



Testimony of

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Chairman Hennessey, Chairman Carroll, members of the Committee, and staff, thank you for the opportunity to participate in today's hearing and discuss our transportation funding needs and status.

I would like to thank Representative White and the members of the Infrastructure Task Force for calling attention to Pennsylvania's transportation needs. This discussion is critical, as we are at a turning point in infrastructure funding. PennDOT has seen revenue losses from increased fuel efficiency, the growing impacts of climate change and of course, the COVID-19 pandemic.

While COVID-19 has certainly exacerbated our funding situation, we already knew we would have less in construction lettings compared to \$2.5 billion in 2018. We reduced our planned construction program to \$2.2 billion with the expectation of continued revenue reductions primarily due to increased vehicle fuel efficiency. We now anticipate \$1.8 billion to \$1.9 billion in lettings this and next calendar year with the added impacts from COVID-19 without legislative action. In maintenance, reduced revenues mean we need to focus on lower-cost preservation activities in our pavement and bridge mission.

This situation underscores the fact that we can no longer rely on the gas tax to meet our highway and bridge needs. As vehicles become more efficient and even stop using motor fuels, we need to move to a truly sustainable revenue source. On top of these market realities, the federal government hasn't taken meaningful action on transportation funding in years, and we don't know how this pandemic will affect their willingness to step up to the plate.

Our Motor License Fund revenues at best, remain flat into the future due to vehicle efficiency and stable miles traveled across the state. In addition, we lose \$100 million per year in purchasing power at modest inflation rates (2.25%). Before the pandemic, the projected cumulative loss in revenue from reduced motor fuel consumption, combined with inflation, totals \$8.3 billion by 2030. We are currently projecting additional losses of \$800 million just through June of 2021.

We were already taking steps to adjust our long-term funding planning and our planning partners have made changes to planned projects as a result. The national and local forecast of 30 percent revenue reduction as a result of COVID-19 makes this even more concerning. Additionally, due to the legislative requirements of Act 44 of 2007 and Act 89, without a

sustainable alternative funding source for mass transit we cannot meet the needs for state-of-good repair projects, a reliable transit fleet, expanded services, or the initiatives needed to grow to support our communities.

Various discussions and proposals, including HB 2061, have also been aimed at another factor: funding for the Pennsylvania State Police (PSP). Legislative action in 2016 is gradually redirecting millions in funding back to the Motor License Fund, which has obvious benefits to our operations but also has funding implications in other areas. Governor Wolf has introduced a reasonable fee for State Police coverage on multiple occasions with no legislative action. Any discussion of redirecting additional funds or redirecting funds faster needs to include a fair solution to ensure PSP's critical mission, including highway safety operations on our roadways continue.

While some of the task force's proposals, such as HB 2067 and HB 2068, would provide local options to bring in needed revenue for additional local projects, a statewide solution is needed. Every community, whether rural or urban, will benefit from fewer bridge-related detours, longer-lasting road surfaces, more transportation options and more travel predictability. PennDOT takes its responsibility as stewards of mobility in Pennsylvania very seriously, which is why we must explore all options. As we evaluate potential funding tools, a dialogue with Pennsylvanians is critical, and we will engage our stakeholders throughout the process. The Legislature will be crucial partners as we move forward.

Adapting to Funding Realities

We have started adjusting to this funding landscape with new Financial Guidance for project funding. Every two years, PennDOT leads an effort with our state planning partners, the Metropolitan Planning Organizations (MPOs) and the Rural Planning Organizations (RPOs) to update the Commonwealth's Twelve-Year Program (TYP) and the Statewide Transportation Improvement Program (STIP) in compliance with all applicable State and Federal requirements. PennDOT is currently in the process of updating the TYP for the 2021 program.

One of the first and most critical steps in that process is developing Financial Guidance, which determines the formulas by which funds are distributed to MPOs and RPOs. PennDOT is recognized for having one of the most transparent and collaborative Financial Guidance development processes in the nation.

In parallel with this collaborative process, we're facing the reality that Act 89 envisioned a more robust investment from the federal government to assist with interstates, and as such we focused on the rest of our system in developing our needs assessment. This federal investment has not happened. And if federal appropriations are reduced beginning in federal fiscal year 2021 due to the insolvency of the Highway Trust Fund, our investments over the next 12 years could be reduced by a cumulative \$6 billion.

Coupled with this federal inaction, when comparing the first four years of the 2021 program to the 2019 program, available state funding from the Motor License Fund is \$289 million less based on revenue projections. We are also faced with moving to a federally-mandated

Performance Based Planning and Programming Process that shifts towards a life cycle cost philosophy rather than a “worst-first” approach and has changed our funding formula. Planning partners are currently prioritizing regional projects based on the resulting reductions in their available funding, in some cases tabling long-desired projects.

A significant change will be increased investment in our interstates. Pennsylvania has one of the largest interstate systems in the nation, at more than 1,300 linear miles managed by PennDOT. Roughly 57 percent of Pennsylvania’s interstates are more than 40 years old and need to be rebuilt. Interstates should be considered for reconstruction every 40 years. Pennsylvania should be rebuilding 32 interstate miles each year and, in balancing needs across our network, we’ve completed less than 10 miles per year. Where we have been investing between \$450 million to \$500 million annually on the interstate system, the plan put forward by the Financial Guidance Work Group increases Interstate investment by approximately \$150 million in FFY 2021 and grows the investment by \$50 million/year until it reaches \$1 billion (FFY 2028).

While necessary, these changes will have ripple effects without additional revenue. With reduced revenues overall and investments moving toward interstates, resources for other roadways – especially rural or lower-traffic ones – will decrease.

As of December 2018, 26 percent of the PennDOT-maintained roads that aren’t on the Interstates or the rest of the National Highway System, are rated as “Poor” on the International Roughness Index. On roadways with an average daily traffic volume of fewer than 2,000 vehicles, 33 percent of the miles are in “Poor” condition on the same scale.

These lower-traffic roadways make up a large part of our system. There are 21,000 miles of PennDOT-owned, low-volume bituminous roadways maintained with seal coating (oil and chip) and resurfacing, mostly in rural areas. Thirteen percent of these roadways have not seen more than basic maintenance in up to 20 years.

These challenges exist despite our cultural focus on quality, innovation, and movement toward the right treatments at the right time (or lowest life-cycle cost). As examples on the pavement side of the business, we currently have an Asphalt Pavement Quality Improvement Committee and a Concrete Pavement Quality Improvement Committee that meet three times per year with representatives from the department, PA Turnpike, Federal Highway Administration and various industry partners. We also leverage varied project-delivery options including, but not limited to, public-private partnerships and design-build projects to effectively deliver projects without inviting unnecessary complications or legal considerations.

These historic and upcoming challenges, coupled with absence of any federal action on meaningful transportation funding, illustrate the importance of not only adjusting based on current and near-term revenues, but also reviewing funding options for the future.

Transit

Public transportation is available in some form in every county in Pennsylvania and these services are critical in communities across the state. On average, 62 percent of the people who

use these services say that they have no alternate means of transportation (based on responses in past transit-agency performance surveys). While transit provides millions of dollars in positive economic impact each year, providers have significant facility and equipment needs, not to mention the desire to provide more services to support Pennsylvanians who want more mobility options. Long-term, sustained investment is critical for our communities to thrive and residents to be supported.

This is not simply about finding a long-term solution for public transportation funding. This is a workforce and economic competitiveness issue. Transportation was highlighted over the past year by the Keystone Economic Development and Workforce Command Center (Command Center) as one of five major barriers to employment for jobseekers, workers, and employers. PennDOT is a participant at the Command Center, a group of public-private sector partners that has met nearly every week for the past year to address Pennsylvania's workforce challenges, recommend action to reduce or eliminate impediments to employment, and better align commonwealth resources and private sector needs. Even where public transportation exists, barriers still exist, including the lack of first- and last-mile service, shorter hours of operation that may not provide service on weekends and evenings or low frequency of services.

Act 44 of 2007 relied on the Turnpike and its customers to pay for transportation benefits across Pennsylvania, requiring annual payments of \$450 million that were divided between the statewide highway and bridge network and public transit. Act 89 modified that to \$450 million for transit and multimodal until 2022. Act 89 also defines that in 2022 the commitment becomes \$50 million from the Turnpike, with \$450 million to be provided from the state vehicle sales tax moving forward. Without a sustainable alternative funding source for mass transit, we cannot meet the needs for state-of-good repair projects, a reliable transit fleet, expanded services, or the initiatives needed to grow to support our communities. We will remain engaged with lawmakers so the Legislature can find sustainable solutions to meet these challenges.

Bridges

Pennsylvania is home to a large network of state and locally-maintained bridges. More than 250 of the state-maintained bridges move into the "poor-condition" category each year due to their age and deterioration. With a system of aging bridges, we expect this to increase. We must maintain and improve more than that number each year because if bridges must be weight restricted or closed, it severely impacts commerce, emergency services, and quality of life.

We have made considerable progress, as the number of state-owned bridges in poor condition has decreased from a high of 6,034 in 2008 to roughly 2,600. We cannot rest on this progress since we have a large aging bridge population. In fact, we anticipate this number rising as bridges we have maintained and preserved cycle back to needing full replacements or more extensive repairs.

Twenty-three counties took advantage of the Act 89 provision that allows them to add a \$5 surcharge to the annual vehicle registration fee to support local infrastructure. This is providing counties and local governments with additional resources for their network. While the number of

local bridges in poor condition has dropped from 35 percent in 2015, 29 percent of locally owned bridges are still in poor condition.

Moving Forward

PennDOT touches residents' lives every day. Our team is constantly managing our mission to make Pennsylvania ever safer and more connected despite the significant challenges we face.

The Legislature has taken bold steps in recent years to advance transportation funding, but they did not meet Pennsylvanians' full needs, nor did they anticipate waning federal support or the significant vehicle changes that are impacting our revenues. We again are facing circumstances that demand action for comprehensive solutions that keep us on a sustainable path while supporting the growth our communities need.

Thank you for the opportunity to discuss this important topic and how we can work together to not only meet our existing needs, but also set us on a sustainable path for the future.