

COMMONWEALTH OF PENNSYLVANIA  
HOUSE OF REPRESENTATIVES

FINANCE  
COMMITTEE HEARING

STATE CAPITOL  
HARRISBURG, PA

418 MAIN CAPITOL

TUESDAY, NOVEMBER 12, 2013  
10:30 A.M.

PRESENTATION ON  
HB 762  
HB 1630  
TRANSPORTATION FUNDING

BEFORE:

HONORABLE KERRY BENNINGHOFF, MAJORITY CHAIRMAN  
HONORABLE STEPHEN BLOOM  
HONORABLE GORDON DENLINGER  
HONORABLE GEORGE DUNBAR  
HONORABLE ELI EVANKOVICH  
HONORABLE MATTHEW GABLER  
HONORABLE KEITH GREINER  
HONORABLE SETH GROVE  
HONORABLE LEE JAMES  
HONORABLE FRED KELLER  
HONORABLE JOHN LAWRENCE  
HONORABLE DUANE MILNE  
HONORABLE KATHY RAPP  
HONORABLE BRAD ROAE  
HONORABLE PHYLLIS MUNDY, DEMOCRATIC CHAIRWOMAN  
HONORABLE TIM BRIGGS  
HONORABLE MARY JO DALEY  
HONORABLE MARGO DAVIDSON  
HONORABLE MADELEINE DEAN  
HONORABLE JORDAN HARRIS  
HONORABLE SID MICHAELS KAVULICH  
HONORABLE BILL KORTZ  
HONORABLE RICHARD MIRABITO

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*Pennsylvania House of Representatives  
Commonwealth of Pennsylvania*

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\* \* \*

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SUBMITTED WRITTEN TESTIMONY

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PA DEPARTMENT OF REVENUE

\* \* \*

(See submitted written testimony and handouts online.)

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

2 \* \* \*

3 MAJORITY CHAIRMAN BENNINGHOFF: As the Members  
4 get settled then, we will welcome everyone back to  
5 Harrisburg. I hope everybody had an enjoyable little time  
6 away, but we're back.

7 We are here to discuss two different proposals  
8 two of our colleagues have introduced as we continue to  
9 struggle to find transportation funding. We know the  
10 Transportation Committee is working very hard on that issue  
11 as well and we thought it would be appropriate to hear some  
12 other proposals whether to coincide with the current  
13 proposals that are being aired by both the Democrat and  
14 Republican Caucus leaders and we will hear what these  
15 gentlemen have to say.

16 I would ask the testifiers to try not to read  
17 your testimony verbatim. There are a lot of things going  
18 on as our first Monday back. Let's try to keep things  
19 moving. I will try my best to keep things on time.

20 Before we formally get into the testimony, I'll  
21 turn the microphone over to Chairwoman Mundy in case she  
22 has any further comments.

23 MINORITY CHAIRWOMAN MUNDY: I just look forward  
24 to hearing the testimony. Thank you.

25 MAJORITY CHAIRMAN BENNINGHOFF: We love that

1 brevity.

2 Representative Evankovich and Representative Roae  
3 both have Bills. Do you gentlemen want to go in front to  
4 present to the Committee or are you going to do it from  
5 where you're sitting?

6

7 (No audible response)

8

9 MAJORITY CHAIRMAN BENNINGHOFF: It is on the  
10 agenda we will start with Representative Evankovich on  
11 House Bill 762, and we will move to Representative Roae on  
12 House Bill 1630. If you'd like to proceed, we will go from  
13 there.

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

16 MAJORITY CHAIRMAN BENNINGHOFF: Excuse me one  
17 minute. I apologize.

18 I do want to remind people we are being  
19 videotaped. Please make sure cell phones are turned off,  
20 and if you need to talk, please leave the room to do so so  
21 that it is not interrupting the videotaping. And those who  
22 testify, please speak closely to the microphone so it is  
23 picked up.

24 Go ahead, Representative Evankovich. My  
25 apologies for interrupting.

1                   REPRESENTATIVE EVANKOVICH: No, no problem.

2 Thank you, Mr. Chairman.

3                   I want to thank the Chairman and the Members of  
4 the Committee for the opportunity to discuss House Bill  
5 762.

6                   In itself it's a concept very similar to House  
7 Bill 1630. It was introduced in last year's session as  
8 well. House Bill 762 represents a shift of focus in our  
9 current discussions of how we fund transportation needs in  
10 Pennsylvania. As we all know, road and bridge funding in  
11 Pennsylvania predominantly comes from the constitutionally  
12 protected Motor License Fund, which is funded through the  
13 pump gas tax and the oil stock and franchise tax. In  
14 addition, we receive a substantial amount of road funding  
15 from the Federal Government.

16                  Mr. Chairman, my intent for this legislation  
17 again is to change that conversation. Whenever we  
18 recognize that road and bridge funding falls solely on  
19 fuel-related vehicles with a very small sales tax transfer  
20 from the General Fund, we have to also realize that this is  
21 a condition that only exists in Pennsylvania. This  
22 condition has in itself helped create the dynamic that we  
23 have today that the people within the Capitol would suggest  
24 that the only way to spend more money on the roads and  
25 bridges is to increase those taxes that fund the Motor

1 License Fund. Mr. Chairman, House Bill 762 seeks to change  
2 that dynamic.

3 Every other State in the United States relies on  
4 a myriad of funding mechanisms for road and bridge funding,  
5 and I believe that our State should do the same. As a  
6 result of what I refer to as conventional wisdom funding  
7 infrastructure, that is the oil stock and franchise tax and  
8 the at-the-pump gas tax, we've narrowed our discussions on  
9 road and bridge funding to be that of a tax increase or  
10 nothing. I reject that conventional wisdom.

11 My research indicates that in 1960 the State of  
12 Pennsylvania spent roughly 30 percent of its overall  
13 spending on road and bridge infrastructure, while today we  
14 spend roughly 8-1/2 percent on the same. While the budget  
15 alone in this current fiscal year increased by over \$640  
16 million, by buying into this conventional wisdom, we're  
17 telling the people of Pennsylvania that road infrastructure  
18 is not a priority simply because we've historically chosen  
19 to fund it in a different way, through a gas tax.

20 Technically, Mr. Chairman, all the Bill does is  
21 to move the sales-and-use tax generated through motor  
22 vehicle sales and trailer sales into the Motor License Fund  
23 over a four-year period. It moves that money 25 percent of  
24 the time until the entire amount is dedicated to road and  
25 bridge infrastructure.

1           As a side note, if we would have enacted this  
2 Bill for this fiscal year, the State budget would still  
3 have grown by that \$640 million, less the 250 approximately  
4 that would have been reallocated for this Bill. So I just  
5 want to nip the arguments against it right now that we  
6 would have to cut State spending in order to enact this  
7 legislation. In fact, the State budget would still have  
8 been able to grow by well over \$390 million. We just would  
9 have had to spend that money a little bit more judiciously.  
10 The current proposal, once enacted, would reallocate  
11 roughly \$1 billion per year from the General Fund,  
12 obligations to road and bridge infrastructure.

13           And lastly, Mr. Chairman, I would be open to  
14 amending the Bill to include all automotive parts and would  
15 also be willing to stretch the reallocation method out for  
16 more than four years.

17           I also want to recognize that this Bill does not  
18 fix road and bridge and mass transit spending. It is not a  
19 complete fix to the problem, but it does represent one tool  
20 that we can put in our toolbox to adequately address the  
21 transportation needs we have in our State.

22           And with that, I'd be happy to take any  
23 questions.

24           MAJORITY CHAIRMAN BENNINGHOFF: Thank you,  
25 Representative Evankovich. I thought that was a very



1 precise overview.

2 Questions from the Members?

3

4 (No audible response)

5

6 MAJORITY CHAIRMAN BENNINGHOFF: All right. I'll

7 start with Chairwoman Mundy and then I will get my list

8 together. We have James, Daley.

9 Go ahead, Chairwoman Mundy.

10 MINORITY CHAIRWOMAN MUNDY: Thank you,

11 Mr. Chairman.

12 Currently, the funds that you are reallocating go

13 into the General Fund, is that correct?

14 REPRESENTATIVE EVANKOVICH: That's correct.

15 MINORITY CHAIRWOMAN MUNDY: Okay. Now, you

16 mentioned myriad funding streams for highways and

17 transportation in other States. Can you elucidate on that?

18 What funding streams besides what we do are available in

19 other States?

20 REPRESENTATIVE EVANKOVICH: Thank you. Virtually

21 every other State uses a combination of sales-and-use tax

22 revenue, personal income tax revenue, the at-the-pump taxes

23 similar to what Pennsylvania does. In addition, some

24 States have additional registration fees that they use.

25 They have different taxes on the values of their vehicles,

1 and all that I'm suggesting with this Bill is that we  
2 expand some of those choices here in Pennsylvania by  
3 reallocating a portion of sales tax revenue to road and  
4 bridge infrastructure.

5           MINORITY CHAIRWOMAN MUNDY: Okay. So can you  
6 tell me if in other States if those funding streams are  
7 dedicated or are they just -- we're only allowed to use  
8 Motor License Fund and liquid fuels for highways and  
9 transportation. But what you're doing is taking a tax that  
10 now goes into the General Fund and dedicates it to highways  
11 and transportation, so in these other States is that what  
12 they do or do they allow General Fund revenues to be used  
13 for highways and transportation?

14           REPRESENTATIVE EVANKOVICH: To answer your  
15 question---

16           MINORITY CHAIRWOMAN MUNDY: Do you understand the  
17 distinction I made?

18           REPRESENTATIVE EVANKOVICH: I do, Madam  
19 Chairwoman, and I think the answer to the question I would  
20 simply say that State law right now does not preclude the  
21 use of General Fund revenues for infrastructure needs.  
22 What this Bill does is it mandates that we use a portion of  
23 it for road and bridge infrastructure needs. Right now, if  
24 we wanted to, we could spend sales-and-use and income tax  
25 money on roads and bridges. We choose not to.

1           MINORITY CHAIRWOMAN MUNDY: I was not aware of  
2 that. In fact, I thought it was just the opposite. But  
3 perhaps another testifier can help us with that.

4           MAJORITY CHAIRMAN BENNINGHOFF: For  
5 clarification, I think the liquid fuels money is required  
6 to be used for roads and bridges, but it does not preclude  
7 other dollars being used for infrastructure. We can't use  
8 liquid fuels money to fund other things in the budget---

9           MINORITY CHAIRWOMAN MUNDY: Right.

10          MAJORITY CHAIRMAN BENNINGHOFF: ---but we are  
11 able to do the reverse or we're at least not prohibited.

12          MINORITY CHAIRWOMAN MUNDY: Okay.

13          MAJORITY CHAIRMAN BENNINGHOFF: That's my  
14 understanding.

15          MINORITY CHAIRWOMAN MUNDY: Well, this is news to  
16 me after all these years, so I look forward to learning  
17 more about that.

18          MAJORITY CHAIRMAN BENNINGHOFF: That's why we  
19 have these hearings.

20          MINORITY CHAIRWOMAN MUNDY: You're right.

21          MAJORITY CHAIRMAN BENNINGHOFF: I'm sorry. Go  
22 ahead.

23          MINORITY CHAIRWOMAN MUNDY: Yes. Obviously,  
24 sales tax revenue as hopefully the economy recovers and  
25 more people are buying new cars and other vehicles and

1 parts and whatever, we might achieve more revenue through  
2 the sales tax on those items, but by the same token the  
3 General Fund expenditures will grow for the things that we  
4 are currently doing. So I see that as kind of a wash. And  
5 my concern would be that you're taking money out of the  
6 General Fund and dedicating it to another purpose. So my  
7 question would be how do you propose to backfill the  
8 General Fund money?

9           And from my understanding, our Democratic Finance  
10 Committee staff did an analysis -- well, actually, this is  
11 a Department of Revenue analysis that says by 2017-18, that  
12 would be approximately \$1.4 billion out of our General Fund  
13 for this purpose. I mean clearly to me you either need to  
14 cut current General Fund expenditures or you need to raise  
15 taxes in some way to backfill the General Fund. So what  
16 would be your suggestion for that?

17           REPRESENTATIVE EVANKOVICH: Thank you, Madam  
18 Chair. I appreciate your perspective and I understand the  
19 nature of the question. I would be happy to go back to my  
20 district and tell the people of the 54th that we were  
21 reprioritizing \$1.4 billion into a core function of  
22 government like roads and bridges by 2016. I think that we  
23 need to be a little bit careful to suggest that we would  
24 need to cut anything out of the General Fund spending to  
25 accomplish this simply because of similar statistics that I

1 cited earlier, whereas the General Fund budget grew by \$640  
2 million in the last fiscal year. It would have grown by  
3 \$390 million in the current fiscal year if this had been  
4 enacted. So it's not a matter of spending less; it's a  
5 matter of spending less, more.

6 MINORITY CHAIRWOMAN MUNDY: Yes, we certainly do  
7 have a different perspective on that.

8 Generally, over the years I have been leery of  
9 dedicated taxes. I can certainly understand where drivers'  
10 licenses and CDL licenses and the fees associated with that  
11 would be dedicated toward highways and transportation as a  
12 user fee so to speak, and even the Oil Franchise Tax, which  
13 is used for gasoline, but I do have serious concerns about  
14 taking all of this money and redirecting it out of the  
15 General Fund for roads/highways.

16 And then my final question would be this Bill  
17 does not appear to deal with mass transit at all. Is that  
18 the case or am I missing something?

19 REPRESENTATIVE EVANKOVICH: That is the case. It  
20 is not again intended to be a complete fix to the  
21 transportation problems we have. As a rural suburban  
22 legislator, I understand the importance that mass transit  
23 has and I think that there need to be other options on the  
24 table for that.

25 MINORITY CHAIRWOMAN MUNDY: Okay. Thank you.

1 MAJORITY CHAIRMAN BENNINGHOFF: Thank you.

2 Next, Representative James and Representative  
3 Daley. I'm going to try to limit questions to one apiece  
4 for now and try to keep things moving if you could.

5 REPRESENTATIVE JAMES: Thank you, Mr. Chairman.

6 More of a comment than a question, first of all,  
7 I think both of these Bills, Representative Roae's and  
8 Representative Evankovich's Bill, seem like an excellent  
9 first step to resolving an issue in our Commonwealth that's  
10 been growing in importance. So that's for starters.

11 I, like most of the folks here and maybe the rest  
12 of my fellows in the House, spent the summer as well as the  
13 fall talking to different groups about transportation  
14 issues, the prospect of increasing taxes, and other ways of  
15 raising money, and after the initial groans, most of the  
16 people that I talked to, and I will say the man-on-the-  
17 street-type person said, well, how can we be sure that  
18 these extra dollars are going into actually fixing roads  
19 and bridges? Well, this is a way to do that.

20 So, Mr. Evankovich, can I then safely go home and  
21 tell my constituents that if we pass this Bill, that's  
22 exactly what's going to happen?

23 REPRESENTATIVE EVANKOVICH: Yes.

24 REPRESENTATIVE JAMES: Good answer. That's all.

25 Thank you, Mr. Chairman.

1 MAJORITY CHAIRMAN BENNINGHOFF: Good question.  
2 Representative Daley.

3 REPRESENTATIVE DALEY: Thank you, Mr. Chairman.

4 Mr. Evankovich, I'm probably going to follow the  
5 same line that Chairwoman Mundy did, but when I think about  
6 a balanced budget, you know, we have to balance revenues  
7 and expenses obviously. And I'm looking at this Bill as a  
8 way to just -- it's a tax shift so you could call that a  
9 tax shift expense. And so I'm just interested in the  
10 specifics of how you would deal with that revenue.

11 And I understand that you said that it wouldn't  
12 -- I don't think you answered exactly how you would look at  
13 that because you seem to be thinking that we were  
14 sufficient at this point. But in my district I'm hearing  
15 of things that are not being paid or not being supported by  
16 this State where there's an expectation, for instance,  
17 education, that the funding from the State for education  
18 can be as low as 18 percent of the total budget with a  
19 local share being over 80 percent. So I'm just curious how  
20 we would deal with this tax shift expense on the budget and  
21 considering in a balanced budget.

22 REPRESENTATIVE EVANKOVICH: Yes. Thank you. I  
23 appreciate the question. I think the most important thing  
24 to start with is that budgets are about priorities. And  
25 while this isn't a spending bill, it is a tax revenue

1 shifting bill. You are correct absolutely. If we think  
2 back in 1960, the State did spend 30 percent of its overall  
3 spending, including Federal dollars and everything else, on  
4 the roads and bridges. In today's terms, we spend roughly  
5 8-1/2 percent. So one could argue that there has been this  
6 massive shift from road infrastructure to General Fund  
7 obligations, areas of social spending like welfare,  
8 education, corrections. And we have shifted away from road  
9 infrastructure.

10           What this Bill would do is make a clear budget  
11 priority choice that we recognize that roads and bridges  
12 are a core function of government and that we're willing to  
13 set aside a portion of our existing revenues to do that.  
14 And, look, when we are talking about the sales-and-use tax  
15 in a world when we hear people talk about user fees, I  
16 would say that the government you're most using whenever  
17 you buy a car is a road, so why not dedicate that money to  
18 road and bridge infrastructure?

19           REPRESENTATIVE DALEY: Can I just have a follow-  
20 up, please?

21           MAJORITY CHAIRMAN BENNINGHOFF: Quickly.

22           REPRESENTATIVE DALEY: Sure. Back in 1960 when  
23 you're saying what was spent on roads and transportation,  
24 was that coming out of the General Fund? And then  
25 shouldn't we be prioritizing what we are spending in the



1 General Fund at any rate?

2 REPRESENTATIVE EVANKOVICH: The answer to your  
3 first question is that where the money came from in 1960 is  
4 somewhat irrelevant simply because I'm looking at total  
5 versus total. So if I standardize it by saying if you look  
6 at total spend Federal and State money versus total spend  
7 Federal and State money, the purpose of the statistic was  
8 to draw the contrast that we were putting about a third of  
9 our budget into roads and bridges then, and today, less  
10 than 10 percent. And I apologize. What was the second  
11 question?

12 REPRESENTATIVE DALEY: I'm sorry. Was the money  
13 coming out of the General Fund anyway for the roads and  
14 bridges? So shouldn't we be continuing to prioritize the  
15 General Fund spending?

16 REPRESENTATIVE EVANKOVICH: I think we should  
17 continue to prioritize our General Fund spending, but I  
18 just believe that we should be putting a greater percentage  
19 of it towards roads and bridges.

20 MAJORITY CHAIRMAN BENNINGHOFF: Thank you.  
21 Representative Kortz and Representative Bloom.

22 REPRESENTATIVE KORTZ: Thank you, Mr. Chairman.  
23 And thank you, Representative, for bringing this Bill.

24 As with any piece of legislation, there's  
25 obviously pros and cons, and I actually like the concept of

1 having dedicated money going to roads and bridges. I think  
2 it's a good concept going forward that we can expand on.  
3 However, the negative side of the Bill from my perspective  
4 is that it leaves out mass transit, and you've already  
5 answered that question. And being from Allegheny County  
6 where we have 250,000 people a day riding mass transit, 50  
7 percent of those, 125,000 people, use that to get to work.  
8 Many of those are colleagues that you and I worked at U.S.  
9 Steel, managers that take that T or take the bus to U.S.  
10 Steel. There's thousands that work at Mellon Bank. We  
11 just received a letter from them last week. Those people  
12 need mass transit. So the negative side, it's kicking that  
13 out. It's not addressing that it all.

14           And when you look at Philadelphia, you have 1.1  
15 million people per day using that to get into the city and  
16 70 percent of those are using it for work. So the negative  
17 side kind of outweighs the positive side right now.

18           But one question, this is only for on-road  
19 vehicles. What about the off-road motorcycles, dirt bikes,  
20 ATVs, that kind of stuff? What will we do with that tax  
21 money?

22           REPRESENTATIVE EVANKOVICH: I believe the way the  
23 Bill is currently drafted that money would still stay in  
24 the General Fund.

25           REPRESENTATIVE KORTZ: Because that is something

1 that maybe we could use. I mean you should maybe take a  
2 look at that.

3 Thank you, Mr. Chairman.

4 MAJORITY CHAIRMAN BENNINGHOFF: Thank you.

5 Representative Bloom?

6 REPRESENTATIVE BLOOM: Thank you, Mr. Chairman.

7 Representative Evankovich, listening to the  
8 testimony and the questions and discussions so far, would  
9 it be fair to say that your Bill basically restores and  
10 rebalances the historical proportionality of spending  
11 existing tax revenue sources to recognize the high priority  
12 that Pennsylvania taxpayers place on the proper funding of  
13 roads and bridges?

14 REPRESENTATIVE EVANKOVICH: Thank you,  
15 Representative Bloom. I believe that it partially starts  
16 that argument. I think you're absolutely correct. It  
17 begins the conversation of that argument. I think that,  
18 again, it's just one tool in the toolbox for how we need to  
19 change the way that we fund our roads and bridges.

20 REPRESENTATIVE BLOOM: Thank you. And I  
21 appreciate your creative approach to this. It's a great,  
22 refreshing change to see an approach that does not go back  
23 to the taxpayers for new taxes but rather looks to how we  
24 can properly allocate the revenue that we already have in  
25 the State.

1 Thank you, Mr. Chairman.

2 MAJORITY CHAIRMAN BENNINGHOFF: Representative  
3 Davidson.

4 REPRESENTATIVE DAVIDSON: Thank you,  
5 Mr. Chairman.

6 This is one question with three parts.

7 REPRESENTATIVE EVANKOVICH: I'm taking notes.

8 REPRESENTATIVE DAVIDSON: If you would let me  
9 know if this statement is correct, what you're saying in  
10 this Bill, what you're arguing in this Bill is that we  
11 don't need to generate any new revenue for transportation,  
12 roads and bridges, and mass transit. We don't need to  
13 generate any new revenue. We just need to shift how we are  
14 spending the revenue we are currently generating. Is that  
15 what you're contending in this Bill?

16 REPRESENTATIVE EVANKOVICH: What my contention is  
17 is that I believe that part of the argument needs to be  
18 revenue shifting. I'm not shutting the door that we don't  
19 need some type of new revenue. This plan simply is a way  
20 to address part of the ongoing transportation needs that we  
21 have without first going to the taxpayers and saying we  
22 want more, but rather reprioritizing some of what we  
23 already spend.

24 REPRESENTATIVE DAVIDSON: Okay. So how would you  
25 respond or do you disagree with the Revenue Department's

1 contention that expenses that are applied against the  
2 General Fund are growing, that they are not staying the  
3 same, that even though revenue is growing, expenses are  
4 growing at an equal or a rate above the revenues? So  
5 shifting revenue out of the General Fund, even though  
6 you're putting in a dedicated fund, still leaves a hole  
7 where expenses like pensions that is a growing cost are not  
8 being met. So how do you respond to that? In your Bill it  
9 seems like deficit spending or we'll be left with a hole.  
10 How do you respond to that?

11 REPRESENTATIVE EVANKOVICH: Thank you,  
12 Representative Davidson. The way that I would respond to  
13 that is, I guess, similar to how I think most of our  
14 constituents would think about how to respond to that,  
15 which is what would you do in your own home? What would  
16 you do with your own budget?

17 REPRESENTATIVE DAVIDSON: If expenses are going  
18 up and you don't have any more money---

19 REPRESENTATIVE EVANKOVICH: You would fund the  
20 things---

21 REPRESENTATIVE DAVIDSON: You have to choose  
22 between food and heat---

23 REPRESENTATIVE EVANKOVICH: You would fund the  
24 things that are the highest priority and find a way to make  
25 it work within your existing budget before you went out and

1 got a new job. You would fix your existing budget as best  
2 you could before you went out and found a new job. And I  
3 think that that's all that this Bill suggests to do is to  
4 reprioritize how we are spending our existing money.

5 REPRESENTATIVE DAVIDSON: Thank you. I just want  
6 to finally say that if we're leaving a hole in the budget  
7 and if you want to use the example of a family budget and a  
8 family is left with the choice of deciding between heating  
9 their home and feeding their children in the winter, more  
10 revenue is needed. And so you can't just simply shift from  
11 food to heat and think that that's okay. You're in a  
12 crisis, and I think we're in a crisis in this Commonwealth  
13 where we need additional revenue for transportation and we  
14 need additional revenue for pension costs that is coming  
15 out of the General Fund. And so we can't simply trade  
16 between the two.

17 We have a constitutional obligation to pay the  
18 bills that we have currently, and the revenue that's being  
19 generated, even though it's increased, it has not increased  
20 to the level that is covering the cost that the  
21 Commonwealth has. So if we're going to do transportation  
22 and we're going to dedicate funding, we need to dedicate  
23 new money.

24 REPRESENTATIVE EVANKOVICH: I appreciate that and  
25 just very briefly would be happy to work with you on

1 reducing those pension obligations by enacting pension  
2 reform.

3 But whenever we make the analogy to the family  
4 budget, you know, by taking two areas of primary need and  
5 using those as the examples, I think that we also have to  
6 recognize that you can look at the more discretionary and  
7 lower-priority items as well. You know, perhaps to use the  
8 analogy you start to look at the cable bill, the phone  
9 bill, the car payment, whether you're driving a car that  
10 you can downsize, how much you're spending on fuel,  
11 consolidating trips.

12 If we were going to make the analogy to the  
13 family budget, I think it's appropriate to make and I don't  
14 disagree with you that we do see our State obligations  
15 increasing in the General Fund. I think what this Bill  
16 would do is send a clear message to the people of  
17 Pennsylvania that we believe that transportation has a high  
18 priority seating in how we spend their money and that we  
19 are willing to do the hard work to find out how we make it  
20 work otherwise.

21 MAJORITY CHAIRMAN BENNINGHOFF: And our last  
22 question on House Bill 762 regarding transportation funding  
23 will be Representative Mirabito.

24 REPRESENTATIVE MIRABITO: Thank you.

25 Thank you, Representative Evankovich. You know,

1 it seems that what you're doing here is you're thinking  
2 outside the box a little, and I guess what I'd like to do  
3 is ask you to just listen to a comment and maybe think out  
4 a little more. One of the most important things that's  
5 been happening in this State, continues to happen, is the  
6 Marcellus Shale. And what's important is the Marcellus  
7 Shale is about transportation. It's about moving raw  
8 materials that go into making steel pipe in Pittsburgh and  
9 then getting that pipe to Lycoming County. It's about  
10 using trains to move sand and stone within the State for  
11 drilling and fracking. It's about moving people who go to  
12 law firms in Pittsburgh and Philadelphia to negotiate  
13 contracts for deals that are done up in Lycoming County.

14 MAJORITY CHAIRMAN BENNINGHOFF: Do you have a  
15 question in here?

16 REPRESENTATIVE MIRABITO: I do. The question I  
17 have is in the effort to think outside the box, is it  
18 possible to suggest that a severance tax on the natural gas  
19 industry is a logical place to put money for transportation  
20 in addition? Because as you said, you have one tool in the  
21 toolbox. What I'm suggesting is that an additional tool in  
22 the toolbox could be a severance tax on the natural gas  
23 industry.

24 PennDOT has indicated to me that the money from  
25 the liquid fuels tax is not compensating the people of



1 Pennsylvania for the wear and tear that's going on on the  
2 roads and bridges as a result of the movement of raw  
3 materials due to the Marcellus Shale. And when I did an  
4 informal survey in my district and asked them where a  
5 severance tax should go, 60 percent of the public told me  
6 that it should go to transportation: bridges,  
7 infrastructure. This is a way to raise revenue that  
8 doesn't hurt working families, that keeps us in line with  
9 what 38 States do, and frankly, dovetails with your idea of  
10 thinking outside the box. So I guess I would ask you if  
11 you have some thoughts on that and whether you would  
12 consider working that into a proposal.

13 REPRESENTATIVE EVANKOVICH: I thank the gentleman  
14 for the question. My approach to this problem is to try to  
15 work around ways that we can spend more on roads and  
16 bridges without having to seek additional sources of  
17 revenue, not shutting that argument out, but my suggestion  
18 would be that we be a little bit careful with what we  
19 advocate for in terms of new taxes and what they're being  
20 spent for.

21 I have heard many arguments over my last three  
22 years to suggest that one particular tax like a severance  
23 tax could go to fund transportation, it could go to fund  
24 education, and it could go to fund Medicaid expansion and  
25 the like. My suggestion would be that as you start

1 dividing those few hundred million dollars from a severance  
2 tax out amongst those particular issues, you'll find out  
3 that you'll feel the same way that many Pennsylvanians did  
4 whenever a few General Assemblies ago decided to use  
5 gambling revenues to solve the property tax problem, which  
6 was when you divide billions out by millions, you're left  
7 holding few dollars and feeling rather dissatisfied.

8 REPRESENTATIVE MIRABITO: Thank you.

9 MAJORITY CHAIRMAN BENNINGHOFF: Representative  
10 Evankovich, we appreciate your comments. We appreciate the  
11 Members' questions.

12 We will now move on to Representative Roae, who  
13 has House Bill 1630. There's a pretty colorful package of  
14 support documents in your packet to go along with that,  
15 which I know Representative Roae will brief us on.

16 You may proceed.

17 REPRESENTATIVE ROAE: All right. Thank you,  
18 Mr. Chairman, Madam Chairwoman, and Members of the  
19 Committee. I appreciate the opportunity to talk about  
20 House Bill 1630 today.

21 House Bill 1630 would gradually move money that  
22 we get from collecting sales tax on motor vehicle sales.  
23 It would move it from the General Fund to the Motor License  
24 Fund. House Bill 1630 does that over a 10-year period, so  
25 it goes up 10 percent a year. In 2014 it would be 10

1 percent of the money, 2015 would be 20 percent, and so on.  
2 In 2023, 10 years from now, 100 percent of the sales tax  
3 from selling vehicles would go to the Motor License Fund  
4 rather than the General Fund.

5 Now, I'd like to ask the Committee Members a  
6 question. If we were starting a new State today and this  
7 State could only do one thing, what would we do? I think  
8 we would quickly realize that if we could only do one  
9 thing, we would build a network of roads and bridges,  
10 because without that, nothing else that government does can  
11 happen.

12 I think all 203 Representatives want PennDOT to  
13 have enough money to take care of the bridges and roads.  
14 That being said, Senate Bill 1 shouldn't be the only option  
15 that we have to look at.

16 House Bill 1630 would force the State Government  
17 to spend more on more critical things and less on less  
18 critical things. When House Bill 1630 is fully  
19 implemented, it would transfer about 4 percent of the money  
20 that normally goes to the General Fund into the Motor  
21 License Fund. I would ask the Members of the Committee  
22 another question: Do your constituents think that the State  
23 Government can run on 4 percent less than we're spending  
24 now? Is there 4 percent waste, fraud, abuse in low-  
25 priority spending in our \$28.4 billion General Fund budget?

1           What do we cut? That's what people ask if we do  
2 this proposal. Well, we actually don't have to cut  
3 anything. We could actually do a Washington, D.C.-style  
4 spending cut for this to work. Here's what they do in  
5 Washington: If a line item in the budget is funded at \$100  
6 million and they were going to raise it to \$104 million but  
7 they decide to only raise it to \$103 million instead, they  
8 don't call it a \$3 million increase; they call it a \$1  
9 million cut. If we took the approximate 700 line items  
10 that we have into the General Fund budget and we increased  
11 every single line item almost as much as we would normally  
12 increase them, the math would work out on House Bill 1630.

13           The current fiscal year budget is about \$645  
14 million more than last year's fiscal year budget. Could we  
15 have passed a new budget that only increased spending by  
16 \$525 million rather than increasing it by \$645 million? I  
17 think we could have and that other \$120 million could have  
18 gone to the Motor License Fund to fix roads and bridges.

19           We projected that revenue is going to grow by  
20 about \$994 million for the new fiscal year that starts on  
21 July 1st. We have eight months to figure out under this  
22 legislation how to increase our budget by \$874 million  
23 rather than \$994 million. I think we can do that. Under  
24 House Bill 1630 when we work on the budget for the new  
25 fiscal year, we would still have 99.6 percent as much money

1 for the General Fund as we do now.

2 House Bill 1630, in conjunction with a few other  
3 things, would give PennDOT all the money they need. Those  
4 few other things are prevailing wage reform, mass transit  
5 reform, selling the liquor stores and using the up-front  
6 money for bridges and roads, prioritizing PennDOT projects,  
7 and pension reform. If we did those five things plus we  
8 passed House Bill 762 or House Bill 1630, PennDOT would  
9 have all the money that they need.

10 Now, I passed out a supplemental testimony. If  
11 anybody needs one of these, Heather in the corner there can  
12 get you one. But on the second page of the supplemental  
13 packet here you see a map of the United States and you can  
14 see that Pennsylvania has one of the highest gasoline taxes  
15 in the country. If we passed Senate Bill 1, we would have  
16 the highest gasoline tax in the country, and I think that  
17 would be harmful to our residents and our businesses.

18 The next page shows that using sales tax and  
19 General Fund money for transportation is a very common  
20 occurrence. The Federal Government does it. From 2008 to  
21 2013 the Federal Government transferred \$35 billion from  
22 the General Fund to the Federal Highway Fund. New Jersey  
23 recently transferred \$200 million from the General Fund to  
24 the Transportation Fund. New York transferred over \$4  
25 billion from 2008 to 2013 from their General Fund to their

1 Transportation Fund. Down in Texas they even use the sales  
2 tax from motor oil and they put that in transportation  
3 rather than their General Fund.

4           If you flip ahead a couple more pages you can see  
5 that there's a chart that shows the revenue increase from  
6 Senate Bill 1, and the line is flat-lined across the bottom  
7 of the chart because there is no revenue from Senate Bill  
8 1. We don't have the votes to pass Senate Bill 1, and if a  
9 Bill doesn't pass, it doesn't raise any revenue. Now, if  
10 the Senate Bill 1 did pass, the next chart shows the  
11 consequence it would have for taxpayers.

12           That wasn't supposed to be a joke.

13           The chart shows that taxpayers would be hit with  
14 about an \$833 million tax increase this year, \$1.66 billion  
15 next year, and, when fully implemented, Senate Bill would  
16 be a \$2.5 billion tax increase.

17           The next chart shows that House Bill 1630 has no  
18 tax increase. The chart after that shows that the revenue  
19 gradually but steadily increases under 1630. As it goes  
20 from 10 percent to 20 percent to 30 percent and as  
21 inflation increases the price of cars, we'd be collecting a  
22 6 percent sales tax on higher prices every year, and it  
23 would be a nice, stable source of funding to fix our roads  
24 and bridges.

25           The next chart is from the Department of Revenue.

1 It's their numbers, not my numbers. They're showing that  
2 we are probably going to collect \$1.3 billion of sales tax  
3 money from vehicle sales in the new fiscal year. In 2023  
4 it's going to be about \$1.7 billion, so it's a growing  
5 revenue source.

6 The pie chart on the next page shows that we have  
7 about a \$66 billion total operating budget. The General  
8 Fund budget is in the news a lot but people don't realize  
9 that's just one small part of our overall budget. Under  
10 House Bill 1630, this pie would stay the same size. We  
11 would just slice the pieces up a little bit differently.  
12 The General Fund would be smaller, the Motor License Fund  
13 would be larger. Under Senate Bill 1, this pie grows by 2  
14 or \$3 billion.

15 On the next page you can see numbers from the  
16 Governor's budget book and you can clearly see that revenue  
17 is projected to grow every year at least for the next five  
18 years, but historically, revenue grows from one year to the  
19 next, so it shouldn't be a problem with reallocating a  
20 little bit of money to take care of our roads and bridges.

21 The next page shows a very important point.  
22 Right now, under current State law, 4.4 percent of all the  
23 sales tax we collect is given to mass transit. I maintain  
24 that if we can use sales tax money for mass transit, we can  
25 certainly use sales tax money for roads and bridges.

1           On the next page it shows what auto users pay to  
2 subsidize mass transit in Pennsylvania. A lot people don't  
3 realize it, but every time you buy a tire, there's a \$1 tax  
4 on it; every time you rent a car, there's a \$2 per day tax;  
5 and every time you lease a car, there's a 3 percent tax.  
6 All those taxes go up under Senate Bill 1 and all that new  
7 money goes to mass transit. The intent of my proposal is  
8 to use all the money for roads and bridges and not for mass  
9 transit. I feel mass transit needs to control their  
10 budgets a little bit better than they are now.

11           Up in Erie, EMTA has not increased bus fares for  
12 16 years. They charge \$1 to ride the bus. In Meadville,  
13 CATA recently built a \$3 million office building to replace  
14 a rented office space that was about as big as this room.  
15 It has about a 300-year payback period when you figure.  
16 They paid about 10,000 a year to rent that building. They  
17 spent \$3 million to build a new building, so in 300 years  
18 that project will pay for itself.

19           Down in Philadelphia, SEPTA gives 10 percent pay  
20 raises four years in a row to their new bus drivers. Down  
21 in Pittsburgh, 20 percent of their budget goes for people  
22 that don't even work there anymore. It's for retiree  
23 health insurance, retiree pensions, and things like that.

24           On the next page, you can see what auto drivers  
25 currently pay to support transportation. They pay gas tax,



1 tire tax, car lease tax, car rental tax, vehicle  
2 registration fee, driver's license fee, inspection sticker  
3 fee, tolls, traffic tickets, parking tickets, and parking  
4 fees. People that ride the buses, they pay nothing. On  
5 average, about 25 percent of the cost of a mass transit  
6 trip is paid by the bus fare. The other 75 percent of the  
7 mass transit fare is paid by the taxpayer subsidies.

8           The final page in my 800-page supplemental packet  
9 shows the economic brief from our Appropriations Chair.  
10 You can see that revenue so far this year is about \$42  
11 million higher than expected. If you project that out for  
12 the whole fiscal year, that would be about \$120 million or  
13 roughly the amount of the transfer that we would have to do  
14 to make this legislation happen in the new fiscal year.

15           Thank you.

16           MAJORITY CHAIRMAN BENNINGHOFF: I'm not sure if I  
17 hear as fast as you testified, but I'm impressed. You did  
18 a great job, very comprehensive in your given time slot.  
19 Do we have any questions on that?

20           We will start with Representative Mundy and  
21 Representative Davidson, and go from there.

22           Representative Roae, we thank you for that  
23 testimony.

24           REPRESENTATIVE ROAE: You're welcome.

25           MINORITY CHAIRWOMAN MUNDY: Thank you,

1 Mr. Chairman.

2 Mr. Roae, I don't know whether it's a drafting  
3 error or whether this is your intent, but the way I'm  
4 reading your Bill, for fiscal year commencing July 1st,  
5 2023, all of the taxes that you enumerate go into highways  
6 and bridges, and then after that in year 2024 there's  
7 nothing.

8 REPRESENTATIVE ROAE: Well, any piece of  
9 legislation always involves amendments, you know, technical  
10 amendments to fix drafting errors and amendments that  
11 change the proposal to gain the 102 votes needed to pass it  
12 in the House. But my intent would be it goes up 10 percent  
13 a year, so that would go on forever. Once it reaches 100  
14 percent of the sales tax from sale in vehicles, that would  
15 go on forever. It just takes 10 years to get to that  
16 point. It's 10 percent of the money the first year, 20  
17 percent the next, 30 percent the next year, then 10 years  
18 and beyond it would be the full 100 percent. That's my  
19 intent.

20 MINORITY CHAIRWOMAN MUNDY: So you would need a  
21 technical amendment to make that clear because, again, the  
22 way it's currently drafted it goes through 2023, and then  
23 all that money would go back to the General Fund.

24 REPRESENTATIVE ROAE: Yes, thank you for pointing  
25 that out. We might have to add a comma in there and say

1 starting July 1st, 2003, and all fiscal years after that,  
2 100 percent of the taxes or whatever the wording would be.  
3 So that would be what the intent is.

4 MINORITY CHAIRWOMAN MUNDY: Thank you.

5 MAJORITY CHAIRMAN BENNINGHOFF: Representative  
6 Davidson.

7 REPRESENTATIVE DAVIDSON: Thank you,  
8 Representative. Thank you, Mr. Chairman. Thank you,  
9 Representative, for bringing this Bill to the Committee for  
10 consideration.

11 In looking at the Governor's proposed budget, he  
12 has taken into consideration natural revenue growth that  
13 comes into the General Fund to make his proposed budget.  
14 He has already taken into account those revenues. Are you  
15 saying that the Governor's budget is bloated and could have  
16 spent a lot less money in order to meet the Commonwealth's  
17 obligations?

18 REPRESENTATIVE ROAE: What I am saying is when we  
19 look at the budget, we have to continuously look at it and  
20 make sure that we're funding the things that are the most  
21 important and we're cutting back on the things that are  
22 less important. So I think that there's a lot of things in  
23 the budget -- probably everything in the General Fund  
24 budget is less important than roads and bridges. This  
25 proposal would take tax money that people are already

1 paying, and rather than using it in areas that aren't as  
2 important, it would use the money in areas that are more  
3 important.

4 Now, as far as the actual budget, I mean that's  
5 the situation that we have every year. It's amazing to me  
6 we ever passed a General Fund budget because you have 203  
7 House Members that have 203 different ideas on what's  
8 important in the budget, what's not important. But I think  
9 it's important to point out that under this proposal, we  
10 would still be able to increase the new fiscal year budget  
11 by several hundred million dollars.

12 REPRESENTATIVE DAVIDSON: So what is it that you  
13 think is less important that you would cut in order to move  
14 the money to a dedicated fund that would leave money out of  
15 the General Fund? So you're saying that we could spend it  
16 on things that are important and not spend it on things  
17 that are less important. What are those things that are  
18 less important that you would not spend it on?

19 REPRESENTATIVE ROAE: Virtually everything in the  
20 budget. A few things off the top of my head that was in  
21 the testimony -- I didn't read the whole thing -- our  
22 PASSHE college system. The union contract gives professors  
23 two pay raises a year. The union contract allows  
24 professors, 7 percent of them, to be on paid salary and  
25 paid benefits at any given time. Every time Pennsylvania

1 has a paid State holiday for State employees, it costs  
2 about \$11 million. So a holiday like Columbus Day, there's  
3 about an \$11 million price tag to give all the employees a  
4 day off that day. There's funding in the budget for arts.  
5 And I like arts, I like museums, I like local theater  
6 shows, but if I had to choose between going to a subsidized  
7 play a local community group is having or being able to  
8 cross a river that a closed-down bridge crosses, I'd rather  
9 have the bridge. And I think taxpayers would rather their  
10 money go to the most critical things rather than things  
11 that are less critical. I'm not saying those other things  
12 are not important; I'm just saying they're not quite as  
13 important as bridges.

14 REPRESENTATIVE DAVIDSON: Thank you.

15 MAJORITY CHAIRMAN BENNINGHOFF: Thank you both.

16 And if we could try to stay on the Bill. And one question,  
17 Representative Kortz and Representative Dean.

18 REPRESENTATIVE KORTZ: Thank you, Mr. Chairman.

19 And thank you, Representative, for offering this  
20 legislation and the testimony today.

21 As much as we heard from the previous testifier  
22 about his Bill, obviously there are some things that are  
23 good and some things that are bad. A couple of the things  
24 that maybe need to be added are trailers, off-road ATVs,  
25 off-road motorcycles. I don't know that that's

1 incorporated.

2 REPRESENTATIVE ROAE: No. Well, my legislation,  
3 I actually said vehicles. And again, I may need to change  
4 the language. My intent is vehicles: cars, trucks, ATVs,  
5 motorcycles---

6 REPRESENTATIVE KORTZ: Okay.

7 REPRESENTATIVE ROAE: ---farm tractors. I think  
8 Representative Evankovich's Bill is only for vehicles that  
9 are licensed for highway use.

10 REPRESENTATIVE KORTZ: Right.

11 REPRESENTATIVE ROAE: And I'm open to amendments.  
12 We can limit it to that, what Representative Evankovich is  
13 doing. We could expand it to include more stuff. As far  
14 as I'm concerned, the more money for the roads and bridges,  
15 the better.

16 REPRESENTATIVE KORTZ: Okay. I'd like to offer  
17 that amendment, and I think I'd like to offer a second  
18 amendment because I think the Bill is slightly flawed in  
19 that you don't want to address mass transit at all. In  
20 fact, I have an idea. I think the amendment should be  
21 since Allegheny County and Philadelphia generates the most  
22 tax funds in this State, we ought to keep those tax funds  
23 in those counties to pay for mass transit and all our roads  
24 and bridges, and then all the counties can do the same  
25 throughout the State. Would you agree to something like

1 that, sir?

2 REPRESENTATIVE ROAE: Well, a couple things  
3 there, in Philadelphia and Pittsburgh, if they don't need  
4 food and they don't need oil and they don't need clothing,  
5 they don't need paper, they don't need medicine, if they  
6 don't need a statewide highway network, you could probably  
7 do something like that. I theorize that the people in  
8 those parts of the State, they need the stuff that comes in  
9 on trucks from all of the State. Our highway system is  
10 almost like the blood vessels in your body. Your brain and  
11 your heart are the most important parts of your body, but  
12 if you have a big cut in a vein in your leg or your arm,  
13 you're going to bleed to death, and that's what would  
14 happen with this State. So we have to make sure that the  
15 highway network is complete in the whole State.

16 As far as mass transit funding, you heard my  
17 testimony. If a place like SEPTA wanted to get more money,  
18 if they raise bus fare \$1 a trip, that would raise about  
19 \$400 million a year for SEPTA. People that drive cars into  
20 Philadelphia, they're paying \$10 or \$20 a day to park.  
21 They're spending \$3 or \$4 or \$5 in gasoline. I mean to  
22 ride the bus is much cheaper than to take your own car, so  
23 there's no reason why mass transit agencies, especially the  
24 one in Erie, it's been 16 years since they raised bus fare.  
25 That was, what, 1997 or whatever the year is, 16 years.

1 Gas prices have doubled, car prices. I mean there's no  
2 excuse for the mass transit agencies expecting the  
3 taxpayers to pay 75 percent of the cost of a mass transit  
4 trip and the riders only pay 25 percent of it.

5 And mass transit buses, they need it roads and  
6 bridges also, so this legislation actually helps mass  
7 transit. Even though it specifically doesn't give them any  
8 money, it improves the roads and bridges that the buses  
9 drive on.

10 REPRESENTATIVE KORTZ: Well, Senate Bill 1 would  
11 address that whole issue. It addresses the whole artery  
12 system you talked about.

13 MAJORITY CHAIRMAN BENNINGHOFF: All right. Guys,  
14 if we could, I want to try to stay on schedule. We'll stay  
15 on one Bill at a time.

16 REPRESENTATIVE KORTZ: Thank you, Mr. Chairman.

17 MAJORITY CHAIRMAN BENNINGHOFF: We can discuss  
18 the other arteries---

19 REPRESENTATIVE KORTZ: I would like to offer that  
20 amendment.

21 MAJORITY CHAIRMAN BENNINGHOFF: ---of the  
22 transportation later.

23 Representative Dean had a question on House Bill  
24 1630, and I believe Representative Harris would like to do  
25 a quick follow-up to that.



1           REPRESENTATIVE DEAN: Thank you very much,  
2 Mr. Chairman.

3           Representative, your legislation, I'm unclear on  
4 one piece of it.

5           REPRESENTATIVE ROAE: Okay.

6           REPRESENTATIVE DEAN: Is it intended to be  
7 combined with what we anticipate as transportation  
8 legislation coming back before the House this week or  
9 sometime in the near future? Would this be something on  
10 top of and connected to the transportation funding packages  
11 that we've been talking about, SB 1, or is this a full  
12 replacement?

13           REPRESENTATIVE ROAE: Senate Bill 1 does not have  
14 enough votes to pass. I mean they've been saying we're  
15 going to vote on it for the last two or three months. If  
16 we had 102 votes for Senate Bill 1, we'd vote on it today.  
17 We don't so we won't.

18           REPRESENTATIVE DEAN: Well, I'm asking the  
19 intent---

20           REPRESENTATIVE ROAE: Yes, this---

21           REPRESENTATIVE DEAN: ---not the numbers, the  
22 intent.

23           REPRESENTATIVE ROAE: This legislation, and  
24 combination with prevailing wage reform, prioritizing  
25 PennDOT projects, privatizing the liquor stores, using the

1 up-front money for transportation, doing things like that,  
2 PennDOT would have all the money they need to fix the roads  
3 and bridges.

4 Now, just for the sake of argument, if Senate  
5 Bill 1 did pass, we could still do this also because,  
6 again, this would just reprioritize spending from things  
7 that are less important to things that are more important.

8 REPRESENTATIVE DEAN: So in your chart here, the  
9 10-year chart, what do you estimate the numbers to be?  
10 What dollar amounts are in fiscal year 1 through 10?

11 REPRESENTATIVE ROAE: I think that's on the  
12 chart.

13 REPRESENTATIVE DEAN: Okay. I'm looking at this  
14 one. I know you have many charts here, but I'm looking at  
15 this one. It gives percentages, not dollars. So if I  
16 missed it---

17 REPRESENTATIVE ROAE: Well, if you look at my  
18 100-page supplemental packet---

19 REPRESENTATIVE DEAN: I'm right there. Tell me  
20 what page.

21 REPRESENTATIVE ROAE: It's the page right by the  
22 pie chart. It's about page 10 in the packet. In fiscal  
23 year 2014 the Department of Revenue, they project we're  
24 going to collect \$1.3 billion of sales tax from vehicle  
25 sales, and that grows every year. By 2023 it would be

1 almost \$1.8 billion.

2 REPRESENTATIVE DEAN: And none of that to go to  
3 mass transit?

4 REPRESENTATIVE ROAE: Correct.

5 REPRESENTATIVE DEAN: By your choice of fonts,  
6 your large font, it indicates none of it to go to mass  
7 transit?

8 REPRESENTATIVE ROAE: Correct. That is clearly  
9 my intent because, again, the roads and bridges, mass  
10 transit buses need good roads and bridges, cars need good  
11 roads and bridges, fire engines do. Roads and bridges are  
12 definitely the priority and definitely what my intent is to  
13 fund.

14 REPRESENTATIVE DEAN: Okay. And based on the  
15 Governor's own commission, the need in transportation  
16 funding, even if we're not talking about mass transit, is  
17 far greater than what your numbers project, so what do we  
18 do about that?

19 REPRESENTATIVE ROAE: Well---

20 REPRESENTATIVE DEAN: Right now, the need, if you  
21 amortized out the TFAC report, it'd be about \$4 billion.

22 REPRESENTATIVE ROAE: Yes.

23 REPRESENTATIVE DEAN: So you're estimating \$1.3  
24 billion?

25 REPRESENTATIVE ROAE: Well, as I point out,

1 Senate Bill 1 raises zero because there's not enough votes  
2 to pass it, and this proposal, in conjunction with my other  
3 ideas -- I mentioned proposals other people have put forth  
4 for prevailing wage reform, using the money from  
5 privatization, and so on -- that would give PennDOT more  
6 money than they have now. Senate Bill produces zero.

7 MAJORITY CHAIRMAN BENNINGHOFF: Thank you. I  
8 don't mean to rush people but---

9 REPRESENTATIVE DEAN: That's fine. Thank you,  
10 Mr. Chairman.

11 MAJORITY CHAIRMAN BENNINGHOFF: ---there are  
12 testifiers that have to get to other places, as well as  
13 Committee Members. I'm going to allow two other quick,  
14 precise questions on these Bills specifically. I would  
15 remind the Members there is \$6.8 billion being spent by  
16 PennDOT on an annual basis, and some of that money does go  
17 into mass transit, so these proposals are not exclusive.  
18 They are in addition to.

19 I believe the next one is Representative Harris,  
20 and closing us out will be Representative Mirabito with a  
21 brief question.

22 REPRESENTATIVE HARRIS: Thank you, Mr. Chairman.  
23 Thank you, Representative Roae, for the Bill as well.

24 I think we are clear on your position on mass  
25 transit. I just ask a simple question. How do people pay

1 for their vehicles which the tax money would be generated  
2 to go to this dedicated source if SEPTA fails and they  
3 can't get to work and they can't earn a living, therefore  
4 they can't buy their vehicles? And I heard what you said  
5 and I agree that the whole artery analogy; I get that. It  
6 makes sense.

7 But it makes sense on the other end as well. And  
8 you said it yourself. It is cheaper to catch SEPTA than it  
9 is to drive your car into Philadelphia and park.

10 Therefore, many people do that. So if SEPTA collapses and  
11 the people can't get to work, how are they going to be  
12 purchasing these vehicles that are then going to be  
13 dedicated to this fund?

14 REPRESENTATIVE ROAE: SEPTA is not going to  
15 collapse. If SEPTA raised their prices \$1 per trip, they  
16 would take in another \$400 million a year. Senate Bill 1  
17 would give SEPTA about \$400 million a year more money.  
18 There's people that ride SEPTA to work. They sit right  
19 beside people that drive their own cars to work. The  
20 person that drives to work is paying 20 bucks today in  
21 parking and gas and tolls and stuff like that. The person  
22 that rides SEPTA for \$3 or \$4 a day, they can afford to  
23 bump it up to \$5 a day.

24 But SEPTA is not going to collapse because mass  
25 transit is very critical in big urban areas like that, and

1 all I'm saying is if you're going to ask people that are  
2 already maintaining the entire transportation  
3 infrastructure to pay even more, and the people that use  
4 mass transit don't have to pay anything more, that's simply  
5 not fair. And this proposal would help fix the roads and  
6 bridges that SEPTA buses drive on and the same roads that  
7 fire engines, ambulances, and cars drive on.

8 REPRESENTATIVE HARRIS: Thank you, Mr. Chairman.  
9 A quick follow-up: I would just say that my constituents  
10 would say that it's unfair to not provide money to SEPTA  
11 but provide money to roads and bridges in Carbon County and  
12 other counties that they will never, ever, ever visit.

13 Thank you, Mr. Chairman.

14 MAJORITY CHAIRMAN BENNINGHOFF: Thank you both  
15 very much.

16 Representative Mirabito to close us out on  
17 Representative Roae's proposal.

18 REPRESENTATIVE MIRABITO: Yes, thank you,  
19 Representative Roae.

20 You know, you mentioned that mass transit users  
21 don't pay their fair share. You seem concerned about this.  
22 I guess one of the questions I have for you, and this again  
23 goes back to you had a lot of options in the toolbox of  
24 things that could be done. In 2010 five CEOs of the  
25 natural gas companies in Pennsylvania made \$100 million,

1 just five individuals. The entire State Impact Fee has  
2 only brought in about \$200 million for 60 million people.

3 So I guess one of the things I'm wondering is --  
4 and you mentioned that this transportation infrastructure  
5 is the lifeline of the State and you talked about getting  
6 materials back-and-forth. And I guess would you consider a  
7 severance tax on the natural gas industry along with your  
8 Bill as an amendment to your Bill moving those funds into  
9 transportation to assist what you call having people pay  
10 their fair share?

11 REPRESENTATIVE ROAE: I am opposed to any tax  
12 increase. Pennsylvania residents and businesses are  
13 already taxed more than people and businesses in most other  
14 States.

15 As far as the severance tax, the severance tax  
16 money, if we ever did one, that money has been spent about  
17 five times. I hear people say we can have a severance tax  
18 and give all the money to schools. We can have a severance  
19 tax, expand Medicaid. We can have a severance tax and cut  
20 taxes for everybody else. I mean you can't spend the same  
21 money that doesn't even exist five different times.

22 REPRESENTATIVE MIRABITO: Well---

23 REPRESENTATIVE ROAE: So I don't take proposals  
24 for a severance tax very seriously because every dollar  
25 that would be raised by a severance tax has been spent

1 about five times.

2 REPRESENTATIVE MIRABITO: But, Representative,  
3 with due respect, I mean someone could say the same thing  
4 about your proposal, the sales tax money has been spent  
5 five times. If the severance tax money was dedicated to  
6 bridges and roads and transportation and mass transit, do  
7 you think it would be a logical way to share the burden on  
8 all the people in the State?

9 REPRESENTATIVE ROAE: I think my proposal is  
10 pretty clear. It spends current tax revenue on more  
11 important things than less important things. If you want  
12 to vote for something to increase taxes, vote for Senate  
13 Bill 1. If you want to vote for something that reallocates  
14 existing tax money, vote for House Bill 762 or House Bill  
15 1630. Thank you.

16 MAJORITY CHAIRMAN BENNINGHOFF: Thank you both.

17 Next up will be Mark Stine representing the  
18 Pennsylvania Automobile Association.

19 I appreciate your patience. We're doing our best  
20 to keep people relatively on-time here.

21 MR. STINE: Absolutely. Good morning, Chairman  
22 Benninghoff, Chairlady Mundy, and the other Members of the  
23 Finance Committee. I appreciate very much the opportunity  
24 to appear before you today discussing House Bill 1630 and  
25 762.



1           In deference to the charge of the Chairman, I  
2 will forgo the reading verbatim of my remarks, which are  
3 prepared in your packets and available for the record.

4           MAJORITY CHAIRMAN BENNINGHOFF: Yours is pretty  
5 short, so do what you're comfortable with.

6           MR. STINE: Okay. Well, I also expect the record  
7 to show how cooperative I am as a witness.

8           MAJORITY CHAIRMAN BENNINGHOFF: Duly noted.  
9 You're already invited back next time.

10          MR. STINE: Well, again, my name is Mark Stine.  
11 I represent the Pennsylvania Automotive Association. We  
12 represent the approximately 900 new vehicle dealers  
13 operating throughout the Commonwealth both domestic and  
14 import. In contrast to our brethren in the used car  
15 industry, that's our distinction. We have franchise  
16 agreements either with Detroit or Tokyo or whoever are the  
17 manufacturers.

18          I'll forgo the promotional portion of my  
19 testimony. I'll just say we're good corporate citizens.  
20 We provide jobs. We remit tax revenues to both the  
21 Federal, State, and local governments and are happy to do  
22 so.

23          But today's topic is sales-and-use tax derived  
24 from vehicle sales, so I'll limit my remarks to that. The  
25 Governor's Executive Budget actually breaks out motor

1 vehicle revenues for the sales tax, and it has for years.  
2 It's a very good indicator. By looking at the Governor's  
3 Executive Budget, I see in fiscal year 2011/12  
4 approximately \$1.2 billion in sales-and-use tax revenues  
5 were derived directly from motor vehicles. That's about at  
6 least 13 percent of the total. Over the years it's  
7 fluctuated. I remember several years ago it was close to  
8 18 percent resulted from vehicle sales, but it's 13.  
9 Still, that's very appreciable and a sizable amount. It's  
10 \$1.2 billion. I think Representatives Roae and Evankovich  
11 are onto something here by looking at that volume of the  
12 monies and seeing how perhaps it can be allocated.

13 I will say this and what I want to put on the  
14 record today is we at the Association consider our  
15 membership's involvement with this whole process, the  
16 sales-and-use tax revenues, as limited really merely to  
17 collecting it and remitting it as provided by law, laws you  
18 generate and we comply with. How they're dispensed with, I  
19 think, is certainly clearly the prerogative of the General  
20 Assembly and the Governor's Office, and I think they're the  
21 best and brightest to consider what those priorities should  
22 be and how it should be dispensed.

23 Therefore, just in general terms, we're  
24 positionally very neutral on this current proposal. It has  
25 their merits -- obviously, we've been hearing those -- and

1 also some considerations that you're obviously going to be  
2 taking into account.

3           One particular aspect as far as my industry goes  
4 while I was preparing for this testimony I was queried  
5 whether or not it would be problematic for my dealers to  
6 segregate these monies. You know, we don't just sell  
7 vehicles; we also sell parts, we do service, we have other  
8 commodities within our stores that are not particularly  
9 vehicles. Would it be difficult to differentiate between  
10 sales tax revenues resulting from vehicle sales versus  
11 those from other commodities? The truth is we already do  
12 segregate those tax revenues.

13           You're probably familiar that the tax code  
14 provides an incentive for early remission of sales tax.  
15 That specifically by the code does not apply to vehicle  
16 sales. You don't get an incentive for remitting sales tax.  
17 That has to be done with titling and all that stuff. You  
18 already have to do it within a certain prescribed number of  
19 days. But they give retailers 1 percent of the 6 percent  
20 incentive for early remission, and that is taken advantage  
21 of by our members for early remission of commodities like  
22 parts and things like that. So it would not be a hardship  
23 if these Bills' proposals were implemented to our members,  
24 and therefore, it really speaks to why we are in fact  
25 neutral on the proposal.

1 MAJORITY CHAIRMAN BENNINGHOFF: Thank you, Mark.  
2 You guys always do a great job. We appreciate what your  
3 industry does for our employment issues across the  
4 Commonwealth. For my own interest, I'm curious, 900 new  
5 dealers, is that number increasing, steady, or declining?

6 MR. STINE: Actually, it's declined radically.  
7 Since I've known you, Mr. Chairman, we've probably lost  
8 about 200 dealers, and that's in the last 10 years or so.  
9 And like a lot of industries, they're constricting and the  
10 bankruptcies of several years ago where a lot of franchises  
11 were surrendered or lost didn't help very much. So we're  
12 seeing there's a lot of consolidation of the industry.  
13 Some of the smaller stores are simply going away or some  
14 are being consolidated into the larger operations.

15 MAJORITY CHAIRMAN BENNINGHOFF: Well, we are sad  
16 to hear that number but we do appreciate what they provide.  
17 And that's one of the concerns that we raise with these  
18 types of bills are whether or not we're going to have an  
19 additional negative impact on business and the work they  
20 need to do.

21 So I appreciate your testimony.

22 MR. STINE: Absolutely. Thank you.

23 MAJORITY CHAIRMAN BENNINGHOFF: Representative  
24 Roae has a question.

25 REPRESENTATIVE ROAE: Thank you, Mr. Chairman.

1 And thank you for your testimony.

2 MR. STINE: Thank you.

3 REPRESENTATIVE ROAE: What do you guys usually  
4 experience? I mean gasoline prices fluctuate a lot. About  
5 80 percent of the price of a gallon of gasoline is because  
6 of the price of oil, and prices fluctuate when the  
7 international price of oil fluctuates. Now, if we would  
8 pass something like Senate Bill 1, all those peaks and  
9 valleys in gasoline prices, if you looked at it on a chart,  
10 they would all be 28 cents a gallon higher than they are  
11 now. Now, if a family is spending a couple hundred bucks a  
12 month more on gas, what kind of impact do you think that  
13 would have on vehicle sales?

14 MR. STINE: Well, yes, I could speak to the  
15 latter part of that question. I couldn't be authoritative  
16 on what the provisions of Senate Bill 1 and what their  
17 implications might be, but as far as to your question,  
18 Representative, I think when people looking at vehicles,  
19 they take a lot of things into account, not just color, but  
20 also things like utility and also affordability. And the  
21 affordability of that is also how much it costs to operate  
22 the vehicle, not so much to buy it. So I would think gas  
23 mileage, both the MPG requirements and the price of  
24 gasoline are factors that people take into account when  
25 purchasing a vehicle. How it would impact, I think,

1 depends on what priority is placed on by the individual  
2 consumer.

3 REPRESENTATIVE ROAE: All right. Thank you.

4 MAJORITY CHAIRMAN BENNINGHOFF: Representative  
5 Evankovich had a question.

6 REPRESENTATIVE EVANKOVICH: Thank you,  
7 Mr. Chairman. Thank you, Mark, for your testimony.

8 MR. STINE: Certainly.

9 REPRESENTATIVE EVANKOVICH: If I can put a little  
10 bit of granularity on the last question, do you estimate  
11 that gas tax increases hurt new automotive sales?

12 MR. STINE: The gas tax increases, well, the gas  
13 taxes have fluctuated periodically, and I think what cars  
14 are sold and actually what cars are brought to market is an  
15 indication of that. Unfortunately, there's always a lag  
16 time because of the nature of the economy.

17 Is there an impact on the price of gas on  
18 vehicles purchased? There is one just given that's a  
19 consideration people use when deciding what vehicle to  
20 purchase or if to purchase a new vehicle.

21 REPRESENTATIVE EVANKOVICH: So I think if we  
22 recognize that a gas tax increase would demonstrably affect  
23 automotive sales, do you think that maybe we could get the  
24 Automotive Association to come on board as being in favor  
25 of one of these proposals? Because this would provide a

1 source of funding for transportation needs without hurting  
2 automotive sales and improving the roads in Pennsylvania,  
3 which probably in some way would help automotive sales.  
4 Just a thought.

5 MR. STINE: Yes, and again, I would just concede  
6 that no matter what the sales tax revenues are, we're going  
7 to be remitting them. And again, it's best left to the  
8 policymakers to decide how they're dispensed.

9 REPRESENTATIVE EVANKOVICH: Thank you.

10 Thank you, Mr. Chairman.

11 MAJORITY CHAIRMAN BENNINGHOFF: Any other  
12 questions?

13

14 (No audible response)

15

16 MAJORITY CHAIRMAN BENNINGHOFF: Seeing none, you  
17 are dismissed and we appreciate your testimony.

18 MR. STINE: Thank you very much, Mr. Chairman.

19 MAJORITY CHAIRMAN BENNINGHOFF: You always do a  
20 great job, Mark. Thank you.

21 Next, we have the Commonwealth Foundation. We  
22 have Katrina Anderson, Senior Policy Analyst and Director  
23 of Government Affairs. And joining her will be Robert  
24 Dick, the Policy Analyst. I don't know what order you two  
25 are going or you're kind of just testifying in tandem.

1 MR. DICK: Yes, that's how we're going to---

2 MAJORITY CHAIRMAN BENNINGHOFF: But we are  
3 prepared.

4 MR. DICK: Good morning. My name is Bob Dick and  
5 I am a policy analyst for the Commonwealth Foundation. And  
6 helping me testify today is my colleague Katrina Anderson.

7 I would like to thank Chairman Benninghoff,  
8 Chairwoman Mundy, as well as Members of the Finance  
9 Committee for the opportunity to testify on House Bill 762  
10 and House Bill 1630.

11 We look forward to working more with the  
12 Committee as well as the entire General Assembly on  
13 financing transportation spending without increasing taxes  
14 on working families.

15 Before commenting on the merits of House Bill  
16 1630 and House Bill 762, I would first like to lay out  
17 Commonwealth Foundation's principles for transportation  
18 funding.

19 Pennsylvania's roads and bridges need repair. I  
20 think we're all in agreement with that. The Commonwealth  
21 Foundation is vehemently pro-transportation. But before  
22 taking one more tax dollar from working men and women in  
23 Pennsylvania, we should look at how we can best prioritize  
24 spending.

25 What we've seen in the last 17 years is a



1 doubling of the transportation budget in Pennsylvania, but  
2 what we've also seen is more than 4,000 deficient bridges  
3 and also more than 10,000 substandard roads according to  
4 the Secretary of Transportation. And I think we're all in  
5 agreement that Pennsylvania's infrastructure is a vital  
6 part of our economy, but I think it's important to consider  
7 alternatives to funding transportation without raising  
8 taxes.

9           So, first, prioritizing every dollar:

10 Prioritizing every dollar means transportation funding must  
11 be considered in light of all other spending priorities.

12 While it's important that critical areas in need of  
13 additional funding are identified, we must also look at  
14 other areas in which our tax dollars are being spent on  
15 less pressing priorities such as beautification efforts or  
16 bike trails.

17           We must also look to redirect or eliminate  
18 spending on other non-core government functions such as  
19 handing out corporate welfare or the Commonwealth financing  
20 hockey arenas or other construction projects. And that's  
21 in the same nature.

22           Prioritizing government functions that don't meet  
23 our Yellow Pages test is an additional way to free up  
24 revenue for the State's transportation needs. And what we  
25 mean by our Yellow Pages test, if you can find a good or a

1 service in the Yellow Pages, then the government really  
2 shouldn't be involved.

3           Next, redefining prevailing wage mandates:  
4 Pennsylvania's prevailing wage was enacted in 1961 to  
5 protect construction workers from out-of-state competition  
6 mandating that contractors pay the wages that prevail in  
7 the region. And this is on all government construction  
8 projects in excess of \$25,000 and it hasn't been changed  
9 since the law was enacted in 1961. This actually limits  
10 the number of construction jobs and forces costs up for  
11 States and local governments.

12           According to the U.S. Census data, Pennsylvania  
13 State and local governments spend more than \$10 billion on  
14 construction. Based on wage data, prevailing wage raises  
15 the total cost of construction by more than 20 percent on  
16 average, so this would be in excess of \$2 billion that  
17 could be saved if we redefined prevailing wage mandates.  
18 Even minor changes to prevailing wage like increasing the  
19 threshold at which prevailing wage must be paid or  
20 exempting road maintenance would save millions of dollars a  
21 year that could be used to fix our deteriorating  
22 infrastructure.

23           The third thing we could do: utilize public-  
24 private partnerships. Pennsylvania must continue to  
25 embrace public-private partnerships and encourage private

1 investment and infrastructure. Immediately implementing  
2 P3s on express lanes, high-occupancy lanes, highways, and  
3 bridges could reduce cost to taxpayers and commuters and  
4 improve quality.

5 Further, competitive contracting in mass transit,  
6 which we've had a spirited debate earlier about, could also  
7 say taxpayers millions of dollars as it has reduced  
8 operating costs in places like Colorado, San Francisco, and  
9 Las Vegas. And the savings usually range between 20 to 50  
10 percent with 35 percent being the average.

11 Another way to fund transportation would be user  
12 pays. To the extent possible, transportation funding  
13 should come directly from users who benefit. This may  
14 include additional toll roads or toll lanes as tolls flow  
15 solely into improving roads being used rather than those  
16 tolls being redirected for other priorities. This same  
17 principle should apply to mass transit funding. Transit  
18 riders should bear the primary burden for financing costs  
19 rather than nonusers. People who may be low income and on  
20 the western side of the State shouldn't be transporting a  
21 wealthy lawyer to ride SEPTA every day.

22 So moving to our analysis of House Bill 1630 and  
23 762, I provide this background to offer the perspective  
24 that the transportation issue isn't simply about how much  
25 revenue the State has but about how we spend that money.

1 And with that being said, let me speak to House Bill 1630  
2 and 762, which deal solely with the issue of providing more  
3 funding for transportation by shifting revenue streams to  
4 the Motor License Fund from the General Fund budget.

5           When crafting transportation plans, lawmakers  
6 should keep one important principle in mind: Users should  
7 pay for the government that they use. Current funding  
8 sources like the gas tax and vehicle fees are proxy user  
9 fees for roads and highways. Sales tax on vehicles fit the  
10 same formula. None are as precise as user fees like  
11 tolling if the funds from tolls are used for roads and  
12 bridges being tolled, avoiding cross-subsidization.

13           Generally, House Bill 1630 and 762 follow this  
14 idea of charging motorists for the cost of using the  
15 transportation infrastructure. This is a step in the right  
16 direction. The main concern with House Bill 1630 and 762  
17 is the effect on the General Fund revenue from the shift,  
18 yet the transfer of revenue from House Bill 1630 would  
19 represent less than 1 percent of the 2014/2015 projected  
20 budget, which is expected to exceed \$29 billion. This will  
21 leave lawmakers with more than 99 percent of the projected  
22 budget revenue to fund other Commonwealth needs while  
23 providing an increase in transportation funding and without  
24 raising taxes on Pennsylvania families.

25           Pennsylvania already has the 10th-highest tax

1 burden in the United States and the 15th-highest tax on  
2 gasoline according to the Tax Foundation. While House Bill  
3 762 diverts more tax dollars to the Motor License Fund than  
4 House Bill 1630, the projected revenue shift in the first  
5 year will still leave lawmakers with more than 98 percent  
6 of the projected revenue.

7 Finally, any gap these two Bills create between  
8 the General Fund spending versus revenue is dwarfed by the  
9 gap that already exists due to unsustainable pension and  
10 welfare increases in the out years.

11 Our analysis, based on independent fiscal  
12 forecasts, estimates Pennsylvania's budget deficit will be  
13 \$1.8 billion by 2018. And if you can see the chart that  
14 I've included in that the testimony, you see from this  
15 current year up until the year 2018 we have expenditures  
16 increasing faster than revenues, so we have a structural  
17 fiscal imbalance that needs to be corrected. And I also  
18 included the State Pension Contributions from the General  
19 Fund, which are scheduled to double from 2012/2013 levels.

20 So lawmakers must address spending drivers,  
21 particularly pensions and Medicaid, regardless of the  
22 revenue impact of this legislation. Pennsylvania isn't  
23 facing a revenue problem. We have a spending problem.  
24 Some of these issues may be addressed in this Committee and  
25 some may be addressed elsewhere, but I raise it simply to

1 put the impact of both pieces of legislation into context  
2 given the fiscal challenges facing Pennsylvania. If fiscal  
3 reforms aren't made, Pennsylvania could go the way of  
4 Detroit.

5 And again, I thank you for the opportunity to  
6 testify. I do believe that both Representative Roae's Bill  
7 and Evankovich's Bill get us in the right direction, but I  
8 think we need to do more to adequately fund transportation.  
9 And I look forward to your questions. Thank you.

10 MAJORITY CHAIRMAN BENNINGHOFF: Thank you very  
11 much. We appreciate your testimony.

12 I actually have a quick question myself. On your  
13 front page you make a statement. It's actually highlighted  
14 in blue. "Pennsylvania's transportation budget has doubled  
15 over 17 years. Despite this, Pennsylvania is still home to  
16 more than 4,000 structurally deficient bridges," and I  
17 don't need to read the rest of it. I'm just curious what  
18 is it that you would like us to conclude or deduct from  
19 that statement as far as spending versus success in  
20 improvements?

21 MR. DICK: Well, spending has doubled over the  
22 last 17 years, and I think that the money could be better  
23 spent on these priorities as opposed to, say,  
24 beautification efforts or bike trails. I think if you're  
25 going to take one thing away from my testimony today, it's

1 we need to prioritize government spending on these  
2 functions that are more important than, as I said,  
3 corporate welfare or arts and---

4 MAJORITY CHAIRMAN BENNINGHOFF: Okay. But I want  
5 to say a specific question. I don't want to dominate but  
6 you're talking specifically about Pennsylvania's  
7 transportation. I can't imagine we're doing that many bike  
8 trails and things like that, but if the statement is that  
9 transportation funding has doubled but yet we still have a  
10 lot of structurally deficit bridges, which I think is one  
11 thing we concur in a very bipartisan manner, is it the fact  
12 that we have such a crumbling infrastructure that the  
13 compounding effect of us not doing anything for 17 years  
14 has manifested it to the point that we can't keep up  
15 regardless if we double or triple the spending?

16 MS. ANDERSON: I think [inaudible]  
17 transportation, how we fund, has changed and so that even  
18 though we've increased funding and we went to areas that I  
19 understand are very important depending on where you live,  
20 mass transit and different functions, we've seen a  
21 disparity in what we've put towards repairing some of our  
22 roads and bridges.

23 So, right now, what we have to do is a catch-up  
24 period to catch up from where we did let them degrade to a  
25 point to get them back to where we were or should be.

1 MAJORITY CHAIRMAN BENNINGHOFF: I think I follow  
2 you on that. Basically, it's prioritizing where we're  
3 putting the transportation money specifically?

4 MS. ANDERSON: Specifically.

5 MAJORITY CHAIRMAN BENNINGHOFF: I just can't  
6 imagine there's that other peripheral beautification  
7 projects that were gobbling up the money.

8 MS. ANDERSON: No, it's just a broader change of  
9 understanding mass transit as part of the transportation  
10 money that we're spending. I'm not saying that it  
11 shouldn't be but that the broader picture is that we are  
12 spending significantly more on transportation than we were  
13 but we still have to deal with the roads and bridges.

14 MAJORITY CHAIRMAN BENNINGHOFF: And the last part  
15 of that, does that reflect also the fact that cost of  
16 materials, cost of labor have also continued to go up? I  
17 mean we've seen concrete, steel, and those things going up  
18 astronomically.

19 MS. ANDERSON: They do, Chairman. I mean  
20 absolutely. And we understand that's part of the  
21 discussion is when you're talking about how you're going to  
22 fund transit, you need to take into account that vehicles  
23 are getting more efficient and the cost of asphalt and  
24 labor goes up. And that's why we understand that people  
25 often will scoff or act like prevailing wage is a totally



1 separate issue to transportation, but we don't believe it  
2 is for reasons similar to what you just mentioned, that the  
3 cost of labor is a direct correlation to the cost of fixing  
4 a bridge or a road and that it should be considered as  
5 well.

6 MAJORITY CHAIRMAN BENNINGHOFF: Thank you.

7 Questions from the Members?

8 Representative Mirabito on a non-gas question?

9 REPRESENTATIVE MIRABITO: Yes. No, it's a non-  
10 gas question.

11 Can I ask you a question? Because you mentioned  
12 corporate welfare and you talk about the prevailing wage.  
13 How is your organization organized? Is it a 501(c)(3),  
14 (c)(4)?

15 MR. DICK: Yes, we are a nonprofit.

16 REPRESENTATIVE MIRABITO: Okay. So in other  
17 words, you don't pay sales tax, you don't pay tax on your  
18 real estate if you own it?

19 MR. DICK: Well, I do. I pay sales tax when I  
20 make purchases---

21 REPRESENTATIVE MIRABITO: No, you personally---

22 MR. DICK: ---but not the---

23 REPRESENTATIVE MIRABITO: ---I mean the entity.

24 MR. DICK: No.

25 REPRESENTATIVE MIRABITO: Because you talk about

1 subsidizing. So in some sense the taxpayers are  
2 subsidizing your organization?

3 MR. DICK: How so?

4 REPRESENTATIVE MIRABITO: Well, the organization  
5 doesn't pay sales tax, doesn't pay real estate tax. I mean  
6 I guess the only thing I would ask you to consider is that  
7 everywhere in our society people get subsidized one way or  
8 the other, and so when we start attacking one group or  
9 another, I think we've got to look in the mirror and say,  
10 well, wait a second. Does our group also get subsidized?  
11 There are some people out there who would say why should a  
12 for-profit company have to pay sales tax on all the work it  
13 does, especially a company that does research and analysis  
14 that provides research and analysis to businesses on  
15 transportation? So when they run a business, they pay  
16 sales tax, they pay workers' comp tax, they pay income tax,  
17 and the nonprofit entity -- and I have nothing against the  
18 nonprofit world -- but what I'm suggesting to you is before  
19 you attack everyone under the sun in your testimony, you  
20 might want to consider that the organization also benefits  
21 from it.

22 MS. ANDERSON: Representative, I apologize if you  
23 felt attacked in our testimony. The point was just to say  
24 that if we're looking at the budget in the broad  
25 perspective of the realities of how we're going to fund the

1 vital resources, that we do support prioritizing what that  
2 is. And we're not trying to say---

3 REPRESENTATIVE MIRABITO: No, I am a private  
4 businessman and I appreciate the fact that all the small  
5 businesses in my district pay taxes up and down the road.  
6 And all I'm suggesting to you is one of the biggest costs  
7 that have increased transportation is the price of oil.  
8 Oil is over \$100 a barrel, and if you look at the price of  
9 oil 15 or 20 years ago, it was not over \$100 a barrel. And  
10 I think that we are minimizing the larger socioeconomic  
11 impacts of what has happened. That's all I'm suggesting to  
12 you.

13 And I don't mean to sound hostile. When I read  
14 here that you went through a litany, arts, you know, as if  
15 all these people are ripping off the system. And I just  
16 think that we ought to put it in perspective and help each  
17 other get to a better solution to the problem of how we  
18 fund it. That's all I'm suggesting.

19 MS. ANDERSON: Thank you. I think we are in  
20 agreement.

21 MAJORITY CHAIRMAN BENNINGHOFF: Thank you,  
22 Representative Mirabito.

23 I think Representative Daley had a question.  
24 Madame Chairman, if you don't mind, I'm going to stay in  
25 order there, and then Chairwoman Mundy.

1           REPRESENTATIVE DALEY: Thank you, Mr. Chairman.

2           I had a question on your testimony in the section  
3 under utilizing public-private partnerships. In the first  
4 paragraph you say "Pennsylvania must continue to embrace  
5 public-private partnerships to encourage private investment  
6 and infrastructure, and immediately implementing P3s and  
7 express lanes, high-occupancy lanes, highways, and bridges  
8 could reduce cost to taxpayers, commuters and improve  
9 quality." And so would those changes then implement tolls  
10 or fees for the high express lanes and the bridges?

11           MS. ANDERSON: First, I would say that I think  
12 the Secretary, Barry Schoch, has done a nice job  
13 encouraging public-private partnerships. What we at the  
14 Commonwealth Foundation support is user fees. So if a  
15 private company wanted to partner to say where this  
16 Schuylkill Expressway, how you have that jam, if they want  
17 to partner to build either something above it to kind of  
18 cut down traffic and charge a toll or an extra cost, we  
19 would support that because we think that's the best way to  
20 fund transportation is to pay for the cost you use on those  
21 roads.

22           REPRESENTATIVE DALEY: Okay. But then those  
23 costs that would also be paid by commuters and there could  
24 be a potential improvement in quality. I just wanted to be  
25 clear that I understood that I mean taxpayers, commuters

1 would still be paying the cost of these improvements but  
2 they just wouldn't be paying them to the government; they'd  
3 be paying them to the private partnership partner? I mean  
4 there's a cost if you're going to have an express lane, if  
5 you're going to have tolls. Somebody's paying that.

6 MS. ANDERSON: Absolutely. And I think in that  
7 sense when you talk about the Schuylkill Expressway for an  
8 example, you would have that option. Say you wanted to go  
9 quicker, you could choose to pay more to the private  
10 company. But again, with transportation, I mean we do see  
11 it as a core function of government but we've seen success  
12 in other States where private companies want to put in and  
13 invest their money. And so we see it as an opportunity to  
14 get projects done quicker.

15 REPRESENTATIVE DALEY: I actually don't disagree  
16 with that at all, but there is a cost to it and I just  
17 wanted to clarify that that's what you're talking about,  
18 that it would be instituting tolls, user fees, et cetera.

19 MS. ANDERSON: Yes, thank you.

20 REPRESENTATIVE DALEY: Thanks.

21 MAJORITY CHAIRMAN BENNINGHOFF: Chairwoman Mundy.

22 MINORITY CHAIRWOMAN MUNDY: I love finding myself  
23 in agreement with the Commonwealth Foundation on the issue  
24 of corporate welfare. This is not a free market economy.  
25 We're picking winners and losers every single day with our

1 tax credits, tax incentives, tax breaks.

2 The one statement that you made, though, sir, I  
3 found to be very sweeping and interesting. You said -- and  
4 correct me if I'm quoting you incorrectly -- if you can  
5 find a good or service in the Yellow Pages, government  
6 shouldn't be involved.

7 MR. DICK: Generally, that's the idea with our  
8 Yellow Pages test, yes.

9 MINORITY CHAIRWOMAN MUNDY: And so I can look in  
10 the Yellow Pages and find private and parochial schools  
11 that offer education. Do you not believe that education,  
12 even though it's in our State Constitution, is a core  
13 function of State Government and that government should be  
14 involved?

15 MR. DICK: Well, I think when you look at  
16 education, obviously there are forms that could be made.  
17 We have charter schools. The Commonwealth Foundation, our  
18 position has been we are in favor of allowing families to  
19 go and choose their school, whether it be private or  
20 public, and if you look at our research, I mean that's what  
21 we would be in favor of. So basically our position is  
22 empowering families to choose schools, whether public or  
23 private.

24 MINORITY CHAIRWOMAN MUNDY: But that flies in the  
25 face of this statement that you made, and I would like you

1 to clarify. Do you not believe that education is a core  
2 function of State Government even though we are  
3 specifically mandated in the State Constitution to provide  
4 it?

5 MS. ANDERSON: Madam Chairman, if I may?

6 MINORITY CHAIRWOMAN MUNDY: Yes.

7 MS. ANDERSON: We absolutely do believe that  
8 education is a core function of government, as well as  
9 transportation. We have an actual publication that we call  
10 a Yellow Pages Government, which he's referring to. And  
11 basically what it looks at is services that people don't  
12 normally think of. So we have I believe it might be the  
13 Harrisburg Parking Authority might run a hotel in  
14 Pittsburgh or something like that, and so we're talking  
15 about more of looking at those business services and not  
16 education.

17 MINORITY CHAIRWOMAN MUNDY: Okay. Thank you for  
18 clarifying that.

19 MAJORITY CHAIRMAN BENNINGHOFF: Seeing no further  
20 questions, we thank you both for your testimony and  
21 providing that background, as always.

22 MR. DICK: Thank you.

23 MAJORITY CHAIRMAN BENNINGHOFF: And we will now  
24 have Ms. Sharon Ward, Budget and Policy Center. Sharon is  
25 Executive Director of that organization.

1 Sharon, when you're comfortable and ready to  
2 roll, you're on.

3 MS. WARD: Great. Thank you very much for the  
4 invitation to speak today. And in the interest of time, I  
5 just want to make a couple of points. You have my  
6 testimony.

7 MAJORITY CHAIRMAN BENNINGHOFF: Yes, thank you.

8 MS. WARD: So I'm going to try and speak as  
9 quickly as Representative Roae, and also I gave you a  
10 number of colorful charts, although not as many as he did  
11 for the first time.

12 So let me just make a couple of points here with  
13 respect to transportation and these two Bills before you.  
14 The first is that transportation is an important priority  
15 but it is not the only priority of State Government. There  
16 are many other things that State Government is paying for,  
17 those of services, most of which go out to local  
18 communities. And so there has to be a balance. And while  
19 I appreciate the sponsors looking for alternative ways to  
20 pay for transportation, I think that this is the easy way  
21 out. There are hard choices that are to be made, and  
22 simply saying that we are going to redirect dollars from  
23 the General Fund and leave it up to somebody else to make  
24 the hard choices about what those cuts might be I think is  
25 unfair because most of the things in the General Fund



1 budget and factor things that also, like transportation,  
2 are very important to contribute to our overall economy.

3           So you know we've been through already at least  
4 five years of fiscal crisis, and my concern is if we enact  
5 legislation as proposed, we will have 10 more years of  
6 fiscal crisis, and you know how pleasant that is. We  
7 simply cannot divert \$1.2 billion, whether over 4 years or  
8 10 years, from the General Fund. I do want to point out  
9 that Representative Evankovich's Bill would actually take  
10 \$300 million from this year's budget, so you would have to  
11 take \$300 million out. So that would be very difficult.

12           And Secretary Zogby has said that he is already  
13 anticipating at least a \$1 billion deficit for the '14/'15  
14 budget. So this creates a permanent fiscal crisis. And I  
15 do believe that there are better alternatives that can help  
16 address concerns about transportation funding.

17           I do want to point out, and my testimony does,  
18 this has been mentioned here today, that there are a  
19 variety of concerns about the Bill. Transportation  
20 funding, in addition to moving people, was also important  
21 to help create jobs. I have to say we really need new jobs  
22 in this State. But if you cut \$1.2 billion from the  
23 General Fund and give it to transportation, you may end up  
24 losing more jobs than you're creating through  
25 transportation. And transportation is very capital-

1 intensive. Public services are very of labor-intensive, so  
2 it could actually prove to be a drag on our economy rather  
3 than an improvement.

4           We've discussed a little bit and a number of  
5 Members have mentioned the issue of transit. I do want to  
6 point out that transit riders also pay gas taxes, have  
7 cars, and also contribute to the road system. We did an  
8 analysis in 2007 during the last transportation funding  
9 discussion, and somewhere between 85 and 90 percent of all  
10 motor vehicle registrations are from people who live in a  
11 transit counties. So there is tremendous cross-  
12 subsidization. People don't either ride buses or take  
13 cars. And I do just want to factually point out that, and  
14 I think my testimony indicates, that the total transit  
15 trips in Pennsylvania for all transit agencies is \$445  
16 million, so \$1 more in SEPTA I think Representative Roae  
17 perhaps overestimated what that would raise. And I do want  
18 to point out that there have been both fare increases and  
19 service reductions in Pittsburgh and in Philadelphia for  
20 both those transit systems.

21           So what I want to suggest is that -- what is the  
22 saying? That those who don't remember history are doomed  
23 to repeat it. We have been down the road of making large  
24 cuts without paying for them, and that's certainly happened  
25 with the Capital Stock and Franchise Tax. So whether or

1 not you thought that was a good idea or a bad idea, people  
2 in 1998, when Bill Clinton was president, made a decision  
3 to cut the Capital Stock and Franchise Tax and left you all  
4 with very little decision except to raise taxes in order to  
5 balance the need for tax reform with the need to fund other  
6 core government services.

7 I'm sorry to tell you this because you don't want  
8 to hear it, but there will be one tax increase if you make  
9 this change, and that's the property tax, because every  
10 time people in Harrisburg make cuts to services or don't  
11 raise taxes for things that people at the local level want,  
12 they pay for them by raising their property taxes. So if  
13 you cut money from this, whether it's for higher education,  
14 if you cut dollars out of community colleges or schools or  
15 a variety of other services, they will be reflected in  
16 higher property taxes. I don't think that's the direction  
17 you want to go in, so there needs to be a balance.

18 In terms of transportation funding, it is already  
19 the highest, probably the greatest priority. It is one of  
20 the few functions of government that actually has dedicated  
21 funding in the Constitution. You cannot use Motor License  
22 Fund for other purposes. License, registration, gas taxes,  
23 all of those are dedicated. We don't really have dedicated  
24 funds for anything in the General Fund, so it already  
25 receives a higher priority than other types of services.

1 So I don't think that as the Commonwealth we are neglecting  
2 transportation services.

3 So let me go through how transportation is funded  
4 in other States and my suggestion about how you can  
5 accomplish the goal of increasing transportation funding  
6 without having to have such a significant increase in the  
7 gas tax, which I know is problematic and of concern.

8 So a couple things, my last table shows the  
9 variety of different States, kind of how they pay, whether  
10 they use pay-as-you-go or debt financing, which I'll get to  
11 in a minute, and how many of them dedicate all or some  
12 portion of their sales taxes to transportation funding. So  
13 let me say this. In general, most States don't spend any  
14 General Fund dollars on transportation because it already  
15 has dedicated funds. There are States that do, as has been  
16 suggested, dedicated sales tax from cars or from rental  
17 cars to transportation. They did that many years ago.  
18 They did not do that today.

19 But for the most part the States that do that are  
20 States that don't have constitutional requirements that  
21 restrict fuel taxes. They take everything and throw it in  
22 the pot. So a lot of them will use those dollars for  
23 transit, as well as for roads and bridges.

24 So it's a little bit of a mixed bag. It's not  
25 that this idea has not occurred in other States. However,

1 it happened years ago when it was probably a little bit  
2 easier to do and would not create the tremendous difficulty  
3 that this proposal would create this year.

4           So just a couple of other points, I would argue  
5 that, and the table that you have shows that using a  
6 combination of cash and borrowing is absolutely prudent  
7 when it comes to funding transportation. I know that  
8 people are concerned about misuse of debt, and I certainly  
9 understand that. There are many reasons not to use debt,  
10 certainly not for operations, but for transportation, it is  
11 completely appropriate and in fact it is the norm.

12 Pennsylvania is really out of the mainstream in trying to  
13 fund millions of dollars in transportation improvements  
14 with cash. That simply doesn't happen.

15           Again, I have a table that shows the useful life  
16 of various different transportation improvements. This is  
17 like a mortgage. You don't want to pay for your lunch with  
18 a credit card but you do pay for things that have a long  
19 useful life like houses, like cars, like shopping malls.  
20 Things that are going to be around for a while, you  
21 generally don't pay for them with cash. You generally  
22 finance all or some portion of that. And I would say that  
23 that would be one approach. Pennsylvania could do that.

24           I've provided you with some tables that show  
25 where Pennsylvania's debt limit is as compared to its

1 constitutional debt limit, or its revenues. And  
2 Pennsylvania is a low-debt State. We have been. Our  
3 borrowing for highway projects is about 3 percent of Motor  
4 License Fund revenues. Five percent is considered low; 10  
5 percent is considered moderate. Similarly, our total debt  
6 this year, our constitutional debt limit is 60 percent. So  
7 there is a little bit of room here to change the mix  
8 between cash and borrowing. So what does that mean? It  
9 means you need less cash in order to pay for your  
10 transportation improvements, and therefore, there's a whole  
11 variety of revenue options. In Senate Bill 1 you could use  
12 considerably less.

13 I do want to point out that the Commonwealth did  
14 just go to market with general obligation bonds in October,  
15 about \$750 million, and we did an estimate of what it would  
16 cost annually if we used the same bond costs and  
17 amortization schedule as that most recent Commonwealth bond  
18 issue. So you could float about \$2.5 billion in debt for  
19 an annual cost of \$199,000,688, less than \$200 million.  
20 So, again, I can appreciate wanting to pay for some  
21 transportation on a pay-as-you-go basis. That makes sense.  
22 But certainly using some form of debt might help to resolve  
23 the problem and get us where we want to be.

24 So I can respond to many other things but I won't  
25 do that. I just think that I appreciate that you're trying

1 to accomplish an important goal, which is funding  
2 transportation, but I do want to say that there are other  
3 important priorities. We've heard a lot about what's  
4 important to people in various different parts of the  
5 State, and I just want to say that those priorities, when  
6 put into perspective, might get different results. Many of  
7 the States' structurally deficient bridges are in rural  
8 communities where they have very little traffic and if you  
9 ask people if they'd rather get rid of their State system  
10 of higher education or cause people in certain parts of the  
11 State to have to drive a few more miles, you might get  
12 different answers depending on where you live. So it's not  
13 quite as simple as all the roads and bridges are more  
14 important than other things.

15           So again, you all have a difficult job in front  
16 of you. You've got to weigh regional differences, you've  
17 got to weigh everything else, but I trust that one of the  
18 things in your primary obligation is not to drive the State  
19 into a deficit as much as you can prevent that. I would  
20 urge you to keep that in mind as you go through this very  
21 difficult deliberation.

22           Thank you.

23           MAJORITY CHAIRMAN BENNINGHOFF: That's a very  
24 well-condensed version of a lot of good information. We  
25 always appreciate the detail in your research.

1 I'm going to take the liberty and ask two quick  
2 questions. You talked about some of the debt financing.  
3 Is there a percentage on that money being borrowed that you  
4 were assuming? And what was the time period for that debt?

5 MS. WARD: I think 30 years at 5 percent.

6 MAJORITY CHAIRMAN BENNINGHOFF: Okay.

7 MS. WARD: And that was what the Commonwealth  
8 just went out to market with last month.

9 MAJORITY CHAIRMAN BENNINGHOFF: You said 30 years?

10 MS. WARD: Thirty.

11 MAJORITY CHAIRMAN BENNINGHOFF: Okay. I was  
12 assuming 20. Okay. Last quick---

13 MS. WARD: I could be wrong. I'm going to go  
14 check.

15 MAJORITY CHAIRMAN BENNINGHOFF: All right.

16 MS. WARD: I'll send it to you. It's---

17 MAJORITY CHAIRMAN BENNINGHOFF: Yes, and I'll  
18 distribute it out to the Committee.

19 MS. WARD: All right.

20 MAJORITY CHAIRMAN BENNINGHOFF: Last quick  
21 question on that, you know, we constantly hear that PennDOT  
22 gets \$6.8 billion a year, the money needs to be more  
23 efficiently; therefore, we don't need to raise any money.  
24 That's a philosophy by some. And I'm just curious if all  
25 of the research you've done if you concur with any of that



1 and just a matter of moving the marbles around in the can?

2 MS. WARD: I would say this: The point that you  
3 raised about the explosion and the materials cost is true.  
4 I mean a lot of that is petroleum---

5 MAJORITY CHAIRMAN BENNINGHOFF: And that's across  
6 the world.

7 MS. WARD: Right.

8 MAJORITY CHAIRMAN BENNINGHOFF: That's not just  
9 here.

10 MS. WARD: It's petroleum-based products that  
11 cost has gone up really considerably. I will say this: We  
12 are getting out of the window where we really should be  
13 spending a lot of money on transportation.

14 As you recall, the Recovery Act gave a lot of  
15 money to States to spend on transportation infrastructure  
16 as part of an economic stimulus, and the Commonwealth spent  
17 that money. They actually got 23 percent more projects out  
18 of it than they thought because the prices went down. The  
19 reality is in an economic decline, frankly, there's more  
20 competition. People lower their prices. So we're still  
21 there. It may end up that, with competitive bidding, while  
22 the economy is still not doing so well, you might be able  
23 to get away with fewer dollars for our comparable number of  
24 transportation projects.

25 MAJORITY CHAIRMAN BENNINGHOFF: I appreciate

1 that.

2 Members, we will start with Representative Roae  
3 and then Representative Evankovich.

4 REPRESENTATIVE ROAE: Thank you, Mr. Chairman.

5 And thank you for your testimony. Your  
6 organization, the Pennsylvania Budget and Policy Center,  
7 would you support any ideas to cut back on spending to make  
8 House Bill 762 or House Bill 1630 affordable? You know,  
9 things like pension reform would save several hundred  
10 million dollars a year and we could use that money to  
11 finance the transfer to the Motor License Fund. A lot of  
12 public school employees, they pay about 50 bucks a month  
13 for health insurance. The typical person in Pennsylvania  
14 pays about \$350 a month. That costs the average school  
15 district about \$1 million a year. We could cut back on  
16 that type of funding if your organization, the employees  
17 would agree to that. The PASSHE professors get two pay  
18 raises a year. There is the general pay increase every  
19 year; then, there is the step increase every year. Would  
20 your group support cutting back on some of those things and  
21 that would free up hundreds of millions of dollars that we  
22 could use to fund House Bill 762 or House Bill 1630 and use  
23 those savings to fix bridges?

24 MS. WARD: Yes. I mean I think it's really  
25 important that absolutely every department always looks at

1 what they're spending and tries to spend money more wisely.  
2 Again, you and I might differ as to what's feasible. I  
3 might argue that we should rebound our long-term care  
4 system and cut \$1 billion out of our nursing homes. That  
5 proposal has been out there for a long time. That hasn't  
6 happened. I would argue we should do a Medicaid expansion.  
7 That might save some money as well. So finding the real  
8 savings and finding agreement on those savings have both  
9 proven to be very difficult things.

10 REPRESENTATIVE ROAE: Would you support things  
11 like eliminating Columbus Day as a paid holiday for State  
12 employees, things like that? I mean do you think those  
13 things are more important than using that money for  
14 bridges?

15 MS. WARD: I think, first of all, that's  
16 negotiated, and many of the particular revenues that you  
17 have identified are things that are not in your control.  
18 Neither you nor I can negotiate contracts for teachers and  
19 independent school districts. We could go to a single  
20 statewide school district. That would be one idea. And  
21 the pension changes, it appears that the Governor has  
22 abandoned any thought of, because of constitutional  
23 difficulties, changes in pensions to current employees. So  
24 if there are savings to be had, they're way down the road.  
25 They're not going to affect this year's particular budget.

1 So we should always be looking to be efficient.

2 REPRESENTATIVE ROAE: Thank you.

3 MAJORITY CHAIRMAN BENNINGHOFF: Thank you both.

4 Representative Evankovich followed up by

5 Representative Bloom.

6 REPRESENTATIVE EVANKOVICH: Yes, thank you,

7 Mr. Chairman.

8 Thank you, Ms. Ward, for your testimony. We  
9 could go off in a lot of different directions on this, so  
10 obviously we disagree. I do want to make one comment about  
11 your testimony. You had mentioned that shifting revenue is  
12 the easy way out, and I would just suggest that that's kind  
13 of Harrisburg doublespeak. Hard decisions versus easy  
14 decisions are kind of irrelevant when we're talking about  
15 how we spend taxpayer money. Really, it's all about the  
16 policy to me and I think you would probably join me in  
17 that.

18 Let's narrow in on this borrowing idea. In your  
19 concept that you throw out in your testimony I'd like to  
20 try to garner a little bit more about what you're  
21 advocating for. Who would issue the bonds and how would  
22 they be paid?

23 MS. WARD: The Commonwealth would issue the bonds  
24 or, most likely, the Commonwealth or PennDOT would issue  
25 the bonds. And then ideally, they would be paid for

1 through a fixed revenue source. So my suggestion would be  
2 to continue the Capital Stock and Franchise Tax, which is  
3 due to end in two years. It would raise about \$160  
4 million, and that could pay for like \$2 billion worth of  
5 bonds.

6 REPRESENTATIVE EVANKOVICH: So---

7 MS. WARD: To be honest with you, you could even  
8 take \$50 million out of the sales tax. I wouldn't advocate  
9 for that at the moment given where we are, but you could  
10 identify some much smaller revenue stream. You could raise  
11 the gas tax a little bit rather than raising it a lot.

12 Again, the point is that by borrowing you're  
13 doing two things: One is you're reducing your annual  
14 costs, and the second thing you're doing is you're making  
15 the people who are going to be using the roads 20 years  
16 down the line actually pay a portion of that, and I think  
17 that's something that we have to consider.

18 REPRESENTATIVE EVANKOVICH: Well, I appreciate  
19 your perspective on that. I would just simply suggest that  
20 we are certainly as a society as of the last 30 years  
21 asking the next generation to pay for a whole heck of a  
22 lot, and I'm not so sure that we want to just go ahead and  
23 push another liability on top of them. The generations  
24 that I'm in and younger than me are responsible for about  
25 \$70 trillion in Federal promises that were made, about \$17

1 trillion in Federal debt whenever you add in all the Social  
2 Security and Medicare. In addition, we are all borrowing  
3 massive amounts of school debt. I'm just not so sure that  
4 the right answer is to ask our kids to pay more.

5 But I do want to try to understand this borrowing  
6 thing a little bit more because I'm not so sure that we can  
7 use PennDOT's Motor License Fund money for debt.

8 MS. WARD: You can.

9 REPRESENTATIVE EVANKOVICH: Constitutionally, we  
10 can use Motor License Fund money to pay debt?

11 MS. WARD: PennDOT actually has previously  
12 borrowed some dollars and actually is currently spending  
13 some money on retiring debt that it issued---

14 REPRESENTATIVE EVANKOVICH: And financed them  
15 through the Motor License Fund?

16 MS. WARD: Yes.

17 REPRESENTATIVE EVANKOVICH: Okay. We'll have to  
18 check on that, but assuming that we couldn't, assuming that  
19 it had to be a General Fund obligation, substantially,  
20 what's different about House Bill 762 or 1630 versus paying  
21 that to a bank in terms of a bond payment or broker in  
22 terms of a bond payment versus just shifting the money  
23 directly?

24 MS. WARD: It's a little bit like paying for your  
25 house with cash versus getting a mortgage and paying it off

1 over the time that you expect to be there. That's really  
2 the difference.

3 REPRESENTATIVE EVANKOVICH: So if we extended one  
4 of the Bills out to a 20-year bond term or I think you had  
5 mentioned in your testimony a 15-year bond term, if we just  
6 borrowed \$5 trillion and extended out a 15-year payback,  
7 what's different between that versus shifting that \$5  
8 billion over a 15-year period?

9 MS. WARD: Well, I---

10 REPRESENTATIVE EVANKOVICH: Because to me it's  
11 the exact same thing, being a finance guy myself.

12 MS. WARD: The goal of Senate Bill 1 and the  
13 other transportation Bills is essentially to pay for the  
14 projects in the short-term, right? You could spend \$50  
15 million a year on road projects. The goal of this  
16 particular proposal is to address the pressing need more  
17 immediately than that so you can get more projects done,  
18 you can get more projects started.

19 REPRESENTATIVE EVANKOVICH: Just for the record,  
20 I would not be opposed to a borrowing measure if it was  
21 tied to being a General Fund obligation. In my estimation,  
22 whether you're paying for it today or over the next 10 to  
23 15 years, if it's a General Fund obligation, we're still  
24 creating, as people have said today, a hole in the General  
25 Fund because we've made another obligation. We are just

1 making another obligation on shifting revenue. So I think  
2 both accomplish what I'm trying to do, and for the record,  
3 I believe that that's a good way to think about it. Thank  
4 you.

5 MAJORITY CHAIRMAN BENNINGHOFF: Thank you,  
6 Representative Evankovich.

7 Next, Representative Bloom followed up by  
8 Representative Lawrence and Chairwoman Mundy.

9 REPRESENTATIVE BLOOM: Thank you, Mr. Chairman.

10 Ms. Ward, like Representative Evankovich, I was  
11 really struck when I heard you say that reallocating or  
12 reprioritizing our existing tax revenues would be taking  
13 the easy way out. I feel like the hardest part of our job  
14 and really the core part of our job as legislators is  
15 making those difficult decisions as stewards of the  
16 taxpayers' dollars to make sure we're properly allocating  
17 it, properly prioritizing it, and to me taking the easy way  
18 out would be just simply going out to the taxpayers and  
19 asking for more, or worse, going out to our kids and  
20 grandkids and saying we are just going to borrow more that  
21 you'll have to pay back.

22 I just wondered if you'd want to reconsider that  
23 statement that reallocating, reprioritizing existing tax  
24 dollars is taking the easy way out.

25 MS. WARD: Yes. I guess two comments. One is I



1 fully recognize how difficult the job is that you all have  
2 every year. It's a big budget. There are a lot of  
3 competing priorities. That being said, one of the concerns  
4 that our organization has had over a long period of time is  
5 that some of the decisions that are made in Harrisburg  
6 simply shift responsibility and costs onto local taxpayers  
7 that at some point if you want to pay for transportation  
8 and you want to do that, you have to pay for it. And I  
9 think by not doing that, it often leaves the difficult  
10 decisions to be made by people at other levels of  
11 government. And we've seen that in what's happened with  
12 our municipal and our school property taxes.

13 We haven't had a tax increase in Pennsylvania in  
14 10 years. In fact, we've had a series of tax reductions.  
15 At the same time, our costs have gone up, our population is  
16 aging, there are new demands on public services. They have  
17 to be paid for. No one likes to pay for them, but at the  
18 end of the day, they pay for them someplace. They don't  
19 come for free. So I appreciate that. It's a very  
20 difficult decision.

21 With respect to the borrowing, I can appreciate  
22 that concerns about inappropriate borrowing. Paying for a  
23 road is not leaving a debt on our children. Our children  
24 will be driving on those roads and they should be paying  
25 for it while they're driving on them. I equate it to me

1 buying a house and letting people live there for free in 10  
2 years. That's not typically the way things are done with  
3 long-term assets. So I think there's very inappropriate  
4 debt but there's also appropriate debt, and I would say  
5 that transportation funding is appropriate.

6 REPRESENTATIVE BLOOM: Thank you, Ms. Ward. I  
7 guess we simply have a different philosophical view of the  
8 debt picture there.

9 MS. WARD: Sure.

10 REPRESENTATIVE BLOOM: And with respect to are we  
11 shifting the burden to some other elected officials, I see  
12 that as their job as well, that they need to hold the line,  
13 and if other people are making decisions, I can't tell them  
14 what to do, but I think it's our job to be stewards of the  
15 tax dollars that we have and be as careful about spending  
16 those as possible.

17 Thank you, Ms. Ward.

18 Thank you, Mr. Chairman.

19 MAJORITY CHAIRMAN BENNINGHOFF: Thank you,  
20 Representative Bloom.

21 And I believe Representative Lawrence and then  
22 Chairwoman Mundy will be our cleanup batter.

23 REPRESENTATIVE LAWRENCE: Thank you,  
24 Mr. Chairman. I appreciate the opportunity to be part of a  
25 cleanup act.

1           Ms. Ward, I appreciate your testimony today. I  
2 wanted to make sure I understood your testimony. Are you  
3 suggesting that the Commonwealth is not issuing debt right  
4 now to finance transportation?

5           MS. WARD: No. We are issuing debt right now.

6           REPRESENTATIVE LAWRENCE: Because---

7           MS. WARD: We're paying down debt. I don't  
8 believe there is any new bond issuing that's proposed for  
9 transportation.

10           REPRESENTATIVE LAWRENCE: All right. Isn't the  
11 Turnpike Commission taking on substantial and, I mean, very  
12 large quantities of debt to fulfill their obligations to  
13 make hundreds of millions of dollars of payments to PennDOT  
14 on an annual basis?

15           MS. WARD: Well, that's a little bit different  
16 because there's revenue-backed debt by agencies that are  
17 not the Commonwealth. So there are a number of agencies  
18 that also issue debt for school construction, for college  
19 construction. Those are paid for with user fees, so that's  
20 a little bit different.

21           REPRESENTATIVE LAWRENCE: Well, I understand the  
22 Turnpike Commission issues revenue bonds versus GO bonds---

23           MS. WARD: And pays for them with tolls, right.

24           REPRESENTATIVE LAWRENCE: ---that the  
25 Commonwealth would issue. I guess my question is is that

1 at the end of the day the Turnpike Commission is taking on  
2 billions of dollars in debt to fund PennDOT projects.  
3 These are not Turnpike Commission projects that are being  
4 funded. So in a sense we've off-shored our borrowing as a  
5 State to the Turnpike Commission because that's very easy  
6 and convenient to do. Would you agree or---

7 MS. WARD: They have the capacity because they  
8 have a revenue stream, which is their tolls. So, yes, a  
9 portion of transportation projects have been off-shored, as  
10 you say, to the Turnpike Commission, but again, they're  
11 also in a position of -- frankly, there's a hole there in  
12 10 years as well so, yes.

13 REPRESENTATIVE LAWRENCE: Well, I guess that's  
14 one of the concerns that I have with some of the comments  
15 that have been made with regard to issuing more debt to pay  
16 for this problem. I mean right now we're bankrupting the  
17 Turnpike Commission through the issuance of all these  
18 bonds. If you drive on the Turnpike, you're paying  
19 increased user fees. The tolls have gone through the roof  
20 on the Turnpike. One of the reasons that plan was  
21 instituted was that people didn't want to look at leasing  
22 the Turnpike, which Governor Rendell advocated. One of the  
23 arguments they used against that was it was going to  
24 increase tolls on the Turnpike. What we've seen is  
25 probably worse than anyone ever thought, the increases on

1 the tolls on the Turnpike to pay for these transfers to  
2 PennDOT.

3 I guess my second question would be are you aware  
4 that the Commonwealth has been recently downgraded by  
5 several credit-rating agencies?

6 MS. WARD: Yes.

7 REPRESENTATIVE LAWRENCE: Okay. So in light of  
8 that fact, I mean these are independent folks. They are  
9 looking at all 50 States, territories of the United States  
10 as well. They see the fiscal tsunami that is coming to the  
11 Commonwealth of Pennsylvania with certainly tens of  
12 billions of dollars, maybe hundreds of billions in unfunded  
13 liabilities. So again, I question the prudence of issuing  
14 more debt to kind of buy our way out of the problem in the  
15 short term.

16 MS. WARD: And I apologize for not looking at you  
17 but there's a giant light behind you and it's really  
18 distracting.

19 REPRESENTATIVE LAWRENCE: My apologies.

20 MS. WARD: So I'm going to look this way if you  
21 don't mind. And I appreciate all of your comments, so a  
22 couple of things.

23 We've heard a lot about user fees. We've heard a  
24 lot about transportation today. We do not have a uniform  
25 transportation system in Pennsylvania. When I drive on the

1 Turnpike or many of you drive here, you pay tolls. If you  
2 drive on 81 or 80, you do not. So there are a variety of  
3 strategies that could be employed, actually fitting in with  
4 the Commonwealth Foundation testimony, more user fees for  
5 people who use those roads. We went down that road. It  
6 was not terribly successful, but that's a perfectly  
7 appropriate way of imposing a user fee on people who are  
8 actually using the roads. People who live in certain parts  
9 of the State are already paying that. You are obviously  
10 when you're on the Turnpike. Other people are not. So  
11 that's not fair. That's simply not fair.

12           Secondly, with respect to the Commonwealth's  
13 borrowing, the interest rate that the Commonwealth is  
14 paying in this particular debt issue is higher than they  
15 would have paid a year or two ago, and that's the way the  
16 bond downgrade is reflected unfortunately. Again, if you  
17 borrow money and you don't have to wait to pay for it, it's  
18 bad. But if you match borrowing with some revenue stream  
19 that's dedicated, then you don't have that problem. And I  
20 think that's again the direction that the Commonwealth  
21 could go, whether it's with a small amount of sales tax or  
22 gas taxes or various other things.

23           REPRESENTATIVE LAWRENCE: And I appreciate your  
24 comments. One thing I've learned in my short time in  
25 Harrisburg is there's nothing more temporary than a

1 permanent dedicated revenue stream. And a lot of the  
2 issues that we face in the Commonwealth today are due to  
3 the fact that previously dedicated revenue streams have  
4 been rededicated all over the place, so I just don't really  
5 see that as a way out.

6 Thank you, Mr. Chairman.

7 MAJORITY CHAIRMAN BENNINGHOFF: And to close this  
8 out, Chairwoman Mundy.

9 MINORITY CHAIRWOMAN MUNDY: Thank you, Mr.---

10 MAJORITY CHAIRMAN BENNINGHOFF: Ms. Ward, we  
11 appreciate your diligence in answering the questions.

12 Go ahead.

13 MINORITY CHAIRWOMAN MUNDY: Thank you,  
14 Mr. Chairman.

15 I just have a quick question. You referenced the  
16 constitutional issue with fuel taxes, and in light of our  
17 previous conversation, could you just elaborate on what you  
18 believe the Constitution requires with regard to fuel  
19 taxes?

20 MS. WARD: Yes. Actually, that's a good point.  
21 The Constitution requires that fuel taxes go to  
22 transportation projects, so there's a constitutional  
23 restriction on actually the revenue as well as, I believe,  
24 on funds that come out of the Motor License Fund, so it's  
25 both the fund and the revenue that goes into the fund that

1 are restricted.

2 MINORITY CHAIRWOMAN MUNDY: But according to what  
3 I heard earlier, there is no prohibition on using General  
4 Fund money for transportation?

5 MS. WARD: That is true.

6 MINORITY CHAIRWOMAN MUNDY: Okay.

7 MS. WARD: But now I'm going to say another  
8 thing, which is again we have to be very careful about even  
9 that. There is Capital Stock and Franchise Tax. You could  
10 do other things that could help to pay for transit. But  
11 fuel taxes, vehicle registrations, license fees, those are  
12 required to go to roads and bridge uses.

13 MINORITY CHAIRWOMAN MUNDY: Okay. Thank you.

14 MAJORITY CHAIRMAN BENNINGHOFF: Again, Ms. Ward,  
15 we do appreciate your testimony. We know you're very  
16 thorough in what you testify. And, to the Members, the  
17 ability to agree to disagree on issues is always healthy.  
18 We thank Representative Evankovich and Representative Roae  
19 for bringing these proposals together. This meeting is  
20 adjourned.

21 And we also wanted to thank our staff because  
22 they always do a great job making us look good. Thank you.  
23 Have a good day.

24

25 (The hearing concluded at 12:30 p.m.)



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2 are a true and accurate transcription produced from audio  
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4 transcript of the same.

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