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House of Representatives
Commonwealth of Pennsylvania
Harrisburg

COMMITTEES

INSURANCE
FINANCE
HUMAN SERVICES
STATE GOVERNMENT

CAUCUSES

FIREFIGHTER'S CAUCUS
GAS AND OIL CAUCUS
LIBERTY CAUCUS
PRO-LIFE CAUCUS
SPORTSMEN'S CAUCUS
TIMBER CAUCUS

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Thank you Mr. Chairman, Madame Chairwoman, Members of the Finance Committee, Finance Committee staff, and guests. I appreciate the opportunity to promote HB1630 which would cause state government to spend a little bit less on less important things and a little bit more on more important things.

HB1630 is a radical approach. We would spend less money on less critical things and spend more money on more critical things.

HB1630 gradually moves the money we collect from the sale of vehicles to the Motor License Fund. It does not have any impact on the current fiscal year since the effective date is 07/01/14. In 2014 - 2015, 10% of the sales tax we collect from vehicle sales would be transferred to the Motor License Fund. In 2015 - 2016 it would be 20% of it, in 2016 - 2017 30% of it, etc. In 2023 -2024 a full 100% of the sales tax from vehicle sales would be transferred from the General Fund to the Motor License Fund.

The Department of Revenue projects that we will collect \$1.325 billion in sales tax from the sale of vehicles in 2014 - 2015. 10% of it would be moved to the Motor License Fund or about \$132 million.

If we were starting over and were making a new state and could only do one thing, what would we do? Would we only build a network of state owned colleges that compete with other colleges? Would we only set up a medical program that all residents must pay for but only covers 1 in 6 PA residents? Would we set up funding for museums? Would we start a program where all businesses pay to fund a program that hand picks winners and losers and takes money from most businesses and gives it to a select few businesses? If we could only do one thing, what would we do?

I suspect that we would put a lot of thought and consideration into the one thing and one thing only that we could do. We would quickly realize that if we could only do one thing, that one thing would be to build roads and bridges.

I think all 203 Representatives want PennDOT to have enough money to take care of our bridges. SB1 should not be the only option. There is no point in having state funded medical programs if people cannot get to doctor offices and hospitals. It is pointless to have state funded colleges if the students and professors cannot get there. Why fund art shows if people cannot get to museums to look at the art? Nothing state government does can happen if there are not roads and bridges. Rather than people saying if SB1 does not pass, all the bridges will fall down, why can't we utilize another option to get much needed money to bridge repair? Why can't we use HB1630 to provide more bridge repair funding without raising taxes?

If we were in Washington in the U.S. House, we could spend more than we take in. They take in \$2.9 trillion and spend \$3.5 trillion. But we are in Harrisburg and we are in the PA State House. Our PA Operating Budget is about \$66.7 billion. We can only spend \$66.7 billion. At the state level, we only spend what we have. SB1 would require a \$3 billion tax increase to spend \$3 billion more. HB1630 does not require a tax increase to spend \$1.2 billion more on bridges.

Households, businesses, organizations and nonprofits have one thing in common. They all prioritize spending when they want to do more things than their budgets allow. Please note government is missing from this list. If a household is running low on money and wants to buy a new TV but is also out of food, they go grocery shopping. If a business wants to buy a second delivery truck but has to comply with a DEP mandate, they do the latter. If a nonprofit wants to have a kids' Christmas party and provide housing for a homeless family but only has the money to do one thing, they house the homeless family.

5,000 structurally deficient bridges exist in Pennsylvania and Pennsylvania gives all 60,000 state employees Columbus Day as a paid holiday. We cannot afford to do both, so we keep the paid holiday. The average state employee earns \$50,000 a year. There are 365 days a year and when you subtract out 52 Saturdays and 52 Sundays it leaves 261 days. \$50,000 divided by 261 is \$191.57 for each employee who gets Columbus Day as a paid holiday. 60,000 state employees times \$191.57 for a total cost to taxpayers for Columbus Day of almost \$11.5 million. It is the same thing for MLK Day, another \$11.5 million. Isn't fixing bridges more important than giving these days as paid holidays? Has the state really cut everything that can be cut?

5,000 bridges need fixed and professors at state colleges get two pay raises a year. Many taxpayers get one pay raise a year. Some taxpayers do not get any pay raises some years. We can only afford to do one of them, so we keep giving PASSHE professors two pay raises a year. Is giving professors at state owned colleges really more important than fixing bridges if we only have the money to do one of those two things?

5,000 bridges need fixed and local art clubs want funding, but we can only afford one, so we fund the arts. Taxpayers are paying for things that are less important than fixing bridges. Are

local art clubs more important than bridges that fire engines, ambulances and police cars drive on to help people in need?

HB1630 would force the state government to operate more like a household, business or nonprofit. It would force us to spend more on more critical things and less on less critical things.

The total PA Operating Budget is \$66.7 billion. The \$28.4 billion General Fund Budget is always in the news, but the other budgets rarely get mentioned. The Federal Funds budget is \$21.7 billion, the Motor License Fund Budget is \$2.5 billion, the Lottery budget is \$1.8 billion, etc. With Senate Bill 1 taxpayers would pay \$3 billion more each year, so our total Operating Budget would be \$69.7 billion. HB1630 would cause the \$66.7 billion operating budget to stay at \$66.7 billion. No tax increase would be needed.

HB1630 when fully implemented would transfer about 4% of the money that normally goes into the General Fund into the Motor License Fund in a special account that can only be used to fix bridges. Under HB1630, 96% of the money the General Fund has now would still be available. Do your constituents think the state government can run on 4% less than we spend now? Is there 4% waste, fraud, abuse and low priority spending in the \$28.4 billion General Fund Budget? I think there is. Can the government run on 96% of the money the government has now? I think it can.

SB1 will actually not raise any money at all. The Senate said it would raise \$3 billion, but it is now clear that it will not raise anything. That is because it is not going to pass. We are not even going to vote on it. If there were enough votes to pass Senate Bill 1, we would have already voted on it and passed it. A revenue bill that gets voted down or is not even brought up for a vote raises zero dollars.

Some people are critical that when fully implemented HB1630 would only raise \$1.7 billion but SB1 would raise \$3 billion. \$1.7 billion is more than \$0.

HB1630 does not impact the current fiscal year. The effective date is 07/01/14. I think we could move the entire \$1.2 billion all at once, but it does not do that. HB1630 gradually transfers the sales tax that we collect on vehicle sales from the General Fund to the Motor License Fund over a 10 year period. It goes up 10% a year until in year 10 when 100% of the sales tax we collect on vehicle sales goes to bridges.

In 2014, \$132 million would be made available for bridge repair. In 2015 it would be \$267 million. It would grow to \$404 million in 2016. It would grow even more to \$559 million in 2017. 10 years from now the full \$1.2 billion of sales tax money from vehicle sales would go to the Motor License Fund rather than the General Fund.

That is all in 2013 inflation adjusted dollars. If vehicle prices grow by about 3% a year, by year 10 it will actually be \$1.771 billion in new money for bridges. One of the major issues with the

current gasoline tax is that it is not adjusted for inflation. HB1630 is indexed for inflation since vehicles prices increase over time, so the 6% sales tax on vehicles would increase over time.

Right now the General Fund is \$28.4 billion. It is projected to grow by several hundred million dollars a year or several billion dollars in the next 10 years. The Governor's Budget Book projects that General Fund revenue will grow to \$32.682 billion for the 2017 – 2018 fiscal year. By 2017 – 2018 we would only have to transfer \$559 million of the \$4 billion in revenue growth. We can grow the General Fund Budget and transfer money from the General Fund budget to the Motor License Fund.

When the Federal Stimulus Program ended at the end of the 2010 - 2011 budget we had to figure out what to do when \$3 billion was no longer available. The extra almost \$1 billion for schools and \$2 billion for medical programs disappeared overnight. Even though we increased the amount of state taxes that go to education to a new state record, schools ended up with less because the temporary one time only supplemental Federal Stimulus funding was no longer there. We dealt with a loss of \$3 billion.

HB1630 would force us to deal with a loss of \$120 million in the new fiscal year. Facing a \$3 billion shortfall, we passed a balanced budget. We can deal with a loss of \$120 million in 2014.

What do we cut? We actually do not need to cut anything. I think we should cut some things, but it would be difficult to get 102 votes to cut things.

Revenue is actually coming in at an annual pace of being about \$120 million more than anticipated. The first four months of the fiscal year has revenue coming in about \$40 million more than expected, so a full 12 months would be about \$120 million more than expected. The \$120 million transfer required by HB1630 starting 07/01/14 can be easily done.

Just for the sake of argument, even if revenue ends up being exactly what we thought it would be this fiscal year, we would not have to make any cuts at all in the General Fund budget. All we have to do is a Washington, D.C. style "cut". That style of "cut" is to have a substantial spending increase rather than a massive spending increase, but since it was less of an increase as it would have been, it is considered a cut. If a line item is funded at \$100 million and we would have increased it to \$104 million but to pay for HB1630 we only increase it to \$103 million, it is a Washington, D.C. style "cut".

HB1630 works if we increase spending on all 700 line items almost what we would normally increase them each year. We do not have to cut anything.

It's 4% of the General Fund Budget. Do you think the state government is 100% efficient and nothing at all is wasted, or do you think the state government is 96% efficient? Some would argue 10% of all spending is not necessary, so that would be 90% efficient. In 2014, HB1630 would only spend 99.6% of what we would otherwise spend. Do you think the state government is 99.6% efficient? Do you think that other 4/10th of 1% should go to bridge repair

in 2014? Or should that 4/10 of 1% go to pay for paid holidays like Columbus Day for state employees and two pay raises a year for state college professors? 10 years from now we would still be able to spend 96% of what we would have been spending.

The current fiscal year General Fund Budget is about \$645 million more than the prior fiscal year budget. Could we have passed a new budget that only increased spending by about \$525 million and sent the other \$120 million to the Motor License Fund? Would a \$525 million increase in General Fund spending eliminated state government as we know it? Would the services government provides have been thrown into a third world like system?

We have almost 8 months to figure out how to increase the 2014 General Fund Budget by \$874 million rather than the \$994 million increase that is projected for the new fiscal year. The Governor's budget book predicts we will collect \$994 million more in 2014 – 2015 than in 2013 – 2014. We have 8 months to figure out how to put together a budget that only spends 99.6% as much as we thought we would have. We have 8 months to figure out how we can make a \$28.4 billion budget \$29.3 billion rather than \$29.4 billion.

This is not a heavy lift. It is not a medium lift. It is not even a light lift. This actually floats.

The public would rather we decrease the growth of General Fund spending than raise their gas tax 28 cents a gallon.

Prevailing wage reform is not in HB1630, but if we could repeal prevailing wage for highway and bridge projects that do not use Federal funding, it would drastically reduce the increase in spending that proponents of SB1 say we need.

Mass transit reform is not in HB1630, but if we could get riders of mass transit to pay more than the 25% cost of the service they pay now, it would reduce the amount of what could be bridge money that is used for mass transit. On a typical mass transit system, if the cost is \$4 per trip, the rider pays \$1 and local, state and Federal taxpayers pay \$3. The \$1 per tire tax that goes to mass transit could be redirected to bridge repair. The \$2 per day car rental tax that goes to mass transit could go to fix bridges. The 3% tax on car leases that goes to mass transit could go to fix bridges.

Selling the liquor stores is not in HB1630, but if we privatize, the hundreds of millions of dollars in up-front money from the sale as directed by HB220 could be used to fix bridges.

It is not in HB1630, but common sense prioritizing of PennDOT projects that is in HB1717 would make sure that absolutely essential things such as bridge repair trumps other projects such as bike trails.

It is not in HB1630, but pension reform HB1350 would save Pennsylvania hundreds of millions of dollars a year that could be used for bridge repair. Are we really not willing to reform the pension system so that we can free up money to fix our bridges?

HB1630 in conjunction with the five items above would allow for substantial increases in the amount of taxpayer money that would be used to fix bridges. HB1630 is not a cure all, but it is a critical piece in funding bridge repair in a way that does not require a \$3 billion tax increase.

I am 100% open to amendments to improve the bill. 99% of the bills that are signed into law are amended along the way. 203 people are smarter than one individual person. Good ideas can improve this bill and get us to the 102 votes that we need to pass it in the House.

Thank you for your time and attention. I really appreciate the opportunity to promote this common sense fiscally responsible taxpayer friendly plan.

I will gladly stay for the entire hearing to answer any questions. I am also looking forward to hearing what the other testifiers have to say.

Thank you.

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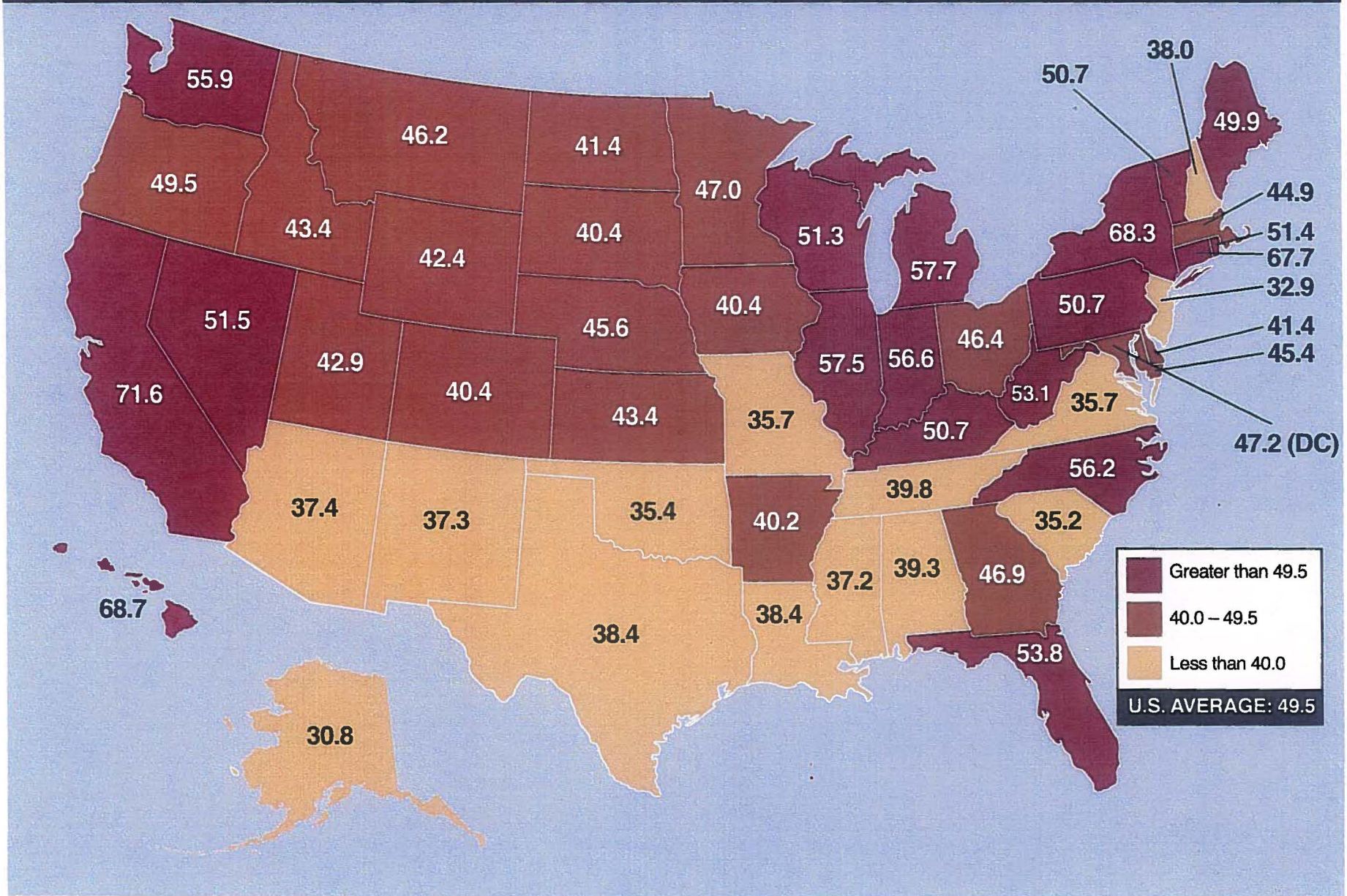
Supplemental Testimony

HB 1630

November 13, 2013 Public Hearing

GASOLINE TAXES

COMBINED LOCAL, STATE AND FEDERAL (CENTS PER GALLON)
REVISED 10/08/2013



Using sales tax and General Fund For Transportation

Federal Highway Trust Fund

From 2008 to 2013 the U.S. Congress will **transfer \$35 billion from General Fund to Federal Highway Fund** to keep it solvent.

Deficits since 2008 in the Federal Highway Trust Fund.

- From the General Fund of the Treasury— [§ 40251, 26 USC 9503]
 - \$6.2 billion to be deposited in the Highway Account in FY 2013
 - \$10.4 billion to be deposited in the Highway Account in FY 2014
 - \$2.2 billion to be deposited in the Mass Transit Account in FY 2014

New Jersey

Transferred \$200 million from General Fund to transportation fund.

New York

\$4.08 billion from General Fund to Transportation fund from 2008 – 2013.

West Virginia

The State Road Fund major tax revenue sources include motor fuel taxes, **motor vehicle consumer sales**

and use tax, license fees and registration fees. Other revenue sources include interest, litter fees and

miscellaneous revenues. In selected years the West Virginia Legislature has even **transferred funds from**

the General Revenue Fund to augment funds available in the State Road Fund.

California

9/5/2013

California transportation sales tax threshold up for debate

By [*Keith Goble*](#), *Land Line state legislative editor*

An effort on the move at the California statehouse would lower the number of public votes needed for approving local transportation-related tax questions.

In place since 1995, California law requires approval of two-thirds of voters in any city, county, or special district to benefit infrastructure improvements. Affected tax votes include property taxes and bonds.

The Senate Transportation and Housing Committee recently advanced two measures to make it easier to boost transportation funding. Specifically, the legislation seeks to drop the voter threshold from 66.67 percent to 55 percent for **local sales taxes dedicated to transportation.**

Supporters say the process to get tax votes approved needs to be simplified because needed projects around the state continue to stack up. They cite an Alameda County vote from last fall. Measure

B1 was a 30-year, \$7.7 billion initiative to fix potholes, improve roads and freeways, and expand public transit throughout the county.

The proposal to double the county's one-half cent transportation sales tax received nearly 66 percent support. However, the margin of defeat was about 700 votes.

Sen. Ted Gaines, R-Rocklin, told committee members that he opposes the change. He said that lowering the voter threshold undermines the taxpayer protection that has been in place for nearly two decades.

Sen. Fran Pavley, D-Agoura, said that she is in favor of the proposed amendment because it allows voters to decide.

"Most people will support local measures where they can see tangible benefits to their communities. I think putting it on the ballot and letting the public decide ... is critically important," Pavley stated.

The legislation, SCA4, is awaiting further consideration before it can move to the Senate floor. A similar version, SCA8, also awaits consideration by the full Senate. If approved there, the legislation would advance to the Assembly.

If approved by lawmakers, the legislation would go to voters for the 2014 fall election. A simple majority would be necessary to make the change.

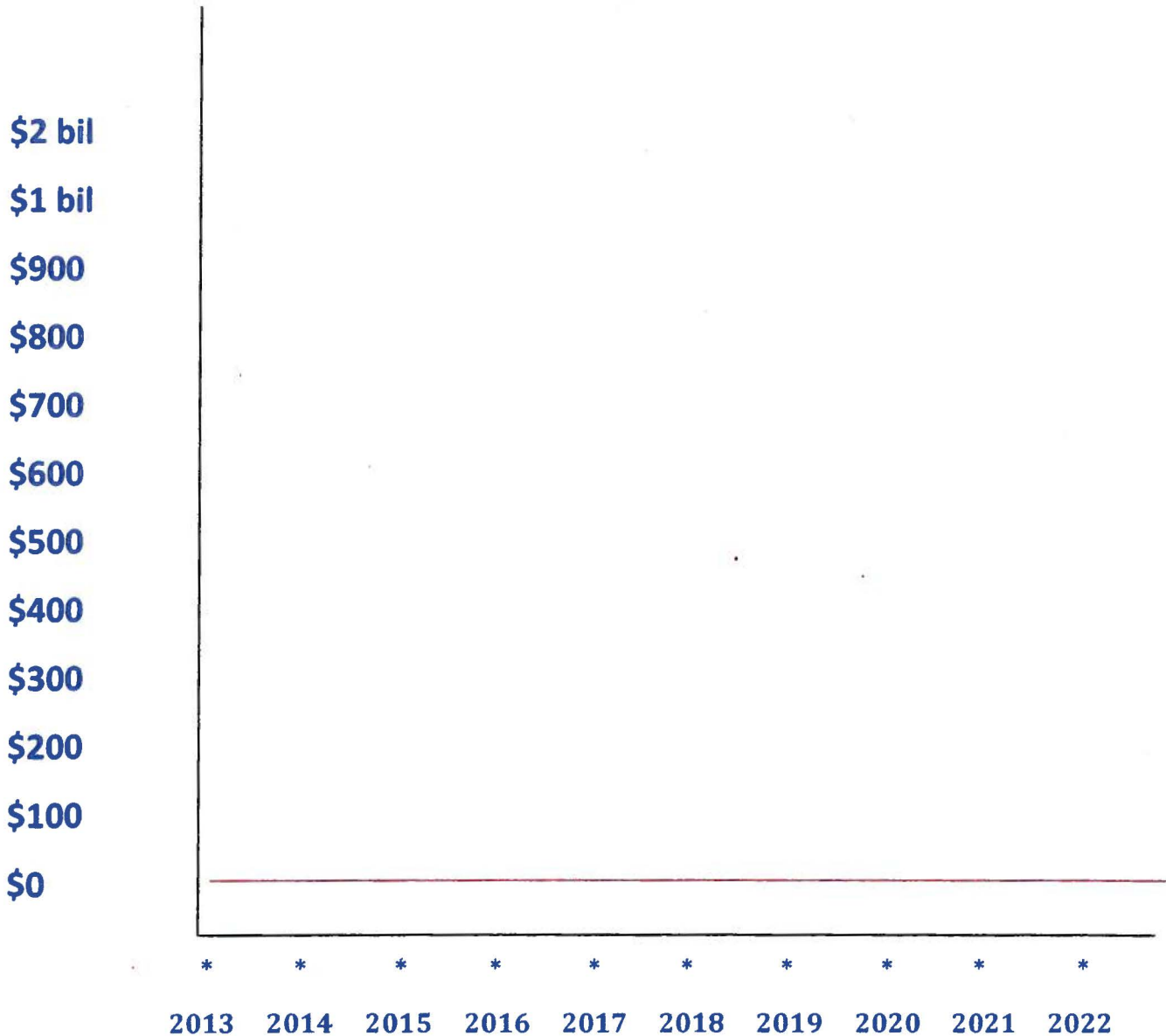
Texas

\$71.6 million a year in sales tax from motor oil goes to transportation rather than General Fund.

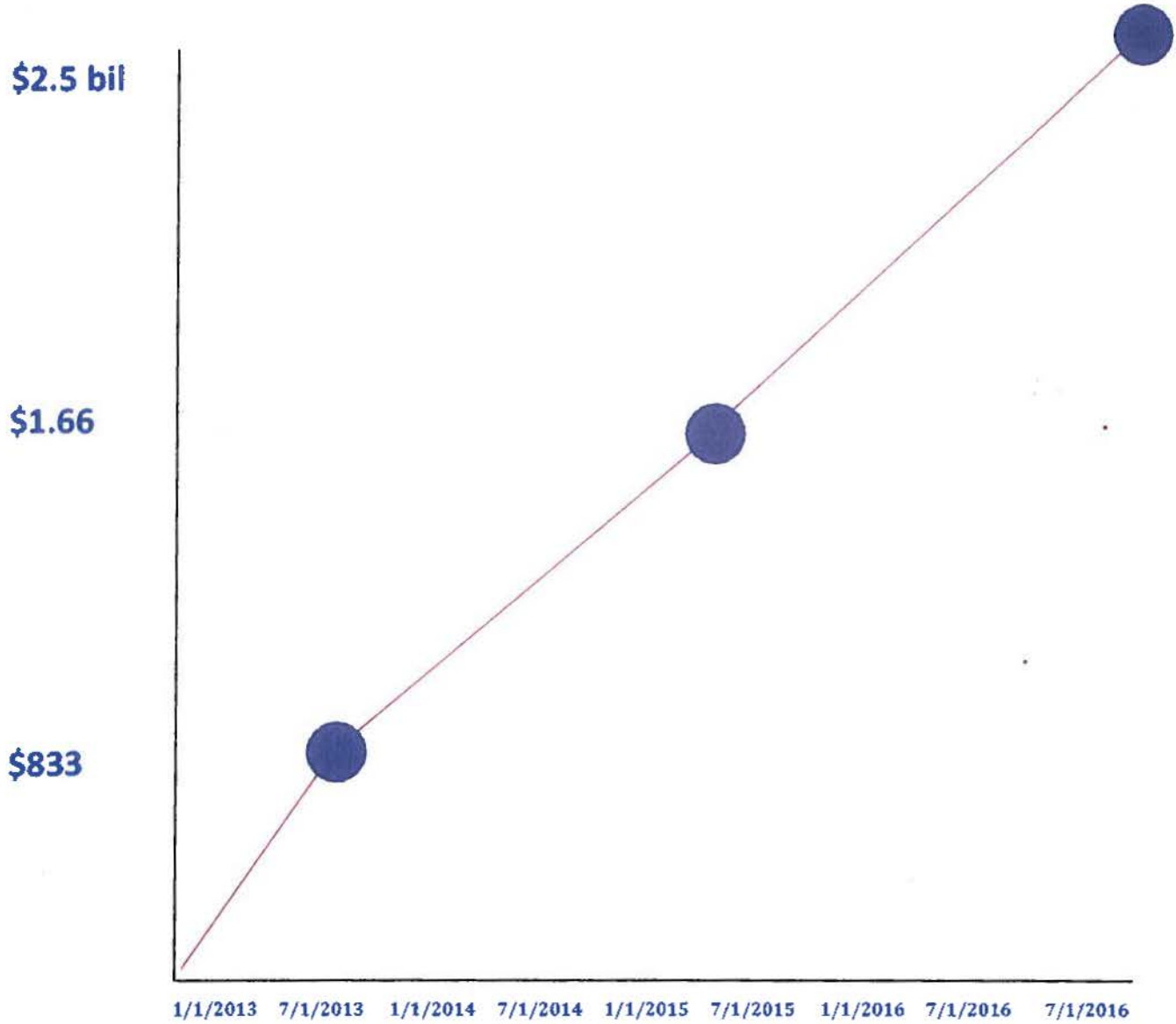
Senate Bill 1

Increased Transportation Funding

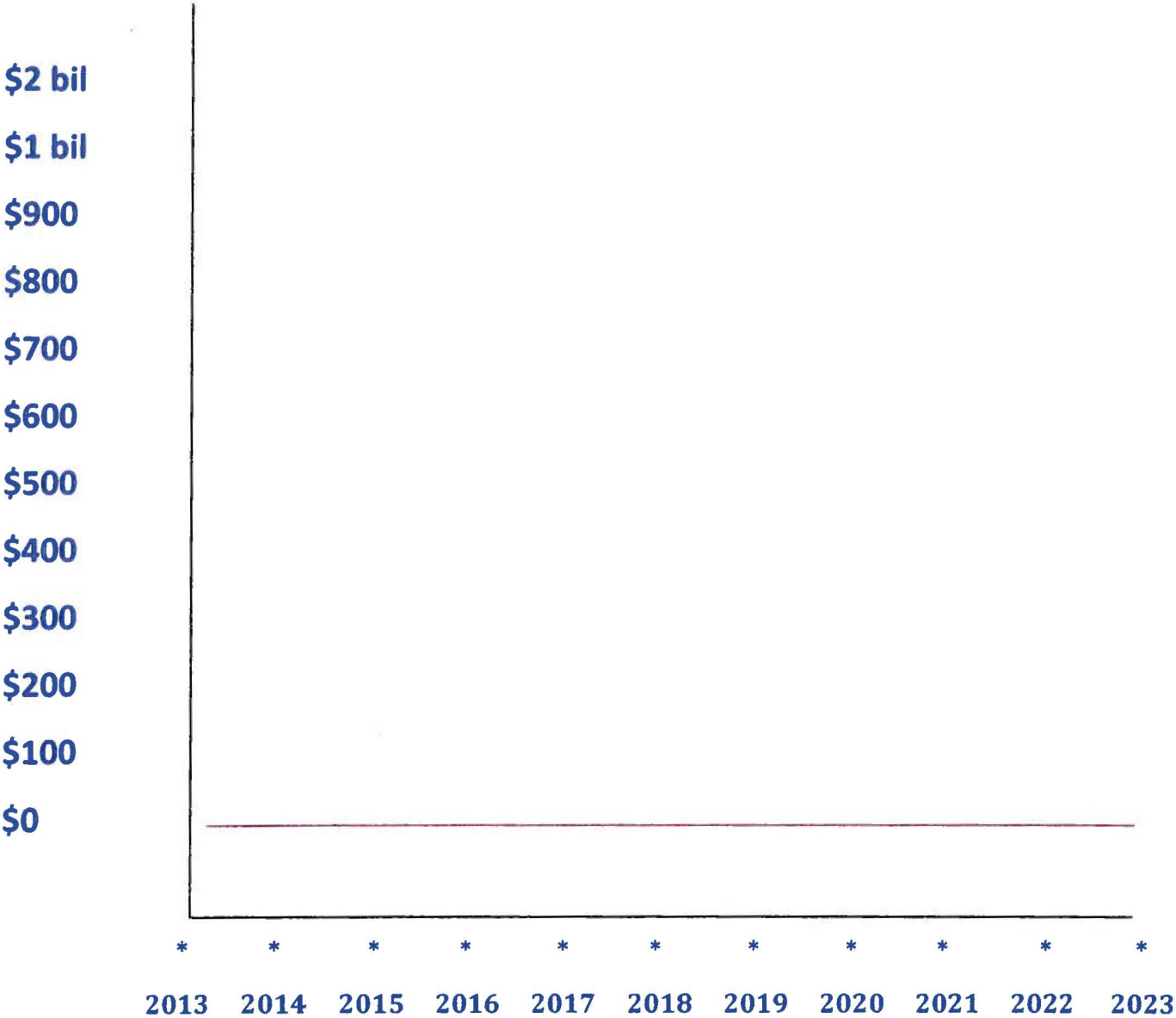
If Not Passed



New Taxes Paid With SB 1

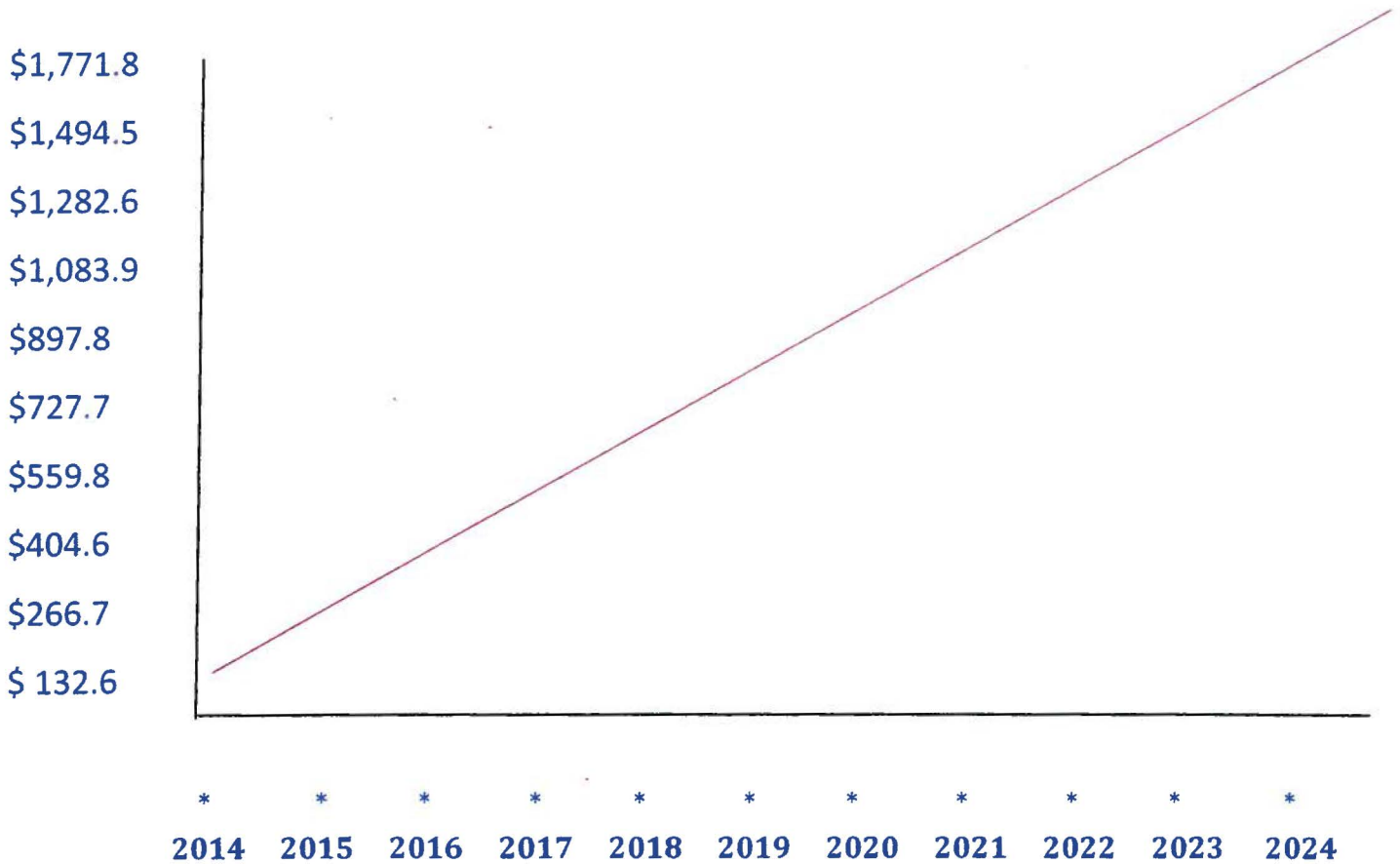


New Taxes Paid With HB1630



Motor License Fund

Increase From HB 1630



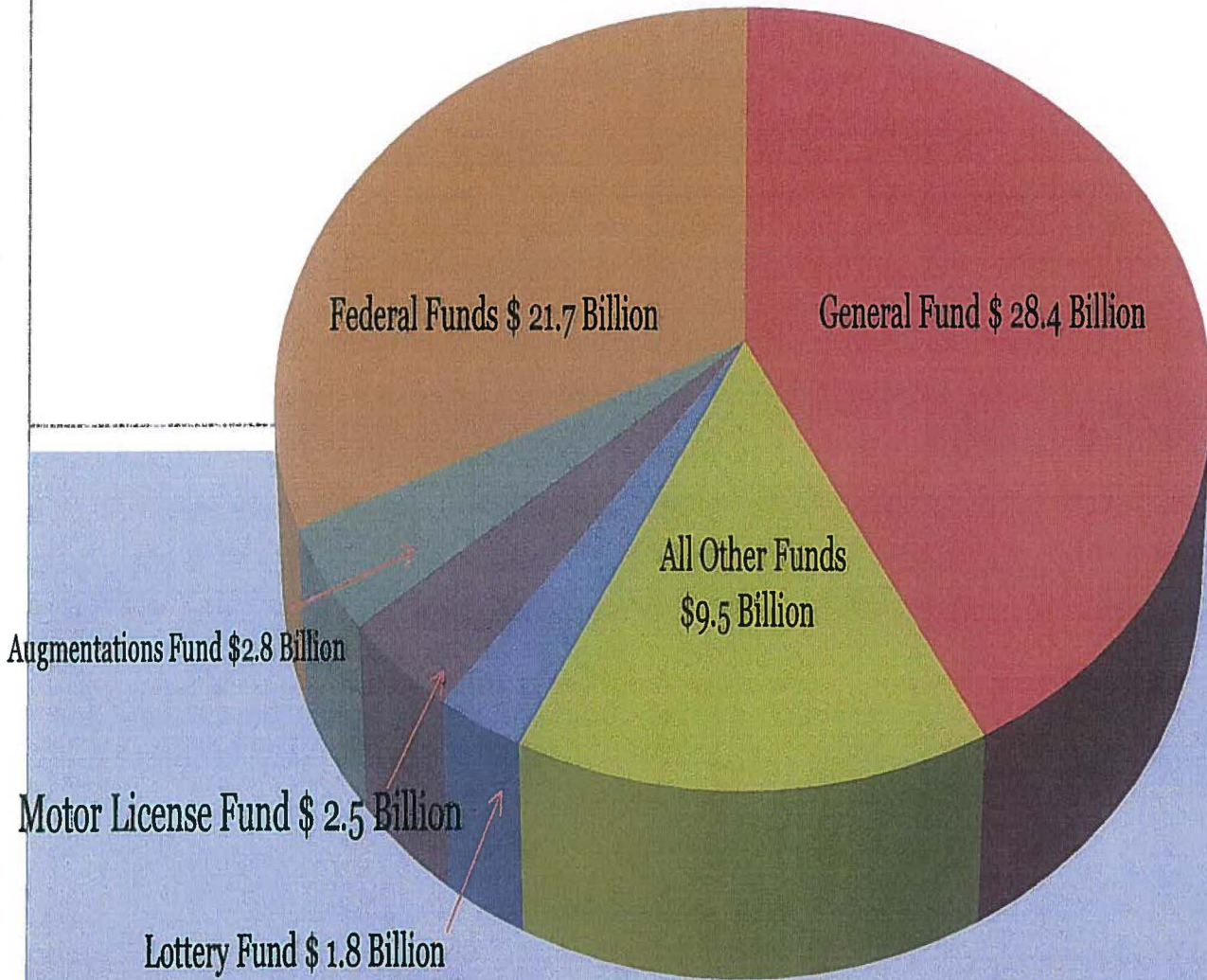
- **Projected Motor Licensing Fund Budget Increase If HB 1630 Is Passed**

\$ in millions

Fiscal Year	Motor Vehicle Sales/ Use Tax	General Fund Loss	Motor License Fund Gain	Percent
2014-15	\$1,325.7	\$(132.6)	\$132.6	10%
2015-16	\$1,333.7	\$(266.7)	\$266.7	20%
2016-17	\$1,348.5	\$(404.6)	\$404.6	30%
2017-18	\$1,399.6	\$(559.8)	\$559.8	40%
2018-19	\$1,449.3	\$(727.7)	\$727.7	50%
2019-20	\$1,496.4	\$(897.8)	\$897.8	60%
2020-21	\$1,548.4	\$(1,083.9)	\$1,083.9	70%
2021-22	\$1,603.2	\$(1,282.6)	\$1,282.6	80%
2022-23	\$1,660.5	\$(1,494.5)	\$1,494.5	90%
2023-24	\$1,771.8	\$(1,771.8)	\$1,771.8	100%

Motor vehicle sales/use tax figures up to fiscal year 2017-18 are based on the 2013-14 official revenue estimate. Data for fiscal year 2018-19 and thereafter is based on the model used for the 2013-14 official revenue estimate with the growth rates extended to allow for the full 10-year analysis.

Total Operating Budget Now



TOTAL OPERATING BUDGET

**Projected General Fund Revenue Growth
From Gov. Corbett's 2013-2014 Budget Book**

2013-2014 \$29,251,199,000

2014-2015 \$30,246,005,000

2015-2016 \$31,066,729,000

2016-2017 \$31,880,556,000

2017-2018 \$32,682,590,000

4.4% of Sales Tax is transferred to Mass Transit.

**\$400 million a year of Sales Tax is
Transferred to Mass Transit each year.**

**Act 44 of 2007 mandates that 4.4% Sales Tax is
transferred to the Public Transportation Trust Fund.**

Money Auto Users Pay To Subsidize Mass Transit

Public Transportation Assistance Fund Taxes and Fees

Public Transportation Assistance Fund taxes fees are dedicated to mass transportation.

New Tire Fee: A \$1 per tire fee is imposed on the sale of new tires for highway use in Pennsylvania. The sale of used tires or tires which are for off-highway use are not subject to the fee.

Motor Vehicle Rental Fee: The motor vehicle rental fee is imposed at the rate of \$2 per day on a vehicle rental of less than 30 days. If a vehicle is rented for less than 30 days (a rental contract) and subsequently extends beyond 29 days, the transaction remains a rental, and continues to be subject to the \$2 daily rental fee until the rental contract is terminated or the parties enter into a lease agreement.

Motor Vehicle Lease Tax: The motor vehicle lease tax is imposed at 3 percent of the total lease price and applies to vehicle leases of 30 days or more.

Erie – EMTA 16 years since the last fare increase. \$1 bus fare.

Meadville – CATA Built \$3 million office building to replace \$10,000 a year rented office.

Pittsburgh – Port Authority 20% of budget is for retirees who no longer work there.

Philadelphia – SEPTA 10% pay raises for four years in a row for new bus drivers

Intent of HB1630 is to use all of the new money on roads and bridges and not mass transit.

**What auto drivers pay to support
transportation...**

Gas tax

Tire tax

Car lease tax

Car rental tax

Vehicle Registration fee

Driver's License fee

Inspection sticker fee

Tolls

Traffic tickets

Parking tickets

Parking fee

**What bus riders pay to support
transportation...**

Nothing



Economic Brief

Rep. Bill Adolph, Republican Chairman

November 2013

General Fund Revenue Collections Bring in \$2 Billion

General Fund revenue collections for the month of September were \$2 billion, which is \$29 million more than expected.

Collections of \$160 million for corporation taxes came in above Department of Revenue projections by \$20 million. Sales tax collections of \$783 million were higher than expected, coming in \$5 million more than the official estimate. The Personal Income Taxes collected were \$896 million, which was higher than expected by \$2 million.

Year-to-date General Fund collections of \$8.2 billion are above the official estimate by \$42 million.

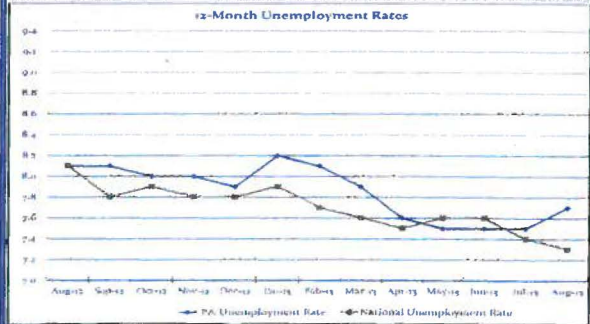
EMPLOYMENT STATISTICS

	August 2013	Monthly Change	
Labor Force	6.51 Million	-17,000	↓
Unemployment Rate	7.7%	+0.2%	↑
Total Employment	6.01 Million	-26,000	↓

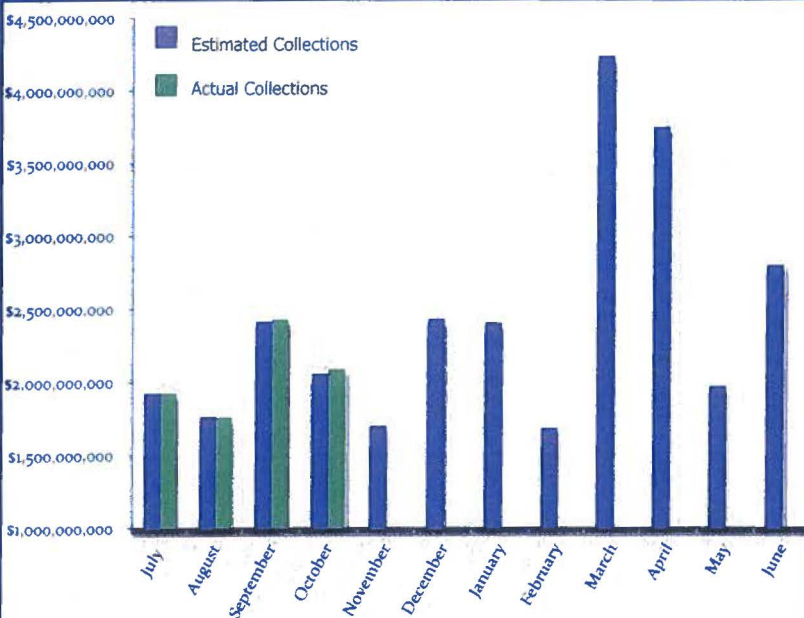
12-Month Change	
Total Employment*	+45,000 ↑
Unemployment Rate	-0.4%

Jobs Created Under Governor Corbett* +109,482

* Numbers Reflect US Bureau of Labor Statistics Total Jobs Number- 10/1/2013
Due to Federal Shutdown Sept Data Is Unavailable



General Fund Revenue vs. Estimates



October Revenue Collections

Estimate	Actual	
Total General Fund	Total General Fund	↑
\$2.057 Billion	\$2.086 Billion	
Corporation Taxes	Corporation Taxes	↑
\$140 Million	\$160 Million	
Sales Taxes	Sales Taxes	↑
\$778 Million	\$783 Million	
Personal Income Taxes	Personal Income Taxes	↑
\$894 Million	\$896 Million	
All Other Taxes	All Other Taxes	↓
\$232 Million	\$227 Million	
Non- Tax Revenue	Non-Tax Revenue	↑
\$13 Million	\$20 Million	