3       all modes, highway, port, rail industry as well. Also  
4       in the Senate there is a \$5.5 billion allocation which  
5       would be administered by the U.S. DOT to target much  
6       larger projects of national significance, corridor  
7       projects, for example, if you would. You could fund  
8       something such as the CSX national gateway or a  
9       Norfolk Southern crescent corridor and as well as  
10      Union Pacific and Burlington North Santa Fe, they have  
11      corridor projects as well that are multi-billion  
12      dollar national corridors.

13                 The way -- at least the way we have been  
14      told it might be set up is administered by DOT,  
15      industries would actually go and apply for and the  
16      grants would be somewhere between 25 million and \$500  
17      million. Now, that's -- again, that's in the bill.  
18      That's very speculative. But the money that would be  
19      coming to states supposedly would be possible for  
20      flex. And that would be up to the states themselves  
21      and the governors and their legislators to determine  
22      what projects would be ready to go and what would be  
23      flexed.

24                 REPRESENTATIVE MILLER: I appreciate that.  
25      Thank you, Mr. Chairman.

1                   CHAIRMAN MARKOSEK: Thank you. Eric, also,  
2 I think for the information of the members, and I  
3 don't know which version, there was money also set  
4 aside for Amtrak passenger.

5                   MR. MADDEN: Correct. There is actually  
6 specific language in reference to rail and but what  
7 they have rail in the House and the Senate version,  
8 it's specifically in reference to Amtrak, inner city  
9 passenger rail, high speed rail.

10                  CHAIRMAN MARKOSEK: Okay. Any other  
11 questions? Okay. Gentlemen, thank you all.  
12 Appreciate it. Very good job.

13                  The next person, I won't say the last  
14 person, or perhaps our favorite person in many ways,  
15 Bob Latham from Associated Pennsylvania Constructors.

16                  REPRESENTATIVE HARPER: The tail end.

17                  MR. LATHAM: Did you just call me the  
18 horse's end?

19                  REPRESENTATIVE HARPER: No. I said the tail  
20 end.

21                  CHAIRMAN MARKOSEK: The jewel of our --

22                  REPRESENTATIVE HARPER: The jewel, exactly.

23                  CHAIRMAN MARKOSEK: Thank you. Bob,  
24 proceed.

25                  MR. LATHAM: Thank you, Mr. Chairman.

1     *Pleasure to be here. I have submitted to the*  
2     *committee eleven pages of testimony which I will now*  
3     *read. No, I'm just kidding.*

4             *I really know how to clear a room.*

5             *Appreciate the opportunity to come here and*  
6     *meet with you and talk about the economic stimulus*  
7     *package. Again, my name is Bob Latham. I'm the*  
8     *executive vice president of the Associated*  
9     *Pennsylvania Constructors and I'm here not on behalf*  
10    *of the Pennsylvania highway industry, but we also are*  
11    *a part of the broader based coalition known as the*  
12    *transportation construction industry, which represents*  
13    *material suppliers, asphalt, concrete companies and*  
14    *the like, sort of the whole gamut of the construction*  
15    *industry.*

16            *I'm going to talk very briefly about a few*  
17    *things. First of all, I'm going to talk a little bit*  
18    *about the economic stimulus package as we've been*  
19    *looking at it over the last several weeks, and what we*  
20    *think the impact will be on the construction industry*  
21    *and what we think the impact will be on Pennsylvania.*  
22    *I'm going to talk a little bit about what PennDOT and*  
23    *the industry are doing in partnership in order to*  
24    *compress the time frame in which we can complete some*  
25    *of these projects, because we know that this is a*

1       *serious concern that people have.*

2               *We're going to put forth to you a few ideas*  
3       *on how we think that the Commonwealth can reduce its*  
4       *cost of construction. I've been asked to comment on*  
5       *Missouri's Safe and Sound Bridge Program. And we've*  
6       *done an analysis of that for you. A comment on that,*  
7       *and finally we'll talk a little bit about the*  
8       *transportation funding in total and on into the future*  
9       *and accomplish this all in 15 minutes.*

10              *So ready, go. First of all, we did a survey*  
11       *of our industry recently. And as you all know,*  
12       *PennDOT has been focussing primarily on repair of*  
13       *bridges over the past couple of years. And this is*  
14       *rightfully so. We have the highest number of*  
15       *deficient bridges in the country, highest percentage*  
16       *number and also one of the higher number of bridges as*  
17       *well. So we have a very serious bridge problem here*  
18       *in the Commonwealth.*

19              *What that's done, with limited funding, or*  
20       *what that's -- what has occurred with the limited*  
21       *funding that we have is by focussing on bridges we've*  
22       *kind of taken the focus away from some of the paving*  
23       *work. And we talked earlier today about capacity*  
24       *enhancement. So I don't need to tell you there is*  
25       *very little if any capacity enhancement in the*

1 Department's program going forward due to fiscal  
2 constraints. And also people who are in paving  
3 business are finding that their program's particularly  
4 down this year.

5 Companies that are in that business have  
6 gone through layoffs of their personnel, particularly  
7 they lay off in November and bring them back in April.  
8 They were laying them off as early as August this  
9 year. And what we're seeing with our survey is an  
10 average of 15 percent higher layoffs throughout the  
11 industry this year as opposed to the previous years.

12 We also did the survey of our -- as part of  
13 the survey, we asked our company how many people they  
14 think they might bring back to work as a result of the  
15 economic stimulus package that we sort of define as  
16 getting \$600 million this fiscal year and \$600 million  
17 next fiscal year under the rules as it's been laid  
18 out, and we talk about that at length. So I'm not  
19 going to go back into that unless somebody would like  
20 me to.

21 But we think that we will put 8- to 10,000  
22 people back to work in construction right away. And  
23 that's just the conservative -- that's conservative  
24 number. You know, you hear a lot of talk about, well,  
25 a billion dollars in highway work equals 30-some

1 thousand jobs, but I think a very real number is we  
2 got 8- to 10,000 people that are ready to go back to  
3 work.

4 Well, I have quite a few pages there on the  
5 bill itself which we've already talked about, so I  
6 won't bore you with that.

7 But I would like to point to page three of  
8 my testimony. What we've done there is sort of an  
9 analysis of the time frames, at least under the House  
10 bill as it passed. And I don't think there's a huge,  
11 real huge amount of differences in this regard in at  
12 least the House and the Senate given this package.

13 But if you can see if they enact the bill  
14 tomorrow, we're looking at what we call funds  
15 proportional on February 19th and then there's  
16 three weeks lag time in federal and state law. In  
17 other words, projects have to be advertised for three  
18 weeks before they can be let to contract. So as you  
19 can see, we're looking at time frames of the first  
20 bids on March 1st, 90 day limit's in May and so on and  
21 so forth, and by going down here and calculating then  
22 I guess the bottom line is we're looking at a  
23 seven-week period of bidding out about \$75 million  
24 worth of additional work per week, which is on top of  
25 PennDOT's program.



1           And this is a very aggressive schedule. And  
2 I guess the good thing that I can say here today is we  
3 as an industry are ready to deliver this program. We  
4 have the resources to do it. I just mentioned that we  
5 have the people who are ready to go back to work. And  
6 we can deliver the program now.

7           Now, another thing we like to point out is  
8 as far as getting ready to move these projects  
9 forward, and we had a discussion here this morning  
10 about how the Department is prioritizing and rightly  
11 or wrongly, the main point is that the stimulus money  
12 is very, very tightly directed to projects that can go  
13 now, construction projects that can go now. And in  
14 that regard, what we've learned in talking with people  
15 at the national level is that PennDOT is probably more  
16 prepared to move projects and move this program  
17 forward than any other state in the country. And I  
18 think that's important to know, because there is a  
19 use-it-or-lose-it provision in here. And we think  
20 that a lot of states are going to be in position to  
21 lose it, because they are not prepared to move  
22 projects forward.

23           Obviously some of the projects that are  
24 going to be on the priority list may not be on the --  
25 on everybody's priority list. But they do have

1 meaningful surface improvement projects, bridge  
2 improvement projects that are ready to go.

3 And I might add that the Department has also  
4 met with the industry several times to look at how we  
5 can coordinate and make sure that everybody's prepared  
6 and ready to go. We have not just been sitting back  
7 and sort of waiting to see what happens. We've been  
8 very proactively getting together, and that's why I  
9 have a few things here that I can talk to you about in  
10 terms of what we're looking at in modifying not only  
11 the PennDOT's process but ours as well.

12 First of all, the Department's looking at  
13 getting -- putting out to us a better bid schedule. I  
14 mean, right now some of the information occasionally  
15 is spotty but only because some uncertainty as to  
16 whether a project is ready to go to advertisement or  
17 not. So they're working on getting a longer lead time  
18 list of projects that will be available for us to know  
19 what's going to be bid in a certain area on a certain  
20 day so we can plan better and be prepared to provide  
21 better bids in that regard.

22 As far as moving from the bidding process,  
23 let me just walk through that very quickly. PennDOT  
24 will advertise the project for construction. We'll  
25 have three weeks in which that advertisement, those

1 plans and specifications are available. They'll bid  
2 that project. They will have then 30 days to review  
3 the contract and review the contractor's bid to make  
4 sure that he's a responsible bidder. And then you  
5 have the notice to proceed and then you actually get  
6 out there. And there are things that happen between  
7 the notice to proceed and when you get out there. And  
8 that's what I'm talking about here when I say simplify  
9 free start boiler plate.

10 Look at things like some of the -- some of  
11 the -- some of the mandatory journal things we have to  
12 do in order to provide their project engineers with an  
13 office, allowing us to go ahead and to order materials  
14 in an expedited manner before we have a contract  
15 award, get a letter of intent going. These are things  
16 that kind of can compress that time frame from the  
17 time of bid to actually getting out on the work.

18 Now, some of the things that we think can be  
19 done to accelerate completion, we have things called  
20 submittals, plan revision submittals, shop drawings,  
21 and other things and sometimes they take a lot of time  
22 for turnaround. We're trying to compress this  
23 mentality of 21 days into a five-day turnaround on  
24 very noncomplicated things.

25 Several years ago in 2006 we had a series of

1       *floods in the northeast, in the Scranton and*  
2       *Wilkes-Barre area, took out a lot of bridges and we*  
3       *got into this emergency mentality up there and*  
4       *everybody made things move. And I think what the*  
5       *Department is trying to do and what we're trying to do*  
6       *in work with them, is look at let's put -- let's get*  
7       *ourselves into this sort of emergency mode for all*  
8       *work so that -- so that things can move on in a more*  
9       *expeditious manner.*

10               *And we have a couple of things here noted,*  
11       *you know, sometimes we have to submit a revision to*  
12       *the plans and then they come back and say we don't*  
13       *accept it and then we go back and forth and these*  
14       *things cause delays. If they can make a notation on a*  
15       *plan, say okay, the 90 things you have on there, 85 of*  
16       *them are approved so go ahead, but you got to change*  
17       *these five things that we noted on the plan, so we're*  
18       *working on moving in that regard.*

19               *The Department's moving towards design*  
20       *build, that's the process where you meld the design*  
21       *and the construction process together. But it's sort*  
22       *of in its infancy. We're looking at maybe better*  
23       *coordinating that within the districts. And then*  
24       *finally, on the bottom of page four I talk about the*  
25       *utility delays. And last -- last year, Legislative*

1 *Budget Finance Committee did an audit of PennDOT as*  
2 *directed by the General Assembly and they found that*  
3 *it was a number of time overruns, I guess, that could*  
4 *not be accounted for. A large percentage of the time*  
5 *overrun on PennDOT jobs are simply delays caused by*  
6 *utilities not moving their facilities in a timely*  
7 *manner. There are a number of reasons for that.*

8 *And I'm not really sitting here pointing*  
9 *fingers at the utilities, but it's a serious problem*  
10 *and it's something that I think the Department,*  
11 *utilities, we've talked to some of them, we're going*  
12 *to try to get together and see if we can't work on*  
13 *some -- some method to get these things moved in a*  
14 *more expeditious manner.*

15 *A prime example of that is the western*  
16 *Pennsylvania, if you drive 22, Route 22 near*  
17 *Blairsville, that project has been sort of torn up and*  
18 *a lot of times I hear from people, legislators and*  
19 *others, well, the project's just sitting there, you*  
20 *know, nobody's working on it. The road's torn up, how*  
21 *come. Well, if you look carefully you'll probably see*  
22 *phone poles that are just sitting there and they*  
23 *haven't been moved, or electrical poles and things*  
24 *like that. So that's a big issue that we all need to*  
25 *work on.*

1           Other issues we have at this point, oddly  
2 enough, we'd like to get paid on time. Everybody here  
3 likes to get paid on time, those of you who are in  
4 business like the customers to pay you. So do we.

5           And for the most part, PennDOT pays on time,  
6 but every once in a while we have things like happened  
7 this December where the budget secretary told the  
8 comptroller's office to stop paying in 30 days and  
9 pull that, string it out for 15 more days.

10           Well, we didn't bid the job that way and we  
11 end up financing the Commonwealth when that happens.  
12 I have a few paragraphs there on what happens with  
13 municipal -- known as municipal service contracts.  
14 And they are a disaster when it comes to getting paid.  
15 And, in fact, these -- these are when PennDOT bids a  
16 job for municipality. In fact, what we found in an  
17 investigation that due to certain criteria, the  
18 most -- the quickest you can get paid is two months.  
19 And that needs to be addressed.

20           Finally, there are other things that cause  
21 us delays when working in and around railroads that we  
22 are finding that we encounter significant delays  
23 caused by in some cases where the railroads will deny  
24 right of entry or they will only limit the amount of  
25 time that can be worked on, say, bridges going over

1        *their facilities. And if those things are not spelled*  
2        *out up front in the contract, the contract time*  
3        *doesn't assume delays associated with some of the*  
4        *unreasonable work rules or entry into right-of-way*  
5        *rules that some of the railroads require. And we*  
6        *found this particularly with Amtrak in the*  
7        *Philadelphia area in trying to do projects down there.*

8                *The other cost item that we're continuing to*  
9        *run into is some of the excessive liability clauses in*  
10       *the railroad right of entry agreements, some of which*  
11       *even go so far as to require the state to indemnify*  
12       *the railroad for willful acts of misconduct. And*  
13       *we've been trying to get some of those things*  
14       *straightened out and hopefully -- hopefully we will.*

15               *We find that Norfolk Southern is somewhat*  
16       *cooperative in that and CSX is probably the worst when*  
17       *it comes to dealing with railroad right of entry*  
18       *agreements. And the bottom line is if you have a*  
19       *clause in there that you can't buy insurance for the*  
20       *Commonwealth is going to self-insure -- is going to*  
21       *self-insure it through the taxpayer with it's own*  
22       *money, and -- and through the delays in trying to*  
23       *negotiate that.*

24               *So getting a little bit more reasonable in*  
25       *that regard we think would help reduce costs and move*

1     *some projects along, particularly when we're doing a*  
2     *lot of bridge work in the Commonwealth where a lot of*  
3     *bridges are going over rail facilities.*

4             *Existing legal barriers, Pennsylvania Fish*  
5     *and Boat Commission has listed the -- a new mussel*  
6     *species as threatened and endangered. What that's*  
7     *going to threaten and endanger as far as we're*  
8     *concerned, as far as the industry is concerned is a*  
9     *huge impact on available aggregate in Western*  
10    *Pennsylvania. And if we're going to move these*  
11    *projects forward and get things done, there has to be*  
12    *some coordination between PennDOT and the resource*  
13    *agencies and some oversight in these things. I mean,*  
14    *we're not asking that there be any -- any backing off*  
15    *of attention to the environment, but when you have a*  
16    *commission that can literally declare a huge source of*  
17    *aggregate and materials unavailable for work in*  
18    *Western Pennsylvania, that warrants some*  
19    *consideration.*

20            *We've been asked to talk about the Missouri*  
21    *Safe and Sound Bridge Improvement Program. That's a*  
22    *program where the State of Missouri sought to contract*  
23    *out a bulk of 800 bridges at one time in one major*  
24    *contract. They began this program back in 2007 and*  
25    *pulled it back because it was a finance element and*



1 the bids came in about two or three times higher than  
2 they had anticipated. So they pulled it back and went  
3 back to the drawing board in September of '08. And  
4 the program includes 802 total structures, about 550  
5 of which are going to be a part of the package which  
6 they're bidding.

7 The typical replacement is about 140-some  
8 feet long, 60 years old and an average traffic count  
9 of less than 1,900 vehicles. So these are mainly  
10 rural bridges in Missouri.

11 They're selecting it by a two phase request  
12 for proposal process not by a low bid process. And we  
13 talk a little bit about how they're going about that.

14 There's a \$10 million up-front payment  
15 required of the contractor. And the contractor will  
16 assume the risk of cost inflation foundation, that's  
17 anything that's underneath the earth that you can't  
18 see. They'll assume the risk for sinkholes, for hard  
19 rock, for whatever in the design. The Department will  
20 incur risk for streambed coordination and other  
21 environmental permits. Completion date October 31st  
22 of 2014, and we estimate that they will complete about  
23 111 bridges a year between 2010 and 2014. That's an  
24 important number.

25 Application to PennDOT -- or application to

1 the Pennsylvania's current bridge program, this  
2 two-step RFP, otherwise known as best value process,  
3 is currently under litigation in Pennsylvania, as it's  
4 been challenged as not in accordance with the  
5 procurement code. So we do have a -- we do have a  
6 legal challenge on that method for selecting  
7 construction. It's the way you do design for quite  
8 some time.

9 PennDOT, as was mentioned earlier, has  
10 awarded 145 accelerated projects already. Their goal  
11 is to award 411 by June. And really cutting to the  
12 quick we think they're going to be able to accomplish  
13 about 275 projects under their current process per  
14 year over that same period of time that Missouri is  
15 going to do about 111.

16 Our analysis, there are relatively few  
17 national contractors that can take on this kind of a  
18 contract. They would have to set up a bureaucracy.  
19 We're not sure how they're going to work with 11  
20 different engineering districts and all the nuances  
21 there. So I guess unless you're prepared to sort of  
22 overlook the district program in PennDOT, we're not  
23 sure how that would work.

24 We think that the cost would be increased,  
25 again, overhead for this -- you're going to have to

1 have a Bechtel or somebody come or Horrison's  
2 Transportation come in and set up a whole new  
3 bureaucracy to oversee this program, set up new  
4 offices, learn the ways of the engineering districts.  
5 I don't know what Missouri's wage situation is,  
6 whether they're union affiliation situation, but in  
7 Pennsylvania, we have Philadelphia, central part of  
8 the state, and Western Pennsylvania, all with  
9 different labor agreements. And I don't know how that  
10 works when you try to have one contract that tries to  
11 figure out those agreements.

12 And basically dealing with PennDOT's  
13 expectations, I mean, I guess what I'm getting at here  
14 is we think that the Department's accelerated bridge  
15 program is serving us well. And obviously everybody  
16 will be watching what happens in Missouri, but our  
17 quick analysis is that it may be more costly than the  
18 way PennDOT's going about it now.

19 Just comment a little bit about  
20 transportation funding going forward and the stimulus  
21 package.

22 Obviously if we get a billion 2 or a billion  
23 3 on the stimulus package for one year, two years, we  
24 can put -- we can put people back to work in the short  
25 term.

1           What we cannot do as an industry without  
2    long-term stable funding, existing funding is -- is  
3    invest in the market. And one of the -- one of the  
4    problems we're seeing now is not just the layoffs of  
5    people, but the reduction in capital investments. And  
6    we will not be doing cap ex investments if we're  
7    looking at a one-time stimulus program.

8           We have issues at the state level that start  
9    with Act 44 that has to be back in fill. And I guess  
10   would just remind you that although we keep hearing  
11   the 2010, July 1, is the cut-off for the funding  
12   anticipated by IA, that has to get into the -- that  
13   lack of anticipated money will be into the system by  
14   September because you have to stop planning any  
15   projects or programs that were going forward there.  
16   And of course that not -- doesn't just impact PennDOT.  
17   It also impacts the transit agencies as well. So  
18   sometime some year we're going to have to deal with  
19   that. And I don't need to talk to you about the  
20   numbers.

21           I guess final closing comment, and that is  
22   we look at the budget document this year and I really  
23   encourage you to look at that under transportation,  
24   where they -- where they talk about the Department's  
25   program measures. And in almost every category here,

1 interstate highway system in poor condition,  
2 interstate highway, non-interstate in poor condition  
3 number of bridges resurface, maintenance resurfacing,  
4 surface repairs, it all goes down starting in 2010.  
5 So we're on a -- we're on a glide path that is not  
6 very good. So we'd like us to start to talk about our  
7 transportation system in terms of what is the system  
8 that we need to have in the future, what is our vision  
9 for transportation, how does it play into -- and this  
10 is not just highways but all modes, how does it play  
11 into the Commonwealth's economic base, and where do we  
12 want to be in 10 years and stop looking at in terms of  
13 cost or tax or tolls.

14 So with that, appreciate the time. It's  
15 11:00. We have 30 seconds to --

16 REPRESENTATIVE HARPER: Run to the floor.

17 CHAIRMAN MARKOSEK: That's okay. We can go  
18 past 11:00 a.m. It's 11:00 p.m. where we have  
19 problems. But thank you, Bob. And your last comment  
20 was perhaps the most important. Stimulus or no  
21 stimulus, we have major funding problems down the  
22 road. And I would even push that schedule up a little  
23 more. You talk about the schedule for design and  
24 those kinds of things, that that has to stop maybe by  
25 September. You know, politically once we get beyond

1     *this spring and break for the summer, assuming we get*  
2     *a break and come back next year, you know, we start*  
3     *getting into the next election cycle and it gets*  
4     *tougher and tougher to pass legislation dealing with*  
5     *revenue enhancements or revenue replacements in this*  
6     *case. So, you know, we really have the bite of the*  
7     *apple is this spring for us in a lot of ways.*

8     *Sobering message for the members here, but you know,*  
9     *it's there nevertheless. And, you know, we need to*  
10    *deal with that. Any questions? Okay.*

11            *MR. LATHAM: One thing, there was a*  
12    *statement earlier about the state police funding and I*  
13    *would just like to make a point. Over the last seven*  
14    *years Motor License Fund has picked up from the*  
15    *historic 66 percent for the state police another*  
16    *75 percent, another \$25 million was put in the*  
17    *Governor's budget for the state police. Between they*  
18    *and the Department of Agriculture, we're estimating 9*  
19    *to 10 cents of the current 12 cent gas tax go not to*  
20    *highways but to state police and weights and measures.*  
21    *So when you look at the gas tax and look at*  
22    *opportunities for other ways to go, that would be one*  
23    *of them. I know you have a general fund problem with*  
24    *doing it, but.*

25            *CHAIRMAN MARKOSEK: Okay. Bob, thank you.*

1       *Thank all of the folks that have testified. I'll*  
2       *remind the members next Thursday, the 19th, we have*  
3       *hearing with the Appropriations Committee on the*  
4       *PennDOT mass transit and the turnpike hearings. And*  
5       *we are all invited to that. Thank you. Meeting*  
6       *adjourned.*

7                       *(Proceedings concluded at 11:03 a.m.)*

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

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*Heather L. Artz, RMR, CRR  
Notary Public*