

1 COMMONWEALTH OF PENNSYLVANIA
2 HOUSE OF REPRESENTATIVES

3 TRANSPORTATION COMMITTEE

4 205 MATTHEW J. RYAN OFFICE BUILDING
5 HARRISBURG, PA 17120

6 MONDAY, JUNE 17, 2013
7 10:00 A.M.

8 SENATE BILL 1 HEARING

9 BEFORE:

10 HONORABLE DICK L. HESS, MAJORITY CHAIRMAN
11 HONORABLE JULIE HARHART
12 HONORABLE KATE HARPER
13 HONORABLE C. ADAM HARRIS
14 HONORABLE DOYLE HEFFLEY
15 HONORABLE DAVID HICKERNELL
16 HONORABLE MARK KELLER
17 HONORABLE JERRY KNOWLES
18 HONORABLE JIM MARSHALL
19 HONORABLE NICHOLAS MICOZZIE
20 HONORABLE RON MILLER
21 HONORABLE JEFFREY PYLE
22 HONORABLE MARGUERITE QUINN
23 HONORABLE KATHARINE WATSON
24 HONORABLE MICHAEL MCGEEHAN, MINORITY CHAIRMAN
25 HONORABLE TIM BRIGGS
HONORABLE MIKE CARROLL
HONORABLE ED GAINEY
HONORABLE STEPHEN KINSEY
HONORABLE WILLIAM KORTZ
HONORABLE MARK LONGIETTI
HONORABLE CHERELLE PARKER
HONORABLE MICHAEL SCHLOSSBERG

1 COMMITTEE STAFF PRESENT:

2 REPUBLICAN CAUCUS

ERIC BUGAILE

3 EXECUTIVE DIRECTOR

GREGORY GRASA

4 RESEARCH ANALYST

ELIZABETH SICKLER

5 RESEARCH ASSISTANT

BARBARA RAMSEY

6 LEGISLATIVE ADMINISTRATIVE ASSISTANT

7 DEMOCRATIC CAUCUS

MEREDITH BIGGICA

8 EXECUTIVE DIRECTOR

ERIC NELSON

9 RESEARCH ANALYST

LISA KUBEIKA

10 LEGISLATIVE ASSISTANT

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CHAIRMAN HESS: Good morning, ladies and gentlemen. Welcome to the Transportation Committee Hearing on transportation funding. Just a few brief remarks before we get started. I'll remind you that this meeting is being recorded today. And we are going to recess the meeting at the end of today, probably at one o'clock, 12:30, whenever we finish, until tomorrow morning, at 10:00 a.m., in the Majority Caucus Room, at which time the Auditor General and the Pittsburgh and Philadelphia Chamber of Commerce will be testifying. Just a few brief remarks on that so that everybody's aware that we're going to --- to not adjourn. We're going to recess until tomorrow morning at ten o'clock in the Majority Caucus Room.

With that, before we start, I would like to recognize Mr. McGeehan, the Minority Chair, with a few brief remarks.

CHAIRMAN MCGEEHAN: Thank you very much, Mr. Chairman. And thank you for calling this important hearing. Because of the length of the hearing, there are a number of members who have scheduled meetings that will be coming and going, including myself. I have a noon with the Secretary and one of our members. So I may have to leave but will return as soon as possible. And be assured that the testimony that those provide, if any of the members miss, obviously is in written

1 form, and that we have that for our record. So I appreciate
2 the accommodation.

3 CHAIRMAN HESS: Thank you, Mr. Chairman. This
4 happens sometimes. With the scheduling around here, it's very
5 difficult. And I realize that sometimes we have to prioritize
6 things. And Mr. Chairman, that will be fine.

7 CHAIRMAN MCGEEHAN: Thank you.

8 CHAIRMAN HESS: To start with, our first testifier,
9 Mr. James Smith, if you want to come forward. Mr. Smith is the
10 Executive Manager and Director of the Municipal Securities
11 Division, Sterne, Agee & Leach, Incorporated. He's going to be
12 testifying concerning the Turnpike borrowing under Act 44. Mr.
13 Smith, you may begin when you're ready.

14 And I might say we have a number of testimonies this
15 morning. It's going to be lengthy. And if you wish, you may
16 preface your remarks and submit a copy of your testimony for
17 the record, if you wish.

18 MR. SMITH: Thank you, Chairman Hess, and ranking
19 members of the Committee, ladies and gentlemen. I've been
20 asked to discuss a little bit about the Act 44 borrowings that
21 the Turnpike has been doing and the impact on the financial
22 sustainability of those borrowings.

23 As everyone probably understands, the bonds that
24 have been issued are subordinate lien bonds and are, as a
25 result, subordinate to the senior lien bonds that have been

1 funding the Turnpike for quite some time. There's been a
2 plethora of information written about the Act 44 borrowings.
3 There was a report by the Public Financial Management Group.
4 It's required under the --- it was written for the Turnpike and
5 delivered to the Secretary of the Budget. It's done once a
6 year. There was one in 2013 and one in 2014. There was the
7 Auditor General's report from January --- it was dated January
8 2013, that gets into a lot of the discussion, provided in the
9 transcript, a lot of information that came directly from the
10 credit rating agencies, such as Moody's and Standard & Poor's,
11 who have opinions on the credit worthiness of the Turnpike
12 bonds and the impact of Act 44. There have also been a number
13 of news articles that get into more of a discussion about the
14 impact of the Act 44 borrowings.

15 As I have looked at the Turnpike bonds for a number
16 of years, I served as banker for Merrill Lynch and Citigroup
17 back when the Turnpike did a lot of the borrowings, other than
18 the Act 44 borrowings. And the Turnpike enjoys a very strong
19 place in the credit markets. It is of tremendous credit and
20 has a tremendous borrowing capacity.

21 The one thing that --- and I'll keep my remarks
22 brief. The one thing that is obvious when you read all of the
23 information that's been published on the Act 44 borrowings is
24 that because of the length and the amount and the impact, even
25 on a subordinate lien basis, it will have a negative impact on

1 the credit worthiness and it will use up some of the capacity.
2 The transfer --- it's a funding and lease agreement with
3 PennDOT, so it begs the question, that funding has to come from
4 somewhere. There's many other alternatives available in the
5 marketplace, but the Act 44 borrowings was the most expedient
6 at the point in time to go into the markets and leverage the
7 great credit of the Turnpike. And in the short term, it has
8 not had a tremendous negative impact on the Turnpike's credit
9 rating. The rating agency reports don't really draw a
10 conclusion, they only look out about ten years, but they do
11 cite a number of potential risks going forward. And the
12 problem is, is that no one really knows what the elasticity of
13 raising tolls, the amount of traffic, the amount of
14 flow-through on the Turnpike will be. And as a result, it's
15 not able to be determined at this point in time whether they
16 will actually be able to fund all of the funding that's
17 required under the obligation of Act 44.

18 Those are kind of my thoughts on the Act 44
19 borrowings. And I've included in the information I provided an
20 excerpt from the Moody --- from the Moody's Investor Service
21 Credit Report from January of this year. They rate the bonds,
22 not the entity. So they rate both the senior lien bonds and
23 the junior --- the subordinate lien bonds. And when you look
24 at some of the risks that they point out, they are more long
25 term in nature. But if something's not done in the near

1 future, the credit worthiness of the Turnpike could impact the
2 borrowing for the mainline system. So while it's not in
3 jeopardy today, it does point out, and all the information
4 that's available points out that there is some risks in the
5 long term.

6 CHAIRMAN HESS: Thank you very much. My question
7 would be, in your expert opinion, which would be the best, ten
8 years, eight years, six years, three years, or wipe it out all
9 at once?

10 MR. SMITH: In my opinion, I think a phasing out of
11 it over a period of less than ten years. Because in all the
12 information that's provided --- and once again, I'm on the
13 financial side. This information really dovetails with a lot
14 of the engineering estimates and predictions of what future
15 traffic flow will look like, what future gasoline prices will
16 be, what future costs of construction will be. There's an
17 awful lot of factors that go into the affordability. But I
18 think that weaning off of this funding source and introducing
19 other funding sources to replace it should happen sooner rather
20 than later. And all at once would be difficult because, as I
21 see, there's no legislation in place to provide funding as an
22 alternative, but it could be introduced over a period of time.

23 CHAIRMAN HESS: In other words, you're saying to do
24 it all at once would be a real stretch?

25 MR. SMITH: It would be difficult.

1 CHAIRMAN HESS: Very difficult. Thank you very
2 much. Chairman McGeehan.

3 CHAIRMAN MCGEEHAN: Thank you very much, Mr. Speaker
4 --- pardon me, excuse me, Mr. Chairman. I'm glad that you're
5 here, Mr. Smith, because there's been occurring discussions
6 about the state bonding to under --- to underfund the entire
7 transportation plan. And there's been much discussions,
8 particularly in my caucus, about the most opportune time. And
9 obviously, I think we're in it, with low interest rates, with
10 the carrying costs that comes with those interest rates. Have
11 you analyzed the bonding ability for a \$2.5 billion
12 transportation plan? And are there other examples, in your
13 vast experience, where states are finding that successful?

14 MR. SMITH: Yes. Markets have changed. That's a
15 great question. I have worked with probably all the major
16 trans --- I was head of transportation for Merrill Lynch. And
17 I was also head of the Global Infrastructure Group. And I've
18 worked with most of the major transportation agencies in the
19 United States. The strongest transportation agencies are the
20 ones that look at it as a system rather than a single toll
21 road. There's a lot of strength and diversification in any
22 financial area and I think that, you know, a couple of things
23 that have happened in the past which I think are important to
24 reflect upon as you make decisions going forward.

25 Up until the fall of 2007, the credit markets were

1 very strong, and the ability to borrow by both public and
2 private entities was vast, evidenced by the fact that the
3 Turnpike was up for a public/private partnership long-term
4 lease and was able to achieve a \$13 billion bid. That couldn't
5 be achieved today. Not even close. And the reason is, is
6 because the credit markets have changed dramatically, and the
7 ability to issue Triple-B debt, for example, is diminished. So
8 while interest rates are very low, the ability to leverage in
9 the capital markets has not come fully back to where it was in
10 2006, in 2007, when Chicago privatized the Skyway and Indiana
11 privatized I-80. The other option that was on --- in
12 discussion, as everyone knows, was the tolling of I-80. And
13 that would have been a very large funding source as well.

14 There's not one answer. There's not a panacea. So
15 the answer to your question about what other states are doing
16 is it's a myriad of different things that they're doing. And
17 you take states like Virginia, who have really gone very far in
18 the public/private partnership area. There's about five states
19 that have really used that as a tool. It's not the right one
20 for everyone. GARVEEs have been used by about half the states.
21 Pennsylvania's not one of them. So there's many different
22 funding mechanisms available that other states are using
23 outside of leveraging the toll system in their state. There's
24 many states that don't even have tolls. There's a lot of
25 states --- and this is really important when you look

1 worldwide, Europe is much further ahead than us in the ability
2 to do public/private partnerships and put tolls on existing
3 roads. In the United States, I don't think anyone's even
4 attempted that. It's heresy. But in other parts of the world
5 the idea of providing value for money, and that's the key
6 phrase, where you're running the toll system more as a
7 business, and the consumer is actually getting value for the
8 money they're paying. And that concept is really important in
9 toll systems that have been privatized. So the idea of what to
10 do in Pennsylvania, those are policy issues. I don't think
11 it's probably appropriate for me to get into those because
12 that's, you know, the people who represent the people's job to
13 figure out what is the best policy to achieve the objectives.
14 But I can tell you there are many alternatives available.

15 CHAIRMAN MCGEEHAN: And I ask that, obviously,
16 because of your expertise, but secondly, because Senate Bill 1,
17 that's before this committee initially and possibly before the
18 House, has a thousand moving parts. And any one of those parts
19 can go wrong. And there's been discussions about removing
20 surcharges and whatever else. And then, of course, you know,
21 you take from here and it leaves a gap there, and it has to be
22 made up. So in a macro sense, bonding seems to me to make a
23 lot of sense in that you're not dealing with a thousand moving
24 parts.

25 Back to Act 44. And it's a real possibility that

1 Senate Bill 1 doesn't move, what is the future of the Turnpike
2 under Act 44? I know I did a cursory examination of your
3 testimony and obviously listened closely to what you had to
4 say. We are --- as a fallback, say we do nothing and that Act
5 44 is the --- is the funding mechanism at least for \$450
6 million, what's the impact to the Turnpike and how far out are
7 we looking before we fall off that cliff?

8 MR. SMITH: The best answer I can give you is that
9 it's uncertain. I realize there's plenty of material out there
10 that says the consequences are dire and they are very soon.
11 However, remember what I said originally, the Pennsylvania
12 Turnpike is a very, very strong credit and has a great deal of
13 borrowing capacity. But when you look at the matching of that
14 borrowing capacity to the needs, the capital needs of the
15 Turnpike, you're robbing Peter to pay Paul. So while you want
16 to have more flow-through on the Turnpike, lane widening,
17 safety improvements, all kinds of things the Turnpike wants to
18 do, by borrowing money, even on a subordinate lien basis,
19 you're using up that capacity, and the Turnpike won't be able
20 to fund those capital projects that are necessary for its
21 sustainability. So if you --- I can't give you a specific date
22 because there are so many factors involved. Like I said,
23 interest rates, I can't predict interest rates, the price of
24 fuel, the cost of construction, the Cost Construction Index,
25 which is measured, you know, regularly to determine, you know,

1 how fast the price of asphalt and rebar and cement is going up.
2 There's so many factors involved that I can't give you a
3 certain date, but I can tell you that when you look out to the
4 50-year plan, it does seem hard to believe that you could
5 increase tolls at a rate and still have the flow-through of
6 cars while you're giving a lot of that money away to projects
7 that are not providing that value to the consumer who's using
8 the Turnpike.

9 You know, like I said, there's a lot of other
10 alternatives. And some of the borrowing that was done for the
11 Mon-Fayette Expressway Project, I did a couple of those
12 transactions. One was a leveraging of the registration fees.
13 The registration fee in Pennsylvania is one of the lowest in
14 the country. It was \$24, and they raised it to \$36. They took
15 that incremental \$12 increase and were able to borrow \$500
16 against that \$12. The Oil Franchise Tax had a surplus, so we
17 used the Oil Franchise Tax to leverage. So that was probably a
18 better match to fund statewide transportation projects than
19 taking the revenues from the toll system and funding projects
20 outside of that toll system.

21 CHAIRMAN MCGEEHAN: Well, thank you very much. And
22 I hope, Mr. Chairman, that we'll continue to stay in touch with
23 Mr. Smith as we go forward and, obviously, take advantage of
24 his expertise. Thank you.

25 MR. SMITH: You're welcome.

1 CHAIRMAN HESS: I'm sure we will. Representative
2 Pyle?

3 REPRESENTATIVE PYLE: Thank you, Chairman. Mr.
4 Smith, I appreciate your expertise here today. I'm just an old
5 high school teacher. I'm not a financial planner.

6 Diverging from Act 44, we do watch the other states
7 around us, and we see Maryland and Ohio have launched very
8 aggressive transportation improvement programs. Being closer
9 to Ohio, I was wondering if you could share with the Committee
10 how they are funding --- I believe their number is \$7.8
11 billion. I was here for Act 44, and I wasn't sold then. And
12 apparently, I must have known something. I am not interested
13 in borrowing more money to pay off more borrowed money. Going
14 forward proactively, with immediate revenue generators, how is
15 Ohio structuring \$7.8 billion worth of road projects?

16 MR. SMITH: I've done several transactions in Ohio
17 for the Treasurer's Office. The Treasurer --- it's a little
18 bit different than Pennsylvania. The Treasurer's Office does
19 the borrowing for capital projects in Ohio. And there's other
20 departments under the Governor's Office that does it. But one
21 of the programs in Ohio that's used quite extensively to fund
22 transportation projects is the GARVEE Bonds. And the GARVEE
23 Bonds are really taking --- if you're unfamiliar with the
24 GARVEE Bonds, it's really the leveraging of the federal
25 reimbursements of the Gas Tax that's collected at the pump.

1 The federal tax --- and this is part of the problem --- when it
2 was established was 18.2 cents a gallon. Gasoline prices, you
3 know, were much, much lower then, and it has risen, you know,
4 dramatically, yet the 18.2 cents per gallon has remained fixed.
5 In Europe, it's a percentage. So when you see a price of a
6 gallon of gas in Europe or even Canada --- you know, you can
7 have an \$8, \$9, \$10 gallon of gas, but half of that is being
8 used as a tax to fund transportation infrastructure in Europe,
9 in the U.K., for example. When you have Ohio taking those
10 federal reimbursements, it's really the reallocation of that
11 money that's collected at the pump at the federal level and
12 then reallocated back to the states.

13 The reason that Ohio and other states like the
14 GARVEE structure is because, if you didn't leverage it by
15 borrowing against it, you would do pay-as-you-go projects. And
16 about half the states, including Pennsylvania, are continuing
17 to use that money for pay-as-you-go projects. The problem is
18 that, by the time you finish that project, you haven't received
19 the utility of that project during the construction period, and
20 the cost of construction has gone up dramatically. The benefit
21 of the GARVEE is that you're leveraging that money and
22 accelerating that project so that you get the utility of that
23 project and your borrowing rate is much lower than the Cost
24 Construction Index the rate of inflation. So you've beat out
25 the rate of inflation by accelerating that project. And Ohio

1 uses that structure extensively.

2 REPRESENTATIVE PYLE: So you're saying they have an
3 automatic indexing built into the revenue stream they have for
4 ongoing mass transit and roadway projects? They don't have to
5 go back and re-legislate every time they need another bridge,
6 that index provides for the revenue for future projects?

7 MR. SMITH: For a big chunk of it, yes.

8 REPRESENTATIVE PYLE: Thank you.

9 MR. SMITH: Now, I'll tell you, you mentioned Ohio.
10 Ohio was also studying --- back in 2006 I did an analysis of
11 what their, you know, Turnpike was worth in the market, similar
12 to what Pennsylvania did, and we put a number of about \$7
13 billion on it. They couldn't get anywhere close to that today,
14 yet there's still discussions going on in Ohio about a
15 potential privatization of their turnpike.

16 REPRESENTATIVE PYLE: What other kind of revenue
17 generators are they using besides GARVEE Bonds? I'm told all
18 kinds of things. You're the expert. What do they got going
19 on?

20 MR. SMITH: Other than the GARVEEs, the State of
21 Ohio has a similar tax to our Oil Franchise Tax. They leverage
22 that in the market, a fuel tax. So those are the types of
23 revenue streams that they use. They have registration fees as
24 well.

25 REPRESENTATIVE PYLE: Any income tax, sales tax

1 tack-ons?

2 MR. SMITH: Not directly paying for transportation
3 projects, no.

4 REPRESENTATIVE PYLE: Okay. Thank you. Thank you,
5 Mr. Chairman. Thank you, Mr. Smith.

6 CHAIRMAN HESS: Just one follow-up question. When I
7 asked a question of whether you thought that ten, eight, six or
8 three would be the best, and your answer, I think, was, correct
9 me if I'm wrong, the sooner, the better.

10 MR. SMITH: Uh-huh (yes).

11 CHAIRMAN HESS: Now, if we was to take one full
12 swoop and get rid of it all at one time, that leaves a
13 tremendous hole to backfill for the other projects we --- that
14 we want to do and have to do in order to make this thing work.

15 MR. SMITH: Uh-huh (yes).

16 CHAIRMAN HESS: I'm a big proponent of three to five
17 years, somewhere in that area there. It seemed to me that that
18 worked much better. We got rid of the debt, plus we're not
19 backfilling all at one time. It makes it a little bit easier
20 to do. Am I off course on that or ---?

21 MR. SMITH: No, you're not off course. But by way
22 of example, I did several transactions for SEPTA and the Port
23 Authority of Allegheny County. And between the two of them,
24 that's about 95 percent of the mass transit funding in the
25 state. And both of those agencies enjoyed a borrowing capacity

1 that was the leveraging of the PTAE Funds. With electric
2 deregulation, that dramatically decreased that funding source
3 and left a huge hole in their budgets. And for many years it
4 was a scramble to find an alternative funding source, and
5 usually it was on a year-by-year basis. So by using that as an
6 example, to the extent that there is funding from the Act 44
7 bonds, if you want to call them Turnpike Subordinate Lien
8 Bonds, and they are funding projects for the mass transit
9 authorities, other types of state roads and bridges, to the
10 extent that that leaves a hole, the reason that I say sooner,
11 the better, but with the idea that there should be some plan or
12 some funding source to replace that, I think that you would be
13 caught in a shortfall if you try to do it too quickly. But
14 three to five years would depend on how quickly the legislature
15 and the state can move in finding an alternative funding
16 source.

17 CHAIRMAN HESS: Thank you very much. I appreciate
18 it. Any more questions? Thank you very much.

19 MR. SMITH: You're quite welcome.

20 CHAIRMAN HESS: Appreciate you coming in this
21 morning. I neglected to do one thing, and I apologize for it.
22 For the record, we have to have a roll call of the members
23 present, for the record. Barb, would you please call the roll?

24 MS. RAMSEY: Chairman Hess?

25 CHAIRMAN HESS: Present.

1 MS. RAMSEY: Ms. Harhart?

2 MS. HARHART: Here.

3 MS. RAMSEY: Harper is on leave. Harris?

4 REPRESENTATIVE HARRIS: Here.

5 MS. RAMSEY: Heffley is on leave. Hickernell?

6 REPRESENTATIVE HICKERNELL: Here.

7 MS. RAMSEY: Keller?

8 REPRESENTATIVE KELLER: Here.

9 MS. RAMSEY: Knowles?

10 REPRESENTATIVE KNOWLES: Here.

11 MS. RAMSEY: Marshall is on leave. Marsico, leave.

12 Micozzie, leave. Miller?

13 REPRESENTATIVE MILLER: Here.

14 MS. RAMSEY: Pyle?

15 REPRESENTATIVE PYLE: Here.

16 MS. RAMSEY: Quinn, leave. Watson is on leave.

17 Chairman McGeehan?

18 CHAIRMAN MCGEEHAN: Here.

19 MS. RAMSEY: Briggs?

20 REPRESENTATIVE BRIGGS: Here.

21 MS. RAMSEY: Carroll?

22 REPRESENTATIVE CARROLL: Here.

23 MS. RAMSEY: Gainey?

24 REPRESENTATIVE GAINNEY: Here.

25 MS. RAMSEY: Kinsey?

1 UNIDENTIFIED SPEAKER: On leave.

2 MS. RAMSEY: Kortz?

3 REPRESENTATIVE KORTZ: Here.

4 MS. RAMSEY: Longietti?

5 REPRESENTATIVE LONGIETTI: Here.

6 MS. RAMSEY: Parker?

7 UNIDENTIFIED SPEAKER: On leave.

8 MS. RAMSEY: Santarsiero?

9 UNIDENTIFIED SPEAKER: On leave.

10 MS. RAMSEY: Schlossberg?

11 MR. SCHLOSSBERG: Here.

12 CHAIRMAN HESS: Representative Harper has arrived,
13 so note that on the record, please. Our next testifier is the
14 Pennsylvania Mass Transit Agencies: Joseph Casey, General
15 Manager of SEPTA; Ellen McLean, Acting General Manager of Port
16 Authority for Allegheny County; Armand Greco, Executive
17 Director for LANTA; and David Kilmer, Executive Director of
18 Rose Transit Authority. You gentlemen and ladies may come
19 forward, please. And you may proceed whenever you're ready,
20 whichever one is going to lead off.

21 MR. CASEY: Good morning. My name is Joe Casey,
22 General Manager for SEPTA. Good morning, Chairman Hess,
23 Chairman McGeehan, and members of the House Transportation
24 Committee.

25 I want to thank you for the opportunity to represent

1 SEPTA, Southeastern Pennsylvania Transportation Authority, and
2 provide testimony related to the House's continuing work on
3 transportation funding and legislation.

4 On behalf of your fellow Pennsylvanians who rely on
5 SEPTA more than a million times each day to safely travel to
6 and from work, school, religious services and recreation, thank
7 you for making transportation funding a legislative priority.

8 The need for immediate and substantive investment in
9 Pennsylvania's transportation infrastructure is well
10 documented. However, the complexity of finding a solution in a
11 state as diverse as Pennsylvania requires great care.

12 Pennsylvania's differences are its strengths, unique regions
13 and industries contributing to a robust state economy that is a
14 national leader and global contributor. Regional
15 characteristics are not limiting; they are what makes
16 Pennsylvania a great place to live and work. In southeastern
17 Pennsylvania, for instance, the interdependent system of roads
18 and public transportation forms the backbone of the state's
19 largest economic region.

20 A report released in April by the Economy League of
21 Greater Philadelphia confirms the direct correlation between
22 SEPTA and southeastern Pennsylvania's contribution to the
23 Commonwealth's economic competitiveness. Among the report's
24 findings, 27 percent of the state's transportation dollars are
25 invested in southeastern Pennsylvania compared to 32 percent of

1 the population and 40 percent of the economic output. SEPTA
2 carries 77 percent of Pennsylvania's public transportation
3 ridership. Ridership growth has helped SEPTA to achieve fair
4 recovery ratios at levels that are comparable to other large
5 transit operators across the United States. And SEPTA's annual
6 economic impact supports 26,000 jobs and contributes more than
7 \$3 billion in economic activity to the Commonwealth.

8 Our riders are doing their part. While no public
9 transportation or road infrastructure, for that matter, is
10 totally self supporting, Pennsylvania's taxpayers can be
11 pleased that the Commonwealth's public transportation agencies
12 rank sixth in the nation in fair recovery percentage.

13 Despite record ridership and widespread economic
14 impact, SEPTA's abilities to meet the region's growing reliance
15 on public transportation is constrained by both operating and
16 capital budgets that have not grown to reflect the needs of an
17 aging system.

18 SEPTA is created --- was created by the General
19 Assembly for the --- from the remnants of three bankrupt
20 transit operators. Due to the failure of those entities to
21 invest in their assets at that time, much of the original
22 infrastructure, including 80-year-old power substations and
23 100-year-old bridges, outlived its useful life long ago and
24 requires replacement.

25 SEPTA's backlog of unmet infrastructure needs is

1 approaching \$5 billion. In the current fiscal year, SEPTA's
2 capital budget is approximately \$300 million, its lowest in 15
3 years. The proposed 2014 capital budget anticipated the fourth
4 consecutive year of capital funding below 1998 levels. By
5 comparison, CAPTA's --- SEPTA's capital funding is one-third
6 that of its peer agencies, New Jersey, Washington, D.C.,
7 Chicago and Boston. At current funding levels, SEPTA's stated
8 good repair backlogs will almost double to \$8.5 billion by
9 2032, unless there is increase in capital investment. SEPTA
10 will be unable to maintain the system as it currently exists,
11 let alone grow to meet future capacity. The most pressing
12 example is the Bridgeport viaduct, a 3,000-foot-long bridge
13 that carries 2,400 passengers per day to and from Norristown
14 Transportation Center, over the Schuylkill River in Montgomery
15 County. SEPTA's engineering and system safety personnel were
16 recently forced to make the difficult decision but necessary
17 decision to close the viaduct for approximately four months,
18 which will begin this July. The emergency work will
19 temporarily extend the life of the bridge, but nearly
20 three-quarters of the project remains unfunded.

21 Throughout the system, we are applying Band-aids
22 when we should be performing surgery. The viaduct is one of
23 SEPTA's 36 shovel-ready --- stated good repair projects,
24 totalling \$500 million. These projects are located across five
25 counties in southeastern Pennsylvania and would immediately

1 infuse the local and state economy with thousands of jobs to
2 rebuild significant portions of the regional transit network.

3 SEPTA is ready to issue contracts to Pennsylvania
4 businesses and put Pennsylvanians back to work. SEPTA has
5 demonstrated that it is a dependable steward of public funds
6 and a wise investment, the benefits of which transcends
7 regional boundaries. As the General Assembly continues to
8 develop a plan for a comprehensive, dedicated, statewide
9 investment in the Pennsylvania transportation network, there
10 are two choices. Invest in public transportation now and
11 maximize its safety and efficiency, or divest and lose the
12 statewide economic benefits as underfunded systems like SEPTA
13 reduce service or dismantle their system piecemeal by
14 piecemeal.

15 In closing, I am pleased to join my fellow public
16 transportation counterparts here today, as well as members of
17 the Keystone Transportation Funding Coalition, in urging the
18 House of Representatives to implement a long-term
19 transportation funding plan that dedicates the necessary
20 resources to public transportation, one of Pennsylvania's most
21 --- most important economic resources.

22 I've submitted a written statement for the record,
23 and I'm happy to answer any questions for the Committee. Thank
24 you for the opportunity to speak here today.

25 CHAIRMAN HESS: Thank you. I think we'll go ahead

1 with the testimony, and we'll return for the questions when
2 everybody is finished.

3 MS. MCLEAN: Good morning, Chairman Hess and members
4 of the Committee on Transportation. I'm Ellen McLean. I'm the
5 Port Authority Chief Financial ---.

6 CHAIRMAN HESS: Pardon me. Do you want to pull your
7 mic just a little closer?

8 MS. MCLEAN: Closer?

9 CHAIRMAN HESS: Thank you.

10 MS. MCLEAN: I'm Ellen McLean, Port Authority's
11 financial --- chief financial officer. And I'm currently
12 serving as the Authority's interim CEO. Thank you for asking
13 me here today to discuss Senate Bill 1, which we firmly support
14 and ask for your support as well.

15 I'd like to start by addressing the old Port
16 Authority. We've made some very significant changes in the
17 last few years. We've fixed our pension problem. We've cut
18 more than \$45 million in expenses by reducing our workforce 21
19 percent. And with our largest labor union, ATU Local 85, we've
20 changed retirement benefits in a way that permanently reduces
21 our legacy cost obligation. There are many other examples of
22 our efforts of efficiency and cost containment, but the point I
23 wish to make today is that on virtually every financial front
24 the Port Authority is not the same transit agency that created
25 so many negative perceptions in the years past. Port Authority

1 today is a much leaner operation and provides quality public
2 transportation in rail, bus and through our access services for
3 the benefit of our residents, corporate employers and local
4 businesses in Allegheny County.

5 I'd like to simply walk through a few slides and
6 answer any questions that you might have. And I believe you
7 have the slides in front of you. On the first slide, we've
8 frequently heard that we need to charge riders more for
9 generating more revenue from the fare box. We've raised our
10 fares in 2008, 2011 and again in 2013. Our fare box recovery
11 is 26 percent, well above the median of 18 percent for transit
12 systems in Pennsylvania.

13 The second slide, the impact of our fare increases.
14 Today, the Port Authority's base fare is the highest in
15 Pennsylvania and among the highest in the nation. Slide two
16 shows that we've reached a point where we're starting to lose
17 ridership. The blue bars show the fare revenue. And it's
18 steadily risen until this year, where we're beginning to see a
19 plateau. And we're concerned about this. The red line, '08,
20 '11, and '13 fare increases are seen, and the black line shows
21 you the ridership. This is something we're watching closely.
22 The increase in elasticity over the three fare increases
23 indicate that riders are being more sensitive to fare increases
24 and are likely seeking other alternative modes. We think we've
25 reached a capacity for the purposes of right now.

1 The next slide is our Port Authority personnel.
2 We've taken many steps to cut expenses. Our primary way has
3 been through personnel reductions, which account for as much as
4 \$45 million in expense reduction and a 20.7 percent overall.
5 Our head count from '03 was reduced by 646 persons over a
6 ten-year pers --- ten-year period.

7 The next slide, percentage of bus operation to total
8 operating expenses, provides an excellent picture of the net
9 impact of our collective efforts with ATU Local 85 to reduce
10 our expenses. Port Authority ranks below the median percentage
11 in bus operation to overall operating expenses. Port
12 Authority, at 55 percent, with the median across Pennsylvania
13 at 60 percent.

14 Legacy costs. We're frequently targeted for
15 criticism on our legacy costs. Some well deserved. But I want
16 to say that we have really done a significant effort over the
17 last few years to reduce those.

18 On our pension, we've closed the defined benefit
19 plan for all new rep --- non-represented IBW and police. We
20 implemented a defined contribution plan in 2011 for all new
21 hires in those groups, as well --- and therefore, eliminated
22 the long-term liability for these employees. We've increased
23 cost sharing of all defined benefit plan participants to
24 ten-and-a-half percent of salaries, thereby reducing the annual
25 cost to the Port Authority. Today we enjoy healthy funding

1 levels in our defined benefit plans.

2 The next slide I think is a very important slide for
3 us, and it shows the impact of the last three collective
4 bargaining agreements for retiree healthcare costs. With our
5 ATU Local 85, concessions have been dramatic in changing the
6 escalating costs long term for the Port Authority. The red
7 line shows the cost trends of the 2005 collective bargaining
8 agreement. And had we done nothing, we --- that would have
9 skyrocketed even further. The blue line shows how these costs
10 have been reduced through concessions. Over the last three
11 bargaining agreements with ATU, we have changed eligibility and
12 we've increased cost sharing. Today, new hires for ATU Local
13 85 have a maximum of three-year healthcare at retirement, a
14 significant concession on the part of our largest bargaining
15 unit.

16 And the last slide I put out there to say that, you
17 know, the Port Authority is not unlike any other entity with
18 retiree benefit plans. And like the first slide, this shows
19 cost projections from '05 in our current collective bargaining.
20 But it adds a third line in green. That shows the impact of
21 the Affordable Care Act, which is an issue that will impact
22 many more entities than just the Port Authority. I'm sure at
23 the state as well. And this is something that over time we are
24 watching and will certainly be a focus of reductions in the
25 future. So with that, I'll take any questions.

1 CHAIRMAN HESS: I'm sure you'll have some questions,
2 but we're going to continue on.

3 MS. MCLEAN: Sure.

4 MR. GRECO: I'm Armand Greco. I'm the Executive
5 Director of the Lehigh and Northampton Transportation
6 Authority. We operate Allentown, Bethlehem, and Easton area,
7 as well as Carbon County, so we are a consolidated system.

8 We certainly appreciate this opportunity to be here
9 to talk transit with you and the transit elements of a very
10 important effort to expand transportation funding here in the
11 State of Pennsylvania. It comes at a very significant time in
12 the way we operate and in the way transit and highway systems
13 operate throughout the Commonwealth.

14 LANTA is a growing system because we're working in a
15 growing community. We have a 12-year program in place that
16 will expand operations, replace very important equipment on our
17 buses and our vans, expand our alternative fuel vehicle
18 program, and continue our effort to modernize facilities.

19 Since 1997, LANTA has increased ridership 60
20 percent. And this is in face of an increase in service of only
21 about 40 percent. So what we've done and done well is to
22 expand and improve our productivity. In the next 20 years, by
23 2030, the Lehigh Valley Planning Commission projects that our
24 community will add another 200,000 people. That's a 22-percent
25 growth. This is the highest growth expected in our area in

1 over a hundred years. That's more people than are in Allentown
2 and Bethlehem combined. So we're certainly facing a community
3 that's in need of increased mobility and increased
4 transportation services. And this is not just transit, it's
5 highways as well, highways and bridges. And I know the members
6 of our --- of our area that are on this committee know that our
7 bridge program's in desperate need of infusion of money and
8 increase in the timeliness of the expansion program.

9 The other thing that we haven't mentioned, either of
10 us at this point, is that public transportation is a very
11 important part of our community, a regional and statewide
12 economy. You know, we're a relatively small agency. But we
13 actually have 180 employees. Our paratransit contractor also
14 hires an additional 200 employees in our area. We connect
15 people to jobs and to education. Fifty (50) percent of the
16 people that use our services every day are getting to and from
17 their work. And another ten percent are getting to their
18 educational opportunities.

19 Our systems, both highway and transit, we feel are
20 very important to attracting out-of-state employers and
21 manufacturers. Recently, the Lehigh Valley has announced the
22 relocation of Ocean Spray and Flow Service Corporation into our
23 area, two out-of-state operators, both of which are now in the
24 transit service area as well, a very positive part of where
25 we're going.

1 And LANTA is a --- on an ongoing basis is an
2 important part of our local business and statewide businesses.
3 About 42 percent of our operating budget is handled through
4 services purchased by local vendors and statewide vendors.
5 It's about \$15 million annually. This is through the operation
6 of our paratransit system, the purchase of vehicle and vehicle
7 maintenance and facility maintenance services, IT functions and
8 all those simple things we forget about, like printing, et
9 cetera. But we are an important part of distributing this
10 money throughout our community and enhancing the economics of
11 our own community. We're just in the process of completing a
12 new maintenance garage in our Allentown facility, and \$13
13 million were poured into the construction industry into
14 Pennsylvania and in the Lehigh Valley. From LANTA's
15 perspective, every time --- ever one dollar of state and local
16 money that we invest, we produce four dollars in federal money
17 as well. So the multiplier is very significant.

18 It is essential, we can't emphasize at how important
19 it is to get this transportation funding package passed. We're
20 certainly ready to answer any question this committee may have.
21 And we'll work as hard as we can with our state delegation, the
22 Lehigh Valley delegation, to generate the necessary votes to
23 get this through. We think it's important to the economic
24 growth and development of our Commonwealth and in our valley.
25 Thank you.

1 MR. KILMER: Good morning, Chairman Hess, Chairman
2 McGeehan, and members of the committee. My name is Dave
3 Kilmer. I'm the Executive Director of the Red Rose Transit
4 Authority, but I'm also chair of our state association, the
5 Pennsylvania Public Transportation Association. So I've been
6 up here a lot in the last few weeks listening to everything.
7 And as my co-part said, the need I think goes without saying.
8 And if you --- and I know you all know that public transit
9 exists in all 67 counties of the Commonwealth, whether it's on
10 bus or shared ride. And most of it --- a lot of it is on the
11 shared ride service for the seniors and the disabled. And that
12 funding source for shared-ride service, we're about to reach a
13 real crisis on the sustainability of that service. Because as
14 the costs have continued to climb, and it's very expensive to
15 provide service for the elderly and disabled in the rural parts
16 of the Commonwealth, and the funding source --- I know there's
17 a lot of talk about sustainability of the lottery funds and
18 looking to privatize that. And that's one of our major
19 concerns, is that we need to provide this service for the
20 elderly. I mean, without the funding, we seem to always be
21 hurting the people that can least afford to be hurt.

22 The statistics show that over 60 percent of our
23 riders use it for work, for bus and paratransit even. And that
24 our typical rider for a community such as Lancaster and even
25 Allentown, a lot of the third-class cities, 60 percent tend to

1 be female, making less than \$35,000 a year.

2 When the economy dropped back in 2010, our system
3 saw its largest decrease ever in the history, whether it was
4 private or public, of 12 percent because --- what happened was
5 those lower-paying jobs, whether they were temp or service
6 related, when all the businesses cut back, they hurt our
7 riders. If they're not riding --- or if they're not working,
8 they're not riding. We're starting to see the growth come back
9 again, but we still haven't reached those levels. And without
10 additional funding right now --- and there isn't a system
11 really capable of adding a lot of service around the
12 Commonwealth. When we start cutting back, we put people out of
13 work immediately. If I cut a service tomorrow, that person
14 loses their job tomorrow if they have no other means of
15 transportation.

16 Now, I was at two events last week where I heard the
17 Governor talk about the need for transportation funding and
18 urged us all, I was here for the Chamber Day, to lobby the
19 House members to make sure we get something passed.

20 We were very encouraged when the Governor presented
21 his proposal. We were even more encouraged when the Senate
22 passed a proposal that was larger, \$2.5 billion. And I think
23 the more encouraging thing was seeing that the final vote in
24 the Senate was 45 to 5. And from my understanding in history,
25 that was a pretty unprecedented vote, very bipartisan, and I

1 think it really showed the need for transportation funding in
2 the state if we want to be competitive with the surrounding
3 areas.

4 As you heard, Ohio passed something. Maryland
5 passed a funding package. Virginia passed a funding package.
6 When businesses are looking to come to Pennsylvania or the
7 area, they're looking to see which areas are --- can provide
8 the needed infrastructure. And public transit is one of those
9 needed infrastructures that employers look at.

10 Just last week in Lancaster it was announced the
11 possibility that Urban Outfitters may be building a new
12 warehouse. They already have one existing in Lancaster. And
13 one of the things they mentioned, and even the Governor
14 mentioned it last year, as to why businesses come to
15 Pennsylvania is because of the work ethic. This could be a
16 potential new employer for the new warehouse for 500 new
17 employees. Well, where they want to put it is roughly 15 miles
18 outside the city. And it's about four miles beyond our most
19 outreach area of our service. So as I spoke to
20 Representative Denlinger about it, because he came to me and
21 said, Dave, are we going to be able to add service to this
22 employer if they come to town? Right now, we're in a position
23 --- I can only add it if I take it away from somebody else.
24 And that's not a good position to be in if we want the economy
25 to grow here in the Commonwealth.

1 I also heard that the funding package could generate
2 as much as 50,000 new jobs. And I asked the question of the
3 Revenue Secretary, because I was curious to see whether or not
4 the budget included the added revenue from those 50,000
5 potential new jobs, and it didn't. So there's a source ---
6 because I know they were talking about the budget and that the
7 revenue may not meet what the expectations were. But here we
8 have a real opportunity through transportation to create 50,000
9 new jobs and the revenue, either from the income tax or buying
10 of the goods and services that it will take to get these
11 projects done throughout. So it's very needed.

12 As you can see in my testimony, public transit
13 directly employs over 14,000 people statewide. We carry over
14 450 million passengers a year. That's not small change. As
15 you can imagine, a small system as Lancaster, we often hear,
16 well, every time I see a bus, it's empty. Well, as my chairman
17 of my board always says, somehow two million people snuck onto
18 our buses without being seen. So we have the same dynamics as
19 the traffic does. There's peak times when traffic is busy, but
20 there's other times when you may not see hardly any cars at
21 all. We have those same peaking characteristics. So it's
22 something to think about. When you see an empty bus, it may
23 have been full heading in the other direction, and you're just
24 seeing it go back downtown to get another load.

25 So in closing, as chair of PPTA and all of its

1 members, both public agencies and a lot of the private vendors
2 that support our system and the Keystone Transportation Funding
3 Coalition that we've been working very close with, we really
4 urge the House to pass a comprehensive, long-term funding
5 solution, not only for public transit but for our entire
6 transportation network. Thank you.

7 CHAIRMAN HESS: Thank you very much for your
8 testimony. I just have a few questions. Ms. McLean, you said
9 that the --- based on the fares that are being charged if you
10 raised the fares any further, that people would be looking for
11 alternative ways to travel. What alternative ways would they
12 have?

13 MS. MCLEAN: By car.

14 CHAIRMAN HESS: By car?

15 MS. MCLEAN: Right.

16 CHAIRMAN HESS: Wouldn't that be much more expensive
17 than traveling by car (sic) and the congestion of the traffic,
18 ---

19 MS. MCLEAN: Absolutely.

20 CHAIRMAN HESS: --- the gas consumed, the parking,
21 the insurance of a car, and all that kind of thing?

22 MS. MCLEAN: Absolutely.

23 CHAIRMAN HESS: Much more expensive than paying for
24 a bus ride?

25 MS. MCLEAN: Absolutely.

1 CHAIRMAN HESS: Okay. If you have any statistics on
2 that, I'd love to see them.

3 MS. MCLEAN: Oh, I'll get those for you.

4 CHAIRMAN HESS: Oh, thank you.

5 MS. MCLEAN: Uh-huh (yes).

6 CHAIRMAN HESS: Chairman McGeehan?

7 CHAIRMAN MCGEEHAN: Thank you very much, Mr.
8 Chairman. And thank you for the testimony of the four public
9 transit managers. As an urban legislator, I'm acutely aware of
10 the importance and the critical role your services provide to
11 the economy of this Commonwealth.

12 Since I am a Representative in Philadelphia, I'll
13 direct my questions to Mr. Casey. And Joe, you've done a great
14 job of turning SEPTA around from a much maligned organization
15 to one not just we're proud of in Philadelphia, but I think
16 regionally we're proud of. And while your managerial skills
17 are unquestioned, your political skills are underrated,
18 operating in the rough-and-tumble world of southeast politics.

19 In your testimony, I did read one line that said
20 you're supportive of Senate Bill 1. And I'm sure that was
21 deliberate. So I want to ask further --- I understand your ---
22 your testimony is --- share our concern that we have a
23 comprehensive, sustainable and predictable funding base for our
24 roads and bridges, but just as critically, mass transit. How
25 can Senate Bill 1 be improved as far as the public transit

1 agencies?

2 MR. CASEY: Well, there's a number of things. I
3 mean, if you look at the Transportation Funding and Reform
4 Commission and going back to that, the actual need, based on
5 2010 dollars, was \$3.5 billion. And if you looked at the
6 growth, I think their estimate by 2020 was 6.7. And by 2030,
7 it was almost \$10 billion. So the amount is an issue, but I
8 believe this --- you know, you have to look at the political
9 realities right now with the economy the way it is, and I
10 really think that the Senate bill was a lot more comprehensive
11 than the Governor's bill. It didn't quite get where we need to
12 be, but to me it was a very bold plan. So I think that's a
13 step in the right direction.

14 I think from public transit, I think, you know, our
15 principles have always been the same. I think we need a
16 dedicated funding source. I think the funding source has to
17 grow. And from a capital standpoint, we would prefer that it's
18 bondable. Because if it's bondable, you can leverage those
19 dollars and get a lot more capital projects done. So in that
20 regard, you know, those are the principles that I think the
21 committee should look at.

22 CHAIRMAN MCGEEHAN: And that goes to --- my first
23 question, at the beginning of the hearing, was on the bonds.
24 And certainly I think that this --- you know, this feast and
25 famine cycle that we go through for public transit is not

1 productive, not just for the ridership and the agencies
2 themselves but for economic development. We heard that Urban
3 Outfitters is looking to expand. It's just not feasible for
4 companies to stay here, first of all, but to relocate here if
5 we don't have a way of getting people to and from work. And
6 it's critically important. We're an aging, aging state. And
7 you talked about the paratransit. But most importantly, we
8 have to bring jobs to encourage young people, first, to stay
9 here but also to relocate here. So we certainly share that
10 concern, and we're going to, obviously, take a look at the
11 dedicated funding for mass transit. I think that that's an
12 equally important part of this equation.

13 Joe, and any one of the other three members of ---
14 managers of transportation systems around the Commonwealth, Act
15 44, if nothing happens with Senate Bill 1 or any other --- or
16 the Governor's plan or any other iteration of a transportation
17 funding bill, where do you find yourselves with the Act 44
18 payments going out one, two, five years?

19 MR. CASEY: Yeah. You know, our capital needs are
20 immense. You know, I mentioned our capital budget being \$300
21 million compare --- it's one-third the size of what comparable
22 agencies are spending or investing in their system. We're
23 looking at a slowly dismantling of the system. And I mentioned
24 the Bridgeport viaduct. We're doing emergency repairs right
25 now, but we're just doing the track bed. We should be actually

1 fixing the structure. It's over a hundred years old.

2 I have four major viaducts on the media line, all of
3 which are in --- rated in poor condition, including the Crum
4 Creek Bridge, right past Swarthmore College. That was built
5 in, I believe, 1884 or thereabouts. They're critical. And
6 unless we have funds to fix those infrastructures, we'll be
7 shutting down those lines. And you know, it can't last
8 forever. And we have power substations, and I have a critical
9 one in Wayne Junction that almost half the railroad --- you
10 know, we were able to get some TIGER Grants to fund that. But
11 I have another --- a couple other substations from the old
12 Reading side that are not comparable anywhere else in the
13 country that are basically held together with duct tape. And
14 again, if those things fail, those substations fails, one in
15 Jenkintown, we'll be shutting down the system because I can't
16 repair it.

17 MR. GRECO: In the short term, our issue is capital.
18 And I know you said five years out, well, then he'll be
19 operating five years out. But our bottom line is not different
20 --- it's not different, but we focus on the major expenses ---
21 expenses we have, and that's vehicle replacement.

22 The next four years we have a \$25 million need to
23 help us just replace the vehicles we have in place, the buses
24 and the vans. They're coming due. They're over their useful
25 life, and every year we pass that useful life it becomes more

1 expensive to operate them. So the problems are the same, the
2 dimensions may be different.

3 MR. CASEY: Yeah, I just want to follow up with
4 Armand. Again, the old infrastructure, the more expensive it
5 is to maintain, similar to an old automobile. You know, you
6 have a 20-year-old automobile. It's more maintenance hours.
7 We have the same situation. For the bridges we have --- we
8 also have vehicles, you know, the Broad Street subway cars.
9 They're great cars, but they're 30 years old. We have our
10 trolleys that are --- they're great cars, but they're 30 years
11 old. We should have a plan to replace them in the near future.
12 I can't even think about replacing them. There's no dollars in
13 the next ten years to consider it. I don't even have a bridge
14 (sic) in the capital program in the next five years to repair a
15 bridge. There simply isn't enough capital dollars.

16 CHAIRMAN MCGEEHAN: Thank you, Mr. Chairman.

17 CHAIRMAN HESS: Thank you. Representative Kortz?

18 REPRESENTATIVE KORTZ: Thank you, Mr. Chairman. And
19 thank you all for your testimony this morning. Appreciate the
20 work you do, especially if you carry 450 million people per
21 year in this state, you provide ridership. I appreciate you
22 bringing out that fact because it's very, very important.

23 The other fact that's very important is that 60
24 percent of those 450 million people are going to work. So
25 what's that, roughly 240 million people per year depend on your

1 transit agency to get them to work. That's a lot of extra
2 parking spaces in our cities, Mr. Chairman, and a lot of
3 different ways to get to work for those that could.

4 I wanted to return to the fact, Mr. Casey, you
5 talked about bridges. That's the little hidden time bomb, in
6 my opinion. Being from Allegheny County, I know that the Port
7 Authority has 88 bridges that they're responsible for, and I
8 believe 11 of those are orphan bridges, that you have no buses
9 or anything going across, trolleys or anything; ---

10 MS. MCLEAN: That's right.

11 REPRESENTATIVE KORTZ: --- correct? And Mr. Casey,
12 you mentioned that you have 350 bridges, ---

13 MR. CASEY: That's correct.

14 REPRESENTATIVE KORTZ: --- and there's no money to
15 fix them. So like this viaduct bridge, it's going to take
16 \$33.8 million to fix this 100-year-old structure. You can't do
17 it. You don't have the money. So when this thing goes bad,
18 you're just going to shut them down; correct?

19 MR. CASEY: That's correct.

20 REPRESENTATIVE KORTZ: How many total bridges do the
21 transit agencies total have in the state? Do we know that
22 number? You have 350, you have 88. I don't know what the rest
23 of the ---.

24 MR. CASEY: I'm willing to guess that's the majority
25 of them, between Pittsburgh and Philadelphia.

1 REPRESENTATIVE KORTZ: Okay. So we're talking what,
2 430-some bridges that are the responsibility of the transit
3 agencies that don't have the money to fix them?

4 MR. CASEY: That's correct. And I just want to add,
5 you know, I always like following the Secretary of
6 Transportation when he talks about his 50-year-old bridges
7 because I get to talk about my 100-year-old bridges. We have a
8 hundred of those 350 that are over 100 years old.

9 REPRESENTATIVE KORTZ: 100 bridges are over 100
10 years old?

11 MR. CASEY: That's correct, with an average age of
12 80.

13 REPRESENTATIVE KORTZ: Oh, my gosh. And who
14 inspects them? Is it PennDOT? Do you have ---?

15 MR. CASEY: We do. We do. We inspect them. And
16 you know, we know which ones are at risk. We're constantly out
17 there. Again, you have to look at it --- a lot of these
18 bridges were built for robust freight traffic, so they're
19 overbuilt, if you will, but they're not going to last forever.
20 And we have one --- you know, the first thing is put a slow
21 order to slow it down. And that's what we did at Bridgeport.
22 That's what we did at the Crum Creek Bridge. So you have a
23 slow order, then eventually you're going to, you know, not have
24 traffic on it.

25 REPRESENTATIVE KORTZ: Now, I imagine that some of

1 these bridges are dedicated to transit only, like rail, but are
2 there some of them that are --- also the public can use for
3 their cars --- buses and cars, that you're responsible for?

4 MR. CASEY: Most of it's in rail.

5 REPRESENTATIVE KORTZ: Are they all dedicated?

6 MR. CASEY: Most of it's dedicated.

7 REPRESENTATIVE KORTZ: Well, Ms. McLean, I believe
8 you have some bridges that are also --- the public can use,
9 cars as well as buses?

10 MS. MCLEAN: We have a few, yes.

11 REPRESENTATIVE KORTZ: And the orphan bridges are
12 ones that you have no buses going across at all but the --- we
13 have public cars; right?

14 MS. MCLEAN: Right. And they're ours. And we're
15 responsible for repair ---

16 REPRESENTATIVE KORTZ: Okay.

17 MS. MCLEAN: --- and maintenance.

18 REPRESENTATIVE KORTZ: Obviously we have a problem
19 because there has to be money put forth to help these capital
20 investments. I appreciate it. Thank you. Unless you want to
21 comment any further on the bridges? Need help; right?

22 MR. CASEY: Absolutely. Thank you.

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

25 CHAIRMAN HESS: Thank you very much. Representative

1 Miller?

2 REPRESENTATIVE MILLER: Thank you, Mr. Chairman.

3 Ms. McLean, I like when I see the graphs with the --- that show
4 us things so that it's easier to picture what you're trying to
5 tell us. On your fare box recovery ratio, it notes that the
6 source is the national transit database.

7 MS. MCLEAN: That's right.

8 REPRESENTATIVE MILLER: If I went to the national
9 transit database, could I find in here also the amount of
10 federal funding that each one of these transit agencies
11 receives?

12 MR. CASEY: Yes, you would.

13 MS. MCLEAN: I think you can, yes. Yeah.

14 MR. CASEY: You would.

15 REPRESENTATIVE MILLER: Okay. Would I also then see
16 the amount of state funding, each one?

17 MS. MCLEAN: Yes.

18 REPRESENTATIVE MILLER: Would I expect the state and
19 federal funding to be proportional to the ridership that is
20 serviced to each one of these areas, or is it --- how is that
21 divided? Would it be proportional like if you're servicing two
22 million in your district and, you know, York County is
23 servicing 100,000? Do we get the same amount per passenger?

24 MS. MCLEAN: Right. It's ridership based.

25 REPRESENTATIVE MILLER: Ridership based?

1 MS. MCLEAN: Right.

2 REPRESENTATIVE MILLER: And the state share, is that
3 the same as far as ---?

4 MR. CASEY: The state share, there's four factors.
5 When Act 44 was passed, there were four performance factors
6 that went into the funding.

7 REPRESENTATIVE MILLER: Okay. So I need to look at
8 those figures, and I can go look at those. How about local
9 funding? Would that also show me local funding going into
10 this? Because to me, it's a factor of several things, the
11 federal, the state, the local, and then the fare box.

12 MS. MCLEAN: Yes, you're right.

13 REPRESENTATIVE MILLER: And the fare box can vary
14 significantly, depending on how much local funding is put in, I
15 would think.

16 MS. MCLEAN: Well, the fare box is just the dollar
17 in the fare box. The local share is, obviously, the 15-percent
18 required match on state operating assistance, based on what the
19 state provides us. And then it's three and a third on what the
20 capital for the state is providing us.

21 REPRESENTATIVE MILLER: Okay. I will take a closer
22 look at that. And what made me start thinking about that was,
23 Mr. Casey, in your testimony, when you talked about SEPTA and
24 the funding it gets compared to other states and the transit
25 authorities and those, whether it was New Jersey or Washington,

1 and I was just wondering, as we compare that and we look at it,
2 you know, what am I really looking at? Can I ---? So I'll go
3 online and look at that and see what I can figure out.

4 MR. CASEY: Representative, I can tell you,
5 specifically the three that I'm familiar with, Boston, they
6 actually receive a state sales tax. New Jersey Transit,
7 they're an arm of the Secretary --- the Department of
8 Transportation, so they get general funds to make up the
9 difference. And D.C., I guess they're --- they have a number
10 of different states that funds it. And in addition, they get
11 extra money from the federal government because they're in the
12 state capital. But I can tell you, just generally, the
13 difference comes from the state.

14 REPRESENTATIVE MILLER: Thank you. Thank you, Mr.
15 Chairman.

16 CHAIRMAN HESS: Representative Schlossberg?

17 REPRESENTATIVE SCHLOSSBERG: Thank you, Mr.
18 Chairman. And thank you all for your testimony. I guess this
19 question is directed at any of you, but probably Joe in
20 particular since I think the comments were most directed at
21 you. Multiple members have been quoted on the record as
22 attacking the idea of SB 1, particularly the subsidies as ---
23 for mass transit as welfare. More than anything else, I
24 actually would just love to get a response out of any of you.

25 MR. KILMORE: I could give an interesting ---

1 REPRESENTATIVE SCHLOSSBERG: I'm sure you all could,
2 but ---.

3 MR. KILMORE: --- response to that. And I'm not
4 sure whether I mentioned it before, that because in the small
5 third-class cities, roughly over 70 percent do not own cars
6 that use the bus service. So they're transit dependent. So
7 when we do cut service and they lose their job, you know, I
8 often say what choice are we giving people but to go on
9 welfare, which only increases those costs. And I'm of the
10 mind, I would rather have --- I'd rather give people an
11 opportunity to work, and transportation's usually one of the
12 biggest barriers for people to get to --- getting jobs. So by
13 us providing transit service, we're actually keeping people off
14 of welfare, in my opinion.

15 MR. CASEY: Very good point. I can tell you in
16 Pennsylvania, in the economy --- I point back to the economy
17 LIG (phonetic) Study. Forty (40) percent of the economy of
18 Pennsylvania comes from southeastern Pennsylvania.
19 Approximately 13 percent of the highway funds goes to
20 southeastern Pennsylvania, and another 13 goes for mass
21 transit. They work hand in hand. Mass transit benefits the
22 highway people, people in the cars, as much as it does the
23 people actually riding the system. And you know, it works hand
24 in hand. There's not enough money to invest to build roads all
25 over the City of Philadelphia to make up for the amount of

1 people we carry. It just simply isn't enough. And if you do
2 not invest in mass transit, the economy of Philadelphia --- and
3 you'll talk to the Chamber. People will not come, invest in
4 Philadelphia. Businesses will not come to Philadelphia.
5 They'll actually move out. And those --- that's a precarious
6 situation.

7 CHAIRMAN HESS: Representative Knowles?

8 REPRESENTATIVE KNOWLES: Thank you very much, Mr.
9 Chairman. And thank you all for coming today to testify. And
10 I certainly recognize the importance of mass transit in large
11 metropolitan areas.

12 I want to follow up a little bit on the rate
13 information. And Mr. Casey, if I could, I'd like to direct
14 this statement to you. Recently, SEPTA announced a fare
15 increase that's going to become effective on July the 1st of
16 this year. Can you tell me off the top of your head the
17 highest monthly fare rate from any --- can you tell me what
18 that would be for a month for me to ride?

19 MR. CASEY: Oh, I do not know that. You know, I
20 would just be speculating, but it's probably close to \$200.

21 REPRESENTATIVE KNOWLES: Okay. The ---.

22 MR. CASEY: More than that.

23 REPRESENTATIVE KNOWLES: Well, I'm just going by
24 what I read in the papers.

25 MR. CASEY: Okay.

1 REPRESENTATIVE KNOWLES: Okay. And what I saw in
2 the papers was that the highest monthly fare rate is \$191. And
3 I know that that is an increase from \$176. And if you break
4 that down into 20 workdays per month --- now, that doesn't
5 include the opportunities that people would have to ride the
6 bus or to ride the train into the city for a Phillies' game or
7 for some kind of an event. But if you base that on 20 days a
8 month, that breaks down --- this is the new rate. That breaks
9 down to \$9.55 a day. So that basically costs you less than \$10
10 to ride the train into the city and then to ride the train back
11 out. Before this, currently my understanding is that it is
12 \$8.80 a day. So basically \$4.40 in, \$4.40 out. And I've
13 ridden the system. It's a good system. And when I've ridden
14 in from Lansdale, I didn't see a lot of people carrying lunch
15 buckets. A lot of those people are just --- just as you and I
16 are. And I guess my question is, when you talk about no need
17 for a car, no worry about gas, no worry about parking in the
18 City of Philadelphia, which we all know is very expensive, no
19 inspection, no car registration, my question to you is do you
20 believe that --- that being the maximum rate, do you believe
21 that that's fair?

22 MR. CASEY: Let me tell you, Representative, the
23 people that you're talking about, the people who are paying
24 that large rate, they own cars, also. So they're paying their
25 car registration. They're paying the gas for their vehicle.

1 They're not using the car every day, but they're --- you know,
2 they have alternatives. They do have alternatives. And you
3 know, it's --- you talk about elasticity of demand. More
4 people --- you increase it to a certain level, people flock on
5 the highways, because they do have alternatives. And that will
6 only increase congestion throughout Philadelphia and the
7 region.

8 REPRESENTATIVE KNOWLES: So what you're telling me
9 then is that you believe that \$9.55 a day for someone to pay to
10 ride to work and back up to as far as maybe 30, 35 miles, you
11 believe that that's a fair amount?

12 MR. CASEY: Well, again, it's competitive. When you
13 look at what we charge, and you're talking specifically that
14 regional rail, we probably have the most --- the highest cost
15 recovery of any regional rail system in the nation. That's in
16 the Economy League Report.

17 REPRESENTATIVE KNOWLES: Does everybody that rides
18 the system pay?

19 MR. CASEY: Seniors do not pay. Obviously, they're
20 come --- they come from the lottery funds.

21 REPRESENTATIVE KNOWLES: Right.

22 MR. CASEY: If they're on the regional rail, they do
23 pay a dollar. You know, and you talk about cost recovery. Our
24 recovery is about 42 percent. That doesn't include the people
25 that are --- the seniors that are riding free. Okay. If you

1 include that as revenue base, we're closer to 50 percent.
2 We'll compare favorably to almost any major transit system.

3 REPRESENTATIVE KNOWLES: So the seniors are the only
4 ones that either ride for a dollar or ride for free?

5 MR. CASEY: Well, I'm not sure they're the only
6 ones. I mean, we have uniform police. I think it's in the
7 statute that they also ride for free. We have employees that
8 also ride for free.

9 REPRESENTATIVE KNOWLES: Do welfare recipients ride
10 for free?

11 MR. SMITH: No. No. I believe they --- they
12 actually --- you know, we have a lot of trans passes that are
13 actually purchased through them, and they're distributed
14 through that method.

15 REPRESENTATIVE KNOWLES: Thank you, Mr. Casey.
16 Thank you, Mr. Chairman.

17 CHAIRMAN HESS: Thank you. Representative Harper?

18 REPRESENTATIVE HARPER: Thank you, Mr. Chairman.

19 Thanks for letting me go over Representative Knowles. You were
20 on the Lansdale line, riding through my district?

21 REPRESENTATIVE KNOWLES: It was by design, Kate.

22 REPRESENTATIVE HARPER: Right through my district.

23 And my question is actually related to the questions that
24 Representative Knowles was asking. In my slice of Montgomery
25 County, most of the people can't take any public transit to

1 work. About 95 percent of them actually commute from one
2 suburb to another suburb. So they're going cross-wise where
3 the system tends to go in and out of the city. Nonetheless,
4 they're very supportive of SEPTA because they believe it gets
5 cars off the road and makes their way easier, and they
6 appreciate the other benefits when they do need to go to the
7 city. But my question really comes down to how we fund mass
8 transit, because Pennsylvania has a requirement that we regard
9 gas lien taxes as user fees. So in this package that the
10 Senate sent over to us, we don't use gas taxes for mass
11 transit. You've all been testifying how much you need the
12 money and how hard you're trying to get as much as you can from
13 your ridership, but what do you think about --- and I'm going
14 to direct this to Senator --- to Representative --- I mean,
15 General Manager Casey. Sorry, demoted you there, called you
16 senator. General Manager Casey, what do you think of the way
17 the Senate bill sets up the funding mechanism? It comes from
18 registration fees; right? And are you okay with that? Is that
19 a sustainable source? You did say you need to have it,
20 something you can count on, so that you can bond it.

21 MR. CASEY: The difficulty of transit is because of
22 the way the --- there's a restriction on the way certain funds
23 are used. Again, you look at New Jersey transit and Boston.
24 The way they're able to sustain it was through sales tax. We
25 believe that sales tax is predictable, it's bondable, and can

1 increase. And these other --- other taxes, especially new
2 taxes, you have to go back to Act 26, when --- you know,
3 there's a lot of nuisance taxes, tax on tires, tax on ---. You
4 know, no one really knew what those dollars were going to
5 generate in revenues. And I think the initial estimate was
6 \$200 million, and it never even achieved \$200 million 15 years
7 after it was enacted. So I think new taxes are difficult to
8 estimate, but again, you know, for us, from a sustainability
9 standpoint, we just need something predictable and hopefully
10 something that will grow and is also bondable.

11 REPRESENTATIVE HARPER: But not gas taxes, no,
12 because we don't want to change that. We want the people who
13 pay the gas tax to know that whatever we do in this
14 transportation package, that's a user fee for them and they're
15 paying it. And your user fees are --- the people who are
16 actually riding it are paying a fair amount at the fare box.
17 We want to be reassured of that. But then, in addition, having
18 a system benefits the economy generally and the rest of us, so
19 there are other ways to do it. So you don't have a particular
20 opinion on how we ought to do it?

21 MR. CASEY: No, I don't, other than I believe the
22 --- the Association I think supports a sales tax increase.

23 REPRESENTATIVE HARPER: Okay. Thank you.

24 CHAIRMAN HESS: Thank you, Representative.

25 Representative Gainey?

1 REPRESENTATIVE GAINEY: Good afternoon. How's
2 everybody doing?

3 CHAIRMAN HESS: Very well. Thank you.

4 REPRESENTATIVE GAINEY: Ms. McLean, I just want to
5 first congratulate you on the fiscal health of the Port
6 Authority and everything that you've done and the Authority
7 have done to cut costs, control your legacy costs as well, and
8 also show what can happen when cooperation happens across the
9 board, particularly the benefit with you and the union and how
10 that worked out. It just is the definition of cooperation
11 across the board when it comes to making sure we have a good
12 mass transportation system. So from the beginning, let me
13 congratulate you on that.

14 Secondly, I just want to talk about in terms of the
15 charge that we have had at the fare box. We've went up to
16 \$2.50, \$5 for round trip. Competitively, throughout the state,
17 what does that rank us? And throughout the nation, where does
18 that land us?

19 MS. MCLEAN: We are the highest fare in
20 Pennsylvania. And we are one of the highest in the nation.
21 Portland, Atlanta are two as well with a \$2.50 base fare.

22 REPRESENTATIVE GAINEY: And in our economy back
23 home, Allegheny County, City of Pittsburgh, raising the rates
24 would definitely be a detriment on our system; correct?

25 MS. MCLEAN: Yes. Well, we're watching that because

1 right now, with three fare increases very quickly ---

2 REPRESENTATIVE GAINEY: Absolutely.

3 MS. MCLEAN: --- we're beginning to see ridership
4 fall. I mean, certainly for our public schools, our buses was
5 a form of transportation. It's become too expensive, and
6 they've gone to the private markets for busing the kids. So
7 there are places like that we're beginning to see a decline.
8 And it's also --- you know, our ridership is --- we have a
9 number of businesses that often you see in the suburban areas,
10 like PNC processing, Mellon Processing, Highmark, all of which
11 are in the downtown area and rely heavily on clerical staff
12 that comes in. So we're very conscious of the effect that
13 increases have on our riders.

14 REPRESENTATIVE GAINEY: And it's been mentioned that
15 people could use alternative forms of transportation, such as
16 driving to work and the things of that sort, but our park and
17 rides are really --- are heavily utilized; is that accurately
18 --- is that accurate?

19 MS. MCLEAN: That is absolute --- absolutely true.

20 REPRESENTATIVE GAINEY: And a lot of it is because a
21 lot of people, even though they have to pay their registration,
22 they have to pay for gas and everything else, at the end of the
23 day they use the park and ride to stop the congestion that's on
24 the road and be able to save some gas; is that correct?

25 MS. MCLEAN: That's absolutely correct.

1 REPRESENTATIVE GAINNEY: So it's really been a
2 benefit to the Port Authority and the overall economy of
3 Allegheny County; right?

4 MS. MCLEAN: Absolutely.

5 REPRESENTATIVE GAINNEY:
6 Thank you.

7 MS. MCLEAN: Thank you.

8 CHAIRMAN HESS: Thank you, Representative.

9 REPRESENTATIVE HEFFLEY: Thank you, Mr. Chairman. A
10 question I had. Is there --- and I just looked through the
11 material here. Is there a graph that shows for every dollar
12 spent in each one of your agencies where that money goes and
13 where the biggest cost drivers are? Is there --- is there a
14 packet in here that shows that.

15 MR. CASEY: I don't --- I don't think I have it. We
16 have a detailed budget book that explains it. I can tell you
17 roughly 70 percent of our operating budget goes to labor and
18 fringe benefits. We're a very labor-intensive industry.

19 MR. GRECO: That's true of the smaller systems as
20 well. It's mainly the cost of labor.

21 REPRESENTATIVE HEFFLEY: Labor and legacy. And then
22 included --- the benefits, is that included in the legacy costs
23 as well?

24 MR. GRECO: Correct.

25 REPRESENTATIVE HEFFLEY: And just --- the question

1 was answered. Thank you. And then one other thing is, you
2 mentioned that as rider fares --- and I looked at the graph, as
3 rider fares had gone up, the amount of people riding the system
4 had gone down. I would just question the people --- that
5 decline. Is that just your --- your casual riders, not the
6 people that are going to work every day? I could say as well
7 that as fuel prices go up, people drive less as well. So I
8 mean, any time you raise that rate, there has to be a market
9 bearer. So the market's going to bear the cost. The money's
10 --- it's not free money. It's coming from somewhere. You're
11 taking it from --- from registration fees and using it to mass
12 transit. Registration fees are going up, so people may drop
13 and not register as many vehicles as they had before. So I
14 mean, we're --- you're looking at a fee increase on one segment
15 to offset a fee increase on another. I just wanted to point
16 that out. Thank you.

17 CHAIRMAN HESS: Thank you, gentlemen and ladies.
18 Thank you very much for your testimony.

19 MS. MCLEAN: Thank you.

20 CHAIRMAN HESS: I appreciate it. We're a little
21 behind our schedule this morning, but I'm sure we're going to
22 be catching up over the next half-hour or so. Our next
23 testifier is the Online Messengers, Mr. John Yurconic, the PA
24 Online Messengers Association. You may begin when ready.

25 MR. YURCONIC: Good morning, Chairman Hess, Chairman

1 McGeehan, and the members of the Transportation Committee. I'd
2 like to thank you for allowing us to testify today.

3 My name is John Yurconic. I own a business in the
4 Lehigh Valley and surrounding counties that operates 11 offices
5 that process vehicle registration and driver's license
6 services, and we also have an insurance agency. With me today
7 is Carol Clement (phonetic) from the western part of the state.
8 She owns and operates four locations that do similar
9 transactions.

10 There is approximately 300 online messengers in the
11 Commonwealth that fully integrate with PennDOT processing
12 vehicle registration and driver's license transactions. There
13 are approximately 8,000 issuing agents that process the vehicle
14 registration side. And of those 8,000, approximately 3,000 of
15 those are electronically hooked up with PennDOT. These are
16 small businesses within Pennsylvania.

17 Senate Bill 1 --- we want to be clear that, with
18 regard to Senate Bill 1, we are not here to discuss revenue
19 generation in any way, shape or form. We are here to discuss
20 two segments of Senate Bill 1 and one segment from the TFAC
21 Report. The segments are changing the registration of a
22 vehicle from one year to two year, changing the driver's
23 license period from four years to six years, and from the TFAC
24 Report, eliminating the registration sticker. And I don't mean
25 to ignore you over here. I apologize.

1 We want to talk about the unintended consequences of
2 making those changes and what impact that will have in
3 Pennsylvania to both the uninsured motorist population and also
4 small businesses in Pennsylvania. To give you an example,
5 under current law, what happens with a certain segment of the
6 population, they will come into our office with a 30-day
7 insurance policy. They will legally get license plates and
8 stickers and drive. They will not pay their next insurance
9 bill and then potentially drive for 10 to 11 months without
10 insurance. The sticker provides a psychological indicator for
11 the person and a visual indicator for law enforcement that
12 forces that person to do something at the end of 12 months.
13 They either dispose of the car, buy another car, serve their
14 suspension, but they must do something within 12 months. If we
15 change that process to a two-year registration, we are now
16 having the potential for that person to drive 23 consecutive
17 months without insurance. And with the sticker, the visual
18 indicator will force them back into the system. If we
19 eliminate the sticker in the process, we now will allow them to
20 drive indefinitely without insurance. And going back a period
21 of time, if you remember the T tags --- remember we had the T
22 tags on the plates? That ended around 2000. Well, PennDOT did
23 a study and found there was fraud associated with those T tags
24 because what occurred back then is somebody would buy a car,
25 get the plate with the T tag, get the sticker in the mail, and

1 never put the sticker on the plate, because the T tag was
2 literally a free pass to drive indefinitely without insurance
3 or doing anything or even renewing your registration. They
4 eliminated that T tag, put a decal in the rear window with the
5 date on there, and that solved that problem. And actually, the
6 uninsured motorist population in Pennsylvania trended downward.

7 With regards to the sticker --- and I apologize. I
8 get a little nervous. This is the first time I'm speaking on
9 behalf of the committee --- or in front of a committee like
10 this.

11 CHAIRMAN HESS: Take your time. No problem.

12 MR. YURCONIC: The sticker and the psychological
13 impact --- and I don't know if law enforcement will testify or
14 not here, but not all of the police forces across the state
15 have the ability to use the scanners. And do we want our law
16 enforcement to use scanners and be checking registrations?
17 Many of them rely on that visual indicator to give them a cause
18 to possibly pull somebody over if they have some other
19 suspicion in that process.

20 Now I remember where I wanted to go. I apologize.
21 There was a study conducted by the Insurance Research Council
22 in 2011 that cited that Pennsylvania was in the top five states
23 of uninsured motorists, meaning positive, the lowest number.
24 That's a good thing. The average across the country was 14
25 percent. Pennsylvania came in at seven percent. In that study

1 they state Pennsylvania verified --- a contributing factor why
2 Pennsylvania's performing well is that Pennsylvania verifies
3 insurance coverage each year with vehicle registrations. I've
4 heard Ohio mentioned a few times today. Ohio, which did not
5 perform well in that study, Ohio verifies coverages after an
6 accident has occurred, not at the time of vehicle registration.
7 So the annual registration process, where we validate insurance
8 they cite as a contributing factor to our low uninsured
9 motorist population. And I will say it is low --- and we also
10 have Philadelphia, where there are estimates of 30, 40, 50
11 percent of the drivers that are driving without insurance
12 there. So it has worked very favorably in our state. Also, 47
13 of the states currently have stickers, and 35 states have a
14 one-year registration.

15 The second unintended consequence is cash flow for
16 small businesses and families. In one of the meetings I've had
17 over the last few months here someone asked me, you know, a
18 question, why are we in business. They couldn't understand why
19 the public valued our services. My business processed 150,000
20 transactions last year. We process millions --- our group, our
21 organization, processes millions of transactions every year on
22 behalf of the public.

23 What happens in the process when the 60-day renewal
24 --- or the renewal comes out 60 days ahead of time, people put
25 it in their process of paying bills. It always gets bumped to

1 the end, to the end, to the end, until the last day of the
2 month, and then they show up at our offices --- we do --- 40
3 percent of our revenue is typically within a four-day period.
4 And we renew the registrations, we process, we give them
5 stickers and cards instantly, and they walk out, and they're
6 legal. So going to a two-year registration will create cash
7 flow challenges for the individual and the businesses.

8 Now, what will try to occur, in a perfect world, the
9 businesses, half their fleet will renew one year; the other
10 half will renew the other year. The reality of the world is
11 that's next to impossible over time to accomplish. You will
12 have, you know, staggered years. In the year when you have
13 fewer vehicles renewing, that's great. Your cash flow is
14 better. When you have years when more vehicles are renewing,
15 what happens, your cash flow challenges, you may delay some
16 maintenance on the vehicles, maybe not change those tires,
17 maybe not look at those brakes, because you have to register
18 those vehicles.

19 Also what happens is --- take seasonal businesses
20 like landscapers and excavators who plow snow in the winter.
21 What they will do without a sticker on the plate --- or may do,
22 I shouldn't accuse them of anything, but what they may do is,
23 say their registration is running out in October, they may
24 delay the renewal of that, knowing that the truck may only go
25 out four, five, six times and --- to plow snow or salt, and run

1 the risk, because there's not a visual indicator, that law
2 enforcement could pull them over. These vehicles typically
3 drive at night and in parking lots where many people won't see
4 them.

5 Small businesses. We are small businesses. We are
6 a public/private partnership with PennDOT that's existed for
7 over 20 years. We have an excellent relationship with PennDOT.
8 While we may not always agree on things, our working
9 relationship is strong. The leadership there has worked very
10 well with us. Kurt Myers, Anita Wasko, Janet Dolan, I can name
11 a whole bunch of them, they have been great people to work
12 with. But being small businesses this long, the change from
13 one year to two year will impact us. Forty (40) percent of my
14 revenues come from these transactions. Similar in other
15 businesses. Of those 3,000 that are electronically hooked up
16 have similar numbers, probably from 30 to 50 percent. If this
17 goes through, a significant portion of our business will go
18 away. Thus, offices will close, small businesses. Many
19 mom-and-pop businesses will go away. Jobs will be lost. And
20 whatever savings are incurred by these changes will be lost in
21 tax dollars that the state otherwise would have had.

22 I think I've covered everything. I tried to do it
23 in ten minutes. Any questions?

24 CHAIRMAN HESS: Very good job.

25 MR. YURCONIC: Oh, driver's licenses. The four to

1 six year on the driver's license, our only issue is the
2 product. The product doesn't hold up. And I've pulled out my
3 driver's license many times. The barcode on the back --- we
4 did 21,000 title transfers in my offices last year. We have to
5 photocopy the front and the back of the driver's licenses.
6 That barcode on the back is a fraud indicator. If there's a
7 situation, they --- PennDOT will scan that. It has to be
8 legible. And they don't last. The front of the driver's
9 license lasts pretty well. The back does not. And in our
10 business, where we take --- car dealers take us, where millions
11 of these are done every year, we are forcing the public to get
12 duplicate licenses because the back wears --- mine's only two
13 years old and it's almost worn. Sorry. Carol's here to remind
14 me what I forget.

15 CHAIRMAN HESS: You may proceed. You have some
16 testimony to offer? Oh, okay. Thank you. Representative
17 Knowles?

18 REPRESENTATIVE KNOWLES: Thank you, Mr. Chairman,
19 and thank you, Mr. Yurconic for coming today and testifying.
20 As a guy who worked as a cop for about seven years a long time
21 ago, I --- I don't understand the --- I know there's a savings
22 of a couple million dollars, but I think it's going to make it
23 very difficult for law enforcement in terms of that little
24 sticker that's on the plate. I think that's something that we
25 need to take a look at very closely.

1 I guess my question is, though, regarding insurance.
2 I go to the insurance company, I get insurance. And I may only
3 pay for six months, a month, whatever I pay, but my
4 understanding is that if I fail to make my payment and that
5 policy lapses, that the insurance industry has an obligation to
6 notify PennDOT that that person no longer has insurance. So
7 can you just comment on that a little bit and how --- you know,
8 how this might affect that?

9 MR. YURCONIC: Absolutely. How it works is if when
10 that person's insurance lapses, a notice goes to PennDOT. They
11 send out what we call an F stop, or a registration suspension,
12 to the person. This community is a transient community. Many
13 times they live at one house, then they move and move and move.
14 So you don't track them down. Also, our State Police or --- I
15 believe it's State Police, are supposed to go to the residence
16 and extract the tag, which they typically do not. And I'm not
17 criticizing State Police. They have more important things to
18 do than to retrieve tags of suspended registrations. So that
19 is the process. And they would serve a 90-day suspension. It
20 does not work very well.

21 REPRESENTATIVE KNOWLES: Thank you, Mr. Yurconic.
22 Thank you very much, Mr. Chairman.

23 CHAIRMAN HESS: Representative Carroll?

24 REPRESENTATIVE CARROLL: Thank you very much. I'm
25 not sure how I reconcile the last comment about it doesn't work

1 very well with the earlier testimony related to Pennsylvania
2 does really well with respect to our rate of auto insurance
3 coverage in the state.

4 One thing to be --- to place on the record here,
5 it's illegal to operate a motor vehicle without insurance in
6 this state. And the penalties are severe. The fact is it's a
7 90-day vehicle registration suspension and a 90-day driver's
8 license suspension if you're caught driving with a --- without
9 insurance. And I have those folks come into my office all the
10 time that feel the pain with respect to what happens when
11 they're operating a vehicle without insurance.

12 So the --- I understand that the --- the dispute
13 related to the use of the sticker on the plate and whether or
14 not that will enhance enforcement or, you know, reduce the
15 ability for law enforcement folks to be able to determine
16 whether a vehicle has insurance or not, but the reality is, is
17 that I think --- and the transient comment I'm not sure is
18 quite accurate either. I mean, a lot of the folks that I
19 represent in northeastern Pennsylvania are not the transient
20 sort, and they still end up with F stop situations. And so
21 there's --- it's not fair to characterize those folks as the
22 --- the F stop folks as just transient folks.

23 I wanted to get to the registration renewal and the
24 two-year sticker. What is a typical fee for an online
25 messenger to renew a registration for a passenger vehicle?

1 MR. YURCONIC: It is not governed by anybody. We
2 charge --- my offices charge \$15.

3 REPRESENTATIVE CARROLL: Okay.

4 MR. YURCONIC: And --- Carol?

5 MS. CLEMENT: \$15.

6 REPRESENTATIVE CARROLL: And would you say that's a
7 typical fee throughout the state for renewal for a passenger
8 vehicle?

9 MR. YURCONIC: I would say in the Lehigh Valley
10 that's probably typical, \$13 to \$15. In the Philadelphia
11 region I would say it's \$20 to \$25. And as you move --- what?

12 MS. CLEMENT: It's as low as \$8.

13 MR. YURCONIC: And in York it's as low as \$8.

14 REPRESENTATIVE CARROLL: Okay. Envisioning the
15 potential for a two-year registration, wouldn't you envision
16 the scenario where the fee that is imposed by the online
17 messengers is increased?

18 MR. YURCONIC: That is a possibility.

19 REPRESENTATIVE CARROLL: And so if we're increasing
20 the registration fee to a two-year period and you guys are
21 going to increase your fee commensurate with that, can you
22 explain to me how you arrive at the conclusion that it's going
23 to be a real crisis situation for your small businesses?

24 MR. YURCONIC: Well, the challenge at \$15, at least
25 in my community, and I can't speak for other communities, we

1 are probably at the max of what we can charge for this process,
2 because right now you could go online and renew it. You could
3 mail it and renew it. So for a service, an added value
4 service, how much is the public willing to pay? So it's not
5 just a simple equation of saying we're going to up our fee
6 because we're now doing a two-year process and we're doing it
7 to last two years. Our transaction, at least in my office,
8 still takes seven minutes. All my back end work is identical.
9 So just arbitrarily upping the fee because it's a two-year
10 registration does not make sense.

11 REPRESENTATIVE CARROLL: So you're saying you're not
12 going to increase the fee?

13 MR. YURCONIC: I have not determined what I will do.
14 If this bill passes, I have to put a plan in place for the
15 survivorship of my business, to keep my employees employed, and
16 to continue operating.

17 REPRESENTATIVE CARROLL: Right.

18 MR. YURCONIC: I will look at every aspect.

19 REPRESENTATIVE CARROLL: The world that you live in
20 now is the product of a public/private partnership that was
21 created with PennDOT going back roughly 20 years.

22 MR. YURCONIC: Correct.

23 REPRESENTATIVE CARROLL: And in my estimation, it's
24 been a successful public/private partnership. You know, we
25 talk about public/private partnerships around here. That is

1 the --- the model public/private partnership that PennDOT
2 engaged in, you know, going backwards in time. And the only
3 thing that troubles me with the public/private partnership
4 situation is that things don't stay static forever and that
5 there are going to be changes with the way that we do driver
6 license and motor vehicle transactions in this state, just as
7 there were changes that were beneficial to you folks that made
8 you come into existence. And so I don't think that it's fair
9 --- I'm not saying that you said this, but just in broad terms,
10 to characterize the existence of the messenger services as
11 something that should remain static, and that everything that
12 we do with respect to motor vehicle and driver license
13 transactions has to exclude you from the world of change. And
14 so, I think that, you know, as we move forward with Senate
15 Bill 1, we have to be mindful of the fact that things are going
16 to change with respect to the way that we drive --- do driver
17 license transactions and motor vehicle registration
18 transactions and how that affects, you know, the insurance
19 component that falls on top of that, and that, you know, things
20 are going to change. And we'll do our best to try and minimize
21 the effect that it might have on all of the moving parts here,
22 but change is coming.

23 MR. YURCONIC: Just a few comments. We've been in
24 existence more than 20 years. The electronic part of the
25 existence started about 20 years ago. Previously, we used to

1 --- we're called messengers for a reason. We run business or
2 messenger business to PennDOT. That was the old style, where
3 --- and that's been around for 40 or 50 years, where we hand
4 deliver work to PennDOT to get processed and bring back to the
5 public. So the existence has been longer; the electronic part
6 has been more recent. And I apologize, I forgot the second
7 comment.

8 REPRESENTATIVE CARROLL: Well, let me stop you
9 there. I mean, the electronic part is the part that mattered.
10 That allowed you folks to issue credentials over the counter.

11 MR. YURCONIC: Correct.

12 REPRESENTATIVE CARROLL: And that was --- that was
13 the game changer in what folks in your profession and your
14 industry asked for those 20 years ago. So that was a major
15 change in the way that transactions with PennDOT were done.

16 MR. YURCONIC: Absolutely. And now, of the 8,000
17 issuing agents, everybody --- we recommend everybody goes
18 electronic. You know, it was a game changer. Several
19 businesses had an advantage for four or five years as it was
20 being rolled out, but now we want everybody electronic because
21 it benefits everybody. Nobody needs to do it the old paper
22 way. PennDOT gets their products from us, meaning what we
23 deliver in electronic format. It's more efficient. They don't
24 need as much staff to process these transactions. And
25 actually, they're becoming more of an auditing function in our

1 world versus a transacting function.

2 REPRESENTATIVE CARROLL: Thank you.

3 CHAIRMAN HESS: Thank you. Thank you very much for
4 your testimony. I appreciate you coming in.

5 MR. YURCONIC: Thank you.

6 CHAIRMAN HESS: Our next testifier is the highway
7 and trucking industry, Mr. Robert Latham, Executive Vice
8 President, Association of (sic) Pennsylvania Constructors, and
9 Mr. James Runk, President of the Pennsylvania Motor Truck
10 Association. Thank you, gentlemen, for coming in and offering
11 your testimony this morning. And as I said earlier, if you
12 care to preface your remarks, that will be fine. If you do not
13 want to read them, I'll --- and we'll distribute amongst the
14 members.

15 MR. LATHAM: Mr. Chairman --- Chairman McGeehan,
16 Chairman Hess, thank you for having us today. We certainly
17 appreciate it. I want to just take a moment --- my name is Bob
18 Latham. I'm Executive Vice President of APC, Associated
19 Pennsylvania Constructors. We're a statewide trade association
20 representing the highway and bridge construction industry here
21 in Pennsylvania. We have roughly two --- we have roughly 400
22 company members throughout the state, employing some 35,000
23 employees here in Pennsylvania. And I will emphasize here in
24 Pennsylvania, not in North Carolina or overseas.

25 I want to thank the Committee, first of all, for its

1 attention to Senate Bill 1 and your rapidly pulling these
2 hearings together and your quick work on this. So we
3 appreciate the fact that you see that this is a very important
4 issue and you're very serious about --- about taking it up in
5 the near term.

6 Senate Bill 1 mirrors the Transportation Funding
7 Advisory Commission recommendations, of which I served. There
8 are obviously some nuances that are different, but the funding
9 levels are about the same, \$2.5 billion ramping up over a ---
10 over a period of time. You'll recall that two years prior ---
11 a year prior to the TFAC Report, as we say, the State
12 Transportation Advisory Commission urged that we needed to fill
13 a \$3.5 billion transportation funding gap in all modes. That's
14 highways, transit and local funding. And that each year that
15 we delay --- each day that we delay, we ramp up that gap by
16 another million dollars a day. So we sit here at about \$4.0
17 billion in gap nee --- in needs gap, and we are looking at a
18 \$2.5 billion bill right now. So it gets at it, but we have a
19 long way to go.

20 I think the case has been made over the last three
21 years. We have a lot of jobs, information lost and gained, if
22 we pass the bill versus not passing the bill. And I think that
23 there are a number of counties throughout the state that are
24 going to see a decrease in employment, particularly in our
25 industry and I think some of the more rural counties in

1 Pennsylvania. Our industry makes up a large percentage of
2 folks that are employed by private industry, as well as Mr.
3 Runk's industry and representation as well.

4 I'd like to take just a couple minutes today to
5 review a poll that's been referred to in earlier testimony, a
6 poll that APC commissioned from Terry Madonna Research most
7 recently, because one of the things we've been hearing as this
8 bill has winded its way through the Senate and over to the
9 House is we aren't hearing from the public. We don't know
10 where they are on this issue. We've been tracking this for
11 four years. I want to share this with you today very briefly.
12 As you said, Mr. Chairman, you can read it. I understand. But
13 I do want to point out just a couple of highlights, because we
14 think the public is ready. We think the public understands the
15 need to invest in infrastructure. And we think the public
16 understands the importance of safety and congestion relief on
17 our highways.

18 As I mentioned, the poll was conducted by Terry
19 Madonna Opinion Research. We asked people for the last four
20 years how important do you think it is for the State of
21 Pennsylvania to improve safety and relieve congestion on the
22 highways. And as you can see, about 92 percent of people
23 believe that that's an important thing to address.

24 We asked --- we asked 400 voters whether they
25 believe that increasing investment in the highway system will

1 create jobs. Eighty (80) percent said yes. Relieving
2 congestion, improving the condition of our highways would
3 improve safety, 90 percent yes. The state's economic health is
4 dependent on having a good highway system, 87 percent yes. Do
5 you support or oppose an increase in state funding along the
6 order of the Advisory Commission Report that I referred to
7 earlier, 70 percent said yes. Now, the back to reality
8 question. Do you support --- how important do you think it is
9 to provide adequate funding, even if it means increasing taxes?
10 I mean, you got to pay for it; right? Seventy (70) percent
11 still said yes.

12 Now, one thing we pointed out and --- one thing I
13 want to point out is we did not poll on the gas tax, we did not
14 poll on tolls, we did not poll on registration fees. We simply
15 asked people if they're willing to pay more money for safer,
16 better roads and economic development that comes along with it
17 over the last four years. We asked them if --- that one
18 funding plan would increase the payment that an average
19 motorist would pay by about \$3.50 a week. Forty-one (41)
20 percent were willing to pay that. Of those who said they were
21 not, we asked them, well, what about \$250 a week? And
22 cumulatively, 59 percent of the public is willing to pay at
23 least \$2.50 a week more for safer roads and better highways and
24 less congestion. And that, of course, cuts across all modes of
25 transportation, and that mirrors Senate Bill 1.

1 We asked --- we asked the other --- we asked the
2 people who said no, the 30-some percent --- the 31 percent of
3 said no, whether they would be more likely to support under a
4 number of different scenarios, and those are there for you to
5 read. The key factor is we believe, through scientific public
6 polling, that, for the most part, the public is willing to pay
7 for good roads, for safe roads, in their community, which is
8 what Senate Bill 1 is all about.

9 The only other thing I want to point out, we've
10 presented you with some information from the Institute of
11 Taxation Policy pointing out that crude oil prices are the main
12 driver of gasoline prices, not taxes, and that taxes have
13 actually decreased as a percentage of fuel oil price --- or
14 motor fuel prices at the pump over the last ten years. You can
15 look at that for yourself. I think the graphs speak for
16 themselves. The only thing I would point out is that you may
17 not have heard of the Institute for Taxation and Economic
18 Policy, but you may have heard of its chief sources, which is
19 the General Accounting Office and the American Petroleum
20 Institute. So they're a think tank. Their statistics were
21 based on GAO reports and API statistics. The bottom line is,
22 it's the crude oil prices that cause the gas prices to go up,
23 and we're paying less and less in gas taxes as a percentage of
24 gallon of gas over the past ten years.

25 We urge a --- we urge a yes vote. We're a member of

1 the Keystone Transportation Funding Coalition. You've seen and
2 --- you've seen and heard from a number of those folks. We
3 urge a yes vote on Senate Bill 1. And thank you again for your
4 time and your interest on this issue.

5 CHAIRMAN HESS: We realize we can't predict what the
6 crude oil prices are going to be. They're going to fluctuate.
7 We don't have no crystal ball, as you said. And it's very,
8 very hard to predict something like that. Jim, you may
9 proceed, if you wish.

10 MR. RUNK: I agree with Bob. Thank you for inviting
11 me here today, Mr. Chairman. And I appreciate the opportunity
12 to represent my great industry. And it's always a pleasure to
13 present testimony in front of your committee. You've all been
14 very gracious, and we appreciate everything you're doing for
15 us.

16 I will be brief. I won't get into a lot of the
17 details that --- about our situation in the trucking industry,
18 but our industry is willing to pay its fair share and has been
19 willing. It was willing to pay its fair share in '96, and it
20 will be willing to do what it has to to ensure our roads and
21 bridges are safe.

22 A couple of statistics, though. We are the fourth
23 largest industry in the Commonwealth. We employ about 355,000
24 people. And that's about 1 out of every 12 or 13 workers
25 receive a check from the logistics, transportation and trucking

1 industry in the Commonwealth.

2 As you know, I was part of the committee, as well as
3 Bob was, and we also know the importance of good roads and
4 bridges. We certainly --- we have issues with --- when roads
5 or bridges are posted, causing us circuitous routing, which, in
6 some cases, are miles and miles and miles. And we serve 86
7 percent of the communities in Pennsylvania, which depend
8 completely on us for everything they eat, wear and use. And if
9 a bridge is out going into one of the towns and we have to
10 travel 30 miles one way and 30 miles back, 60 miles circuitous
11 routing, at five-and-a-half to six miles a gallon, it becomes
12 awfully costly for our industry.

13 We want to --- I want to also thank you for giving
14 us the time to comment on the Senate bill, but the --- as Bob
15 said, it closely mirrors the Commission's report, again on
16 which I served. And we would suggest that you also approve the
17 Senate bill. And I know that's --- might be tough to do, but
18 whatever --- however that works out, our industry will be
19 willing to work either way if there's some kind of an agreement
20 or however that works out.

21 But more specifically, I'd like to mention a couple
22 of things that I believe that are contained --- that are
23 proposals contained in SB 1, but I'd like to make some positive
24 recommendations I think that would benefit our industry and
25 PennDOT as well. First, refunds of registrations paid for

1 trucks that are sold, totalled, in accidents or stolen.
2 Currently, we pay \$1,687.50 for licenses for an 80,000-pound
3 tractor before May 31st. For example, if a truck is sold,
4 wrecked or stolen in July, the carrier will forfeit \$1,406.25
5 of unused registration fees, unless they can transfer that to
6 another truck. As the costs of licensing starts to rise, these
7 costs will increase dramatically. A unit sold, wrecked or
8 stolen, a carrier should be able to turn in the registration,
9 plate or card or provide a report by the police to get a refund
10 of the unused amount of the registration period. We would
11 recommend this for all trucks above Class Five, which is an
12 11,001-pound GVW and up. The weight should encompass all
13 commercial units. In our opinion, it would be --- this would
14 not present an undue burden on the Commonwealth. That would
15 only be money from the Commonwealth because if you're IRP
16 registered, as Eric knows, you can't get money from other
17 states. But it would be money that would be returned to the
18 carrier, under those circumstances, from Pennsylvania.

19 Weight class stickers. The recommendation there is
20 to eliminate that outdated requirement. It will save the
21 Commonwealth a considerable amount of money. Chapter 55
22 registration class stickers in 75 Code was originally written
23 with the purpose of establishing a gross vehicle weight for the
24 unit, as a gross vehicle weight was not listed on the
25 registration card as it is today. Every time a windshield has

1 to be replaced, which you can imagine occurs quite frequently,
2 the weight class sticker has to be replaced along with the
3 inspection sticker. The Commonwealth provides the replacement
4 weight class decal free of charge. Eliminating the decal that
5 no longer provides any legitimate purpose would result in
6 considerable savings for both carriers and the Commonwealth,
7 because it's provided for free, but we have to track the
8 trailer down --- we have to track the equipment down. We can't
9 operate that vehicle without a weight class sticker on it, so
10 it has to be applied. The weight class is already on the
11 registration card, so we think that's duplicative.

12 Finally, semi-trailer registration. As some of us
13 have talked previously, in SB 1, the cost of trailer
14 registration fee would rise from \$103 to a current --- from a
15 --- from 27 --- the current fee, which is a 282-percent
16 increase. Permanent trailer registration would go from \$135 to
17 \$195, a more manageable 44-percent increase. Keep in mind
18 trailers can be licensed in any state, and many carriers of
19 ours operate and license their trailers in trailer-friendly
20 states like Maine, Indiana, Tennessee, Illinois, due to lower
21 registration fees. According to the National Trailer
22 Registration Website, Maine charges as little as \$20 to
23 register online. And a quote from them on their website
24 states, the cost of registering commercial trailers in many
25 states is very expensive. We're able to help truck drivers and

1 truck companies by registering their vehicles in Maine. In
2 many cases, this will save hundreds of thousands of dollars
3 over the life of a trailer.

4 PA currently has the option for a permanent
5 registration plate, as many carriers have already utilized.
6 However, carriers still have the option to register a vehicle
7 in a state that allows them to transfer the plates to the
8 vehicles. Pennsylvania doesn't do that. If you sold ten
9 trailers in Maine or damaged ten trailers, you could take the
10 trailer plate off, put the trailer plate on a new trailer, and
11 email the Department of Transportation that you are now
12 currently doing --- operating this trailer under this
13 registration. It saves hundreds of thousands of dollars or
14 millions of dollars in --- it will save us that in this state,
15 and I think it would save PennDOT a lot of --- a lot of time
16 and effort and money producing --- or letting us --- by letting
17 us transfer the plate.

18 I want to thank you again for --- for permitting us
19 to be here today. I always appreciate it. And we look forward
20 to having any suggestions and to help you if we can maintain a
21 competitive trucking business environment in the Commonwealth.
22 Thank you for having me.

23 CHAIRMAN HESS: Thank you. Chairman McGeehan?

24 CHAIRMAN MCGEEHAN: Thank you, Mr. Chairman. As I
25 announced at the beginning, I do have a 12 o'clock with the ---

1 with the Secretary --- Secretary Schoch. So Bob and Jim, thank
2 you. Meredith will stay behind. I'd ask Representative
3 Carroll, if he would, to sit in my stead while I attend the
4 meeting. Excuse me, and thank you for your indulgence.

5 CHAIRMAN HESS: Thank you very much. Jim, just one
6 question on the trailer transfer from one trailer to another.
7 Does those trailers have a VIN number or some number that ---
8 to identify that trailer while you're transferring it over or
9 the trailer was damaged, can't be repaired?

10 MR. RUNK: Yes, it's ---.

11 CHAIRMAN HESS: You just bought a camera.

12 MR. RUNK: Yeah. The trailers, Mr. Chairman, are
13 --- do have VIN numbers, and the plate is assigned to that
14 trailer. And what they can do is Maine is just fill out the
15 application and say trailer number whatever now has trailer
16 plate this because of --- we sold it because it was damaged or
17 wrecked or whatever the case may be. So it is documented so if
18 an officer does stop it ultimately he'll know that that plate
19 is legitimately assigned to that trailer.

20 CHAIRMAN HESS: Assigned to that trailer as to the
21 length and so on?

22 MR. RUNK: Yes.

23 CHAIRMAN HESS: In other words, you could not put a
24 --- I don't know how they're --- they charge you for them,
25 whether a short trailer is less than a longer trailer. You

1 couldn't put a short trailer tag on a long trailer?

2 MR. RUNK: It would have to be --- no, it would have
3 to be a trailer --- the tag would have to go on a similar
4 trailer.

5 CHAIRMAN HESS: Similar trailer? Okay. Thank you.
6 One other question. If we continue Act 44 obligations, the
7 Turnpike will be forced to continue raising their ---
8 increasing their tolls. Would you support increasing the
9 length of time for payback or decreasing the time to pay back?
10 What's your feelings on that? I know there's several different
11 proposals out there. It starts at ten years and goes to
12 nothing. What's your thoughts on that, Bob?

13 MR. LATHAM: Well, I believe that Senate Bill 1 does
14 --- does address that. And I think that eventually we're going
15 to have --- whatever the time frame is, we're going to have to
16 get to a point where that's --- where the Commission is
17 relieved from that. It's my understanding that the --- those
18 payments are starting to negatively impact the Commission's
19 ability to fund its own capital program. There's a lot of work
20 that needs to be done on the Pennsylvania Turnpike system. I
21 can't look at you, Mr. Chairman, and say ten years is better
22 than six years or eight years. I think that's up for --- up to
23 the Committee and the General Assembly to work that out with
24 the --- with the administration. We would support any length
25 of time. I guess the only thing I can offer to you is I think

1 it's a good idea to eventually phase that out. Whether it's
2 sooner or later, I think that that really is up for --- up for
3 debate within the General Assembly.

4 CHAIRMAN HESS: I agree with your saying eventually
5 we have to do something with that because that's a highway,
6 too. We're affecting that and our ability to move ahead with
7 the bridges and the roads on the Turnpike. Keep in mind that
8 there's other things that we need to fund, also. It's not an
9 easy task to come up with the magical number, whether it be ten
10 or eight or six or three or wipe it out entirely. So that's
11 something that we're going to have to grapple with over the
12 next week, ten days, or so forth.

13 MR. LATHAM: Yes. I mean, we're --- again, we're
14 part of the Keystone Funding Coalition. The thing we like
15 about Senate Bill 1 is it does address the Turnpike issue, but
16 it also provides a significant boost for public transit. And
17 when I referred to some of the congestion relief measures in
18 our poll, we believe that's not just building new lane miles,
19 that's also adequately funding transit. So all that has to tie
20 together in a systematic approach.

21 CHAIRMAN HESS: And we realize we have to do that.
22 And sometimes we have to come up with some new ways to --- if
23 we're going to --- the further down we go, the more backfilling
24 we have to do, and we realize that. Thank you, gentlemen, very
25 much.

1 MR. RUNK: Mr. Chairman, could I comment ---

2 CHAIRMAN HESS: Sure.

3 MR. RUNK: --- just one time on that? In our
4 opinion, a phase-in certainly would be more reasonable for us
5 because of the --- the way the contracts are set up in our
6 business. It could be a two or three-year contract with a
7 carrier. And if that carrier uses the Turnpike, at least he
8 knows to be able to discuss with the shippers that each year
9 this is going to occur and be prepared to understand that the
10 cost of this --- of me doing business with you is going to go
11 up. So as opposed to saying, okay, next year it's going to be
12 33 percent, a carrier is going to say, well, we'll find
13 somebody else. That's way out of line. But if they can spread
14 it over a period of time, usually those kinds of things are
15 better off for us.

16 CHAIRMAN HESS: I understand that when you have road
17 projects or whatever the projects may be, you have to know what
18 the cost of steel is going to be today, tomorrow, the next day,
19 if you're going to be bidding.

20 MR. RUNK: Right.

21 CHAIRMAN HESS: So you have a dilemma the same as we
22 have a dilemma. Thank you gentlemen for ---

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

24 CHAIRMAN HESS: --- participating.

25 MR. RUNK: Thank you both for having us.

1 CHAIRMAN HESS: Our next testifiers is the ag
2 industry, Christian Herr, Executive Vice President of PennAg
3 Industries; and Joel Rotz, the Pennsylvania Farm Bureau. Thank
4 you very much.

5 MR. ROTZ: It looks like I'm solo today.

6 CHAIRMAN HESS: You're flying solo today. So you'll
7 take all the bullets. You may proceed when you are ready, sir.

8 MR. ROTZ: Thank you, Mr. Chairman. Appreciate the
9 opportunity to be here. And I hope I can help put you a little
10 more back on schedule. I will try to be as brief as possible.
11 I know you have my complete written testimony in front of you.
12 I will highlight some of that but try not to drag you through
13 all of that.

14 CHAIRMAN HESS: Thank you.

15 MR. ROTZ: I am --- I should start out by saying I
16 am Joel Rotz, Senior Director of Government Affairs, for over
17 57,000 members of the Pennsylvania Farm Bureau. And I guess
18 I'll just start out with the obvious comment. I don't think
19 there's anyone, including our members, that look forward to
20 paying additional taxes and fees, as proposed in Senate Bill 1.
21 But the question really comes down to what's the cost if we
22 don't. And so that's really what I want to spend my time here
23 talking about, you know, some of the cost and benefit to the
24 agriculture community.

25 We are, of course, the leading industry in the

1 state. And I won't take you through all the numbers I have in
2 the testimony about our financial impact, but obviously we are
3 very dependent upon a good transportation system to operate not
4 only our farms but our ag businesses.

5 So the question becomes, you know, if we don't make
6 the investment, what's the cost? And since we haven't made the
7 investment or at least new investments in the last 15, 16
8 years, I think we begin to see the answers to that question.
9 Local businesses and residents have experienced increased
10 numbers of roads and bridges that have become subject to weight
11 restrictions or even been closed. And as put out by PennDOT
12 themselves, without additional transportation funding, PennDOT
13 will additionally have to impose weight restrictions or close
14 more than 1,300 bridges and thousands of miles of primary and
15 secondary roads.

16 If the current trend of road and bridge restrictions
17 and closings is not halted and roads and bridges are not
18 physically improved, farmers will be also likely to be saddled
19 with additional costs, such as those associated with road
20 bonding. Just last year the legislature passed and the
21 Governor signed into law much-needed Farm Bureau supported
22 updates to the state's Vehicle Code to allow for safer and more
23 efficient movement of modern farm equipment and farm vehicles
24 on public roads. Properly-maintained roads and bridges are
25 also essential in allowing for those same farm vehicles to

1 safely traverse and travel --- traverse and share the road with
2 the public.

3 Those of us who live in the more populated and
4 developed parts --- developed parts of our state often forget
5 that many rural areas of the state remain dependent upon dirt
6 and gravel roads to access farm operations and businesses.
7 Improperly-maintained dirt and gravel roads can completely
8 isolate farms and rural communities from essential travel and
9 commerce and adversely impact not only the standard of living
10 in those communities but also the environment from sediment
11 runoff. Dirt and gravel road grants paid to conservation
12 districts are proposed to be increased sevenfold under the
13 Senate Bill 1. Rural farms and communities will directly
14 benefit from increased revenues made available to address dirt
15 and gravel road maintenance, as proposed.

16 So looking at the other side of the equation, what
17 will it cost us? The Farm Bureau has long supported lifting
18 the cap on the Oil Company Franchise Tax to increase revenues
19 for roads and bridge maintenance. Assuming all the additional
20 tax burdens from this tax are passed through at retail,
21 farmers, like other Pennsylvanians, will feel the tax increase
22 when they fill their registered trucks and passenger vehicles
23 at the gas pump. Businesses with commercial vehicles servicing
24 farmers' needs and hauling farm commodities to and from the
25 farm will pay the higher taxes and likely pass additional costs

1 on to the farmer for those services. Farmers will, however, be
2 exempt from --- will continue to be exempt from paying the Oil
3 Company Franchise Tax for motor fuels used for farm tractors
4 and other implements of husbandry and for the use of farm
5 trucks on the farm or in areas neighboring the farm.

6 Increase in driver's license and vehicle
7 registration fees will be significant and undoubtedly prompt
8 feelings of sticker shock among farmers, particularly with
9 trucks for which the farmer needs to have commercial truck
10 registrations. Farmers who have a substantial fleet of trucks
11 with vehicle registrations may be able to minimize the impact
12 of the bill's registration fee increase by converting one or
13 more of their trucks from commercial or farm vehicle
14 registration to a farm vehicle biannual certificate of
15 registration exemption. Last year's amendments to the Vehicle
16 Code increased to 50 miles the distance that many trucks with a
17 farm vehicle exemption may be operated away from the farm.
18 This expansion in distance allowance may provide some farmers
19 with the opportunity to convert numerous trucks on the fleet to
20 a farm vehicle exemption without compromising the farmer's
21 transportation needs. For farms that are unable to feasibly
22 change current registrations on their truck fleets, Senate bill
23 1 will certainly impose an additional registration cost. But
24 when compared with the additional transportation costs that the
25 absence of effort to restore transportation infrastructure will

1 cause farmers and other highway users, the bill's proposed
2 increase in registration fees does not seem unreasonable.

3 As far as the surcharges on the traffic violations,
4 I'll kind of summarize my comments on that by simply saying
5 obviously the --- they are significant. And I guess the plus
6 side to the folks I represent, many of which who don't feel the
7 need to be supporting public trans --- transportation, even
8 though some rural areas obviously do benefit from it, I guess
9 the --- the upside for my folks are, if they don't want to
10 support additional funding for public transportation, they just
11 need to not break the law. So that's one way to look at that.

12 Having said that, I will conclude by saying
13 Pennsylvania Farm Bureau believes the measures proposed in
14 Senate Bill 1's current version to generate additional funding
15 for restoration of our roads and bridge system are prudent and
16 are consistent with the general principles of transportation
17 funding supported in public policy recommendations adopted by
18 our members. While the House may wish to make several changes
19 to soften the bite of cost increase to particular individuals
20 and businesses that we could possibly support, Pennsylvania
21 Farm Bureau is also keenly aware that the more we reduce the
22 tax and fee increases proposed in Senate Bill 1, the less
23 revenue we will be of --- that will be available to improve the
24 deteriorating condition of our roads and prevent the
25 consequences likely to result from failure to adequately

1 improve this condition. Again, I thank you for the opportunity
2 to testify.

3 CHAIRMAN HESS: Thank you very much for your
4 testimony. I appreciate that. And I appreciate your
5 understanding that we do need to do something with our
6 transportation funding. As the old adage is, if you don't move
7 forward, you move backwards. So thank you very much.
8 Representative Carroll?

9 REPRESENTATIVE CARROLL: Thank you, Mr. Chairman.
10 Joel, thank you and the Farm Bureau for your participation in
11 this process. You know, I think it's fair to say over the last
12 number of years the conversation related to transportation
13 funding has fallen along the lines of the urban and suburban
14 folks generally supportive, and the rural folks a little more
15 hesitant, I think is a fair way to say it. And the Farm
16 Bureau's leadership here is important because I think it's
17 critical to point out that a road closure or a bridge closure
18 or a bridge posting in rural Pennsylvania has much more
19 significant consequences than a bridge closure or bridge
20 posting in suburbia. Suburbia offers a lot more options and
21 alternatives to get around that one posted or closed bridge
22 than rural Pennsylvania might enjoy. And I'd like to think
23 that that's one of the reasons why the Farm Bureau, despite the
24 increase in fees and revenues that are imposed by Senate Bill 1
25 or whatever vehicle we advance, that's one of the reasons why

1 the Farm Bureau has taken the position that they're supportive.
2 If you could just, as briefly as you can, but to highlight
3 this, the --- the importance of the improvements that are in
4 PennDOT's decade of investment in rural Pennsylvania when it
5 comes to posted bridges and closed bridges.

6 MR. ROTZ: I certainly agree with your comments,
7 Representative Carroll. And can I give you, off the top of my
8 head, specific examples? Not really, not in detail. But I do
9 know, you know, we do have milk trucks that can't cross certain
10 bridges and have to travel, you know, an extra 20 miles or more
11 to get to a farm to pick up the milk. Guess who's going to pay
12 for that? Obviously, the farmer that's having his milk picked
13 up. So you know, that's a vivid example.

14 You know, another thing to point out is, in the last
15 couple years, we've come to the legislature to do things like
16 increasing --- allowing for increased truck weight limits on
17 things such as egg --- egg trucks. I believe you took care of
18 that last session. And this session we're looking to do some
19 increases so that bulk milk can be hauled in greater weights
20 across our roads and bridges. If we expect those kind of
21 things to be done for us in the ag industry, we have to expect
22 that the roads and bridges have to be able to take those
23 weights that we're asking for. So I think that kind of
24 summarizes why we have to be where we are on this issue, as
25 tough as it may be.

1 CHAIRMAN HESS: Thank you. I agree. The capacity
2 of the bridges have to carry the --- not only the milk trucks,
3 but the logging industry, the school buses and the whole ---
4 the whole gamut. So we have to be able to protect everybody,
5 one means or another, whether they're schoolchildren or protect
6 a farmer from the excess costs of the milk truck. Have to
7 travel 25 miles around to pick up the milk, who's paying for
8 it? The farmer's going to pay for it, not the company. Thank
9 you very much for your testimony. I appreciate you coming in
10 this morning.

11 MR. ROTZ: Thank you.

12 CHAIRMAN HESS: Our next testifier is concerning the
13 dirt and gravel roads, Robert B. Maiden, Executive Director of
14 Pennsylvania Association of Conservation Districts. Thank you
15 very much, sir, for coming.

16 MR. MAIDEN: Thank you, Chairman. Excuse me,
17 Representative.

18 CHAIRMAN HESS: And you may --- you may proceed when
19 you're ready.

20 MR. MAIDEN: Thank you. Well, thank you for
21 allowing me to be here. My name is Robert B. Maiden. I'm the
22 Executive Director of the Pennsylvania Association of
23 Conservation Districts. I represent the 66 county conservation
24 districts in the State of Pennsylvania. And one of the many
25 programs that we implement is the Dirt and Gravel Roads

1 Program. So I'm just going to provide my testimony for the
2 record and then be very concise and try to describe the program
3 very briefly and then make a few highlights of the program, if
4 I may.

5 CHAIRMAN HESS: Thank you.

6 MR. MAIDEN: The Dirt and Gravel Road Program was
7 created in 1997 with a lot of hard work from the Pennsylvania
8 Trout Unlimited and a lot of leadership from the General
9 Assembly. It set a static \$5 million for the program since
10 1997. \$1 million of that goes to the DCNR Bureau of Forestry,
11 and \$4 million goes to the State Conservation Commission. The
12 State Conservation Commission then takes that \$4 million and
13 allocates that to the 65 conservation districts that
14 participate in the program. They have very strict rules and
15 methodology on how that funding is distributed. Conservation
16 districts then work with their local municipalities and
17 boroughs to provide grants to them to work on identified sites
18 in the State of Pennsylvania. And in your packet, the blue
19 packet, you have a map of the state. And the sites that are in
20 yellow are the identified sites that still need to be worked
21 on. So that might help put it a little bit in perspective.

22 So the municipalities then have to go to a two-day
23 training to learn how to help put these --- these dirt and
24 gravel roads --- upgrade these dirt and gravel roads, learn how
25 to upgrade those dirt and gravel roads, through the Dirt and

1 Gravel Road Center, which is an offshoot of Penn State and also
2 funded out of the Dirt and Gravel Roads Program.

3 So with that, then we get to work. Then we upgrade
4 the dirt and gravel roads. We make them so folks can drive on
5 them, and we reduce the runoff that comes off of them. So for
6 a few highlights of the program, it's very effective. There's
7 over --- we've completed over 2,400 sites. That's 950 miles of
8 roadway and 650 municipalities.

9 It's extremely efficient. Ninety-one (91) percent
10 of the funding that goes through the county conservation
11 districts go to the projects on the ground, goes to improving
12 those roads. The program leverages additional funding. While
13 no match is required, every dollar invested in the project ---
14 in a project generates another 48 cents of in-kind
15 contributions. Basically we pay for the materials, work with
16 the municipality. A lot of times the municipality goes out
17 there and does the work themselves, and that's where you get
18 the in-kind match.

19 Education and local involvement are the focus.
20 We're focused on education, and that has a greater benefit to
21 the whole community because, once municipalities are educated
22 on how to create these roads, they also do that in their
23 everyday activities besides dirt and gravel roads. So it has a
24 very good multiplier effect.

25 It supports the local economy, which we're very

1 proud of. This provides a lot of work for local contractors to
2 put the projects on the ground. They're the ones doing the
3 work, unless the municipality is. It provides for local
4 businesses to provide all the materials to put the projects on
5 the ground. And you know, we were just talking about it here a
6 little bit, Representative Carroll and Representative Hess, it
7 upgrades those roads so folks can drive on them. I grew up in
8 the country, so I know that when a dirt and gravel road is
9 down, that could take me 20 or 30 more minutes, as just a
10 normal resident, to get to the location where I'm going. So in
11 the rural communities, dirt and gravel roads are not only just
12 --- they are a form of major transportation to get to work, to
13 school, et cetera. So it supports the local economy that way.

14 States are allowed --- the state agencies are
15 allowed to apply for this, so PennDOT, Fish & Boat Commission,
16 we work very closely with them. And I think very importantly,
17 the program has strict, strict oversight from the State
18 Conservation Commission. They do an excellent job of providing
19 oversight. There's quality assurance boards at every
20 conservation district. There's a statewide Quality Assurance
21 Advisory Committee, and they take a lot of pride in making sure
22 the projects are efficient, effective, and the money is well
23 spent.

24 So with that, PACD strongly supports Senate Bill 1,
25 the comprehensive transportation package. We're also a member

1 of the Keystone Transportation Coalition. We support the \$35
2 million that is in the proposal. We really appreciate that.
3 And just to put that in a little bit of perspective for you,
4 for every \$5 million that is allocated to the program, about
5 200 sites can be completed, about 200 sites. So there's about
6 14,400 sites left to be done. So there's plenty of work to be
7 done. This money will give us an opportunity to really start
8 to tackle this problem, and we really look forward to the
9 opportunity to do that. And again, we support the bill, and
10 we'd be glad to take any --- any questions from the Committee.

11 CHAIRMAN HESS: Just one question. Would the
12 conservation district be able to administer low-volume roads?

13 MR. MAIDEN: Low-volume roads?

14 CHAIRMAN HESS: Yes.

15 MR. MAIDEN: You know, I don't actually know the
16 answer to that question. That was provided --- asked to me
17 this morning on my way over. I still have to work with
18 Secretary Schoch and ask him what the answer to that question
19 is. But I think mostly we're focused on the dirt and gravel
20 roads. And there's 4,000 --- 14,400 of them, so we're --- I
21 think that's where, hopefully, we'll be able to focus that
22 funding.

23 CHAIRMAN HESS: Could you get me that information on
24 the low-volume roads and get it back, and I'll distribute it
25 amongst the committee members, please?

1 MR. MAIDEN: ASAP, sir.

2 CHAIRMAN HESS: Thank you. Thank you very much for
3 coming in this morning and testifying. Appreciate it very,
4 very much.

5 MR. MAIDEN: Thank you.

6 CHAIRMAN HESS: Our next testifier and last
7 testifiers is the car ---.

8 REPRESENTATIVE BRIGGS: They aren't last. On the
9 other side we've got more.

10 CHAIRMAN HESS: Excuse me. I'm corrected. There's
11 a second side to this. Car rental companies, with Gregory ---
12 I may butcher this, Cavoli, General Manager of Enterprise
13 Holdings; and Robert Bouta, Senior Vice President of Avis
14 Budget Corporation, Incorporated.

15 MR. CAVOLI: Cavoli (correct pronunciation). Close
16 --- close enough, though.

17 CHAIRMAN HESS: That's close enough. I was in the
18 ballpark.

19 MR. CAVOLI: Yeah, Irish.

20 CHAIRMAN HESS: Irish.

21 MR. CAVOLI: Thank you. Good morning, Chairman Hess
22 and members of the House Transportation Committee. I'm Greg
23 Cavoli. I'm representing Enterprise Holdings, which is a
24 parent company to Alamo National and Enterprise. And I'm here
25 with Bob, who's representing Avis and Budget. I've got a few

1 thoughts, and then I'll pass to Bob. And together --- I just
2 did some quick math --- I think we represent about 70 percent
3 of the rental cars in the Commonwealth. And thanks for the
4 opportunity to provide testimony today on Senate Bill 1.

5 A little bit about Enterprise Holdings. We have
6 about 200 locations in the Commonwealth and employ over 2,000
7 Pennsylvania residents. And we've established a pretty strong
8 presence here in the state and look forward to expanding that
9 in the future.

10 An issue that is always a focus for us when
11 transportation funding is discussed is the statewide Rental Car
12 Tax. And we were pleased to see that, in Senate Bill 1, it
13 included no increase to the statewide Rental Car Tax when it
14 was passed by the Senate. Increases to this tax are difficult
15 for the rental car industry and our customers because we
16 generally see no benefit, direct or indirect, from the revenue
17 generated from this tax.

18 So while the Senate Bill 1, in its current form,
19 does not increase the statewide Rental Car Tax, we are
20 concerned that the Pennsylvania House may be contemplating an
21 increase to this tax. And in fact, we've heard that there may
22 be a proposal to increase the current tax, which is two dollars
23 a day up four dollars --- as much as a four-dollar-a-day
24 increase. This would bring it to six dollars for our
25 customers. So we have a responsibility to speak to you on

1 behalf of our customers. Any increase in this tax would be
2 very troublesome for our industry and our customers. I would
3 --- I won't go on, but the two dollar is already troublesome.
4 So an increase would be more troublesome.

5 And there's a common misconception that exists with
6 rental car taxes that I'd like to clear up. Many believe that
7 it is a tax on out-of-towners and has no negative impact on
8 legal residents. That is just not the case. And nothing
9 demonstrates that more, with the business model of the largest
10 company in the state, and that's Enterprise.

11 In Pennsylvania, since Enterprise's primary business
12 is focused on neighborhood rentals as opposed to airports,
13 approximately 90 percent of Enterprise Rent-A-Car customers are
14 local residents. Our customers are your neighbors, who need
15 access to a replacement vehicle due to an accident, if your car
16 is in the shop for any reason, not out-of-towners. We have
17 neighborhood locations within 15 minutes of 90 percent of the
18 U.S. population. And that's the case in the state as well. To
19 better illustrate the impact an increase of the statewide
20 rental car tax would have on local residents, I want to provide
21 you with some data about Enterprise's daily rentals.

22 At noon today we will have approximately 30,000
23 vehicles on the roads in Pennsylvania. And on average,
24 approximately 27,000 of those are driven by people with a
25 Pennsylvania driver's license in your districts, your

1 constituents.

2 Most Enterprise Rent-A-Car customers rent out of
3 necessity rather than discretion. They rent from Enterprise
4 while their car is in the shop. This type of rental is often a
5 lengthy one. And increases to the statewide Rental Car Tax
6 will inflate the cost of renting a vehicle, and that cost
7 burden will fall upon local consumers.

8 In some cases, the cost of renting a vehicle is
9 covered by an individual's auto insurance provider. So if
10 there is an increase to the tax, that will be passed on to the
11 consumers either directly or through higher insurance rates.

12 Car renters are currently subject to a heavy dose of
13 taxes in Pennsylvania. The average tax impact on a car rental
14 agreement ranges from 16 percent but can go as high as 22
15 percent. So we believe we're doing our part here. In addition
16 to the statewide Rental Car Tax, some jurisdictions impose
17 daily rental taxes on consumers as well. In the 1990s,
18 Philadelphia imposed a two-percent rental car tax to help pay
19 for stadiums and sports teams. And then most recently,
20 Allegheny County imposed an additional two-dollar-a-day rental
21 car tax to help fund public transit. These taxes are in
22 addition to the traditional business and corporate taxes we are
23 assessed.

24 In May of 2010, the Pennsylvania State
25 Transportation Advisory Committee issued a transportation

1 funding study. They did not recommend an increase to the
2 statewide Rental Car Tax as part of their transportation
3 funding solution. In fact, this report, when examining the
4 Rental Car Tax, the Committee determined that the yield
5 potential was low, and the long-term viability of the tax was
6 low. The Committee also determined that one of the cons of the
7 tax was that it had no tie to system usage.

8 A couple quick thoughts from last week. When we got
9 a sense that this was a possibility, I'll call it a groundswell
10 started. We're very close with our customers and not just our
11 end users that might walk into our office to rent a car and be
12 asked why they're being taxed, but the people that pay for
13 those cars. And two examples --- and all of you might have
14 experienced this. When you get in a car accident, if you are
15 insured by, say, Erie, Erie pays \$30 a day toward your rental
16 car. You may need it for five to ten days while your car is in
17 the shop. The current average rate is \$32 to rent a car. So
18 as an insured to Erie, you're already paying \$2 plus tax. This
19 would add \$4 out of your pocket. So Erie's concerned. State
20 Farm, Allstate, Progressive, GEICO are concerned. Those are
21 the major companies that Enterprise deals with.

22 One other example. Behind me somewhere is our
23 Director of Business Rental Sales, who very recently negotiated
24 rates with one of our largest customers, Hershey. All right.
25 So Hershey customers rent when they come in to travel. They

1 travel out of the state, or they might fly into our airports
2 and rent. And we negotiated a rate --- it was between an
3 increase of 25 cents or 50 cents for the next three years, an
4 Enterprise rate with Hershey. My director lost that, and so
5 the increase only went up 25 cents. But that tells you how
6 that margin is for both Enterprise and the company. For him to
7 have to call Hershey and say your rate just went up, in
8 essence, \$4 would be a phone call he doesn't want to make,
9 which is why he's here, because he represents 15,000 of those
10 customers in the state, Hershey, Rite Aid, TE Connectivity and
11 others.

12 Now, Enterprise Holdings is not just a company that
13 says no, so we understand the importance of a quality and
14 sustainable transportation infrastructure. For example, there
15 may be no organization in Pennsylvania that registers more
16 vehicles than Enterprise Holdings, but you will not hear us
17 oppose proposals to increase the registration fee for vehicles
18 because that is a fee that is applied across the board for all
19 users. So what concerns us are proposals to increase fees that
20 our customers or the car rental industry pay for directly. The
21 expected increase in vehicle registration fees combined with a
22 Rental Car Tax unfairly targets our industry, we believe.

23 So as you contemplate how to move forward with
24 Senate Bill 1 and transportation funding, in general, I would
25 respectfully urge you to stay away from increasing the

1 statewide Rental Car Tax in your proposal.

2 And before I pass to Bob, one thought on something
3 that I will --- I will put in a completely separate bucket, and
4 that is the aspect of Senate Bill 1 that is --- allows a
5 provision for the assessment of up to an \$8-a-day customer
6 facility charge on rental vehicle transactions, specifically at
7 Philly Airport. And the revenue generated from this fee will
8 be used for costs related to the construction of a CONRAC, a
9 Consolidated Car Rental facility and other expenses associated
10 with the facility. A CONRAC typically is a complex that hosts
11 numerous rental car companies and provides the customer with a
12 convenient mechanism for picking up and dropping off rental
13 vehicles at the airport. CONRACs and fees, such as CFCs
14 associated with the construction and upkeep of the facility,
15 are common at large airports across the country. Now, because
16 this fee is dedicated for a specific and beneficial use for our
17 consumers, Enterprise Holdings does not oppose the provision.
18 We worked closely with other rental car providers at the
19 airport, in the City of Philly, on this matter, and it is our
20 understanding that all parties involved are in support of the
21 provision. We are comfortable with the provision because we
22 believe the language in the Senate bill ensures that revenues
23 derived from the airport fee will be used for a project that
24 will directly benefit our customers.

25 So some maybe wonder why --- how we can oppose the

1 statewide Car Rental Tax but be okay with an \$8-per-day fee at
2 an airport location. The answer is quite simple. The proposed
3 \$8 fee is directly tied to a project that will, indeed,
4 directly benefit our airport customers. An increase in the
5 statewide tax on our customers would be completely random and
6 perhaps have the appeal of a largely --- largely being paid by
7 out-of-towners. But that is just not the case, as I stated
8 earlier. Thank you very much for listening to my testimony.
9 And I'm certain Bob's testimony is not as lengthy as mine.

10 CHAIRMAN HESS: Thank you. Bob, are you ready to
11 proceed?

12 MR. BOUTA: Thank you. Well, as Greg indicated, I'm
13 here on behalf of the rental car industry as it relates to a
14 very specific project, and that's the opportunity to develop a
15 Consolidated Rental Car facility at Philadelphia International.

16 The airport has a major, major construction goal at
17 that airport involving potentially runway extensions,
18 remodelings of the terminals and a Consolidated Rental Car
19 facility. They have a crying need for such a facility. The
20 facilities there are extremely inadequate. In fact, I'm old
21 enough that I was around when they were first built, and they
22 haven't been improved since then.

23 They came to us and said, look, we --- we would like
24 to do a Consolidated Rental Car facility here similar to the
25 facilities that have been built in Dallas, in Houston and

1 Phoenix, the one that's going to open in Boston this fall. We
2 would like to do it. We would like to have the industry's
3 support with respect to it. We are going to go to the
4 legislature to get the implementation of a CFC to do it. Will
5 you, as an industry, support us? And we said we would like to
6 sit down and talk with you about it. We want to make sure that
7 the facility is adequate for the long term, is designed in a
8 way that truly serves our customers, and will really function
9 and work and be at a cost that's affordable for the airport,
10 the industry and our customers. And over a period of time we
11 were able to come up with a good consensus position on moving
12 forward to develop such a facility. And the conclusion of the
13 industry and of the airport and of some consultants that are
14 looking at it is that a CFC would be necessary, as it is in all
15 these cases, and that a good starting point was an \$8-a-day
16 CFC. But that fee is very specifically designed for the
17 limited purpose of constructing and financing this facility
18 and, throughout the process, is going to be closely monitored
19 to make sure that the facility fits the size and the needs but
20 also is affordable. And I think that's quite different than
21 what Greg was talking about earlier, where you're talking about
22 a unilateral fee that's imposed across a broad group of people.

23 We support the position that Enterprise has talked
24 about with respect to the tax and really think there's a huge
25 distinction between a tailored fee to a limited group of

1 people, who will ultimately benefit from the facility that's
2 been built, as opposed to a general fee imposed upon a group of
3 people that probably will see marginally, if any, benefit. So
4 I'm here primarily to support the Philadelphia CFC but do have
5 opposition to the Rental Car Tax proposal. And that's really
6 all I have to say.

7 CHAIRMAN HESS: Thank you, gentlemen, for your
8 testimony here this morning. I appreciate you taking your
9 time. Representative Kortz, I'm sorry.

10 REPRESENTATIVE KORTZ: Thank you, Mr. Chairman.
11 Thank you, gentlemen, for your testimony. Mr. Chairman, I can
12 confirm what Mr. Cavoli was saying, because I currently have an
13 Enterprise rental car when my engine blew up in my car last
14 week coming to Harrisburg. So I appreciate it. You're about a
15 mile from my house, and it just works very well.

16 Gentlemen, for both of you, other than the CFC
17 issue, are you supportive of Senate Bill 1? You really haven't
18 said that. CFC aside, if we can address that. Are you for
19 Senate Bill 1?

20 MR. CAVOLI: Does it include a statewide Car Rental
21 Tax? It doesn't today, so ---.

22 REPRESENTATIVE KORTZ: Well --- no, the statewide
23 tax ---

24 MR. CAVOLI: Yeah.

25 REPRESENTATIVE KORTZ: --- it's not in there now.

1 MR. CAVOLI: Yeah. And I think, while we aren't
2 thrilled with registration increases, because that does have an
3 impact, it's broad based, so yes.

4 MR. BOUTA: Our company would have a similar
5 position. Obviously, we're here for the CFC, but we think the
6 bill has merit as long as there's no increase with regard to
7 the tax.

8 REPRESENTATIVE KORTZ: Okay. Thank you, Mr.
9 Chairman.

10 CHAIRMAN HESS: Thank you. Any other questions?
11 Thank you, gentlemen, for your time and your testimony.
12 Appreciate it.

13 MR. CAVOLI: Thank you.

14 CHAIRMAN HESS: The Philadelphia Regional Port
15 Authority is up next; Nicholas Walsh, Director of Planning and
16 Development; Donald Brennan, Director of Governmental & Public
17 Affairs. And the Pittsburgh Port --- Port Commission; James R.
18 McCarville, Executive Director. And you fellows can flip a
19 coin and see which one goes first.

20 MR. MCCARVILLE: Who is going to go first?

21 CHAIRMAN HESS: You may proceed when you're ready.

22 MR. WALSH: Thank you, Mr. Chairman and members of
23 the Transportation Committee for giving us the opportunity to
24 speak. The Philadelphia Regional Port Authority --- first let
25 me address the fact that our Executive Director, Jamie

1 McDermott, cannot be here today because his wife's mother, his
2 mother-in-law, has passed away and the funeral services are
3 today. So he gives his regrets for not being able to attend.

4 CHAIRMAN HESS: I'm very sorry to hear that.

5 MR. WALSH: The Philadelphia Regional Port Authority
6 is an independent agency of the Commonwealth of Pennsylvania.
7 It was created in 1989. From the very beginning, since it was
8 purchased from the City of Philadelphia, Governor Casey at the
9 time and members of the General Assembly recognized that
10 Pennsylvania needed an international port. The governors who
11 followed, including Governor Corbett, have provided the
12 necessary support to the Authority, making it an advantage and
13 an advocate for maritime commerce in the region. The
14 legislature has also been very helpful in carrying ---?

15 CHAIRMAN HESS: Could you pull your mic a little
16 closer. There's a problem --- some of us have a problem with
17 hearing.

18 MR. WALSH: A little better?

19 CHAIRMAN HESS: Yes.

20 MR. WALSH: The legislature also was very helpful in
21 carrying out that mission. The Delaware River is truly an
22 international highway for Philadelphia and the Commonwealth of
23 Pennsylvania. Last year our nine marine terminals handled
24 close to 4.5 million tons of cargo. We had more than 600 ocean
25 liner vessels that are able to traverse the world, large

1 carriers that called our facilities --- provided many jobs into
2 our region. And the overall impact that Philadelphia Regional
3 Port Authority has, we have just over 2,000 direct jobs and
4 close to 2,500 indirect jobs, for close to a total of 5,200.
5 Nearly \$100 million in tax revenue was generated from our
6 facilities, and the business revenue from those facilities was
7 \$725 million.

8 When I mentioned the highway to the world, this is
9 essentially what I was referring to as regards to the Delaware
10 River. We're currently deepening the river from 40 to 45 feet.
11 The state and PRPA currently has 25 percent of that cost. The
12 Army Corps or federal government has the remaining cost. And
13 we're currently 60 percent complete with the deepening of the
14 Delaware River. It's a key battle for us, considering that the
15 ships are getting larger, and we just basically want to
16 maintain our spot and increase our opportunity to receive
17 vessels. In 2015, the Panama Canal will open, and we will be
18 one of the ports capable of handling the larger vessels,
19 thereby increasing the trade through Pennsylvania and
20 increasing revenue to our facilities. As part of this
21 endeavor, we've also taken on the task and the public/private
22 partnership to have the first marine terminal developed in
23 Philadelphia in the last 50 years, and that is known as
24 Southport. And currently we have all the necessary permits and
25 everything in place for that, and our next phase will be our

1 negotiation with a public/private partner that's --- that we
2 have had an agreement with to move forward on that. And we
3 just completed that over a month ago. So conversations will
4 begin very shortly.

5 Also, I just want to mention that it is --- we are
6 pleased with the recent move from the Department of Community &
7 Economic Development to PennDOT. We feel it's important that
8 the ports and waterways now enjoy a high level of significance
9 as some of the more traditional modes of transportation in the
10 Commonwealth. With your help, the PRPA is leading the way in
11 keeping Pennsylvania's only international seaport vibrant and
12 competitive in a changing global environment. And we're
13 excited to tell our story on behalf of the Authority. Without
14 exception, we're very in support of SB 1. Thank you.

15 CHAIRMAN HESS: Thank you.

16 MR. MCCARVILLE: Thank you, Mr. Chairman, members.
17 I'm James McCarville. I'm the Executive Director for the Port
18 of Pittsburgh Commission. And the Port of Pittsburgh
19 Commission is an affiliate commission of the Commonwealth.
20 Unlike Philadelphia, we do not own or operate any of our
21 facilities. It is a hundred percent privatized. But those
22 private industries account for over 200,000 direct or indirect
23 or induced jobs, dependent upon a healthy waterway system. And
24 our job is to try to make that system as competitive as
25 possible and to integrate that system into the life of

1 southwestern Pennsylvania.

2 We have a small staff of --- it's only five persons.
3 We operate with a traditional budget of about \$950,000. That's
4 typically what we have received over recent years. With that
5 money, we've been able to leverage in the last three years over
6 \$10 million in port security grants, \$3 million in public and
7 private --- federal and private investment to clean up the
8 vessel engines, improve the air quality of the region. And
9 we've been awarded \$14 million in public and private funds for
10 SEAMEC to do the same thing. We are the --- nationally
11 speaking, we're the 21st largest port, even though we are on
12 the inland waterway. We see great opportunity in the natural
13 gas industry, not only in the handling of the cargos but in the
14 reduction of the cost of doing business. We think this will
15 have a lot of impact on spurring other industries using the
16 waterways to locate in --- in southwestern Pennsylvania.

17 We're also working closely with Carnegie Mellon
18 University on a project to bring broadband wireless down to the
19 waterways. And I want to acknowledge Representative Kortz came
20 out last week --- last weekend to inspect that project. We
21 thank him very much for that. But our system infrastructure is
22 at great risk. It is not an obligation of the Commonwealth to
23 provide the funds for that, but your support for the Port of
24 Pittsburgh allows us to work with industry, the media and the
25 federal representation. We do believe that there is some bills

1 that have been introduced that have the support of industry,
2 again, not unlike some of the other transportation industry ---
3 interests. The towing industry has said they want to see an
4 increase in their --- in their taxes because it's important to
5 fix this infrastructure.

6 We certainly support SB 1. It provides --- we think
7 it provides sufficient funding for all ports to be able to
8 operate competitively and efficiently. And it provides the
9 opportunity to compete on special projects that would qualify
10 under the intermodal fund. So we're very supportive of that
11 effort. Thank you.

12 CHAIRMAN HESS: Representative Carroll?

13 REPRESENTATIVE CARROLL: Thank you, Mr. Chairman.
14 Mr. Walsh, just some context before I ask my question. First,
15 I'm a supporter of the Port of Philadelphia, as I am with the
16 Port of Pittsburgh and Erie. And I live with Bill Keller,
17 who's no --- there's no bigger supporter of the Port of
18 Philadelphia in this capitol than Billy Keller.

19 The question I have for you is related to the
20 deepening of the Delaware River. As I understand from your
21 testimony and my own knowledge, that process is underway and
22 will be completed shortly, and it's paid for with a 75/25
23 federal/state split?

24 MR. WALSH: That's correct.

25 REPRESENTATIVE CARROLL: Is there an annual cost to

1 maintain that depth in the river after the dredging is
2 completed?

3 MR. WALSH: Yes, there is. And that cost is taken
4 on by the Army Corps of Engineers. And they currently maintain
5 the 40 foot that we have currently. So part of the difficulty
6 in raising the money in the beginning was that you always had
7 to maintain the depth --- the new depth you would go to. So
8 that was the difficulty as part of that, because it's an
9 ongoing cost to the federal government. But thankfully, we're
10 over those hurdles. And all the costs to maintain that depth
11 will be --- to maintain the channel will be on the federal
12 government.

13 REPRESENTATIVE CARROLL: That's important to me
14 because, when I contemplate the use of the funds in the
15 intermodal port, I was sitting here, as I listened to your
16 testimony, thinking I wonder how much it's going to cost us to
17 keep the Delaware River at that depth. I'm thrilled to hear
18 that it's a core function of the Corps. Thank you, Mr.
19 Chairman.

20 CHAIRMAN HESS: You may proceed.

21 MR. BRENNAN: Mr. Chairman, first of all, I'd like
22 to thank you to have us before the Committee today. In the
23 interest of time, my colleague, Mr. Walsh's comments, will be
24 more than sufficient for the Philadelphia Regional Port
25 Authority. But again, we'd be happy to answer any questions.

1 And we will be submitting written testimony. Thank you for
2 having us.

3 CHAIRMAN HESS: Thank you. Thank you very much.
4 Thank you very much for coming in this morning. And we're
5 looking forward to reading your testimony.

6 MR. BRENNAN: Thank you.

7 MR. WALSH: Thank you.

8 CHAIRMAN HESS: Now we'll have our last testifiers,
9 the bicycle and pedestrian quality of life issues; Alex Doty, I
10 think that's --- Doty, Executive Director of Bicycle Coalition
11 of Greater Philadelphia; and Jennifer Ebersole, Government
12 Relations Director of the American Heart Association; and
13 Lieutenant General (Retired) Dennis Benchhoff, U.S. Army
14 Mission: Readiness; and Jack M. Macheck, President and CEO of
15 100 --- 10,000 Pennsylvanians. Whichever. You may do so.

16 MR. DOTY: Thank you. My name is Alex Doty, and I
17 am the Executive Director of the Bicycle Coalition of Greater
18 Philadelphia and Pennsylvania Walks & Bikes. And thank you for
19 the opportunity to testify today on behalf of the needs for
20 comprehensive transportation funding for biking and walking and
21 the importance of funding those forms of transportation.

22 And for me, the needs around biking and walking and
23 around a comprehensive transportation funding for the state
24 really is distilled down to a couple of issues. One is about
25 safety. And one of the things that we see in designing

1 facilities well for biking and walking is that we are often
2 able to make those facilities safer for all users of that
3 street. So the best example I have of this is that, on Spruce
4 and Pine Streets in Center City, Philadelphia, we removed a
5 travel lane and put in a bike lane on that street. We did not
6 impact the travel time of cars going across from the Schuylkill
7 to the Delaware, but what we did do is reduce all crashes, all
8 reportable crashes, on that street by 44 percent. So it was a
9 facility that was put in for bicyclists but is something that
10 is keeping motorists out of the hospital and keeping motorists
11 from having their cars towed and having to have all the work
12 that needs to be done on crashes and such and that there is a
13 real cost to having unsafe transportation infrastructure.
14 Certainly there is the cost to having bridges that are in
15 danger of having structural failure, but there is also the
16 danger for not designing roads well --- or not designing them
17 as well as we can around safety. And that for the City of
18 Philadelphia, the Mayor's Office of Transportation and
19 Utilities estimates that that cost of motor vehicle crashes is
20 over a billion dollars a year for the City of Philadelphia or
21 to the --- to the cost of the economy of Philadelphia.

22 And one of the great things about designing for
23 biking and walking, particularly biking, is that we can often
24 do this rather inexpensively if we integrate this into planning
25 early in the process. What we're doing today is often trying

1 to retrofit roads that were not properly designed for all of
2 the users of that road. And if we can --- and I think PennDOT
3 has made important strides and important commitments to doing
4 better planning and bringing in a full-time bicycle and
5 pedestrian coordinator. But this also comes to my second point
6 about comprehensive transportation funding. It should also be
7 giving people choices. And so, I am not an advocate for saying
8 that everybody should be on a bike or that every street should
9 have a bike lane, but what I do believe is that we should not
10 let the infrastructure determine what my choices are for how it
11 is that I want to get around. And so that when I have choices
12 for a motor vehicle, for public transportation, and for biking
13 and walking, I have the chance to make healthy choices. I
14 often have the chance to make more convenient choices. And
15 particularly, I have the chance to make choices where I might
16 actually enjoy that more.

17 And that gets to my final point about comprehensive
18 transportation funding, which is that this is --- biking and
19 walking is also an important piece about attracting job ---
20 attracting jobs to Pennsylvania. And what we know in
21 Philadelphia is that we've been able to attract a lot of
22 employers who are looking for the kinds of younger information
23 --- information-age employees who really find the --- that they
24 --- when they have the choice to bike and walk in a safe and
25 convenient way, that that is an important attractor for them

1 about the places where they choose to live and the places where
2 they choose to work.

3 So I am here to say that we are strongly in favor of
4 the funding levels that are set for SB 1, and we are very happy
5 to see that, for the first time in the history of Pennsylvania,
6 that we have an amount that is set aside for biking and
7 walking. It's not --- but what we're also excited about is
8 that we see PennDOT planning for having biking and walking be
9 something that they are integrating in a more routine way into
10 all projects.

11 CHAIRMAN HESS: Thank you very much.

12 MS. EBERSOLE: Thank you, Chairman Hess and members
13 of the Committee. On behalf of the American Heart Association,
14 my name is Jen Ebersole. I'm the Government Relations Director
15 for Pennsylvania. We thank you for the opportunity to be here
16 to talk about the importance of making sure that all modes of
17 transportation are included in a final transportation plan, but
18 more specifically, that there is a carve-out for walking and
19 bicycling as an important component of that.

20 I would like to echo everything that Alex did talk
21 about today around safety and job creation. And I'm really here
22 to talk about the fact that there is a public health component
23 to this as well. It's certainly not something that you would
24 automatically think about. The American Heart Association, the
25 American Stroke Association, we are one of the largest

1 voluntary health organizations in the country. We also
2 represent tens of thousands of volunteers right here in
3 Pennsylvania who have a specific interest in this issue as
4 well.

5 The reason that we're involved in this, over the
6 past two years we've been really talking about looking at how
7 you can integrate using public health as an integration ---
8 Alex also mentioned integration --- into transportation
9 planning can really have a deep impact on improving the
10 public's health. And the decisions that are made in this
11 transportation plan can really go a long way to do that.

12 More and more studies are showing that actually
13 integrating health objectives within the transportation and
14 community planning actually creates more active communities.
15 It creates more balanced transportation systems and is also a
16 cost-effective approach to increasing the public's health. And
17 unfortunately, in Pennsylvania and across the country, you
18 know, we live very sedentary lifestyles. We're relying too
19 much on cars to take us from one place to another. We're
20 relying on video games and technology to preoccupy our time.
21 And unfortunately, it's created a lifestyle --- a very
22 sedentary lifestyle. And what's happened is that that is
23 actually doubling people's risk for developing heart attacks,
24 other heart conditions, strokes and other cardiovascular
25 events. So looking at ways that we can get communities more

1 active, more physically active, actually has a public health
2 benefit.

3 When we're looking at a population --- here in
4 Pennsylvania, where over 65 percent of people are overweight
5 and 16 percent of children are overweight and almost 70 percent
6 of our children do not get recommended levels of physical
7 activity throughout the course of the day, it's a real problem
8 that leads to all sorts of chronic conditions, such as high
9 blood pressure, high cholesterol, diabetes, all of these things
10 that add to the obesity epidemic. And unfortunately, if we
11 don't find solutions to help reduce obesity, such as
12 integrating public health planning in transportation projects,
13 we're actually going to be facing the first in our --- in our
14 history, that our children will not be outliving the adults.
15 And there's proven statistics on that. So that's why we really
16 need to find out-of-the-box thinking, cost-effective strategies
17 at finding out how we can help reduce obesity rates. And that
18 is exactly why the American Heart Association is here today and
19 why we really do support the funding levels in Senate Bill 1.
20 It creates these bicycle and pedestrian policy direction and it
21 supports a dedicated funding stream for them.

22 I'm not going to go through the studies. We did
23 submit written testimony in the interest of time. But I do
24 want to point out there are growing studies that show these
25 types of walking and bicycling facilities integrated into

1 health --- integrated into transportation planning really do
2 improve the public's health.

3 I do want to point out one statistic, though. We
4 have studies that show that for every one dollar, we're talking
5 about common ---

6 MR. DOTY: Dollars.

7 MS. EBERSOLE: --- dollars and cents --- thank you,
8 Alex. Today. For every one dollar that's invested into
9 walking and bicycling initiatives, it yields three dollars in
10 medical cost savings. So it really is a common-sense approach
11 to integrate into the transportation plans.

12 So on behalf of the American Health Association, I
13 do ask for your support of Senate Bill 1 and to make sure the
14 final transportation funding plan is adequate enough so that it
15 also includes bicycling and walking initiatives as part of the
16 final plan. Thank you.

17 CHAIRMAN HESS: Thank you. General?

18 LIEUTENANT GENERAL BENCHOFF: Chairman Hess and
19 distinguished members of the Committee, thank you for inviting
20 me to testify today. I'm privileged to have this opportunity
21 to detail my support for Senate Bill 1 that makes the first
22 ever dedicated state investment in making our roads and
23 communities safer for bicyclists and pedestrians.

24 From my perspective, such an investment is not only
25 a benefit to public health, as outlined before, in our

1 Commonwealth but also our future national security. My name is
2 Dennis Benchoff, and I'm a retired Lieutenant General of the
3 United States Army. I'm also a member of Mission Readiness, a
4 non-profit national security organization of over 350 retired
5 general officers and admirals who are dedicated to reversing
6 the large percentage of American youth that are ineligible
7 currently for military service.

8 In 2009, the Department of Defense issued a warning
9 regarding a new threat to national security, the fact that 75
10 percent of our nation's 17 to 24-year-olds are not fully
11 eligible to serve in the military, primarily because they are
12 physically unfit, are too poorly educated or have disqualifying
13 criminal records. Being overweight or obese is the leading
14 medical disqualifier for military service, barring one out of
15 every four potential recruits. If this situation is left
16 unchecked, this troubling state of our youth could seriously
17 undermine our future military recruiting efforts.

18 As Ms. Ebersole outlined, childhood obesity rates
19 have tripled in the past 30 years, in part because a large
20 percentage of our children do not receive the recommended
21 amount of daily physical activity. Compounding this problem is
22 the fact that our communities are often designed without regard
23 to safe walking and biking roads between community parks,
24 playground, schools and residential neighborhoods. Cities and
25 communities that do not invest in making the developed

1 environment safe and accessible to bicycles and pedestrians
2 afford their residents more options to build physical activity
3 into their daily routine, as outlined before.

4 Mission Readiness joins groups like the American
5 Heart Association, the American Diabetes Association, American
6 Cancer Society, and the Pennsylvania Chapter of the American
7 Academy of Pediatrics in supporting a comprehensive
8 transportation funding plan that includes sufficient resources
9 for the proposed multimodal fund that makes the first ever
10 dedicated state investment in active modes of transportation
11 like bicycling and walking.

12 Transportation systems have always played a vital
13 role in defense logistics and overall national security. A
14 comprehensive transportation system that supports bicycling and
15 walking is a needed step to reversing our nation's obesity
16 epidemic and reversing the large percentage of American
17 military youth that are simply too overweight to join the
18 military. So we strongly support this provision of SB 1.
19 Thank you for this opportunity to testify.

20 CHAIRMAN HESS: Thank you very much. You may
21 proceed.

22 MR. MACHEK: Mr. Chairman, good afternoon,
23 Representative --- Representative Carroll. My name is Jack
24 Machek. I'm the president of 10,000 Friends of Pennsylvania.
25 10,000 Friends, our core competency is in land use and in

1 multimodal community improvement advocacy. So we're not only a
2 walking and biking advocate; however, we strongly support the
3 walking and biking --- walking and biking investments and
4 options, as was mentioned by those who testified before me, and
5 also the public health consequences of not investing in them,
6 as Jennifer alluded to, and the General.

7 And so I'm here for two purposes here today, Mr.
8 Chairman. One is to say that the kind of investments that do
9 these things that we're here to advocate for have actually been
10 cut over recent years. And if there's a new transportation
11 bill, at \$1.7 or \$2, or \$2.5 billion, hopefully we can make a
12 significant investment to restore those cuts or to invest in
13 these --- in our communities, and two, to suggest a way that we
14 could do that.

15 And so let me start there. We believe --- we
16 strongly support the multimodal fund concept. We have a long
17 history of working with PennDOT and with your committee, Mr.
18 Chairman. However, the multi --- we view the multimodal fund,
19 as presently constructed in existing legislation, primarily
20 emphasizes freight and freight movement. And that's very
21 important. \$60 to \$80 million a year is quarantine, you know,
22 for freight movement out of the multimodal fund. We think that
23 the kind of community enhancements and improvements, walking
24 and biking amenities, streetscaping in our traditional
25 downtowns and business districts, improvements to our

1 traditional neighborhoods, having safe ways for kids to walk
2 and bike to school or to get to a playground after school, bike
3 racks for transit users, transit amenities that promote
4 transit-oriented development, all these community enhancements,
5 they ought to be a priority of the multimodal fund as well ---
6 as well as just freight. So what we can do is we can have the
7 multimodal fund stay as constructed and have the money that's
8 there for freight but also have community transportation,
9 multimodal community transportation improvements be added to
10 the multimodal fund as a priority as well, and do the kind of
11 things that we're all here to advocate for to enhance our
12 communities.

13 Two things about that. The Federal Transportation
14 Bill, Map 21 that was just signed last year, is flat funding
15 overall, the same amount of money overall to PennDOT that it
16 got previously. But within the bill it mandates that PennDOT
17 spend more money on interstate highway system and less money on
18 community improvements. So the Transportation Enhancement
19 Program, the Safe Routes to School Program, the Recreational
20 Trail Program, were all cut and eliminated. And they were
21 replaced by a program that is less money. The Congestion
22 Mitigation Air Quality Program was also cut. Again, less money
23 for the kind of community --- for the kind of community
24 improvements that we're talking about.

25 Two other initiatives, the Pennsylvania --- the

1 Community Transportation Initiative that we worked with ---
2 that 10,000 Friends worked with, with your predecessor,
3 Chairman Geist, that is also sunset and been eliminated. And
4 the Hometown Streets Program, which was an initiative of
5 PennDOT's that provided \$50 million a year for streetscaping
6 and walking and biking amenities, that also has gone away. So
7 community transportation amenities are --- even today versus
8 five years ago, are down about --- it depends on how you do the
9 accounting, \$70 to \$75 million. We would have to add \$75
10 million for community transportation enhancements just to get
11 even to where we were five years ago.

12 So what we are proposing is, again, simply to keep
13 --- we think it's a great idea to have a multimodal fund. We
14 believe it's a great idea to promote the different modes of
15 transportation and have options for folks. But let's have a
16 --- let's make community investments, multimodal investments a
17 priority as well as just freight, and let's add a significant
18 amount of money to it, which would only be ten percent out of a
19 \$2 billion --- a \$2 bill --- excuse me, out of a \$2 billion
20 bill.

21 And finally, my last point on the public health
22 crisis and the public health metrics that some of the previous
23 testifiers have mentioned, another thing that's required ---
24 the feds have required is that Pennsylvania create performance
25 measures for its transportation network going forward. It's

1 going to be a requirement that the Federal DOT and Federal
2 Highway is working on right now and will publicize regs soon.
3 We think that public health metrics and the performance
4 measures --- that performance measures ought to be created, and
5 we suggest a way to do that in our testimony that we leave with
6 you today, Mr. Chairman. The performance measures out to be
7 created both to promote community transportation, to promote
8 different modes of transportation, and to promote public health
9 measures and see how we're doing to improve those. So we think
10 that by fixing our existing infrastructure first, by
11 prioritizing communities in the multimodal fund and by making
12 these investments and by creating performance measures that
13 make sure that our system is operating optimally and that the
14 taxpayers are getting the greatest return on their investment,
15 we very strongly believe that that would be a way forward in
16 support of Senate Bill 1.

17 We also think that, finally, Mr. Chairman, that we
18 know that these bills only come along every once or 15 or 20
19 years, and it's important that we make the --- if we're going
20 to do this, that we make all the investments that we need to
21 make and we make all the investments to do it right. And we
22 certainly would --- would stand and fight with those who are
23 willing to do that along with us. So thank you for the
24 opportunity to talk today, and all of us will be glad to answer
25 any questions that you may have.

1 CHAIRMAN HESS: Thank you for your testimony.
2 Representative Carroll, a question?

3 REPRESENTATIVE CARROLL: Thank you very much. Jack,
4 I thought I heard you say in your testimony that the multimodal
5 fund provides somewhere in the neighborhood of \$60 million or
6 \$80 million for rail freight.

7 MR. MACHEK: Not only rail freight, Mr. --- I'm
8 sorry.

9 REPRESENTATIVE CARROLL: As I understand it, it's a
10 \$160 million fund, and there's thresholds that exist for all
11 the various modes. And rail freight has a minimum threshold of
12 \$10 million.

13 MR. MACHEK: Yeah. The multimodal fund --- going
14 back to the TFAC Report and Senator Rafferty's bill, the
15 freight portion would include the aviation, you know, the
16 aviation towers, water ports, both deep and inland ports, and
17 rail freight. And then there's also an inner city passenger
18 rail. All those components combined total \$60 million
19 initially, \$80 million-some over a couple of years. And what
20 we're saying is the money above and beyond that --- we're not
21 saying to take money from the freight --- the freight pots of
22 money. We're saying to add to it and explicitly make sure that
23 it is for community, multimodal community improvements.

24 REPRESENTATIVE CARROLL: Well, I appreciate that.
25 And I do think one of the strong components of Senate Bill 1 is

1 this multimodal fund and the ability to direct at least minimum
2 thresholds to the various modes, with the ability for the modes
3 to come forward with projects that could be compelling that
4 could warrant additional funding, that gets us to the maximum
5 annual allocation. So I really do think that that multimodal
6 component of Senate Bill 1 is critical with respect to all of
7 the things that you're talking about. And I am a strong
8 believer that many, many of these components, many of these
9 modes, biking and walking and the rest, are critically
10 important. We have a wonderful success story in my third-class
11 city, in Pittston, with respect to a streetscape project that
12 really has transformed the atmosphere in the downtown. And so
13 I think that that component of the transportation network
14 cannot be overlooked, and I thank all of you for your
15 participation and your advocacy for all these various modes.
16 And General, I appreciate your comments as well. If we get
17 nothing more out of these hearings than just --- just deal the
18 facts, that we have such a high percentage, I thought I heard
19 you say 70 percent of --- 75, it's worse, of our 17 to
20 24-year-olds, or somewhere thereabouts, ineligible to serve for
21 a series of reasons, but the primary reason being, you know,
22 the physical inability to serve, that is a problem. And we
23 have --- as policymakers, have to address that problem. So I
24 appreciate your time today. Thank you.

25 MR. DOTY: May I add one?

1 CHAIRMAN HESS: Sure.

2 MR. DOTY: Thank you. Philadelphia is one of the
3 few cities that has seen a reduction in obesity rate in the
4 last year. And while we're not at the point where you could
5 get to a study that says this is why that happened, what we can
6 say is that the City of Philadelphia and the Health Department
7 there embarked on an ambitious and broad-spectrum effort in
8 order to try and address obesity in Philadelphia. But a large
9 component of that was about trying to make funding, planning to
10 make streets safer for biking and walking, and funding one of
11 the largest Safe Routes to School Programs in the country,
12 which is currently operating in the City of Philadelphia. So
13 we can --- we can't exactly say this was because of that, but
14 what you can say is that Philadelphia made this effort that
15 very much included transportation and is one of the few cities
16 that is seeing success in reducing the rate of obesity.

17 MR. MACHEK: Mr. Chairman?

18 CHAIRMAN HESS: Thank you very much for your ---.

19 MR. MACHEK: One final point as well, Mr. Chairman.
20 I should have mentioned in my testimony that one of the
21 limitations on the size of the multimodal fund as currently
22 envisioned is because --- is the flexibility of these fees, the
23 new fees that are in the Senate bill.

24 One thing I wanted to point out is those fees are
25 necessary for some of the freight improvements, such as to

1 ports, the aviation, because they are not Motor License Fund
2 eligible. However, the kind of community improvements that
3 we're talking about, they are Motor License Fund eligible,
4 because a lot of them are roadside improvements, a lot of them
5 are in the right-of-way. A lot of them are streetscape and
6 sidewalk, street lighting improvements. Those are all in the
7 right-of-way. Those are all roadside improvements, bike paths,
8 trails. They are all --- many of them are multi --- are motor
9 licensed fund eligible. So they're not encumbered only by
10 using the fee money for these purposes.

11 CHAIRMAN HESS: Thank you very much for your
12 testimony. I appreciate you coming in this morning.

13 MR. MACHEK: Thank you.

14 CHAIRMAN HESS: And with that, I'd like to remind
15 the members that tomorrow morning the hearing will continue in
16 the Majority Caucus room at ten o'clock. So at this time we're
17 going to recess until that. Thank you very much for your
18 attention. Meeting adjourned --- or recessed.

19 HEARING RECESSED AT 1:06 P.M.

20 * * * *

21 RECONVENED AT 10:00 A.M., ROOM 140, MAJORITY CAUCUS ROOM

22 TUESDAY, JUNE 18, 2013

23 * * * *

24 CHAIRMAN HESS: Good morning, ladies and gentlemen.

25 Welcome to our fourth meeting of the Transportation Committee

1 concerning highway funding. I want to welcome you here this
2 morning and remind everybody that this is being recorded.

3 Before we begin, Barb, would you please take roll?

4 MS. RAMSEY: Chairman Hess?

5 CHAIRMAN HESS: Present.

6 MS. RAMSEY: Harhart?

7 REPRESENTATIVE HARHART: Here.

8 MS. RAMSEY: Harper?

9 REPRESENTATIVE HARPER: Here.

10 MS. RAMSEY: Harris?

11 MR. HARRIS: Here.

12 MS. RAMSEY: Heffley?

13 REPRESENTATIVE HEFFLEY: Here.

14 MS. RAMSEY: Hickernell?

15 REPRESENTATIVE HICKERNELL: Here.

16 MS. RAMSEY: Keller?

17 REPRESENTATIVE KELLER: Here.

18 MS. RAMSEY: Knowles?

19 REPRESENTATIVE KNOWLES: Here.

20 MS. RAMSEY: Marshall?

21 REPRESENTATIVE MARSHALL: Here.

22 MS. RAMSEY: Marsico? Micozzie?

23 REPRESENTATIVE MICOZZIE: Here.

24 MS. RAMSEY: Miller?

25 REPRESENTATIVE MILLER: Here.

1 MS. RAMSEY: Pyle?
2 REPRESENTATIVE PYLE: Here.
3 MS. RAMSEY: Quinn?
4 REPRESENTATIVE QUINN: Here.
5 MS. RAMSEY: Watson?
6 REPRESENTATIVE WATSON: Here.
7 MS. RAMSEY: Chairman McGeehan?
8 CHAIRMAN MCGEEHAN: Here.
9 MS. RAMSEY: Briggs?
10 REPRESENTATIVE BRIGGS: Here.
11 MS. RAMSEY: Carroll?
12 REPRESENTATIVE CARROLL: Here.
13 MS. RAMSEY: Gainey?
14 REPRESENTATIVE GAINNEY: Here.
15 MS. RAMSEY: Kinsey?
16 REPRESENTATIVE KINSEY: Present.
17 MS. RAMSEY: Kortz?
18 REPRESENTATIVE KORTZ: Here.
19 MS. RAMSEY: Longietti?
20 UNIDENTIFIED SPEAKER: On leave.
21 MS. RAMSEY: Parker?
22 REPRESENTATIVE PARKER: Here.
23 MS. RAMSEY: Santarsiero?
24 UNIDENTIFIED SPEAKER: On leave.
25 MS. RAMSEY: Schlossberg?

1 REPRESENTATIVE SCHLOSSBERG: Here.

2 CHAIRMAN HESS: Thank you. Thank you very much. I
3 thank everybody for coming. I'm begging your indulgence in
4 these long hearings, such as yesterday. This one, today,
5 probably will not be as long as it was yesterday, but I think
6 they're important under this very important subject we're
7 dealing with today.

8 Before we begin, Chairman McGeehan, would you like
9 to make a few opening remarks?

10 CHAIRMAN MCGEEHAN: No. I just want to thank you,
11 Mr. Chairman, for conducting these hearings. And it's nice to
12 see our old colleague back. I'm sure he misses us and look
13 forward to the hearing.

14 CHAIRMAN HESS: Are you sure of that? Thank you
15 very much for being here this morning. We appreciate it, Mr.
16 Auditor General. And you may proceed whenever you are ready.

17 MR. DEPASQUALE: Thank you. Thank you, Chairman
18 Hess. And thank you, Chairman McGeehan. And I want to commend
19 this committee for holding these hearings, funding our roads,
20 bridges and public transportation is a core function of state
21 government. And obviously there's going to be a debate about
22 how best to do that, but I appreciate you for taking up this
23 issue and for inviting me to testify.

24 Let me begin by saying that the hearings that I know
25 are looking at a series of factors of --- whether it be revenue

1 streams, different approaches that have been --- whether it be
2 by the administration, the House or the Senate. The issue that
3 I want to bring particular attention to and making sure that it
4 is not lost as we move forward in the transportation discussion
5 is a debt toward the Pennsylvania Turnpike, which I think is an
6 important issue and needs to be addressed in some way, shape or
7 form. And I'm going to give you my views on how I think that
8 may be best handled. But why it's important I think is
9 critical to maintain a vibrant Pennsylvania Turnpike going
10 forward.

11 This hearing is timely. And it's timely not just
12 because of the transportation issue but also because we are
13 actually releasing our report, our special report, on the
14 Pennsylvania Turnpike today that deals particularly with the
15 debt --- the debt the Turnpike is incurring and the long-term
16 ramifications.

17 We developed this special report to call attention
18 to, in a sense, the unforeseen impact that Act 44 of 2007 is
19 having on the Turnpike. And that unforeseen impact is mostly a
20 result of the tolling of Interstate 80 not occurring. So the
21 revenue stream that was meant to be the funding for Act 44,
22 when that was taken away, the obligations of the Pennsylvania
23 Turnpike continued. And so, without that funding stream,
24 something else needs to take its place. Now, I have submitted
25 testimony here that hopefully everyone on the committee has. I

1 want to hit on a couple key points of this testimony and then,
2 if it's okay with the Committee, take any and all questions.

3 For starters, I think the important number for
4 everyone to understand is that, without some fix to Act 44
5 debt, by the year 2021, from going from western Pennsylvania
6 border to the eastern Pennsylvania border, the toll would end
7 up being \$50, that the Turnpike would have to raise tolls to
8 meet their debt obligations. \$50. Now, I believe it is
9 already occurring now, but I am convinced that it will happen
10 more as the years go on, as the tolls have to continue to
11 increase by three to four percent every year. In some cases,
12 maybe even higher. And that is it will push more and more
13 traffic off of the Turnpike onto whether it be PA Route 30 and
14 other smaller roads that I do not believe are properly equipped
15 to handle that type of traffic. But for the trucking industry
16 or people on vacation or just general business commuters, money
17 is money. And if they do not feel that they can afford to make
18 that trip, they're simply going to be willing to accept a
19 longer trip. And a lot of trucking indust --- companies today,
20 they have computers in their trucks, and they make a
21 calculation, what is the cost of gasoline versus the longer
22 trip versus what is the cost of the toll. And as policymakers,
23 we always try to find that appropriate balance.

24 I believe that by the year 2021 the balance will be
25 entirely skewed the other direction. So that when you're

1 talking about a \$50 across-state trip, that is something that
2 will --- I think there's no doubt easily push significant
3 traffic off of our Turnpike. And in a sense, I think it would
4 cost us revenue in the long run and hurt the Turnpike's
5 long-term borrowing needs. That is why the debt issue has to
6 be addressed.

7 Now, there are different time frames on the debate.
8 I know that the Governor had eight years. I think the Senate
9 bill that is passed was six years. I think there was --- some
10 investment companies have been talking about five years. The
11 only thing I want to stress is it has to get done. I think the
12 sooner the better because you're --- the sooner it gets phased
13 out, the better. But I also want to point out that there are
14 significant funding obligations that come from Act 44. So as
15 it's phased out, new revenue in some way, shape or form has to
16 be put in to replace it. So for the Turnpike obligations in
17 paying for other roads and bridges and also for public
18 transportation that happens across the state, to simply
19 eliminate the Turnpike debt but not have a funding stream I
20 think would exacerbate the other issues that you have to deal
21 with when it comes to a broader transportation bill. So the
22 sooner the better on eliminating the Act 44 debt. I think that
23 will save money or at least limit further increases. But on
24 the same token, stressing that --- and I think Auditor General
25 Jack Wagner was right on with this one. He was hitting on this

1 his last couple months in office, and I want to reiterate this
2 today, that the longer we put off road, bridge and public
3 transportation investments, the more expensive it is going to
4 be in the long run. The cost of steel, concrete, labor is not
5 going down. And you know, as the Chairman pointed out, I am a
6 former colleague and I shared a conversation with the Chairman
7 that I want to reiterate here, that how difficult I know this
8 is to come up with a transportation package. It was one of the
9 town halls that I had in my last term and a constituent comes
10 up and says, you got to do something about the roads and
11 bridges in Pennsylvania. And I said, I agree. I said, do you
12 think we should raise the Gas Tax? Absolutely not. Absolutely
13 not. That's crazy. I said, okay. I said, do you think we
14 should raise vehicle and registration fees? Craziest idea I
15 ever heard. Do you think we should toll the interstates?
16 Absolutely not. That's crazy. That's a non-starter. I said,
17 well, do you think we should raise the oil franchise fees? No,
18 that's the dumbest idea I ever heard. I said, well, how do you
19 want us to fix the roads and bridges? He goes, why do you
20 think I don't run for public office? And so, I point that out
21 that I recognize --- I think the vast majority of
22 Pennsylvanians recognize there's no easy answer to this. And I
23 think the best we can do is put together a package that handles
24 the debt on Act 44, funds our priorities for roads and bridges
25 and public transportation, then go back to our communities and

1 make the case of why we did it. And the case is very simple.
2 We can't afford a \$50 across-state toll on the Pennsylvania
3 Turnpike. We can't afford to have our public transportation
4 not getting people to work. We can't afford to have roads and
5 bridges collapse and to have the weight restriction I know
6 that's happening --- on the verge of happening out in the
7 western part of the state in dramatic numbers, although it
8 could happen everywhere. Those weight restrictions will have a
9 direct negative impact on our economy. This is not easy, but I
10 am here to tell you that our special report points out and
11 we're going to be --- and that will be available for everyone
12 to see online today, and we're going to get that report out to
13 everybody, that without tackling the Act 44 debt on the
14 Pennsylvania Turnpike, the Turnpike's ability to borrow money,
15 the Turnpike's ability to help other investments and the impact
16 to the economy of literally not having people driving on that
17 turnpike and paying the toll --- if they do, it will be a
18 crippling toll increase, but what will also happen is traffic
19 will get pushed off onto the small roads, which will also have
20 a negative impact on roads and bridges that are not equipped to
21 handle that type of traffic. So my --- what I am imploring
22 everyone here today, as Auditor General, we have looked at this
23 thing, and it is just simply a numbers game. The debt on Act
24 44 must get tackled. I know the debate is between five and
25 eight years. The longer it takes to phase out that debt, the

1 more expensive it will be. And with that, again, thank you for
2 having me here. And I look forward to answering any questions,
3 whether it be about this or about the report that we're
4 releasing today.

5 CHAIRMAN HESS: Thank you very much for your
6 testimony. And I couldn't agree with you more about getting
7 rid of the debt on the Turnpike. But as I have said before,
8 literally to wipe it out all at once I think would be a
9 catastrophe ---

10 MR. DEPASQUALE: Right.

11 CHAIRMAN HESS: --- because we wouldn't have enough
12 money to backfill to do the things we need. If we was to phase
13 it in over a three-year, maybe even a five-year period, I think
14 that would work so much better in order to be able to do the
15 rest of the projects we need to do ---

16 MR. DEPASQUALE: Right.

17 CHAIRMAN HESS: --- without going deeper into ---
18 and going into fees and all that kind of stuff.

19 MR. DEPASQUALE: Absolutely.

20 CHAIRMAN HESS: But like I said, I do agree with
21 you, with this outstanding debt, that does affect the ability
22 of the Turnpike to be able to still keep up their traffic
23 counts or to maintain the number of vehicles that are traveling
24 every day that it takes for them to keep it up.

25 With that said, Chairman McGeehan?

1 CHAIRMAN MCGEEHAN: Thank you very much, Mr.
2 Chairman. And thank you, Auditor General, for testifying
3 today. And I know you're a keen student of history, so I don't
4 have to tell you the proud and storied history of the
5 Pennsylvania Turnpike, the first turnpike in this nation. It's
6 been in many ways the template for turnpikes --- every
7 subsequent turnpike. And although it's gotten some bad press
8 this year and in prior years, I think it's a system that should
9 be lauded and is --- is being --- being crippled by the actions
10 of the legislature and Act 44, of course.

11 I would hope that that's --- the same message you
12 deliver, which I think is timely and right on, should be
13 delivered to our federal officials in Washington as well to
14 give us the tools in this Commonwealth to be able to expand our
15 base of revenues. Your anecdotal story about your constituent
16 who said he wanted it fixed but has no solutions to it is I
17 think testament to our --- our predicament as we sit here today
18 and debate the Governor's plan and Senate Bill 1 and other ---
19 other versions of that. So I hope that your testimony today
20 reaches the --- our federal officials in Washington as well.

21 I am glad, too, that you talked about the tradeoff
22 for Act 44 and ending the payments to, obviously, PennDOT and
23 to the public transit agencies. I think it's important. But
24 your caution about doing that only when we have another source
25 is critical.

1 MR. DEPASQUALE: Right.

2 CHAIRMAN MCGEEHAN: You know, as the Auditor
3 General, the economic health and vitality of this state depends
4 on a predictable, sustainable funding base for public transit,
5 not only in our big cities but in our rural areas ---

6 MR. DEPASQUALE: Absolutely.

7 CHAIRMAN MCGEEHAN: --- as well. So with that
8 editorial, I'll just say that, you know, we appreciate you
9 being here. We thank you for your advocacy on the
10 transportation issue. And I couldn't agree with you more about
11 having the --- striking that critical balance when we do do
12 that tradeoff. I think every member here agrees that the
13 payments that the Turnpike is required to make under Act 44 are
14 onerous and are really diminishing the value of that critical
15 Commonwealth asset. And I appreciate you being here. And
16 thank you, Mr. Chairman.

17 MR. DEPASQUALE: Thank you. Just a couple points to
18 follow up on both your comments, if I may, Mr. Chairman? I
19 want to appreciate what you said about not ending the debt
20 immediately. This is from a policy perspective. That is I
21 think that that would be a mistake. Because if you were to do
22 it immediately, the type of toll increases or --- or other gas
23 tax or fees would be too onerous to do overnight. So I think
24 some --- a phaseout is more appropriate. What the --- what the
25 number is again, the sooner the better. But I think to just

1 stop that immediately would be --- would be a mistake, and I
2 think would actually harm the state across the board.

3 I think, Chairman McGeehan, I want to specifically
4 commend one of the points that you raise there, that is the
5 Pennsylvania Turnpike gets beat up a lot. And sometimes ---
6 look, and as we now know, there's mistakes that have been made
7 in many areas, but Act 44 is not one of them. The debt that
8 they are incurring today and their financial stability issues
9 that are happening today to the Pennsylvania Turnpike is not
10 the fault of the Pennsylvania Turnpike. Those are mandated
11 obligation payments that the legislature and the administration
12 previously made. I mean, so that is --- I want to commend you
13 for making that because, look, when people are critical, we
14 should be appropriately critical. But I'm here to tell you,
15 and again, I appreciate what you said, is this --- there is one
16 place where you can't blame this debt, and that's the
17 Pennsylvania Turnpike. It is not their fault.

18 And you have raised another good issue, and my team
19 is here. We're going to send our report to each of our federal
20 delegation. I think it's important for them to see this as
21 well, which brings me to my final point and that was we had a
22 lot of progress on transportation in Pennsylvania in the mid
23 '90s. And it wasn't just what happened in the Pennsylvania.
24 There was also federal action from the Clinton Administration
25 as well. And I think the same thing needs to be happening now

1 at the federal level and the state level, and that is --- we
2 also have federal interstate roads that go through
3 Pennsylvania, and so I think the federal government needs to
4 share a big part of this responsibility as we move forward. In
5 the mid '90s it was a great partnership. You had President
6 Clinton and you had Governor Ridge, Republican Governor,
7 Democratic President, and they made tremendous progress on our
8 infrastructure in Pennsylvania. We need that same type of
9 partnership today. Now we have, again, a Democratic President
10 and a Republican Governor. You know, maybe the time is right
11 to strike that balance and a compromise here going forward.

12 CHAIRMAN HESS: Thank you very much. If I may
13 continue what I was saying before. And I wholeheartedly agree
14 with you. I'm glad you rectified that by saying that you don't
15 think it's the --- that we can get rid of it all at once.

16 MR. DEPASQUALE: Right.

17 CHAIRMAN HESS: I think it would be a mistake of us
18 to do that because we'd have to go back and rewrite a lot of
19 things, and it would cost the Commonwealth and the taxpayers a
20 lot of money to do it all at one time.

21 And I agree with Chairman McGeehan when he said the
22 federal government's going to have to step up and give us the
23 tools to do the things we have to do since they have not seen
24 fit to reimburse us for the things that we really need to do.
25 But if you're not going to do that, give us the tools to do it

1 with. And I think the bashing of the Pennsylvania Turnpike is
2 not something that we should be doing. They've done an
3 admirable job, in my opinion. I travel it three or four times
4 a week, and that highway is maintained probably better than any
5 other highway in the state, especially in the wintertime, when
6 you're traveling. They have policies of bare pavement, and it
7 is bare pavement. If you're going to travel anywhere and it's
8 to go across the state, east to west, if you want to go in bad
9 weather, go the Turnpike. You can almost be assured that the
10 highway is going to be clean and clear. So I applaud them for
11 what they --- what they have done over the years. Sure there's
12 mistakes made. Who hasn't made mistakes. We've all made
13 mistakes. And I think they've tried to rectify a lot of their
14 mistakes, and I think they're doing an admirable job. That's
15 in my opinion. I just wanted to put it on the record.

16 With that said, Representative Harper?

17 REPRESENTATIVE HARPER: Thank you, Mr. Chairman.
18 Thank you for coming back to testify and to highlight the
19 importance of finding sustainable funding for the Turnpike. I
20 just wanted to point out that, in my area, which is suburban
21 Philadelphia, that the Turnpike basically functions as --- I
22 wouldn't say a bypass but more like a beltway around the ---
23 the City of Philadelphia. And so it's not the tolls from one
24 end of the state to the other that are of a great concern to
25 me, it's that two-thirds of all tolls on the Turnpike are in

1 the suburban Philadelphia region, 60,000 people a day coming
2 down the northeast extension, many, many people coming from 611
3 in Montgomery and Bucks, right on the line there, to King of
4 Prussia.

5 Yesterday we had SEPTA testify. And I do agree with
6 the importance of keeping the mass transit system alive. And I
7 know the Turnpike is actually contributing to that right now,
8 which is kind of funny because the people who need to take the
9 Turnpike to work can't use SEPTA to get to work. SEPTA runs in
10 and out of the city. The Turnpike runs around the outside as a
11 beltway. Clearly, we have to do something to take care of both
12 of those entities. And I think that your testimony highlights
13 the importance of looking at transportation as a system, roads,
14 bridges, turnpikes, buses, trolleys, trains. And we obviously
15 have a crisis there that we have to deal with, so I appreciate
16 your being here and supportive of that.

17 MR. DEPASQUALE: Thank you. Thank you,
18 Representative. And I brought up the \$50 across state because,
19 you know, that's just to point out how big that number is. But
20 you're right. I mean, obviously, with our significant
21 population density in the southeastern part of the state,
22 there's no question where a lion's share of that comes from.
23 But also, looking at all of our functions of moving people from
24 one part of the state to the other, it's all part of a system.
25 Even if you only use the turnpike or only use SEPTA or only

1 use, you know, rapid transit in your county, at the end of the
2 day it is all part of the system ---

3 REPRESENTATIVE HARPER: Right.

4 CHAIRMAN HESS: --- to move people from one end of
5 the state to the other.

6 REPRESENTATIVE HARPER: And for most --- in my area,
7 it's the Turnpike is mostly a commuter road. So thank you very
8 much for highlighting the importance of dealing with a dead
9 issue.

10 MR. DEPASQUALE: You're welcome. Thank you.

11 CHAIRMAN HESS: Representative Pyle?

12 REPRESENTATIVE PYLE: Thanks, Chairman. Good to see
13 you again, General. I would agree with about 95 percent of
14 your assessment, sir. I remember sitting right over there
15 where Representative Knowles is when we got 65 blank pieces of
16 paper and told to vote on it that became Act 44. I was not a
17 supporter then; I'm still not now.

18 I agree with you, the Turnpike's well run, except
19 for a couple of hiccups and minor criminal charges here and
20 there. Now, I come from one of those places ---. And believe
21 me, as much as anybody on this committee, I stand in awe of the
22 great city. Its size and immensity blows my mind every time
23 I'm there. I don't come from one of those places. I come from
24 a place that doesn't have a turnpike, doesn't have a whole lot
25 of interstates, doesn't have passenger trains. And as the next

1 testifier is going to let us know, we're the expensive ones.
2 We're the rural guys who cost more to lay out roads.

3 I would agree completely with you that if we keep
4 driving these tolls upward and upward and upward, they're going
5 to go to secondary roads or state roads. Now, in the case of
6 the Pennsylvania turnpike, the main east/west connector is 422.
7 It is built for two-lane traffic in most parts, in some places
8 four. It is a heavy truck road. It takes its beating. And
9 you know, being in the more mountainous part of the state, we
10 get the full effect of 55 frosts a year that tear our roads up
11 and throw them up out of the ground.

12 I'm going to say, not so much as a question, Mr.
13 General, due respect, but for all those gathered, I can't vote
14 on this bill fast enough. I feel there are parts of it that
15 need to be effected. And as I told, you know, Minority Whip
16 Sturla last night, the \$100 surcharge on moving violations, no,
17 unacceptable. Okay. I understand that's earmarked for mass
18 transit, but you're just going to have to do without that part.
19 Okay.

20 Point two, I did have a big part to play in
21 inserting a lot of dirt and gravel roads, money in there. Why?
22 Those are the roads you need to get to to go between state
23 roads, and that's us. That does matter to us. And Mr.
24 Secretary --- or Mr. Chairman, I truly appreciate this series
25 of four hearings. I feel this bill needs to be moved quickly

1 and authoritatively. I think we're close. I think there's a
2 couple of bumps we have to work out. And I agree with the
3 Chairman on some of his timelines of things. I don't think
4 retiring the Turnpike debt all at once serves any good purpose
5 right now. And whether or not the Chairman decides that's a
6 three or five or seven or nine-year process, whatever it works
7 out, I'll trust his figures. \$50 to drive across the state is
8 just silly. That's silly. That doesn't work. And as
9 Representative Harper pointed out, you know, the structure in
10 the eastern part of the state is vastly different than what we
11 have. I have to drive 40 miles in any direction to get to an
12 interstate or a turnpike. So it really is a different
13 perspective.

14 But that being said, I was asked the other day how I
15 would feel about such mass transit funding. And I said, you
16 know --- Rick Geist is who sold me on this. You really don't
17 want a million cars a day descending on Philadelphia. You
18 really don't need a half million more descending on Pittsburgh.
19 You don't. Do I feel they could do things better? Yeah, I do.
20 But can't we all, okay. On that note, Mr. Chairman, I'm ready
21 to vote. Thank you.

22 CHAIRMAN HESS: Thank you, Representative Pyle.
23 Auditor General, thank you very much for your testimony here
24 this morning and taking your busy --- out of your busy schedule
25 time to come in and share your thoughts with us.

1 MR. DEPASQUALE: Thank you. I appreciate ---.

2 CHAIRMAN HESS: You're welcome back any time.

3 MR. DEPASQUALE: I look forward to being back more
4 and more. Thank you.

5 CHAIRMAN HESS: Thank you. Our next testifier is
6 the Pennsylvania business community; the Honorable Rob
7 Wonderling, President of the Philadelphia Chamber of Commerce;
8 and Barbara McNees, President of the Greater Pittsburgh Chamber
9 of Commerce. You folks may come forward when you're ready.
10 I'll let youns flip a coin who goes first.

11 SENATOR WONDERLING: Ladies before gentlemen.

12 CHAIRMAN HESS: Ladies before gentlemen. You're a
13 wise man. You may proceed whenever you're ready.

14 MS. MCNEES: Thank you. Thank you very much. I am
15 Barbara McNees. I am the president of the Greater Pittsburgh
16 Chamber of Commerce. I'm joined today by Ken Zapinski. He is
17 our Senior Vice President of the Allegheny Conference on
18 Community Development and focuses a great deal on our
19 infrastructure issues.

20 We appreciate the opportunity to be here today.
21 This is our number one issue. This is what our members have
22 told us is the most important thing we can do this year, and
23 that is pass a comprehensive transportation bill for roads,
24 bridges ---.

25 CHAIRMAN HESS: Excuse me. Excuse me. Can you push

1 the mic closer?

2 MS. MCNEES: Closer? You can't hear me? I have
3 five children. I've never been accused of not being heard
4 well, so ---. But our members who represent large and small
5 companies across our ten-county region employ tens of thousands
6 of people, not just residents in western Pennsylvania but
7 across the Commonwealth.

8 In the newspapers today in Harrisburg and Pittsburgh
9 you'll see an open letter to Governor Corbett and to the
10 General Assembly, signed by dozens of business leaders, from
11 the CEOs of major corporations, the Alcoas, U.S. Steels, PNC,
12 to the owner of a small printing shop in Westmoreland County,
13 urging all parties to act to pass a transportation bill to
14 preserve and expand the transportation network across the
15 state.

16 A successful funding plan must have three
17 characteristics. It must be comprehensive, it must address
18 investment and preservation needs across the entire
19 transportation network, roads, bridges, highways, transit,
20 freight, passenger rail, pedestrian safety and other areas.
21 Maintaining a transportation network is a core function of
22 government. It is an economic competitiveness issue, it's a
23 quality of life issue, and it is a safety issue.

24 A successful funding plan must be sufficient. It
25 needs to be large enough in scope to adequately address years

1 of underinvestment in transportation. Three years ago, the
2 State Transportation Advisory Committee found the gap was \$3.5
3 billion. Two years ago Governor Corbett's Transportation
4 Funding Advisory Committee determined that a \$2.5 billion to
5 \$2.7 billion per-year package was the largest politically
6 feasible solution. That should be the target.

7 The Governor's proposal was a good first step, but
8 at \$1.8 billion per year it did not contain enough money for
9 transit. A funding package of that size would doom the Port
10 Authority of Allegheny County to a death spiral of budget
11 deficits, service cuts starting in year three. The Port
12 Authority has cut costs, raised fares, improved efficiency and
13 reformed its labor agreements. It needs a sufficient level of
14 state support to survive, and our membership would actively
15 oppose any funding package that does not provide that.

16 Finally, a successful transportation funding package
17 must be sustainable. It must be a permanent fix. It must not
18 lead to another funding crisis three or four or five years down
19 the road. I respect --- and as the Auditor General pointed out
20 --- that this is a difficult task that is in front of you, but
21 the cost of inaction is higher than the cost of action. The
22 Commonwealth cannot afford the threats to safety. It cannot
23 afford the cost to its economy if raw materials can't get to
24 factories, if people can't get to work, and if goods can't get
25 to market. And residents literally can't afford it. Between

1 the money for gas wasted waiting in traffic, additional repairs
2 and maintenance, traveling over crumbling roads and time lost
3 in congestion, the average Pennsylvania motorist burns nearly
4 \$100 per month, while an adequate funding package would cost
5 only around \$13 per month.

6 Finding a solution is particularly difficult because
7 of the constitutional restrictions on using revenue for
8 transit, rail and anything other than roads and bridges. As
9 you know, the State Constitution restricts gasoline taxes and
10 vehicle registrations fees to roads, bridges and highways.
11 Other non-restricted sources, and there aren't many, must be
12 found for any other parts of the transportation network. One
13 such source is the annual Act 44 payment from the Turnpike
14 Commission. A portion of it is already used for transit, and
15 every funding concept put forward thus far, TFAC, Governor
16 Corbett's Incentive Bill 1, uses an additional \$200 million in
17 Act 44 payments for transit. Without that money, an already
18 difficult transit funding situation becomes even tougher.

19 The same is true of the surcharge for traffic
20 violations. We were caught a little off guard by the breadth
21 of opposition to that proposal. We regarded it almost as a sin
22 tax, similar to some of the others that we've done for funding.
23 A motorist who did not want to pay could, through his own
24 actions, ensure that he did not have to. The traffic
25 violations surcharge may not be the best solution, but it is a

1 solution to finding non-restricted revenue for transit and
2 other modes. And if opponents don't want that, then they will
3 need to find a suitable replacement if there is to be
4 sufficient revenue for the entire network.

5 And it is critically important to remember it is a
6 transportation network, as Representative Harper pointed out.
7 One size does not always fit all. And what works in Carbon
8 County may not be what's needed in Allegheny and vice versa.
9 Different communities need different kinds of transportation.
10 Pennsylvania needs an extensive network of state roads and
11 highways to stay connected, and that means rural counties have
12 far more miles of state roads per person than urban counties,
13 even if those roads are empty most of the time. Those roads
14 are built and maintained with gas taxes from Philadelphia and
15 Pittsburgh and other urban areas around the state. The five
16 counties with the lowest population in the state have nearly 30
17 times more miles of state roads per person than the five
18 counties with the highest population. Gas tax revenue moves
19 from urban to rural areas to fund roads in the same way that
20 some tax revenue moves from rural to urban areas to fund mass
21 transit systems.

22 Public transit is a necessary part of the urban
23 economy that provide most of the economic production in the
24 state. In densely-populated urban areas, there simply isn't
25 enough space to fit the roads that would be necessary to move

1 the people without a good mass transit system. We are
2 different communities, urban, rural and suburban, but we have a
3 common need, a need for a robust transportation network
4 supported by a funding package that is comprehensive, adequate
5 and sustainable. Delivering that for the good of the
6 Commonwealth is the task before you today. Again, we thank you
7 for the opportunity to testify, and we'll answer any questions
8 after Rob has an opportunity to make some comments.

9 CHAIRMAN HESS: Thank you, Barb. And you may
10 proceed.

11 SENATOR WONDERLING: Thank you, Chairman Hess, and
12 Minority Chairman McGeehan and members of this committee.
13 We're really honored to have the opportunity to spend a few
14 minutes with you today to advocate for comprehensive,
15 multimodal, Commonwealth-wide and proper investments in our
16 transportation system.

17 I can empathize with all that you are juggling,
18 particularly at this time of the year, and applaud this
19 committee in conducting this hearing with everything else that
20 is on your agenda. We really truly appreciate that.

21 I'd like to take a moment to perhaps amplify what my
22 colleague, Barbara McNeese said at the outset. First, and now
23 for the fourth year, the Greater Philadelphia Chamber of
24 Commerce that represents approximately 5,000 enterprises and
25 organizations, as well as organized labor, throughout the

1 greater Philadelphia region, and approximately a little over
2 half a million individual citizens that work for those
3 enterprises are in lockstep with a shared policy agenda with
4 the Allegheny Conference. All tolled, our two economic areas
5 comprise over 60 percent of the Commonwealth's GDP. We
6 comprise a significant amount of gross receipts that go across
7 --- through all sources --- through the Treasury. But I want
8 to clarify that we are here today as a united voice on behalf
9 of the entire business community in the Commonwealth, not just
10 southeastern Pennsylvania, not just southwestern Pennsylvania.
11 We're also in sync with the Pennsylvania Chamber of Business &
12 Industry. And well over two dozen local Chambers of Commerce
13 have expressed public support throughout the Commonwealth for a
14 comprehensive transportation package.

15 I think the principles in the imperative are very
16 simple, the details of the bill complex, and it's not our
17 position to suggest to you, particularly as we are in the
18 waning moments of a critical and complex session, what elements
19 of the bill you ultimately support or not. But let me amplify
20 and echo a couple of key principles.

21 One, the opportunity to have support for a
22 comprehensive, multi-modal transportation investment package.
23 Multimodal --- multimodal really only happens in this General
24 Assembly about every decade or so. As many of you will
25 remember, the last comprehensive package that was passed was

1 1997. And here we are, after decades of underinvestment, faced
2 with the matter again. And so this is a matter where it's hard
3 to continue to put forth legislation and have your leadership
4 incrementally, season to season, year to year. We truly think
5 this is the moment to act bold and in a comprehensive fashion.

6 Second, it is a core function of government because
7 it is absolutely fundamental to the future economic vitality of
8 this Commonwealth, no matter where you sit, in Perry County,
9 Clearfield County, Dauphin, York, Montgomery, or Westmoreland
10 County, and throughout the Commonwealth. And too, as we've
11 learned recently, in other locales it's a matter of public
12 safety and not just individual inconvenience. And so, whether
13 you're a first responder, a school bus driver or someone trying
14 to get a good to the marketplace from around the world or from
15 Lancaster County, this bill is essential.

16 I want to highlight also a couple aspects of the
17 bill that we endorse. One, we are very intrigued and support
18 the notion of bridge bundling, particularly on what that tool
19 would mean to relieve both backlog and fiscal pressures on
20 county and local governments. We're intrigued and support the
21 intermodal fund and the consolidation of such activities under
22 the Department of Transportation. We think that makes sense in
23 a global economy. And then finally, we do support, in total,
24 the fees that were proposed in Senate Bill 1, not just a matter
25 of some public policy to work through it, it has always been a

1 difficult issue, funding rural and regional transit, but also
2 in terms of the last time those rates were adjusted, which was
3 1997. So the bill calls for an inflationary increase on those
4 fees. And when you consider and factor the Consumer Price
5 Index over the last decade or so, particularly with the
6 downturn, it has been modest. We think the fees line up nicely
7 with economic reality and again have not been adjusted since
8 1997.

9 So with that, I'll conclude my remarks. And I think
10 we're ready to entertain any questions you might have.

11 CHAIRMAN HESS: Representative Kortz I think has a
12 question.

13 REPRESENTATIVE KORTZ: Thank you, Mr. Chairman. And
14 thank you all for your testimony. Barbara, in particular,
15 thank you so much for coming today and sharing with us your
16 testimony. I think you hit the nail right on the head.
17 Maintaining a transportation network is a core function of
18 government. Absolutely.

19 I also want to thank you for the nice ad that's in
20 the Post-Gazette today. I'd note that my former boss, the CEO
21 of U.S. Steel, is one of the signatories, along with about 40
22 other people on the bottom of that. So obviously, it is a
23 necessary item that we must have mass transit in not only
24 Pittsburgh but in Philadelphia.

25 Yesterday we heard testimony from SEPTA, Port

1 Authority and others, and part of it really struck a nerve.
2 They said that 450 million people use transit yearly. And of
3 those 450 million, 60 percent of those people are using it to
4 get to and from work. So it is necessary for our economy. So
5 again, I just --- it was just a comment. Thank you for
6 bringing this to this committee today. And I agree with
7 Representative Pyle that the time to act is now. We can't keep
8 kicking the can down the road. Thank you very much.

9 MS. MCNEES: Thank you.

10 CHAIRMAN HESS: Representative Parker?

11 REPRESENTATIVE PARKER: Thank you, Mr. Chair. And
12 thank you to those of you who are here to testify. Barbara, I
13 want to just state for the record, and Ken, while I am happy to
14 see Rob Wonderling, because he works in the Philadelphia
15 region, in southeastern Pennsylvania and I know him well, I am
16 even more excited that you are here, outside of southeastern
17 Pennsylvania to basically outline and/or summarize the marriage
18 between the importance of addressing the needs of our ailing
19 infrastructure with roads and bridges and highways, but also
20 talking about the importance of the mass transit system and the
21 network for the Commonwealth. And you've said that that
22 marriage --- they're united in holy matrimony via the economic
23 engine that drives the Commonwealth. And I don't think that
24 I've seen an argument that's been as simplistically sort of
25 laid out, showcasing for us that this is about Pennsylvania's

1 economy, allowing our Commonwealth to be competitive as a state
2 in our nation. So I want to thank you all for that.

3 But I also want to thank you for doing something
4 that we often don't see in our body. When you outlined,
5 obviously, some of the opposition to some of the proposed
6 methods for generating revenue to fund different parts of this
7 proposal, you all are very clear in noting that you would
8 actively oppose any funding package that does not provide the
9 sufficient level of state support to survive, particularly as
10 it relates to mass transit and keeping the proposal whole. And
11 I just want to thank you for getting that on the record,
12 because what we hear oftentimes from different interests coming
13 to advocate on behalf of a particular issue is we don't want
14 this. How you get there, we don't care. But we know we just
15 don't want it. And the fact that you've said that the business
16 community in the Commonwealth understands that this is a
17 holistic issue that we need to address was extremely important,
18 so thank you.

19 MS. MCNEES: Thank you for those comments. And as
20 Rob pointed out, we have joined our organizations together on a
21 number of policy issues, and this is an extremely important
22 one.

23 The area we cover is ten counties in southwestern
24 Pennsylvania, so it's sort of a different than Philadelphia and
25 Philadelphia County for Rob's organization. So we do have

1 rural needs as well as the mass transit need. And we see the
2 interconnectedness of intermodal, without rail, without our
3 waterways. And Ken is better on the statistics than I am in
4 terms of the numbers of people from those rural counties that
5 take mass transit to come to Pittsburgh and to Allegheny County
6 to work. And the thing that a lot of people don't realize,
7 Frank Horrigan, from the Monroeville Chamber, made an excellent
8 statement when you were out for hearings out there. He is in
9 Monroeville, which is a very robust business district. He
10 needs people to be able to reverse commute. So we need our
11 citizens in downtown Pittsburgh who need jobs to get to where
12 the jobs are, whether it be in Monroeville, an airport corridor
13 in Robinson Township. So that reverse commute is equally as
14 important to us.

15 CHAIRMAN HESS: Thank you very much. Representative
16 Schlossberg?

17 REPRESENTATIVE SCHLOSSBERG: Thank you, Mr.
18 Chairman. First of all, Senator Wonderling and Ms. McNees, I
19 do want to thank you for being here. And I want to thank you
20 for helping to dispel the myth that Chambers of Commerces
21 always oppose anything that looks like a tax or a fee increase.
22 It's good to see two very prominent business organizations
23 here, advocating for appropriate government investment. And
24 for my part, I spent five-and-a-half years before my election
25 working for the Greater Lehigh Valley Chamber of Commerce, so

1 hopefully I can help dispel the myth that Democrats aren't
2 business friendly. That's besides the point.

3 And I apologize to the Committee for my repetition
4 on this, but I --- I'd like to ask you for your response to
5 something that I asked yesterday as well. We've had multiple
6 members of the legislature liken subsidies and assistance for
7 mass transit to welfare. And I just would like to hear both of
8 your responses to that specific comment.

9 SENATOR WONDERLING: Well, speaking from
10 southeastern Pennsylvania and the greater Philadelphia region,
11 it's an economic imperative. It's a must have if you want to
12 compete globally, in a global economy. We have a subsidiary
13 organization, privately funded, called Select Greater
14 Philadelphia, where we scour the globe to have companies select
15 our greater Philadelphia region as a place to set up shop and
16 grow and expand in their business. And always on the top five,
17 if not the top three, is how do you rank in terms of mobility
18 and moving individuals from around your region, from point A to
19 point B? How well financed, well run and well served is the
20 transit system? And what are the connecting points between
21 your transit system and our enterprise?

22 So a good example would be Vanguard, a multinational
23 corporation. We're fortunate and blessed to have this company
24 domiciled in the Commonwealth of Pennsylvania, in southeastern
25 Pennsylvania, in the outer rim of the suburbs, if you will, in

1 Chester County. Currently, Vanguard has well over 6,000
2 employees, if I remember correctly. And approximately 1,000 of
3 those employees currently live in Center City, Philadelphia and
4 rely on transit to get to work out to the suburbs each and
5 every day.

6 When we talked to Vanguard about their plans to
7 expand in the Commonwealth, in the greater Philadelphia region,
8 they make it pretty crystal clear to us and they have pretty
9 significant holdings and presence in a southern state, North
10 Carolina, if I remember correctly, and in Arizona. And they
11 always say three things; one, a modern efficient transportation
12 system that is routed with a well-run airport connected to a
13 mass transit and highway system; and two, excellent pipe,
14 broadband, to use an old term, to move ones and zeros for their
15 many investors and customers. So it's an economic imperative
16 for large employers and for small --- and for increasing in our
17 region, mobility is the key. About 60 percent of the residents
18 in the greater Philadelphia region start their day at one ZIP
19 Code, go to work in a different ZIP Code, and come back home.
20 And so somewhere along the way some form of transit is going to
21 play a role in that.

22 MS. MCNEES: We, too, have --- house our regional
23 economic development organization and can tell similar stories
24 from the site location consultants, from the people that come
25 in, looking not just for new locations but also expanding of

1 existing companies.

2 I'd like to point out that part of what we do when
3 we're doing our strategic planning process is talk to a lot of
4 people in our region about what the issues are. As part of
5 that for our current three-year plan we brought in what we call
6 our emerging leaders, people 35 and younger, a population that
7 we are desperately trying to attract to southwestern
8 Pennsylvania and Pennsylvania in particular. Their number one
9 issue, as an emerging leader, was a good transit system, where
10 they could live and work and have recreation facilities and did
11 not have to get in a car or own a car. Our upcoming generation
12 of employees very much are conscious of how to be able to do
13 that and what they want. So we lose those young people ---
14 workforce is our next most important issue that we have to deal
15 with in southwestern Pennsylvania and recruiting good talent
16 for both an aging workforce and a growing workforce. So again,
17 for the people that we're trying to attract globally, we are
18 attracting people from across the world to come to Pittsburgh
19 to work in our new technology companies and our medical
20 research, as well as our traditional industries. So that's a
21 very critical part of recruitment for workforce in the future,
22 too.

23 CHAIRMAN HESS: Thank you. Dean (phonetic)
24 Micozzie.

25 REPRESENTATIVE MICOZZIE: Thank you. And I want to

1 thank you for this good testimony. About four years ago I
2 think the good Senator had come down to my office and we talked
3 --- was it four years ago or five years?

4 SENATOR WONDERLING: It was the --- it was February
5 or March of 2009.

6 REPRESENTATIVE MICOZZIE: And at that time we were
7 talking about what we can do with the legislators from Delaware
8 County, of course, and throughout the state to get something
9 moving on transportation and funding and whatever.

10 I live about four miles from the Philadelphia line,
11 the western part, and it's just about the hub of mass
12 transportation with the suburban trolley cars and whatever,
13 okay. When you talk about the funding source, for a lot of us,
14 not me particularly, for a lot of us it's going to be a tough
15 vote as far as the funding source, a surcharge of \$300, you
16 know, that type of thing, okay. So when you say you're going
17 to be active, what I'd like you to be active in, like the
18 newspaper article you put out, in the Philadelphia area and
19 suburban Philadelphia, I think those type things in the next
20 week or couple weeks or whatever, to give us some support of
21 how important this is. And everybody has spoke eloquently
22 about how important this is for Pennsylvania's future,
23 economically and all, so all I ask is to try to do that to help
24 us make this tough vote.

25 CHAIRMAN HESS: Thank you. Representative Gainey.

1 REPRESENTATIVE GAINEY: I think I have to stand up.
2 Thank you, Chair. Appreciate that. First and foremost, I just
3 want to say thank you. I think the argument that you put forth
4 today in regards to the collaboration that's needed to make
5 this happen was essential. Sometimes we get confused and we
6 think this is two different Pennsylvanias. Whether you're
7 rural or you're urban, we have one commonality, and that is we
8 are the Commonwealth of Pennsylvania. And we have to work
9 together to make sure that we got a transportation network that
10 works for everybody. Economically we compete with the
11 surrounding states and other states that's not even surrounding
12 us. And in our different areas we have one thing in common,
13 and that's getting people to the --- I mean, businesses to the
14 market and people to be able to go to where they need to go.
15 And I think that you make the difference. When I see business
16 and labor together on the same page, fighting hard for the same
17 subject, that should send a message to everyone in this room
18 and everyone in this State House that we need transportation.
19 It's not about part --- it's a part --- I mean, it's not a
20 partisan situation, it's bipartisan. We all need
21 transportation. And I hope this filters down to everybody in
22 this room, that at the end of the day we can work on how to
23 make the numbers work, but there has to be a dedicated
24 commitment to make sure that we have transportation in the
25 Commonwealth of Pennsylvania.

1 CHAIRMAN HESS: Thank you. Chairman McGeehan, do
2 you have any further comments?

3 CHAIRMAN MCGEEHAN: Yes. Thank you, Mr. Chairman.
4 And I want to join my colleagues in thanking the distinguished
5 panel for taking time out of their schedule to be here. And I
6 agree with everything that my colleagues have said. And I had
7 to stop myself from --- physically stop myself from shaking my
8 head at following along with Ms. McNees' testimony on nearly
9 every point.

10 I agree that we need to get this done. And there
11 was some indication in questioning earlier that we need to get
12 it done now. But I hope one cautionary thing comes out of
13 that, and it was reflected in Ms. McNees' point and certainly
14 in Chairman Micozzie's as well, is that we have to get it done,
15 but we have to do it right, or that we're going to be back here
16 in four or five years.

17 Act 44 was a Band-aid, and that's a wound that's ---
18 that's really infecting the whole body at this point, both in
19 the Turnpike and in the Commonwealth. We can't make that same
20 mistake again. So I agree with you on some fees and some
21 surcharges. And certainly Chairman Micozzie's brief comments
22 about your ramping up your activity to convince people that ---
23 passing something for the sake of passing it will do no good
24 long term to this Commonwealth, and that we have to be
25 deliberate and have the long-term future of our roads and

1 bridges and public transit system in mind when we do it, or we
2 are going to be back here again, talking about the same thing,
3 probably hearing from --- from the same testifiers here.

4 My last point goes --- I wish Representative Harper
5 was here because --- oh, I didn't know you came back. I looked
6 back a moment ago and you weren't there.

7 REPRESENTATIVE HARPER: I am back from the
8 seersucker caucus.

9 CHAIRMAN MCGEEHAN: I can't agree more with what
10 Representative Harper has been saying about our --- the close
11 relationship of public transit between our urban and suburban
12 areas. And you don't have to look further than this weekend
13 with the U.S. Open and Merion and that Ms. McNees brought up
14 the point about a reverse commute. And certainly SEPTA, by
15 reports that I've read in the paper, moved about 100,000 people
16 between suburban communities in Philadelphia and suburban
17 communities. So I want to just put an apostrophe on the
18 comments of Representative Harper and emphasize the close link
19 that our urban and suburban areas have. I'm wondering from Rob
20 what the economic worth was just in that one event alone?

21 SENATOR WONDERLING: We're still gathering the data,
22 but it --- clearly, based on other U.S. Opens and by --- by all
23 measure, this was a resounding success, even navigating
24 uncertain forecasts early on in the week, will create between a
25 2 and 3.1 multiplier, economic multiplier.

1 And you're absolutely correct. People really --- if
2 you talk to local law enforcement in the townships most
3 impacted by the golf course and travel, very few complaints.
4 Haverford College was set up as a satellite parking zone for
5 those who could not rely on transit. I believe if you took the
6 100 Trolley from 69th Street, it dropped you off literally
7 right across the course. You could literally walk through a
8 gate from the station on the course. So it was superb.

9 If I might, Mr. Chairman, maybe just make a brief
10 comment back to Chairman Micozzie and McGeehan's notions about
11 not just making sure that we're all on the same page very
12 publicly around what could be a pending vote soon, but also I
13 think we have an obligation to you, as our public servants, to
14 keep trumpeting and to also keep encouraging that once a
15 comprehensive, multimodal bill becomes law, that there is
16 comprehensive work done as quickly as possible all the time.
17 And I think, in the short term, we can take a valuable lesson
18 from how transportation dollars were, quote, distributed in a
19 shovel-ready format with the recent Federal Stimulus and
20 whether you thought that was wise, federal public policy or
21 not, comprehensively, for other uses of those dollars. I think
22 we learned a lot that to be, quote, shovel ready didn't mean a
23 whole lot of jobs. And in southeastern Pennsylvania, the
24 stimulus dollars were spent for bridge painting, minor bridge
25 repair, trails, which are important, but it didn't employ

1 significant numbers of individuals.

2 If you look at PennDOT's lets (phonetic) schedule
3 for construction, if you look at the capital backlog, in our
4 case, with SEPTA, there will, I think, be a shared level of
5 effort by those of you that serve the public and those of us
6 involved in economic activity in partnership to make sure that
7 those that are now going to be responsible, if you approve this
8 package, that those projects get out the door quickly, in a
9 timely manner, that regulatory gobbledygook does not get in the
10 way. I'm not saying it's not important, but does not get
11 bogged down in this office waiting for that office for a reply
12 before you can break ground, because that will be the real
13 testimony in terms of public confidence when they see their
14 friends and neighbors now back to work in a construction
15 industry that's flat on its back across this Commonwealth and
16 when they see improvements to local bridge postings, for
17 example, which create a 10 to 15-mile addition to their commute
18 because that county or local bridge has been closed for seven,
19 eight, ten years.

20 CHAIRMAN MCGEEHAN: Thank you, Mr. Chairman.

21 CHAIRMAN HESS: Representative Watson?

22 REPRESENTATIVE WATSON: Thank you, Mr. Chairman.

23 I've over here in the corner. And I will try to be brief
24 because actually --- Senator Wonderling, thank you for being
25 here, Mrs. McNees. But the Senator got into what I was going

1 to ask, and that is to talk about this bill in terms of jobs.
2 We talked about it in terms of better roads and bridges. My
3 district, Rock Coal (phonetic) River in Bucks, he would say is
4 suburban, but a lot of it is also rural, at the top part of my
5 district. Bridges close. Everybody knows I talk incessantly
6 about Rickard (phonetic) Road Bridge. Weight lifted --- weight
7 restricted rather before, now closed. The detour around
8 Rickard Road Bridge is 11 miles. At anybody's gas price,
9 that's a lot for the people who live there. So those who come
10 from rural areas, I understand what that means. At the same
11 time, many of my suburban constituents, used to be my husband
12 when he worked downtown, would rely on a drive to a train to
13 take public transportation into Philadelphia. Why? Because,
14 simply, there's not enough parking. Even if you want to pay
15 those exorbitant prices, you can't get there in time for work
16 and there's no place to park your car when you get there.

17 I also represent Delaware Valley College, where now
18 we have --- from actually originally starting in Del Val but in
19 another area of Bucks, we have a reverse commute by train lines
20 for the folks that come out and work in the biomedical fields.
21 And so we need those trains to go both ways, so that becomes
22 important to us.

23 I have a husband who's an engineer and works in
24 Conshohocken, in Montgomery County. And as Representative
25 Harper said, yes, the ideal way to get to work would be a

1 commute with the Turnpike. I have no choice. To come here, I
2 have to use the Turnpike. But for him, he has a choice.
3 Truthfully, the Turnpike's gotten more expensive, but in case
4 you didn't know, folks, if you don't live in the southeast, the
5 Turnpike is ridiculously crowded at that time. And you only
6 need one mistake by someone in a car, in a truck, wherever, and
7 it then stops. So for the most part, he takes what he calls
8 the scenic route. Sadly, so do lots of other people. He's on
9 Pleasant Pike. And I believe what several of you had mentioned
10 we're now seeing view (phonetic). And I believe that the
11 Auditor General talked about we're clogging up, and if we keep
12 this up we'll clog up secondary roads that never were --- when
13 they were thinking about them, they weren't designed for heavy
14 traffic, commuter traffic. But that's what happens. So we
15 can't keep raising the tolls and doing that on the Turnpike.
16 Some of us will always have to be on it because there's no
17 other way to get from where I live to here. It just doesn't
18 work.

19 But I wanted to get --- you mentioned bridge
20 bundling. You mentioned --- something that matters to me
21 certainly is the fact that it's all integrated. Transportation
22 is made up of many parts. It's the jigsaw puzzle. You got to
23 put all the pieces together or you don't get to see the
24 Commonwealth at its best.

25 The jobs you were talking about --- and I guess it

1 is hard. I believe Representative Micozzie said it's hard on
2 some of those fees and some of those tolls to raise, things to
3 do. Do you --- when you come to us with that recommendation,
4 have you, in effect, polled your members, and I mean either
5 those --- you were mentioning about Ms. McNees ten towns. So
6 have you polled them so that the small business owners weigh
7 in, the worker who uses public transportation to get to and
8 from work weigh in? I guess what I'm asking is, did the
9 average person weigh in or --- I don't want people to think
10 that this is just a bunch of men and women who are big-time
11 business owners saying sure, it's okay. I, obviously care
12 about --- I'll call them my people, the little guy.

13 MS. MCNEES: We do --- and I'll let Ken jump in with
14 some of our statistics that we have on jobs, which was one of
15 your questions. But yes, we have an elaborate process that we
16 go through, both with our members, employees and others, before
17 we take a position on particular issues. So there are many
18 people who get to weigh in around a --- whether it's
19 transportation, education, whatever we happen to be working on,
20 we gather as much input from our members, their employees,
21 others, as we can, before we come to our board and say, here's
22 a position that we think we should take. I think Rob probably
23 has a process that's very similar. It's very, very involved to
24 get everybody's input.

25 CHAIRMAN HESS: Thank you very much. I hate to ---

1 MS. MCNEES: And all you have to do is talk to one
2 person ---.

3 CHAIRMAN HESS: --- I hate to --- I hate to
4 interrupt, but we are due on the floor right now. And the
5 rules of the House said we can't be in committee session while
6 the House is in session. But I do want to make one brief
7 comment before I leave.

8 I agree that we really --- what the Senator said
9 about sustainable funding, and I think that's very, very
10 important. And if we don't move forward, you know, we --- you
11 go backwards if you don't move forward. And I am hoping that
12 within the next week we can move forward and get something
13 done, not only for the health and welfare of Pennsylvania's
14 roads and highways and bridges and mass transit, it's all one
15 system. You can't segregate or bifurcate one part from the
16 other. It's all one --- it's all one piece. And we're working
17 towards that end and hoping to have something that the general
18 public can take a look at next week, and we can move forward on
19 this. Thank you very much for coming this morning. We
20 appreciate your testimony. With that, this meeting's
21 adjourned.

22 * * * * *

23 MEETING ADJOURNED AT 11:08 A.M.

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CERTIFICATE

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3 It is hereby certified that the foregoing proceedings
4 are a true and accurate transcription produced from audio
5 on the said proceedings and that this is a correct
6 transcript of the same.

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