

Testimony
PA House Transportation Committee

Regarding Senate Bill 1

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Offered by

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Good morning, and thank you for the opportunity to testify today on behalf of the Pennsylvania Farm Bureau regarding the transportation funding plan in Senate Bill 1 that was passed by the Senate and is now under your consideration. I am Joel Rotz, Senior Director of State Government Affairs, for the over 57,000 members of the Pennsylvania Farm Bureau.

Let me begin by stating the obvious, and that is that no one, including Pennsylvania Farm Bureau members, will enjoy paying the higher fees and taxes proposed in Senate Bill 1. However, maintaining our road and bridge system is vitally important, both to the welfare of our state's economy and the safety of the thousands of Commonwealth families who use this system every day. A large portion of the transportation activities taking place on our Commonwealth's roads is directly related to our leading industry which is agriculture.

I will remind you that there are over 63,000 active farms in the state. Pennsylvania's farm families engage 7.75 million acres of land and generate \$5.7 billion in cash receipts from agricultural production. Pennsylvania agriculture provides \$45 billion annually in total economic impact to the Commonwealth. One in every seven jobs in the state is attributable to agriculture and the food industry.

While people do not normally embrace the thought of paying higher fees and taxes, the ultimate question to be asked is what will be the consequences for Pennsylvania if we do not take more immediate action to improve the vulnerable condition of our roads and bridges?

Because we have not made significant increases in investments in our roads and bridges for nearly two decades, we can begin to see the answer to that question already. Local areas, particularly rural areas, have visibly seen significant deterioration of roads and bridges. And local businesses and residents have experienced increased numbers of roads and bridges that have become subject to weight restrictions or have even been closed.

Without additional transportation funding, PennDOT will additionally have to impose weight restrictions or close more than 1,300 bridges and thousands of miles of primary and secondary roads. Continuation of this trend will impose even greater burdens and costs on farmers' use of farm vehicles and implements to perform needed tasks around the farm and farmers' ability to efficiently move their products from farm to market. Given that farmers are largely unable to command prices they receive for their products, control of farm costs has even greater importance to maintaining economic viability on farms.

If the current trend of road and bridge restrictions and closings is not halted and roads and bridges are not physically improved, farmers will be also likely be saddled with additional costs associated with road bonding. State and local officials will be far less willing and able to extend the "local traffic exemption" from weight restrictions normally provided to farms and other local businesses and transport businesses servicing farms and businesses. Rescission of this exemption will not only require local farm and business owners to obtain bonds and incur the high costs of bond acquisition in order to use neighboring weight restricted roads, They will also need to pay for the pass through of the additional bonding costs borne by transport businesses to service their farms and businesses.

Just last year, the legislature passed and the Governor signed into law much needed Farm Bureau supported updates to the state's Vehicle Code to allow for safer and more efficient movement of modern farm equipment and farm vehicles on public roadways. Properly maintained roads and bridges are also essential in allowing for those same farm vehicles to safely traverse and share the road with the public.

Those of us who live in more populated and developed parts of our state often forget that many rural areas of the state remain dependent upon dirt and gravel roads to access farm operations and businesses. Improperly maintained dirt and gravel roads can completely isolate farms and rural communities from essential travel and commerce and adversely impact not only the standard of living in those communities, but also the environment from sediment runoff. Dirt and gravel road grants to Conservation Districts are proposed to be seven fold under Senate Bill 1. Rural farms and communities will directly benefit from increased revenues made available to address dirt and gravel road maintenance as proposed.

Compare these costs and burdens I have just described with the additional out-of-pocket costs will likely be borne under the taxes and fees to be proposed under Senate Bill 1.

Farm Bureau has long supported lifting the cap on the Oil Company Franchise Tax to increase revenues for road and bridge maintenance. Assuming all of the additional tax burdens from this tax are passed through at retail, farmers, like other Pennsylvanians will feel the tax increase when they fill their registered trucks and passenger vehicles at the gas pump. Businesses with commercial vehicles servicing farmers' needs and hauling farm commodities to and from the farm will pay the higher taxes, and likely pass additional cost on to the farmer for those services. Farmers will however continue to be exempt from paying the Oil Company Franchise Tax for motor fuels used for farm tractors and other implements of husbandry and for the use of farm trucks on the farm or in areas neighboring the farm.

While the impact of Senate Bill 1's increase in Oil Franchise Tax on farms is difficult to quantify, we generally believe the impact on farmers will be modest, because farmers' primary use of fuel will likely be for purposes that does not subject the fuel to tax. Since Senate Bill 1 proposes the increase in tax cap to be phased in over three years, the impact of the bill's Oil Franchise Tax increase will be even more modest during the phase-in period.

Increases in driver's license and vehicle registration fees will be significant, and undoubtedly prompt feelings of sticker shock among farmers, particularly with trucks for which the farmer needs to have commercial truck registrations. However, we should note that fees have remained unchanged for 16 years, state, since 1997. The rates proposed in Senate Bill 1 are essentially bringing revenues from transportation fees in line with the effects of inflation since 1997. Senate Bill 1 would also extend the effective period of registration for vehicles subject to the increased fees from one year to a two years, and extend the effective period of driver's license by an additional two years to six years.

Farmers who have a substantial fleet of trucks with vehicle registrations may be able to minimize the impact of the bill's registration fee increases by converting one or more of their trucks from commercial or farm vehicle

registration to a farm vehicle biennial certificate of registration exemption. Last year's amendments to the Vehicle Code increased to 50 miles the distance that many trucks with a farm vehicle exemption may be operated away from the farm. This expansion in distance allowance may provide some farmers with the opportunity to convert numerous trucks on the fleet to a farm vehicle exemption, without compromising the farmer's transportation needs. Not only will conversion to farm vehicle exemption provide the farmer with significant cost savings in vehicle fees. It will also appreciably reduce the costs needed to meet the vehicle's requirement for vehicle insurance.

For farms that are unable to feasibly change current registrations of their current truck fleets Senate Bill 1 will certainly impose additional registration costs. But when compared with the additional transportation costs that the absence of effort to restore transportation infrastructure will cause farmers and other highway users, the bill's proposed increase in registration fees does not seem unreasonable.

The surcharges on moving traffic violations and fines assessed under Title 75, Section 3111 proposed in Senate Bill 1 dedicated to mass transit are significant to say the least. Many rural Pennsylvanians, including many of our members, are not excited about the need to financially support mass transit, which is often viewed as a transportation measure that only benefits more urban areas. Rural residents may not fully appreciate the benefit that mass transit provides to rural areas. Senior citizens and the less economically advantaged persons who live in rural areas need mass transit to travel to work and shopping locations, and cannot afford to pay fares that local mass transit companies would need to charge without subsidization. Also, rural residents may not fully appreciate the dollars generated and paid into the motor vehicle fund from urban areas that help pay for roads and bridges improvement projects in rural areas. Regardless, the argument can be made that Senate Bill 1 gives to those unwilling to support public funding for mass transit an option that does not compel anyone to contribute. Don't break the law and you will have no need to pay the significant surcharges on fines that benefit mass transit.

In conclusion, Pennsylvania Farm believes the measures proposed in Senate Bill 1's current version to generate additional funding for restoration of our road and bridge system are prudent, and are consistent with the general principles of transportation funding supported in public policy recommendations adopted by our members. While the House may wish to make several changes to soften the bite of cost increase to particular individuals and businesses that we could possibly support, Pennsylvania Farm Bureau is also keenly aware that the more we reduce the tax and fee increases proposed in Senate Bill 1, the less revenue will be available to improve the deteriorating condition of our roads and prevent the consequences likely to result from failure to adequately improve this condition.

Thanks again for allowing the Pennsylvania Farm Bureau to testify before you on this crucial matter to the future of our farms, our agricultural industry and our state.