

## 09-10 Budget Overview

Good morning Mr. Chairman and members of the committee. Thank you for inviting us here today to review the Department of Transportation's 09-10.

The Department of Transportation relies heavily on the Motor License Fund to deliver our program. The MLF is a special fund, separate from the General Fund. Currently, the MLF is \$72M below official estimates and the projected shortfall for the end of this fiscal year is \$150M. **[Graph – MLF trends]** The first graph you have in your packet shows the trend line of MLF revenues for FY07-08 and FY 08-09 projections through the end of the fiscal year. As you can see, we are in a much different place than we were a year ago. While for most of this fiscal year, we were below official estimates, we showed positive balances in both December and January and the MLF has stabilized for the past four months. The hidden problem, however, is that construction costs have increased by double digits, cutting into our buying power. **[Graph – Buying Power]**

The MLF is comprised of three main categories—taxes on the sale of liquid fuels, registrations and fees, and a third category that includes treasury earnings, payments from the Turnpike and revenues from vehicle code fines. **[Graph – Pie chart]** On the next page, these three major categories are shown and how they comprise the \$72M shortfall. The largest chunk is the third category which is 71% of the pie, due to \$51M in losses from investment earnings. The next largest piece is liquid fuels at 23%, which has stabilized over the past four months. The smallest piece is licenses and fees.

Reductions in the MLF will have an effect on payments to municipalities. **[Graph – Local Highway and Bridge Funding]** The majority of grants to municipalities are made in on April 1, which is formula driven. The 09-10 April 1<sup>st</sup> payment to municipalities will be \$316M, a decrease of 4.9% from the current year.

Construction funds will also be reduced. **[Graph – State Highway and Bridge Improvement]** Total state construction funds for 09-10 will be \$396,423,000, a decrease of 9.7% from the current year. \$350M in bonds were included in the current year budget for the Accelerated Bridge Program. **[Graph – Rebuild PA – Accelerated Bridge]** These funds targeted 411 bridges and as you will see from the next chart, we are on schedule to meet that goal.

Since July 1, 2008, we have let 175 bridges. **[Graph detailing ACB lettings by month]** An additional \$200M in bonds for the Accelerated Bridge Program is proposed in 09-10 which, in combination with existing construction appropriations, will target an additional 367 bridges.

Maintenance funds will also be reduced. **[Graph – State Highway Maintenance]** Total state maintenance funds for 09-10 are proposed at \$1.3B, a decrease of 7.2% from the current year. Funding for maintenance is typically the last appropriation to be cut and is usually the first to be increased when revenues improve. In the current year's budget, funds for maintenance had been increased by \$40M, so with this year's reduction, we are getting back to previous levels as you will see from the chart.

We are working hard to maintain the quality of the transportation system, but we have little control over what is happening in the MLF. Beginning last summer, however, the Central Office of PennDOT initiated a series of videoconferences with our eleven districts to brainstorm various cost-savings ideas and support the move to implementation. We are continually reviewing cost-cutting opportunities and savings through greater efficiencies. The goal was not to spend quarters to save nickels, but to promote significant efficiencies to help us keep funds on the road. **[Graph – List of Cost Savings]**

In terms of complement, we currently have 96% of our authorized 12,011 filled. By the end of this fiscal year, our complement will be further reduced by 135 positions resulting in a revised authorized number of 11,876. **[Graph showing change in complement since 1973]**

**[Graph – Rebuild PA Overview of Appropriations]** The Governor is proposing a significant increase for rail freight assistance, raising the current fiscal year's line item from \$10.857M to \$25.356M in the new fiscal year. The Governor believes that we should join with CSX Transportation and Norfolk Southern Railway Company in their visionary plans for improved rail freight service. CSX has asked for a \$35M state commitment to join in its National Gateway project. This is a multi-state project to improve capacity on CSX's main line between North Carolina and Ohio through Pennsylvania. This would entail bridge clearances on the route through Pennsylvania to allow double stacked trains. This is similar to projects done with Conrail and other railroads in Pennsylvania. Norfolk Southern seeks a \$45M commitment from Pennsylvania for its Crescent Corridor, which parallels Interstate 81.

As a result of Act 44, public transit funding has been stabilized at a time when demand for its services is growing. [Graph – Mass Transit Assistance] However, while the Governor's Budget projects \$922.7M for the Public Transportation Trust Fund, compared to \$850M in the current fiscal year and \$792.7M in the 2007-08 fiscal year, sales tax receipts continuing to trend lower this year will cause the Department to propose lower initial spending amounts for Mass Transit Operating and other programs than the 09-10 budget proposes. If nothing is done to address the projected funding loss due to rejection of I-80 tolling, beginning in July 2010, Act 44 for transit will drop from \$400M to \$250M and remain flat instead of growing at 2.5% a year.

## Graphs

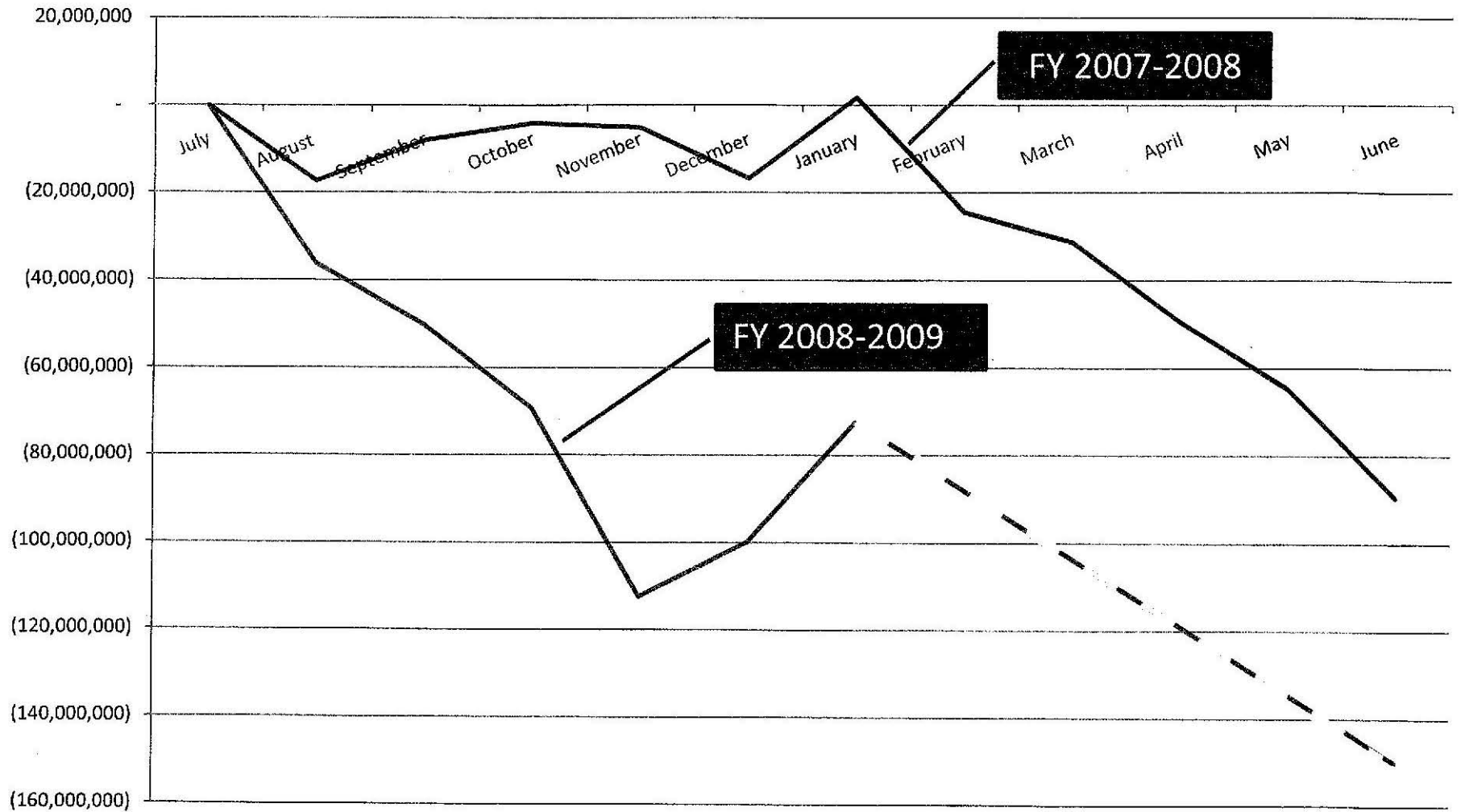
1. MLF trends
2. Buying Power
3. Pie chart
4. Local Highway and Bridge Funding
5. State Highway and Bridge Improvement
6. Rebuild PA – Accelerated Bridge
7. Detailed ACB lettings by month
8. State Highway Maintenance
9. List of Cost Savings
10. Change in complement since 1973
11. Rebuild PA Overview of Appropriations
12. Mass Transit Assistance

# **House of Representatives Transportation Committee**

## **09-10 Budget Overview**

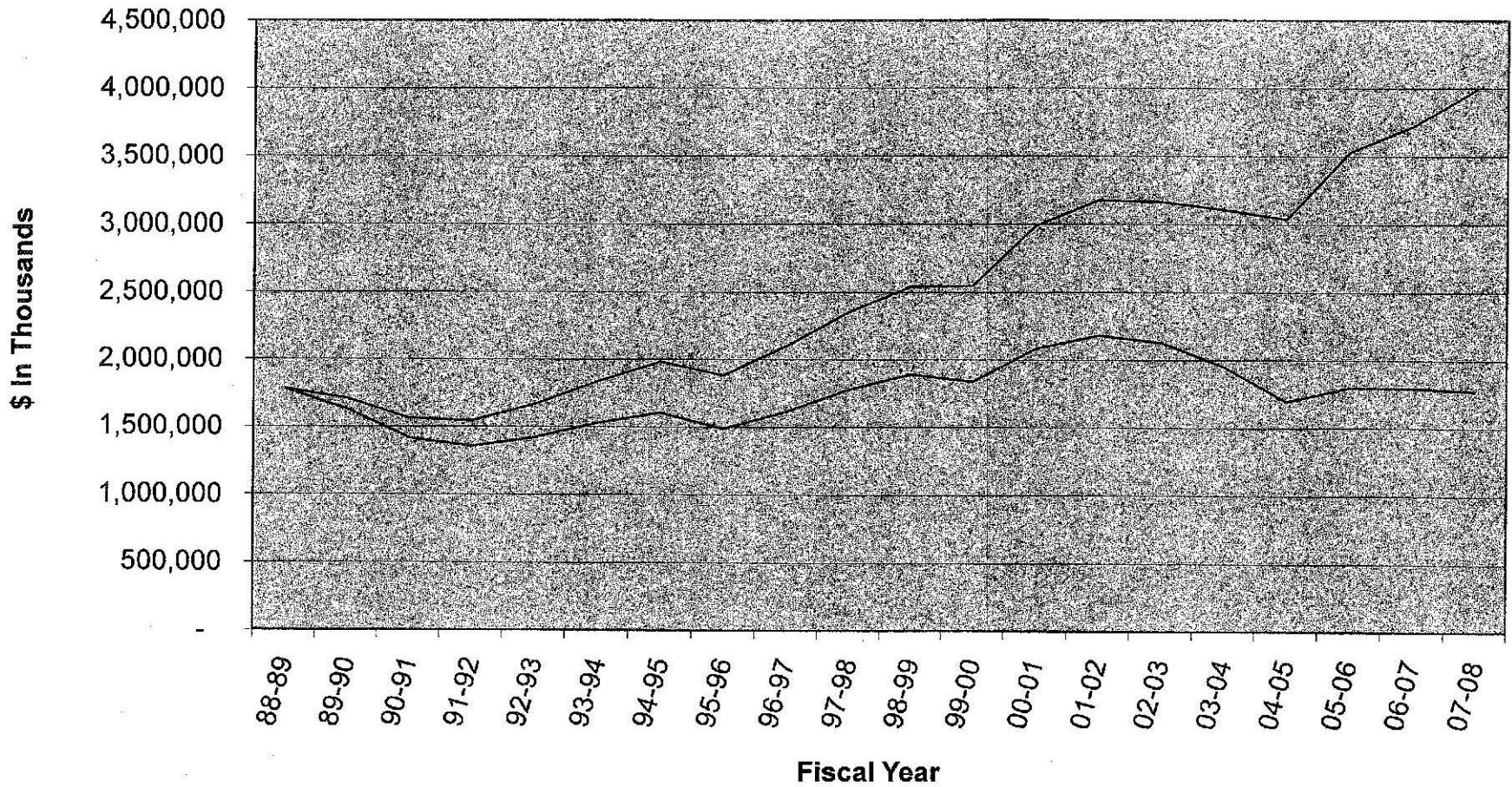
February 11<sup>th</sup>, 2009

## Motor License Fund Non-Restricted Revenue: Fiscal Year 2007-08 and 2008-09 Shortfall vs. Official Revenue Estimate



**PennDOT Motor License Fund  
Actual Expenditures Vs. Buying Power  
20 Year History - 1988-89 to 2007-08**

— Actual Expenditures      — Adjusted Buying Power

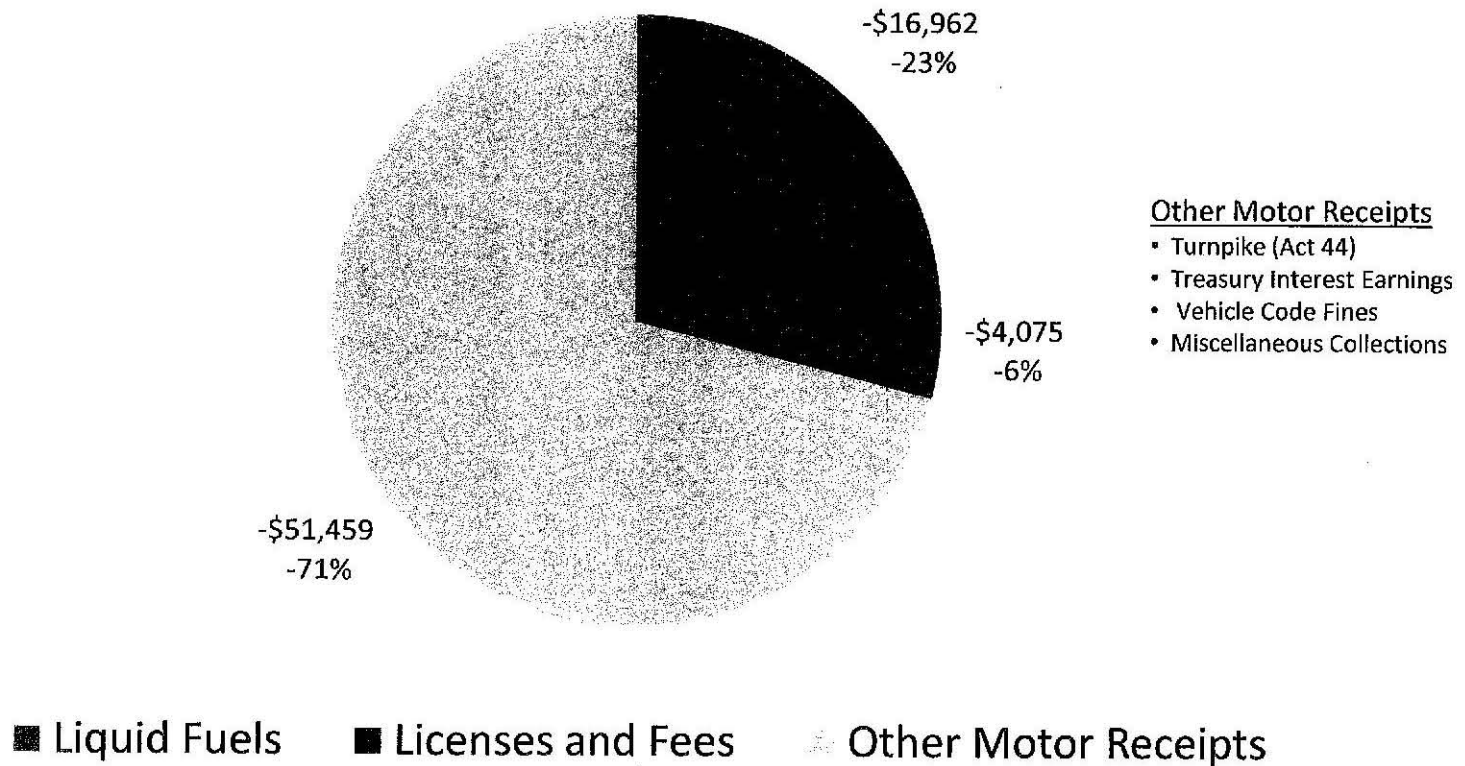


# MLF Non-Restricted FY 08-09 Revenue Shortfall

Based on Official Estimate through: January 2009

(Dollar amounts in Thousands)

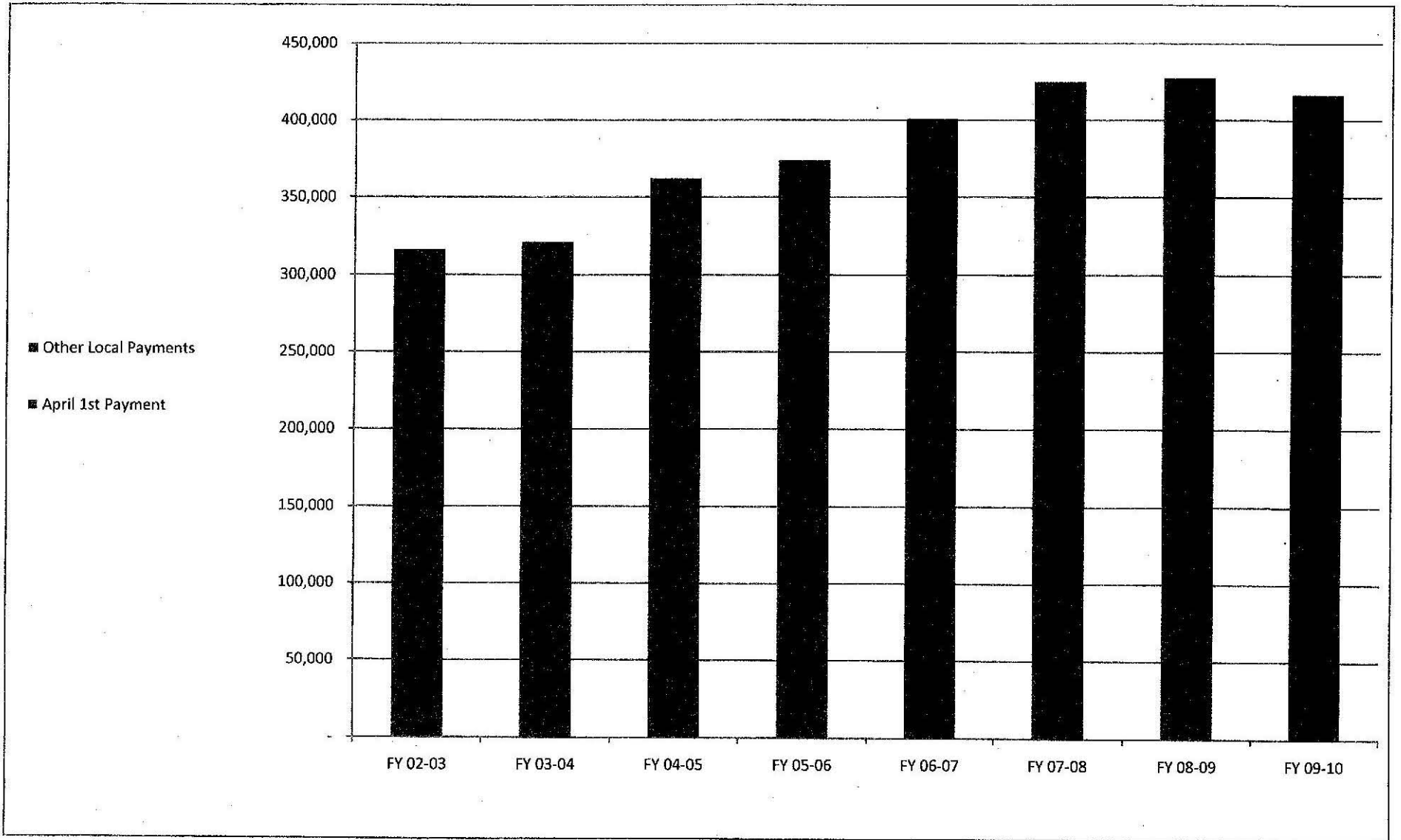
**-\$ 72,496 Total Deficit**



\* Treasury Interest Earnings are -\$50,566 of Other Motor Receipts Amount



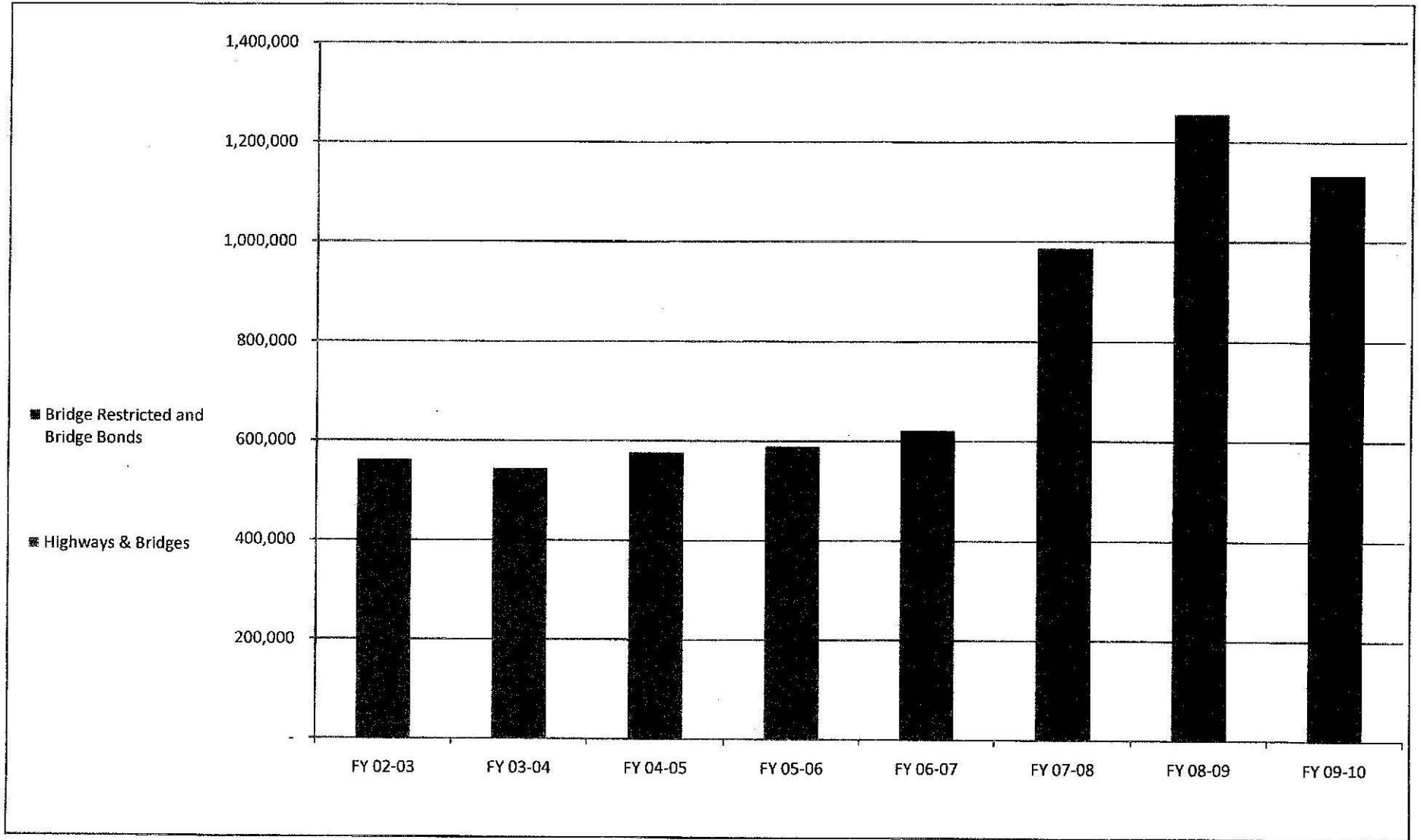
**LOCAL HIGHWAY & BRIDGE**  
State Funds Only  
(\$ In Millions)



# STATE HIGHWAY & BRIDGE IMPROVEMENT

State Funds Only

(\$ In Millions)

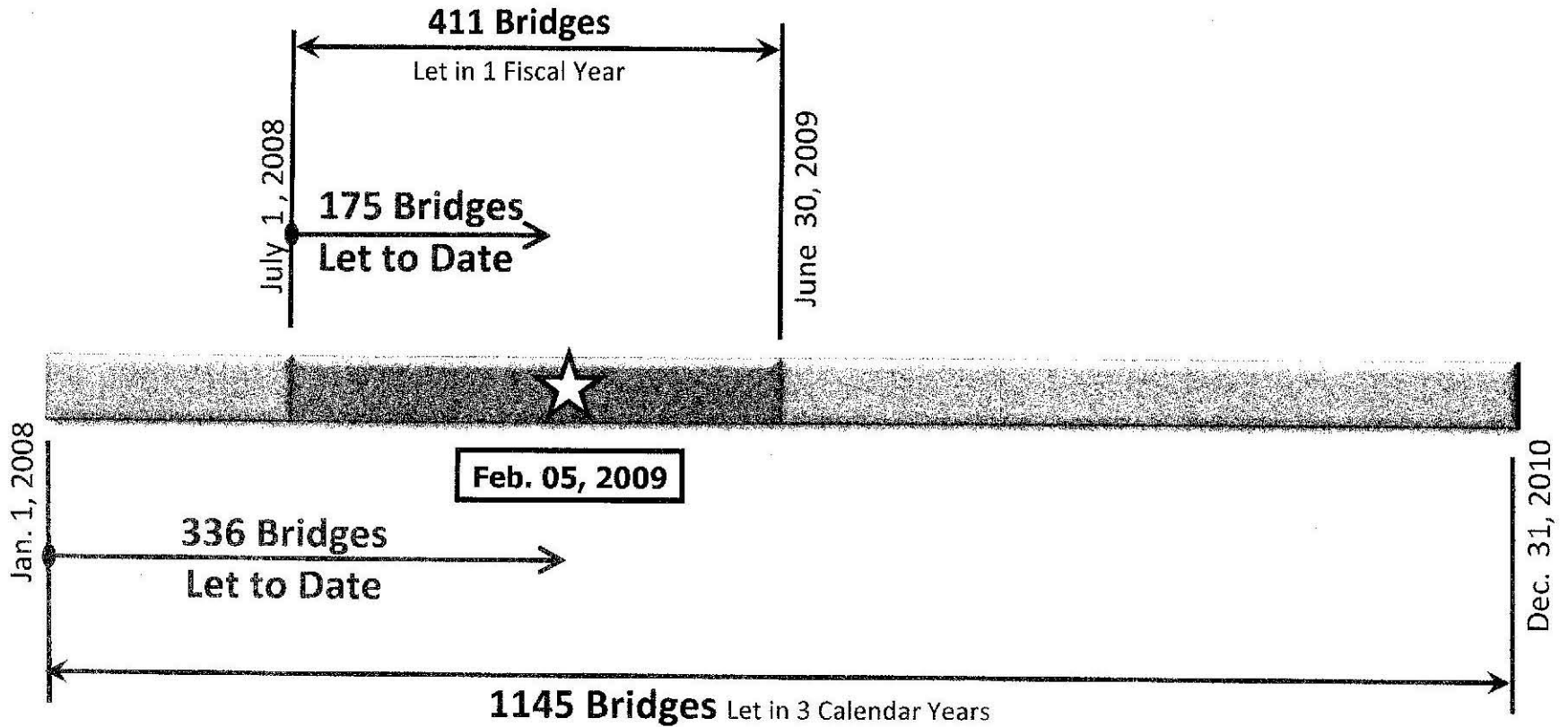


# Rebuild PA



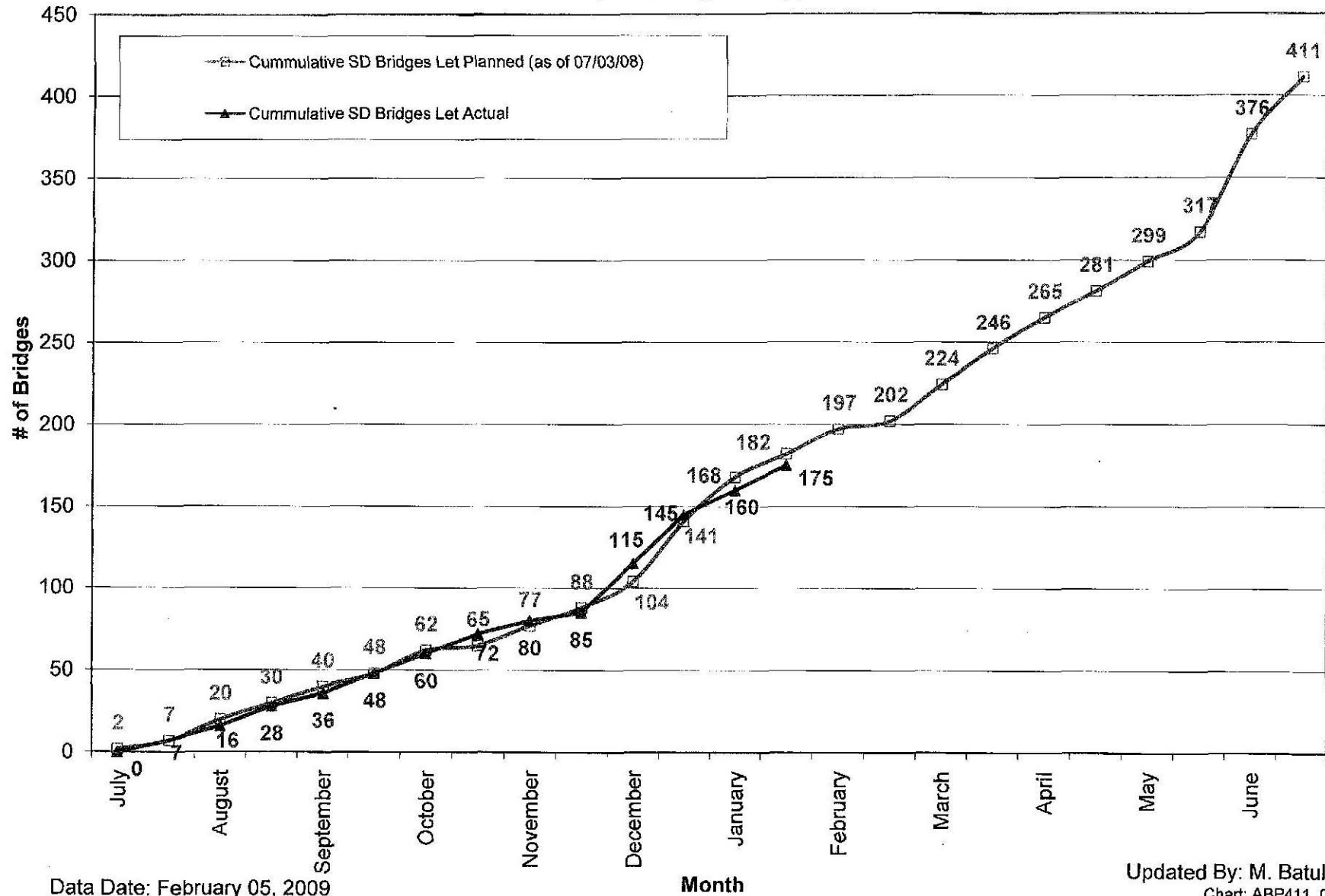
**pennsylvania**  
DEPARTMENT OF TRANSPORTATION

## PennDOT's Accelerated Bridge Program



Data Date: 02/05/09

**PennDOT's Accelerated Bridge Program - 411 Bridges for SFY 08/09 by Month  
(411 Bridges only)**

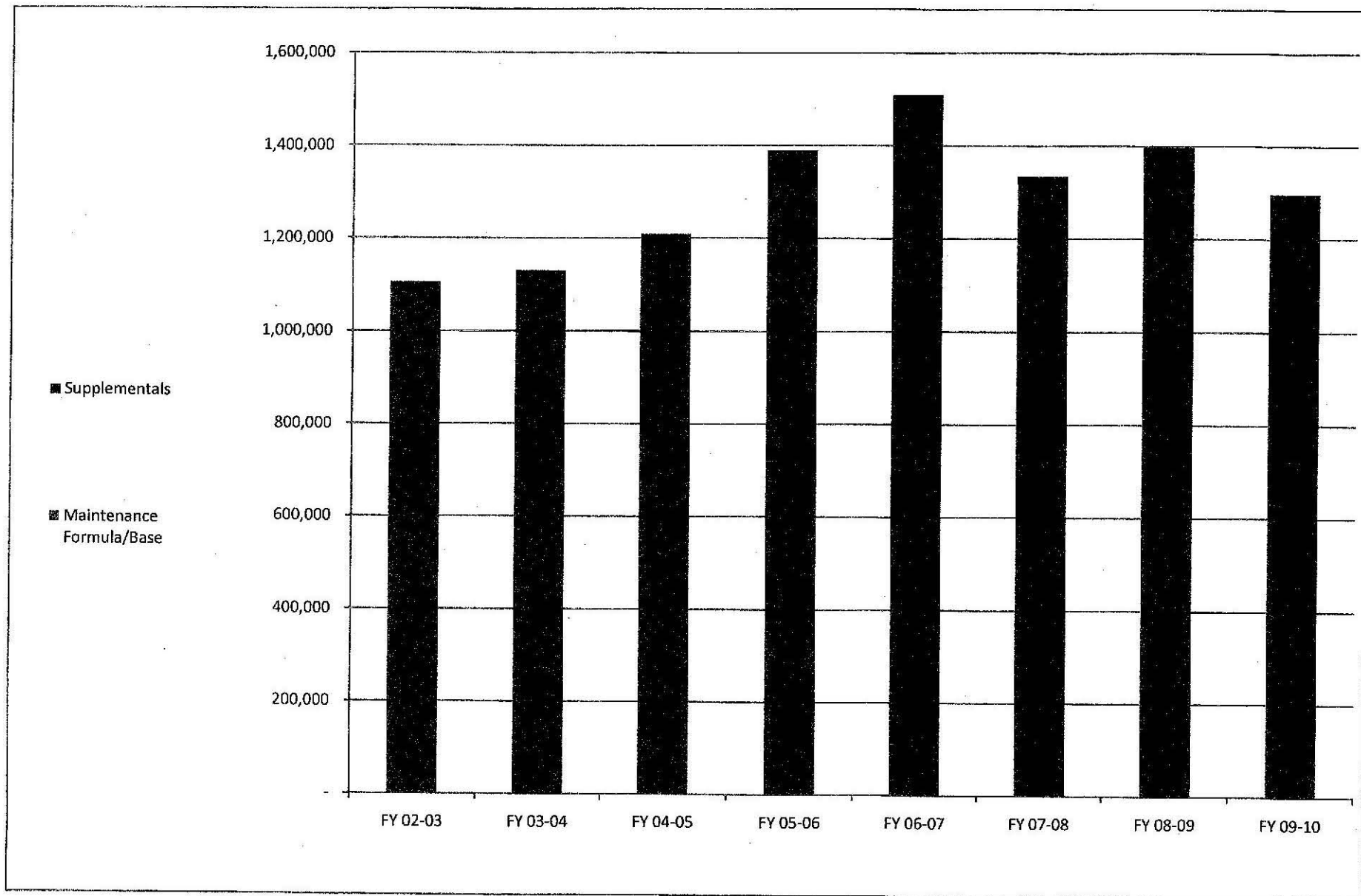


Data Date: February 05, 2009

Updated By: M. Batula  
Chart: ABP411\_04

# STATE HIGHWAY MAINTENANCE

State Funds Only  
(\$ In Millions)

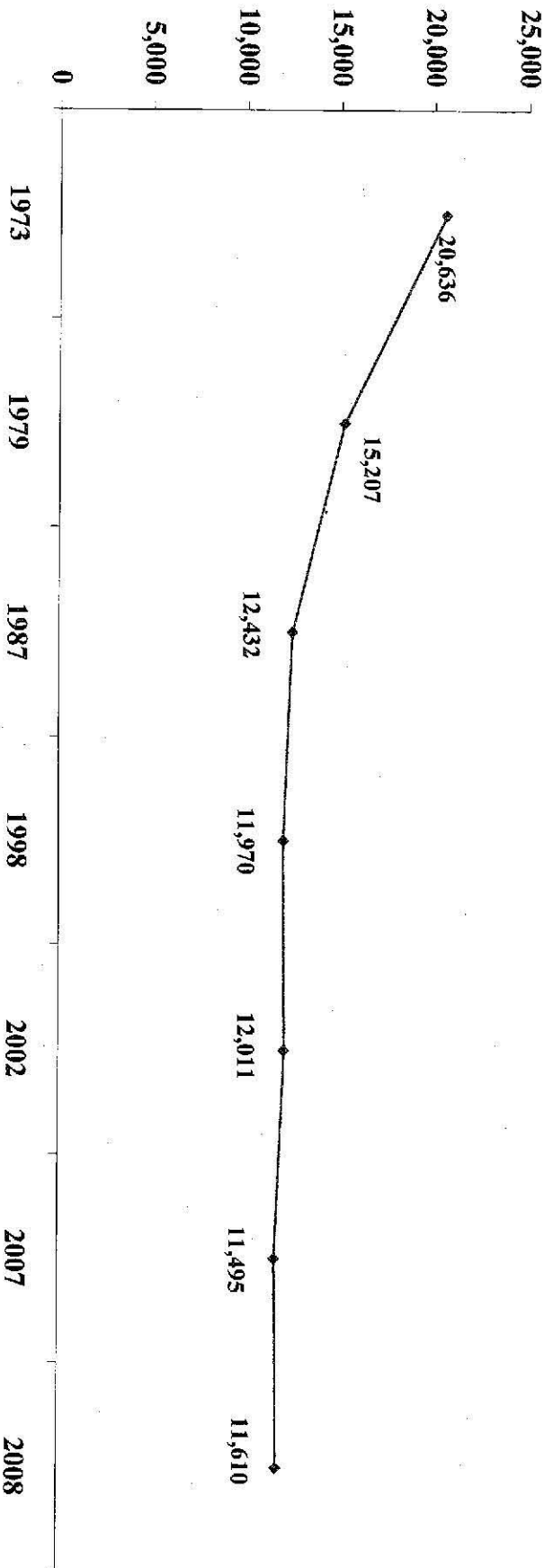


## Department Cost Savings – Examples

Action Item	Estimated Savings
Revisit Pavement Management (Seal Coat vs Paving)	\$32,100,000
Reestablish mow lines on all interstates	\$1,011,000
Develop/Implement Fuel Conservation and Idling Policy	\$2,170,000
Reduce utility use within Penndot facilities	\$28,356
Extend Sign Replacement Cycles	\$2,400,000
Central Office Travel (18% reduction)	\$383,500
Central Office Overtime (22% reduction)	\$394,000

# Filled Complement History: Selected Years

As of December 31<sup>st</sup> for each year



# Rebuild PA

	08-09	09-10
Bridge Bonds	\$350,000,000	\$200,000,000
Rail Freight		
• TAP Bonds	\$10,000,000	\$22,500,000
• Rail Freight Assistance Program Appropriation	\$0	\$15,000,000
Aviation (TAP Bonds)	\$5,000,000	\$5,000,000



**MASS TRANSIT ASSISTANCE**  
State Funds Only  
(\$ In Millions)

