

COMMONWEALTH OF PENNSYLVANIA  
HOUSE OF REPRESENTATIVES

TRANSPORTATION COMMITTEE  
PUBLIC HEARING

STATE CAPITOL  
HARRISBURG, PENNSYLVANIA

IRVIS OFFICE BUILDING  
HEARING ROOM 515

WEDNESDAY, MARCH 24, 2021  
9:00 A.M.

PRESENTATION ON  
PENNDOT'S P3 BRIDGE TOLLING PROJECT

BEFORE :

HONORABLE TIM HENNESSEY, HOUSE MAJORITY CHAIRMAN  
HONORABLE MIKE CARROLL, HOUSE MINORITY CHAIRMAN  
HONORABLE ROSEMARY BROWN  
HONORABLE LYNDA SCHLEGEL CULVER  
HONORABLE DOYLE HEFFLEY  
HONORABLE AARON KAUFER  
HONORABLE JOHN LAWRENCE  
HONORABLE JIM MARSHALL  
HONORABLE MARCI MUSTELLO  
HONORABLE GREG ROTHMAN  
HONORABLE LOUIS SCHMITT (VIRTUAL)  
HONORABLE MEGHAN SCHROEDER  
HONORABLE RYAN WARNER  
HONORABLE AUSTIN DAVIS  
HONORABLE DIANNE HERRIN  
HONORABLE JOSEPH HOHENSTEIN  
HONORABLE SARA INNAMORATO (VIRTUAL)  
HONORABLE KYLE MULLINS (VIRTUAL)  
HONORABLE JENNIFER O'MARA (VIRTUAL)  
HONORABLE PERRY WARREN (VIRTUAL)

HOUSE COMMITTEE STAFF PRESENT:

TORREY LAUERMANN  
MAJORITY RESEARCH ANALYST  
PAMELA HUSS  
MAJORITY ADMINISTRATIVE ASSISTANT  
  
MEREDITH BIGGICA  
DEMOCRATIC EXECUTIVE DIRECTOR

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*Pennsylvania House Of Representatives  
Commonwealth of Pennsylvania*

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SUBMITTED WRITTEN TESTIMONY

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(See submitted written testimony and handouts online.)

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

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2  
3 MAJORITY CHAIRMAN HENNESSEY: Good morning,  
4 everyone.

5 ALL: Good morning.

6 MAJORITY CHAIRMAN HENNESSEY: Just checking to  
7 make sure everybody's awake. There we are. All right.  
8 Time about 9:00 having arrived for the beginning of our  
9 hearing, let me just welcome the members and the members  
10 who are joining us not just here in the room but also on  
11 remote and also the citizens who might be watching us on  
12 PCN.

13 Today, we have a public hearing before the  
14 Pennsylvania House Transportation Committee. We've  
15 convened today's hearing as an informational hearing to  
16 learn more about the P3 Pathways Project that was announced  
17 by PennDOT, at least in part, back in November, and we're  
18 here, really, to learn more about the process and also the  
19 substance of that program. Many have voiced concerns to me  
20 about the newness of the P3 proposal and the employment of  
21 the P3 concept for addressing the concerns we have over the  
22 needs of mainly our bridges in this situation. There have  
23 been some concerns that you'll hear expressed, I think,  
24 about the rapid bridge replacement program where, I  
25 understand, PennDOT used the P3 concept with some success

1 and with some -- you know, but facing some criticisms. And  
2 there were also voices who have raised concerns to me about  
3 the overall size of the Pathways project.

4 So we're here to take some testimony and learn as  
5 much as we can about the thinking and the thought processes  
6 that went into the entire rollout of the P3 Pathways  
7 Project. And with that, I'll turn the mic over to Chairman  
8 Carroll.

9 MINORITY CHAIRMAN CARROLL: Thank you, Mr.  
10 Chairman. And as the folks in this room know that we have  
11 tremendous financial challenges in the world of our highway  
12 and bridge program. Some of those challenges are the  
13 result of what I would consider to be less than sincere  
14 decisions with use of Motor License Fund, especially  
15 highlighting the fact that the hundreds of millions of  
16 dollars annual that we transfer over to the State Police  
17 really cripples PennDOT's ability to maintain a network  
18 that is far greater than the highway and bridge network  
19 that exists in almost every other state.

20 And so PennDOT and the 3P board, it seems to me,  
21 took an action consistent with the language that was within  
22 House Bill 3 that became Act 88 in an effort to attack the  
23 problem that exists that we all are aware of. And so I  
24 suspect and I know that the members of the 3P Board and  
25 PennDOT were not eager to head down the path of tolling of

1 assets, but the financial realities that we face in this  
2 Commonwealth with respect to our transportation network  
3 demand action. And House Bill 3 and Act 88 gave that  
4 authority to this board, and so we cannot be surprised by  
5 what's come before us as result of language that was  
6 approved and signed back in 2012.

7 So I'm eager to hear what folks have to say  
8 today. I'm eager to hear solutions that go beyond just,  
9 you know, a declaration of not being for this. We need to  
10 be for something. And I get that there will be folks that  
11 have concerns about a tolling of a bridge here or there in  
12 this Commonwealth, but we have to go beyond what we're not  
13 for, and I hope we can get to that today. Thank you.

14 MAJORITY CHAIRMAN HENNESSEY: Thank you, Mr.  
15 Chairman. We have a number of testifiers slated today.  
16 First, we'll hear from the Associated Pennsylvania  
17 Constructors, or APC as we call them here. We'll hear from  
18 PennDOT Secretary Yassmin Gramian. We'll hear from ACEC,  
19 the American Council of Engineering Companies of  
20 Pennsylvania, and then we'll hear from the Pennsylvania  
21 Motor Truck Association.

22 First off is Robert Latham, who's the Executive  
23 Vice President, who's testifying in person, and we have  
24 George Mezey joining us virtually. He's the Vice President  
25 of the Trumbull Corporation.

1           In accordance with our new rules and procedures,  
2 Bob, will you please raise your right hand and simply tell  
3 us if you swear that the testimony that you're about to  
4 give to this hearing -- oh, I'm sorry. And also Mr. Mezey,  
5 please raise your hand even virtually.

6           (Oath administered.)

7           MR. LATHAM: I do.

8           MAJORITY CHAIRMAN HENNESSEY: Thank you.

9           MR. MEZEY: I do.

10          MAJORITY CHAIRMAN HENNESSEY: Thank you. Bob,  
11 start whenever you're ready. Thank you.

12          MR. LATHAM: Thank you, Mr. Chairman and Chairman  
13 Carroll and all the members of the Committee. We're very  
14 happy to be here. As you mentioned I'm Bob Latham. I'm  
15 Executive Vice President of the Associated Pennsylvania  
16 Constructors. We're a statewide organization that  
17 represents companies engaged in highway and bridge  
18 construction throughout the Commonwealth. With me today,  
19 virtually, is George Mezey, who is Executive Vice President  
20 of Trumbull Corporation.

21          Trumbull Corporation is a major highway  
22 construction company based in Pittsburgh, Pennsylvania.  
23 They have performed numerous projects and major projects  
24 throughout the Commonwealth of Pennsylvania and actually in  
25 Ohio, West Virginia, other states as well. So they are

1 very, very familiar with major projects and also the P3  
2 concept or public/private partnership-type arrangements.  
3 So George is along to provide any kind of technical advice  
4 when we get to that point.

5           But I'd like to take a few minutes today to put  
6 this issue in context, I guess, elaborate on Chairman  
7 Carroll's opening remarks and talk a little bit about how  
8 we got here as far as we see it. I'd like you to -- if you  
9 have a copy of our testimony, I'd like you to refer to a  
10 couple pages. First of all, I have a graph in here, a  
11 chart of the total dollar of PennDOT lettings from 1994 to  
12 2021. And just to reiterate, "letting" is term of art in  
13 the construction contracting or procurement industry, which  
14 means a construction contract that has been bid and  
15 awarded. So this chart shows the total value of those  
16 contracts bid and awarded in a calendar year starting in  
17 1994.

18           In 2020, that value was less than \$1.6 billion,  
19 and if you can see there, that is the lowest amount since  
20 2006. So we have a serious dearth of construction work  
21 going on in the Commonwealth of Pennsylvania. The estimate  
22 for 2021 is about 1.9. And again, if you go back through  
23 those charts, you can see even in the depth before we  
24 passed the major comprehensive transportation bill known as  
25 Act 88 in 2013, the levels of capital construction work



1 going on in the Commonwealth right now is at one of the  
2 lowest points in recent history. So we're going to talk  
3 about that and issue a call to deal with that.

4 And then let's go to the next chart, which is the  
5 history of money going from the Motor License Fund to the  
6 General Fund for payments to the State Police. And I'd  
7 like to point out a couple of years here and really kind of  
8 set the stage. So in 2013, that number was about 621  
9 million, which was still too high in our estimation. After  
10 we passed Act 89, we shifted more money over to the General  
11 Fund and then kept increasing that in 2015 and 2016 until  
12 we reached \$801 million coming from the Motor License Fund  
13 revenues to the general fund.

14 And let me just emphasize that we've heard a lot  
15 of talk about the gas tax in Pennsylvania or the oil  
16 company franchise tax and the fact that we have the second  
17 highest gas tax in the country. It's been called  
18 burdensome recently. But here's the deal, 12 cents of  
19 that -- or currently 11 cents of that does not go to road  
20 and bridge construction. And as you can see by our chart,  
21 if you just fill in the delta between 2013 and today, it's  
22 more than \$5 billion in highway user revenues paid for by  
23 motorists, trucking companies, people that own cars, and  
24 everybody that is simply going into the General Fund. So  
25 that has, I think, had a huge effect on how we got here

1 today and why we're here today. So given that, we want to  
2 talk a little bit about some solutions.

3 Now, the Governor has created the Transportation  
4 Revenue Options Commission. We're happy to be serving on  
5 that and look forward to being an active partner in that  
6 and helping to find solutions. We think that toll  
7 financing is a viable option as part of a more  
8 comprehensive program, so that's something that ought to be  
9 looked at by the Revenue Commission. And again, we'd like  
10 to actually give some kudos or some congratulations to  
11 PennDOT for trying to come up with some innovative  
12 solutions.

13 So I think what we've laid out here with these  
14 charts and tried to set the stage is, we have a problem.  
15 We have a serious issue with the lack of capital  
16 construction and attention to our roads, and we could go on  
17 and on and on with statistics about where we are and so on  
18 and so forth. But I will mention one thing that yesterday  
19 the American Road and Transportations Builders Association  
20 issued its annual bridge inventory report, and in  
21 Pennsylvania there's good news and bad news.

22 The good news is that before we passed the  
23 comprehensive transportation bill known as Act 89, our  
24 level of structurally deficient bridges in Pennsylvania was  
25 at about 6,000 or about 25 percent, and we were number 1 in

1 the country. Today, that number is somewhere around 3,000-  
2 3,330 depending on, you know, when you take the snapshot,  
3 about 14 or 15 percent, and we are down to number 5. So we  
4 have made progress. So the point is, when you fund capital  
5 infrastructure, you make progress, you improve safety, you  
6 improve mobility in the Commonwealth, and you put people to  
7 work.

8           What APC really is here to take issue with is the  
9 whole concept of financing major bridges through  
10 public/private partnerships, and we have a suggested way  
11 that we can look at it, but bottom line is, we think that  
12 public/private partnerships have been sold as a low-cost  
13 new funding. It's really a financing mechanism, and quite  
14 frankly, it's a very costly financing mechanism.

15           And you know, it's interesting, I had a  
16 conversation with my counterpart from Georgia the other  
17 day, and he said, well, Bob, what's your total debt service  
18 at PennDOT? And I said I think it's under a \$100 million.  
19 And he said, damn, you guys got to get some bond financing  
20 going. So other states are looking at how to use COVID  
21 money and how to, you know, pay off debt, issue subsequent  
22 debt, and use bond financing to really boost their capital  
23 construction, and it's something that I don't think that  
24 we're looking at here.

25           But back to P3's, how it really works is you hire

1 a middle person or middleman who arranges for financing  
2 that we probably could do through CFA here. There are add-  
3 on costs of return-on-investment of 10 to 15 percent,  
4 carried interest charges, legal fees associated with bond  
5 holders, and the real concern that we have and what we've  
6 seen with these type of schematics around the country is  
7 that the way this works is that the developer or the  
8 financier gets a guaranteed availability payment. So  
9 there's a contract with that financier that we will pay X  
10 amount of money for 30, 40, however many years no matter  
11 what happens, whether the toll revenue meets the original  
12 projections or not, we pay for that.

13 So far, in this proposal on Pathways, we've not  
14 seen any kind of cost benefit analysis, any toll revenue  
15 analysis. We keep hearing that it's coming, but it  
16 certainly needs to happen before we go forward with  
17 anything like this. I guess, we're suggesting, really,  
18 here today is that there are other ways that we can maybe  
19 go about financing these major bridges that have to be  
20 built. There's no doubt about it. They need to be fixed.  
21 Again, you know, we want to suggest that PennDOT has taken  
22 an opportunity to think outside the box, and you know,  
23 they're in a jackpot. I think we've laid that out with our  
24 charts, and we understand what they're trying to get at.  
25 We just think there are other ways to go about it.

1           In our testimony, we lay out a schematic on how  
2 we could perhaps take some additional or accelerate money  
3 back from the General Fund back to the Motor License Fund  
4 and use that to monetize bond financing for these bridges,  
5 and be able to bid them conventionally or through a  
6 design/build best value process, which we've almost  
7 completed with implementing with PennDOT.

8           Back to the program itself, we'd like to offer  
9 that we're getting some \$7 billion from the federal  
10 government for COVID relief, and we can use some of that  
11 money to put people back to work and improve the safety of  
12 our roads and bridges in the Commonwealth. So if you look,  
13 again, at the contract or letting chart, we could put 1.3  
14 billion back into that, 300 million to back and fill the  
15 drop in 2020, and another billion of a stimulus-type  
16 package that we were able to demonstrate again in 2009 when  
17 we had such a stimulus from the federal government.

18           PennDOT was able to manage and move, and the  
19 industry was able to build an extra billion dollars over a  
20 year and a half period and really move a lot of projects  
21 forward. There are shelf projects available. We can move  
22 money. We can put people back to work because I think that  
23 that's what this COVID relief money is all about.

24           So with that, I guess I'll pause. Again, the  
25 Department needs a cash infusion. There's no doubt about

1 it. How did they get here: moving money from highway user  
2 fees to the General Fund. We can use some of that money  
3 back. We can monetize some of that, move these bridges  
4 forward, use tolling as a comprehensive future financing  
5 mechanism that could be considered by the Transportation  
6 Revenues Commission. And with that I'm happy to answer any  
7 questions, and/or if it gets too complicated, I'll look at  
8 the screen above me and ask George to fill in.

9 MAJORITY CHAIRMAN HENNESSEY: I'm not so sure  
10 that we ask questions that you wouldn't be able to handle,  
11 Bob --

12 MR. LATHAM: I will try.

13 MAJORITY CHAIRMAN HENNESSEY: -- having known you  
14 for many years. Let me just comment that the Motor License  
15 Fund, I believe, was formed in Pennsylvania in the early  
16 1960's, and ever since that time, since it has a public  
17 safety feature in it, the Pennsylvania State Police, as I  
18 understand it, have always been funded at least in part  
19 from the Motor License Fund. I think that the objection  
20 that you've raised is that, not that Motor License Fund  
21 pays money to the State Police, but that at this point in  
22 time, the legislature has authorized too much money to be  
23 coming from the Motor License Fund to the State Police.

24 MR. LATHAM: There was a --

25 MAJORITY CHAIRMAN HENNESSEY: Am I right on that?

1           MR. LATHAM: Yeah. I guess we could all go back  
2 and do a little bit better research, me included, on the  
3 history of it, but when the constitution was formed or  
4 amended in the 1920's to create a highway fund or Motor  
5 License Fund, there is actually a provision in the  
6 constitution that says all liquid fuel tax and other user  
7 revenues are to be used for highway construction and  
8 safety. And so the word "safety" is what kind of has been  
9 hung on in those terms. But yeah, I mean, if you look at  
10 my chart, you only have to go back 20 years. We were at  
11 \$164 million.

12           MAJORITY CHAIRMAN HENNESSEY: Right.

13           MR. LATHAM: And then we hit a high of \$800  
14 million, and then you know, if somebody did that math and  
15 over that period of time that's \$15 billion in monies that  
16 went from highway users not into highway improvement. So  
17 yeah, I think that there's some appropriate level for  
18 highway safety, highway patrol that sort of thing that  
19 could be done, but certainly, we've gone overboard in our  
20 estimate.

21           MAJORITY CHAIRMAN HENNESSEY: Okay. And I think  
22 a lot of people feel that way including the Legislature  
23 because we have legislation, which is staircasing that draw  
24 to the State Police down each year, and I think we're  
25 targeting \$500 million as an appropriate amount that's been

1 recommended in an outside study for that amount. Maybe we  
2 can go lower than that. Maybe we can take a look at what  
3 money might be coming our way from the ARP, the American  
4 Rescue Plan, I think it's called, from DC to see if we can  
5 adjust.

6 MR. LATHAM: Well, our thing, like I said, you  
7 know, one of the things that you could do is use that  
8 money, moving that money back to monetize some of these  
9 projects and move some things forward. But I guess I would  
10 have to respectfully say, we think it should go lower than  
11 \$500 million. I can see the study, but.

12 MAJORITY CHAIRMAN HENNESSEY: Okay. Understand.  
13 We've been joined by Sheryl Delozier. Actually, I probably  
14 should've even called the roll. But let me just say that  
15 we've been joined by Sheryl Delozier. I'm going to waive  
16 the roll because we're not taking votes today.

17 But Chairman Carroll, do you have any questions?

18 MINORITY CHAIRMAN CARROLL: Not a question but  
19 just a comment, and I know Bob mentioned this in his  
20 testimony. I mean, at \$700 million that's roughly 11 cents  
21 a gallon. Even if we were to lower the transfer to \$500  
22 million, you're still in nine cents a gallon range, and I  
23 don't think that the average Pennsylvanian believes and  
24 understands that we siphon off those nine cents at that  
25 \$500 million level from PennDOT. And you have to remember



1 that that is in addition to, you know, roughly eight cents  
2 a gallon that we transfer to the local governments, three  
3 cents a gallon to the Mon-Fayette Expressway, another two  
4 cents a gallon to the Department of Agriculture and  
5 Revenue.

6           When you add that all together, you're talking  
7 about a substantial portion of the motor fuel tax revenue  
8 that goes to entities not named PennDOT, and we simply  
9 cannot ignore the fact that the totality of all of those  
10 transfers have a detrimental effect on PennDOT's ability to  
11 maintain a network that is among the largest in the  
12 country. That's a horrible math problem for PennDOT. It's  
13 unsolvable, absent some other infusion of funds, and that's  
14 what's going on here. So I would offer that at \$500  
15 million even if that's, you know, the expectation based on  
16 language in the fiscal code from a few years ago, it's  
17 still too high.

18           MAJORITY CHAIRMAN HENNESSEY: Thank you.  
19 Representative Rothman, you have a question?

20           REPRESENTATIVE ROTHMAN: I did and a comment,  
21 too. But thank you for being here, Bob and George. We  
22 appreciate you being here. I just wanted your thoughts, in  
23 general, on the idea, the 3P or the P3 tolling, and just  
24 talk a little bit about your experience in the past, and as  
25 we consider how we're going to respond to it as a

1 legislature things that, if we could fix, how you would  
2 suggest we fix. Thank you.

3 MR. LATHAM: Well, I think tolling in general,  
4 Representative, we're not opposed to. As a matter of fact  
5 our national association has suggested that Congress relax  
6 some of its prohibitions against tolling on the interstate  
7 system. Again, going back into history, the interstate  
8 system was built starting in the '50s. It was a 90 percent  
9 cost by the federal government with 10 percent by the  
10 states, and when it was finished, the federal government  
11 basically said to the states, there you go; now yours; take  
12 care of it. And we've bumped the funding in the national  
13 Highway Trust Fund up a little bit over the years, but the  
14 bottom line is the states now have a huge burden.

15 We have some 2,000 miles, or something like that,  
16 of interstate highways in Pennsylvania. We've got a lot of  
17 major bridges on there. But part of a comprehensive scheme  
18 to kind of move away from a consumption-based tax, which is  
19 starting to diminish somewhat, an overall tolling scheme we  
20 think makes a lot of sense. There seems to be opposition  
21 to tolling these specific locations. There's the  
22 understatement of the day. And so maybe, if they are  
23 critical -- as it's been noted with the 83 bridge here in  
24 Central Pennsylvania, critical need of repair, we do have a  
25 bond financing option that maybe could move that forward

1 while we look through the Revenue Commission at tolling as  
2 a more comprehensive solution.

3 REPRESENTATIVE ROTHMAN: And who would  
4 participate in the -- I mean, generally, who participates  
5 in these tolling projects? Who would be the financier or  
6 the developer or the --

7 MR. LATHAM: I'm going to ask George to weigh in  
8 on that. I think you've had some experience in that. I'll  
9 mention that most of the financiers are major international  
10 companies that come in, and basically, what they do is,  
11 they go on behalf of the owner, which would be the  
12 Commonwealth or PennDOT, to the bond or the finance market.  
13 So they simply are an arranger of financing. I guess I  
14 would ask George to elaborate on anything that I might've  
15 missed.

16 MR. MEZEY: Yeah. You have two different or  
17 potentially three different types of entities that are  
18 participating at what they call the developer, the  
19 concessionaire level, and it has evolved to where it is  
20 primarily large international firms that are either large  
21 international construction firms that have the financial  
22 wherewithal to meet and support the lending requirements  
23 that go along with these projects, or you have large  
24 financial institutions.

25 One of the attractiveness for this group of

1 people is that they're highly profitable because they're a  
2 guaranteed annuity fund with the availability payment, and  
3 the return on that investment is significant. Many of the  
4 large financial firms, some of them are based in Europe,  
5 some of them are based in Australia, some of them are based  
6 in Asia, are firms that are looking to get return on equity  
7 similar to pension fund returns that are constantly looking  
8 for at least a six or seven percent return in order to fund  
9 them. And then so when they add the risk in there, that's  
10 why you see these firms targeting an 8 to 12 percent  
11 interest expense, and then when you add the other cost in  
12 there, they're looking for returns that are in the 10 to 12  
13 percent range, which are pretty significant, and Bob  
14 mentioned earlier all the other costs.

15           But the problem that we have as an industry is  
16 that over 93 percent of the contractors doing work for  
17 PennDOT are domiciled in Pennsylvania. The membership of  
18 APC are Pennsylvania contractors. We ourselves are one of  
19 the largest headquartered contractors in Pennsylvania, and  
20 we, depending on who a concessionaire might be, would  
21 potentially be blocked out either by their choice or our  
22 choice, due to the significant terms and conditions that  
23 are often go along with the contract -- that are required  
24 in those.

25           One of the concerns that our industry members

1 have is that we end up being, oftentimes, second- or third-  
2 tier participants, potentially, which just, one, adds to  
3 the cost structure, but two, it limits our opportunities  
4 much more. And PennDOT has a good structure on how to  
5 deliver work. They are one of the best agencies in terms  
6 of being able to bid and procure work at a competitive  
7 rate.

8           And you know, every two weeks, the Department has  
9 letting schedules that you can see have -- you know,  
10 recently you see anywhere from 5 to 15 bidders on projects.  
11 So they have a very competitive delivery method. The P3  
12 method, when you now limit yourself to large international  
13 firms, limits that competition significantly. And those  
14 costs are significant.

15           We agree you need to have alternative solutions,  
16 and we think that those solutions Bob has pointed out in  
17 his presentation are that the Department and the State have  
18 the ability to secure those funds. They already have the  
19 mechanism to deliver the work in place for the Department,  
20 and they have tolling expertise within the state both  
21 within the Turnpike Commission.

22           Now, that doesn't mean that there may not be the  
23 need for some legislative tweaking and improvements to give  
24 them the flexibility that they need combined with the  
25 proper oversight in order to put those tolls on there, but

1 we're for tolling as long as it's part of a well-thought-  
2 out plan and that the proper information has been  
3 presented. But as Bob said, we think that that  
4 middleperson puts a strain on Pennsylvania contractors and  
5 taxpayers at an expense that -- we're already short money.  
6 Why would we want to spend more money to deliver the same  
7 product?

8 MAJORITY CHAIRMAN HENNESSEY: Thank you. We're  
9 just about on schedule. Bob, George, can you remain to  
10 take any other questions, if we have any, after we hear  
11 from the other testifiers?

12 MR. LATHAM: Certainly.

13 MR. MEZEY: Absolutely.

14 MAJORITY CHAIRMAN HENNESSEY: Thank you. Our  
15 next testifier is Secretary Yassmin Gramian of the  
16 Pennsylvania Department of Transportation. She's joining  
17 us virtually. Welcome, Secretary Gramian, and you know,  
18 pursuant to the new rules, please raise your right hand.

19 (Oath administered)

20 SECRETARY GRAMIAN: I do.

21 MAJORITY CHAIRMAN HENNESSEY: Thank you. You may  
22 proceed whenever you're ready and welcome.

23 SECRETARY GRAMIAN: Thank you very much. Thank  
24 you for having me today. My recent testimony goes into  
25 detail on the need for a Major Bridge P3 Initiative; how we

1 pursued it; what happens without it. I explain those same  
2 needs and consequences now.

3           You're aware that we have the second highest gas  
4 tax in the nation largely due to our reliance on this  
5 outdated revenue stream and our large system. In fact, 74  
6 percent of our highway and bridge funding revenues come  
7 from state and federal gas tax. And while Act 89, much  
8 needed, didn't meet the needs defined by the Transportation  
9 Funding Advisory Commission in 2011 nor did it adjust the  
10 gas tax for inflation. Since then, those unmet needs have  
11 continued to grow.

12           Federal government hasn't taken any meaningful  
13 action on transportation funding since 1993. Our latest  
14 projections show our annual highway and bridge funding gap  
15 at \$8.1 billion. As you're aware, gas taxes have become a  
16 less predictable source of revenue. This goes beyond  
17 passenger vehicles. FedEx announced this month that by  
18 2025, half of its delivery fleet vehicle purchases will be  
19 electric vehicles.

20           This is just one example of an unavoidable  
21 reality. We must find reliable short- and long-term  
22 funding solutions. I'm extremely happy that Governor Tom  
23 Wolf has established a Transportation Revenue Option  
24 Commission. I'm honored to serve as the commission chair,  
25 and our first meeting is tomorrow. Most of the people also

1       testifying today are serving on that same commission.

2               The governor's stated goal is to phase out the  
3 gas tax. The Department and the Commission need to pursue  
4 solutions that not only fill that gap but also meet our  
5 unmet needs. That's why, in October, I created the Office  
6 of Alternative Funding. This office is developing an  
7 alternative funding program for PennDOT and will  
8 investigate various alternative funding strategies. Last  
9 year, we launched a statewide planning and environmental  
10 linkage study. This document will serve as a programmatic  
11 framework for how PennDOT will study and potentially  
12 implement various alternative funding strategies in  
13 Pennsylvania. I must note that based on our current state  
14 and federal laws, most potential strategies would require a  
15 P3 delivery model since they would implement users fees.

16               The PEL had an initial round of public comment in  
17 November and December. The draft report will be available  
18 for a second round of public comment in late April and  
19 expected to be finalized in July. The first short-term  
20 alternative funding concept coming out of the PennDOT  
21 Pathways Program is the Major Bridge P3 Initiative, which  
22 you are talking about today. On November 12th, the  
23 Pennsylvania P3 Board, includes the legislators and their  
24 appointees, approved this project. Before that board  
25 meeting, we met with legislative leadership in all four



1 chambers as well as chairs of the Transportation  
2 Committees. On the day of the approval, PennDOT provided  
3 Legislature with notice of the Board's action, a press  
4 release, P3 slide deck, and FAQ list about the project.

5 The initiative will replace or rehabilitate major  
6 bridges through the design, build, finance, operate, and  
7 maintain methods of P3 project delivery. The projects will  
8 pay for themselves. With toll revenues, private investment  
9 would allow us to start faster than through our normal  
10 programmatic process. If a bridge wouldn't generate enough  
11 toll revenue at a reasonable toll rate to fund construction  
12 and maintenance, it will not be included in this program.  
13 Important to note that any excess revenue would be invested  
14 in the local area.

15 Additionally, the project will provide relief to  
16 the interstate Transportation Improvement Program, or TIP  
17 program, as well as the regional TIP program. The project  
18 also ensures all users, whether local or through traffic,  
19 contribute fairly to the replacement or rehabilitation of  
20 the bridges based on usage, while their fuel tax dollars go  
21 towards other improvements. We announced nine candidate  
22 bridges for this initiative. Each bridge is currently  
23 undergoing thorough economic evaluation to ensure that it  
24 pays for itself through the implementation of a reasonable  
25 toll rate.

1           In addition to the public input I mentioned  
2 already, PennDOT is required by National Environmental  
3 Policy Act to conduct public outreach for every candidate  
4 bridge. Through this process, special emphasis will be  
5 placed on identifying and evaluating economic impacts to  
6 underserved populations, as well as direct and indirect  
7 impacts of potential diversities from tolls. If needed,  
8 appropriate mitigation strategies will be deployed in  
9 conjunction with these federal mandates.

10           Benefit and consequences: I'd now like to  
11 discuss the practical benefits and consequences. Our  
12 partners in the trucking industry often cite our gas tax as  
13 a challenge. If we are to move away from this unreliable  
14 funding source, solutions like this P3 initiative must be  
15 pursued. Freight carriers see the benefit of action and  
16 results of inaction. Our bridges were not designed to  
17 carry the size of today's vehicle loads. We are a key link  
18 for freight trafficking across the nation to distributors  
19 on the East Coast, but Pennsylvania is currently home to  
20 seven of the top hundred freight bottlenecks in the nation.  
21 Part of the reason for this bottleneck is periodic lane  
22 closure and emergency repairs.

23           A reliable roadway and bridge network provides a  
24 direct and predictable route to deliver goods, which  
25 reduces time and freight costs. We cannot get there with

1 last century funding models or borrowing our way forward.  
2 We know that the state economy benefits from transportation  
3 investment. This program would deliver upwards of 2.2  
4 billion of bridge construction for much needed  
5 transportation projects as you mentioned. This will result  
6 in increased business opportunities for contractors,  
7 suppliers, engineers above and beyond PennDOT's normal  
8 letting program.

9           Every billion dollar invested in bridge  
10 replacement or rehabilitation will create 10,500 jobs,  
11 generates over two billion for our state's economy; much  
12 needed today. Without the P3 initiative, the funding for  
13 these projects will be pulled away from other important  
14 interstate projects or smaller regional roadway and bridge  
15 projects across the state, and we would have to continue  
16 spending significant maintenance dollars taking away from  
17 paving, pothole repairs, and other maintenance activities,  
18 as we've been doing.

19           Take the I-83 South bridge, which is currently  
20 unfunded and has an estimated cost of about 650 to 700  
21 million. If that became a traditional project, it would  
22 wipe out a full year of interstate project funding. This  
23 single bridge is roughly one-third of PennDOT's current 1.9  
24 billion construction program estimated for 2021.

25           We value our partnership with APC, who just

1 testified. We understand their support. They support  
2 tolling but not the P3 program. But we disagree with APC's  
3 assessment of P3 programs because contrary to their  
4 conclusion that P3's are risky and costly, the major bridge  
5 P3 provides for its own funding source through users fee  
6 and supports innovative project solution that will allow  
7 PennDOT to bring these projects to market faster than the  
8 traditional process while freeing up capital for other  
9 projects.

10 APC's proposal would require bonding as they  
11 mentioned, which has to be paid back with public funds as  
12 opposed to the Major Bridge Program, which is supported by  
13 users fee paid by those who choose to use the  
14 transportation facility. APC indicates we will use private  
15 equity bonds at 8 to 12 percent. They just mentioned that;  
16 not true, not true. In fact, we are looking at TIFIA loans  
17 and private activity bonds closer to the 2.2 to 3 percent  
18 range and very competitive with the municipal bond market.  
19 We have performed initial outreach to the federal DOT Build  
20 America Bureau and have been assured that the scope of this  
21 program would qualify for their program.

22 The federal DOT is in the process of expanding  
23 their capacity for the program. PennDOT is currently  
24 preparing the application to be sent in. The private  
25 investors would basically offer PennDOT a more competitive

1 interest rate because the private activity bond program  
2 would provide them with tax exempt status on their gains.

3 APC also asserts that we have not gone through a  
4 proper financial analysis. This is just not true. They  
5 have not seen it yet, which doesn't mean it doesn't exist.  
6 It isn't being shared with stakeholders because it would  
7 compromise our active procurement. We have done very  
8 robust macro-level traffic and revenue projections for each  
9 bridge. Traffic volumes are very steady for each of these  
10 bridges since they are on existing interstates, and we have  
11 decades of historic traffic data. This is much less risky  
12 than building a new toll facility and projecting how much  
13 traffic will ultimately use it.

14 As we move into our environmental studies, we  
15 will be continuing our micro-level financial studies. We  
16 will include leakage and diversion data. At the end of  
17 those studies, if a project cannot pay for itself, it will  
18 be removed from the program. Remember, these are candidate  
19 projects. We are taking the extra step of building a  
20 strategic reserve account with excess revenue from the  
21 early years of the program to be able to make up for lost  
22 revenues for any unforeseen events such as sink holes, road  
23 closures that would prevent us from collecting tolls.

24 We have been working with APC and ACEC  
25 Pennsylvania through a series of workshops to develop a new

1 generation of P3 projects in Pennsylvania. We will  
2 continue to work with them up until the time that the  
3 contract is finalized. This new progressive P3 approach  
4 has been successfully used in other states, such as  
5 Maryland and Virginia, with great success. I believe your  
6 contractors, they're aware of it.

7 PennDOT and industry has learned important  
8 lessons from previous generation of P3 projects, such as  
9 RBR, and we believe that the new progressive approach will  
10 mitigate many of the issues that have been identified  
11 collectively by our industry. I also like to point out  
12 that through the outreach we have with APC and ACEC, we  
13 have published an RFI for the P3 program in which 23  
14 entities responded as being interested in this program.  
15 This is more interest than we've ever received on any  
16 previous P3 projects in Pennsylvania. We will be meeting  
17 later this month with these respondents to gather more  
18 information that we can use in formulating our bridge  
19 bundles and contract documents.

20 The challenges I've outlined today aren't new.  
21 I've discussed this with many of you before throughout the  
22 year at various hearings. Chair Hennessey, Chair Carroll,  
23 I look forward to working with you on the Transportation  
24 Revenue Options Commissions. Thank you very much for your  
25 time today. I am now available to answer any questions you

1 may have.

2 MAJORITY CHAIRMAN HENNESSEY: Thank you, Madam  
3 Chairman. Let me kick off a question. Is it your  
4 understanding that bonding -- if Pennsylvania and PennDOT  
5 went the traditional way of bonding for these to generate  
6 money for these repairs that tolling would not be allowed  
7 under current federal law as a way to pay off the bonds?

8 SECRETARY GRAMIAN: The --

9 MAJORITY CHAIRMAN HENNESSEY: In other words,  
10 must we go to a P3 contract in order to create the  
11 authorization to toll?

12 SECRETARY GRAMIAN: Yes. You're correct.

13 MAJORITY CHAIRMAN HENNESSEY: Okay.

14 SECRETARY GRAMIAN: Tolling is allowed under  
15 federal law, Section 129, Title 23; however, we don't have  
16 enabling legislation for tolling in Pennsylvania without  
17 going through the P3 process, and that's why we are  
18 exercising the P3 law here.

19 MAJORITY CHAIRMAN HENNESSEY: Okay.

20 SECRETARY GRAMIAN: Because we cannot toll  
21 without going through the P3 process. You're correct.

22 MAJORITY CHAIRMAN HENNESSEY: Okay. The issue I  
23 think that concerns some people is the size of the bundle  
24 here. PennDOT has identified nine bridges, and we seem to  
25 want to put them all into one bundle and then try to find a

1 way to get investment through the P3 concept. When we talk  
2 about bridges, for example, the South Bridge here in  
3 Harrisburg, across the Susquehanna, the I-83 bridge, we  
4 talk about that as an individual bridge -- an individual  
5 project. Why can't PennDOT do a P3 on the South Bridge and  
6 then do another P3 on the Girard Point Bridge in  
7 Philadelphia, for example, and take each of our bridges or  
8 maybe one or two of them and bundle a smaller amount of  
9 money, so we're not taking -- you know, we're not going out  
10 into the market for \$2 billion?

11 SECRETARY GRAMIAN: Chair Hennessey, you're  
12 making an excellent point, and the plan is exactly what you  
13 just mentioned. We are not going to bundle all nine  
14 bridges into one bundle, but we are going to have multiple  
15 bundles probably --

16 MAJORITY CHAIRMAN HENNESSEY: Okay.

17 SECRETARY GRAMIAN: -- two or three. You  
18 actually explained it very well. It could be one for the  
19 South Bridge, could be one for Girard Point, and could be  
20 one for the bridges in the rest of the state. We haven't  
21 really finalized the bonding, but this is exactly the plan  
22 that PennDOT is proceeding to go with multiple P3  
23 opportunities.

24 MAJORITY CHAIRMAN HENNESSEY: Okay. Thank you.  
25 And one final question, if we went the traditional bonding



1 route, PennDOT would be in control of all of the decision  
2 making throughout the process from soup to nuts. You know,  
3 PennDOT would always be in control. What control does  
4 PennDOT give up by going and engaging a financial house to  
5 raise all this money and then have the kind of guaranteed  
6 returns to the investors that Mr. Mezey talked about and I  
7 think, Mr. Latham?

8 SECRETARY GRAMIAN: Yes.

9 MAJORITY CHAIRMAN HENNESSEY: Who controls?

10 SECRETARY GRAMIAN: So --

11 MAJORITY CHAIRMAN HENNESSEY: Who's going to be  
12 calling the shots in a P3 situation?

13 SECRETARY GRAMIAN: So actually the progressive  
14 P3 is different from the previous P3's that we have  
15 implemented. We go into an agreement with a development  
16 entity, and we develop this project, we work with the  
17 development entity, and we develop the scope of the  
18 project. We also work on the cost of the project. We also  
19 work on the risks to the project. We identify everything  
20 that we typically do in a normal process, but we work with  
21 a development entity before we finalize the cost. And then  
22 the development entity, depending on whether they have one  
23 project in their bundle or multiple projects in their  
24 bundle, they may take multiple design/build contracts go  
25 into an agreement with several contractors. If they have

1 two or three projects, they may take two or three  
2 design/build contractors to bid on their projects and they  
3 work with them.

4 And everything that you mention in terms of the  
5 financial agreement is being put together working with the  
6 development entity. We also decide on the tolling rate.  
7 Again, as I mentioned earlier, if tolling rate turns out to  
8 be based on the traffic and revenue numbers and the cost of  
9 the project, the cost being the construction cost,  
10 maintenance cost, the administration cost, the reserve  
11 cost, if it turns out to be exuberant and beyond the limits  
12 that we have set for the project, the project will be  
13 dismissed from that list. So we've put all these measures  
14 to have control.

15 The other thing I have to mention is PennDOT  
16 remains as the owner of these bridges. We never relinquish  
17 the ownership of the bridges to the development entity, and  
18 we also are in charge of deciding the toll rate not just  
19 the toll rate at the onset but also any increases or  
20 adjustments to the inflation it's going to be done by  
21 PennDOT.

22 MAJORITY CHAIRMAN HENNESSEY: Okay. Thank you  
23 very much. We have a quick question from Chairman Carroll,  
24 and then we'll go to Representative Lawrence.

25 MINORITY CHAIRMAN CARROLL: Thank you, Madam

1 Secretary. Madam Secretary, it seems to me that when we  
2 passed Act 89, PennDOT was given the authority to bond \$500  
3 million to accelerate the program that would be resulting  
4 from the revenue generated in Act 89. And I'm wondering,  
5 considering the testimony from Mr. Latham a moment ago,  
6 does PennDOT have the authority to borrow the money to do,  
7 for example, these nine bridges currently? Does PennDOT  
8 have that authority to borrow that money now?

9 SECRETARY GRAMIAN: So Chair Carroll, no.  
10 PennDOT does not have the authority to borrow money. We  
11 need legislative action to be able to bond. We also don't  
12 have the authority to toll. So the proposal that Mr.  
13 Latham proposed is a good one. He is proposing to bond,  
14 and he's in favor of tolling to pay for the money that we  
15 are borrowing. But we don't have the authority to borrow.  
16 We don't have the authority to toll.

17 MINORITY CHAIRMAN CARROLL: Thank you. And it  
18 seems to me, based on my experience in the Capitol, that  
19 running bills that give borrowing authority to PennDOT or  
20 other agencies are sometimes, more frequently than not, a  
21 challenge getting to the finish line because of an  
22 unwillingness of some policymakers to advance bonding  
23 proposals. So you know, I think that the suggestion that  
24 we do such a thing has merit, but there are legislative and  
25 policy challenges to getting that to the finish line.

1           SECRETARY GRAMIAN: Correct.

2           MAJORITY CHAIRMAN HENNESSEY: Thank you, Mr.  
3 Chairman. We've been joined by Representative Innamorato  
4 virtually, by Representative Rosemary Brown in person, and  
5 by Representative Doyle Heffley in person.

6           John Lawrence, you had a question?

7           REPRESENTATIVE LAWRENCE: Yeah. Thank you, Mr.  
8 Chairman, and thank you Madam Secretary for being before  
9 the Committee today. I think there are some of us in the  
10 room who will excuse your Michigan background there in  
11 favor of Penn State; just pointing that out. Big Ten rival  
12 there.

13          SECRETARY GRAMIAN: It's good for the spirit.

14          REPRESENTATIVE LAWRENCE: As a proud Penn Stater.  
15 I did want to bring up -- so you know, I think PennDOT is  
16 trying to come up with solutions for issues that we are  
17 facing that, you know, are significant issues here in the  
18 Commonwealth. You know, I look at the proposal there for  
19 the Girard Point Bridge, and you know, some have brought  
20 up, and I don't think it's a ridiculous point to bring up,  
21 that if you toll the Girard Point Bridge then you're going  
22 to push more traffic onto the Platt Bridge, which is  
23 already a horror show and has, you know, the most poorly  
24 enforced 35 mile-an-hour speed limit in the state. I mean,  
25 if you aren't going 60 on the Platt, you're going to get

1 pushed off the Platt. And to think, you know, you're going  
2 to push a lot more trucks onto the Platt. Like I said,  
3 it's already a horror show.

4 Now, there are things you can control, and  
5 there's things you can't control, I understand that. And  
6 I'm not trying to -- I'm just trying to get some sense of  
7 what's PennDOT's plan for that? You know, I think it's  
8 also a concern on the South Bridge on 83. You've got, you  
9 know, a lot of bridges across the Susquehanna. It might be  
10 just as easy for someone to run up one of the other bridges  
11 to avoid the toll. So this is not a crazy concern. I just  
12 wonder what's PennDOT -- what would PennDOT's response be  
13 to that concern?

14 SECRETARY GRAMIAN: Yeah. That's an excellent  
15 question, sir. And as I mentioned there, as we were going  
16 through the NEPA process, the environmental process, we are  
17 going to look into number of different things. Traffic  
18 diversion is definitely a big part of our investigation and  
19 our study. We will look into how -- and we have experts  
20 who would actually evaluate all the available routes. They  
21 will evaluate the traffic and revenue. They will evaluate  
22 the diversion routes. And we will identify if there's  
23 going to be diversion, how it's going to impact the  
24 revenue, and how it's going to impact those local roads.  
25 And one of the things that we are going to do as part of

1 the environmental commitment and mitigation is to address  
2 those diversions.

3 We got to make sure that we are not transferring  
4 a problem from these bridges to other infrastructures that  
5 we have in the surrounding areas. We will put mitigation  
6 measures in place. We may have to do improvements to some  
7 of the parallel arterial routes to some of these bridges.  
8 We will look into all those impacts, and we will address it  
9 as part of the environmental commitment that we have to go  
10 through.

11 REPRESENTATIVE LAWRENCE: So I appreciate that  
12 answer, and I realize my question is not something that's  
13 easily addressed, right? And I'm not going to say that  
14 your answer wasn't satisfactory because I think you're  
15 doing what you can on that kind of a thing. But I guess I  
16 would just reinforce that, you know, it is something that  
17 needs to be addressed.

18 My second question, and this is something you can  
19 get back to the Committee on, but I would really  
20 appreciate -- so I know the Girard Point Bridge, for  
21 example, the proposal there is to reconstruct the existing  
22 bridge because it would be nearly impossible, I guess, to  
23 get the environmental permits to construct a new bridge  
24 next to it, just where it is and how it's built. And you  
25 know, in a way, it's an engineering marvel, really. But

1 the other bridges, my understanding is, is that PennDOT  
2 would be looking to construct a new bridge next to the  
3 existing bridge and then, I assume, demolish the old  
4 bridge.

5 I guess what I'd really like to know is -- you  
6 know, if you could give -- and I don't need it for every  
7 single one. But for example, for the South Bridge there on  
8 83, if you could provide the Committee -- and you can  
9 direct it Chairman Hennessey and Chairman Carroll, with a  
10 breakdown of if this project's going to cost \$700 million,  
11 which is a lot of money, what -- just basics, you know, pie  
12 chart, how much of that is concrete? How much of that is  
13 steel? How much of that is labor, and then how much of  
14 that is, you know, engineering? How much of that is  
15 environmental review? How much of that is permitting? How  
16 much of that is kind of soft costs that's not actually  
17 labor, steel, and concrete?

18 I'd be very interested in that because we need  
19 the concrete. We need the steel. We need the labor. I'm  
20 not saying we don't need the engineers. My sister's an  
21 architect, so we need lots of architects; lots of  
22 architects and particularly my sister. But I want to know,  
23 specifically, you know, how much of those costs that are  
24 being absorbed there in that substantial amount, are these  
25 soft costs? If you could get that to the Committee, I

1 would appreciate it. Thank you, and thank you --

2 SECRETARY GRAMIAN: We will --

3 REPRESENTATIVE LAWRENCE: -- Mr. Chairman.

4 SECRETARY GRAMIAN: Yeah. And can I just add a  
5 quick response to your question. Thank you so much for  
6 showing so much interest, actually, in the engineering  
7 part. Typically, when we estimate a project -- and this is  
8 just a rule of thumb. There is no scientific measures.  
9 It's based on the experience. The soft costs, as you  
10 mention it, you know, the engineering, the studies, the  
11 planning, the environmental, some of the construction  
12 inspection and construction management costs, all costs  
13 except for the materials and the construction, it's about,  
14 I would say, 5 to 10 percent of the total cost of the  
15 project. Typically, that's the rule of thumb that we  
16 follow.

17 MAJORITY CHAIRMAN HENNESSEY: Okay. Thank you.  
18 Thank you, John. Representative Rothman.

19 REPRESENTATIVE ROTHMAN: Thank you, Madam  
20 Secretary. Thank you for being here today virtually. Just  
21 wanted to ask a little bit about the timing of the P3  
22 bridge decisions. We had an election November 6th. My  
23 understanding is about November 10th, you made the  
24 decision. Why did you pick that time to do it? There are  
25 some who are skeptics that -- you know, we as a legislature



1 didn't have time to respond partly because we were, you  
2 know, dealing with the election and post-election and maybe  
3 missed it, but why did you choose then to do it, and how  
4 did you communicate with the Legislature where we could  
5 then exercise our authority?

6           SECRETARY GRAMIAN: So I got to tell you, I came  
7 to the office in December of 2019, and in March we closed  
8 down the operations, or actually, you know, we started  
9 teleworking, the whole agency and the state, on their  
10 executive order. And we started dealing with the COVID  
11 situation. And we had to figure out how to resume our  
12 construction projects and how to resume our maintenance  
13 operations, how to deal with COVID and provide safety  
14 measures for our employees and for the public. We had to  
15 really put a lot of effort into dealing with this new  
16 phenomena, which we had no experience.

17           And then back in July, I was very concerned about  
18 the numbers we were receiving from Department of Revenue.  
19 This was around the new fiscal year when we saw the new  
20 budget for 2020/2021, and I saw how the forecasted numbers  
21 dropped. We also noticed how the traffic went down. We  
22 also noticed how much revenue we lost from COVID and the  
23 shutdown and the traffic going down to 40 percent, some  
24 places 35 percent of the normal traffic. And so it was  
25 very alarming to us.

1           And although we were still trying to figure out  
2 and deal with the COVID situation and carrying on with our  
3 operations, we realized that if we don't think about the  
4 future and we don't start looking into our funding  
5 situation that is actually declining and it's getting  
6 worse, this agency is going to be in a very dire situation,  
7 and we may have to shut down projects, we have to reduce  
8 our programs, and we're going to go back to where we were  
9 before 2008 in terms of number of the bridges in poor  
10 condition, roadways being in poor condition.

11           We actually reduced our construction program as  
12 Mr. Latham noted. We reduced the spending on the  
13 maintenance side of our business. We reduced the funding  
14 that is allocated to the locals. We reduced the funding on  
15 the -- we completely put the funding on the facilities on  
16 hold. We cut as much as we could. We tried to become more  
17 efficient with the money that we have and do more.

18           So what do you do when you're in a bad financial  
19 situation? You start thinking about what are the options  
20 here. We either have to decline this -- or manage this  
21 decline budget and the revenue that we are faced with, or  
22 we have to start thinking about new ways of reinventing our  
23 business, coming up with new ways of generating some  
24 funding and revenue. That's when we started having  
25 discussions with our federal partners. We had discussions

1 with our peers in other agencies to see what they're doing.

2 And you know, this thing started in July, sir,  
3 and by October -- you know, when we put some high-level  
4 studies together by October, I realized that this has to  
5 become a major part of PennDOT's study and operations to  
6 look into alternative way of funding your transportation.  
7 It is our responsibility, every one of us at PennDOT. And  
8 I appreciate your concern that, you know, it came in  
9 November; didn't give you enough time. But honestly,  
10 considering what we went through over the past year, it was  
11 just a matter of squeezing in as much as we can in such  
12 little time that we have.

13 MAJORITY CHAIRMAN HENNESSEY: Thank you, Greg.  
14 Thank you, Madam Secretary. Madam Secretary, could I ask  
15 you -- we have three more questioners, and we're slated to  
16 hear from some other testifiers at 10:00. So I'm going to  
17 try and get those questioners, but please, if you could be  
18 more concise in your answer, we can try to stay on  
19 schedule.

20 SECRETARY GRAMIAN: Sure.

21 MAJORITY CHAIRMAN HENNESSEY: Our next questioner  
22 is Representative Joe Hohenstein.

23 REPRESENTATIVE HOHENSTEIN: Thank you, Mr. Chair.  
24 Madam Secretary, thank you for appearing in front of us.  
25 And I absolutely appreciate the difficulty that we're all

1 facing with these funding issues and appreciate the  
2 creativity with which you have to approach the problem. I  
3 have what I hope is a simple question, but as I look at how  
4 the Federal Highway Administration talks about the funding  
5 and in particular, how tolls are handled under federal law,  
6 I'm not sure that we have lawful authority to actually toll  
7 these particular roads.

8           We're not a mainstream project under Title 23 of  
9 the U.S. Code. And I wonder has PennDOT applied for any of  
10 the special pilot programs or reconstruction and  
11 rehabilitation or for value pricing on interstate, and if  
12 we haven't or if we don't have that authorization, why  
13 don't you think we need it or are we taking steps to get  
14 it?

15           SECRETARY GRAMIAN: So if you're referring to our  
16 P3 Bridge Program, we do have the authority, we do have the  
17 federal authority under Section 129. It will allow us to  
18 toll bridges, to use the toll or the users' fee to  
19 reconstruct the bridges. We do have toll authorities. The  
20 other authority by federal government is, again, under  
21 Title 23, Section 129, is to expand capacity on the  
22 interstate highways, and we can toll that expanded capacity  
23 and use the money to reconstruct the interstate system.

24           To toll the entire interstate system, you're  
25 absolutely right. We don't have the federal authority to

1 do that yet. But we have federal authority to do manage  
2 links, we have federal authority to do congestion pricing,  
3 we have federal authority to do tolling the bridges all  
4 under Section 129. And I'll be happy to provide you with  
5 all the information.

6 REPRESENTATIVE HOHENSTEIN: Yeah. I would  
7 appreciate that. And then I'll also be brief, but I want  
8 to state my agreement with Representative Lawrence, the  
9 issues he cited about the Girard Point and the Platt Street  
10 bridges in, you know, Philadelphia and our suburbs. That's  
11 a real issue, and it has to be addressed. It's been  
12 something that a number of us have discussed.

13 SECRETARY GRAMIAN: Sure. Appreciate it.

14 MAJORITY CHAIRMAN HENNESSEY: Thank you, Joe.  
15 Representative Schroeder.

16 REPRESENTATIVE SCHROEDER: Thank you, Chairman.  
17 Thank you, Secretary, for being here. I just had a quick  
18 question. In your remarks, you did mention that there was  
19 a cost and benefit analysis that was performed, and I guess  
20 that was to see our revenue projections. So I know that  
21 you're saying that it cannot be public now; it would  
22 interfere. But what were the measurements that you used  
23 and how comprehensive was it; if we can't see it?

24 SECRETARY GRAMIAN: Well, as you know we have to  
25 go to the market for bid and the bid process, and we wanted

1 to make sure that we are protecting those information. But  
2 typically, what we do is we look at the -- first of all,  
3 the entire construction cost of the project. We look at  
4 the engineering cost of the project. We look at the  
5 maintenance cost of the project over 30 years. We also are  
6 working with our tolling partners to understand the  
7 administrative cost of the tolling. We also wanted to have  
8 some reserve funds for the project just in case there are  
9 some unexpected incidents that happen and we have some  
10 reserve funds to apply it to the tolling or the payments, I  
11 should say, affordability payments, so all those are the  
12 costs that come into consideration when we're costing the  
13 project.

14           The other thing we do is when we have the cost we  
15 go back to the board and say well, how much traffic do we  
16 have, and how much do we wanted to charge for vehicle, and  
17 how much revenue is it going to generate? And based on the  
18 revenue and the cost that we have, we compare the two and  
19 see if there is an alignment. And if we see that the  
20 revenue that's generated is not meeting the cost and we  
21 wanted to keep the rate at certain level between a dollar  
22 or \$2, that project may not qualify to be on the list.  
23 Again, as I said, these are candidate projects, but we're  
24 doing a very thorough micro-evaluation right now.

25           REPRESENTATIVE SCHROEDER: Okay. And so with

1 that being said, does it compare to different year or even  
2 to maybe like different states of how they're doing this  
3 just to make sure that we're doing, you know, competitive  
4 and best cost and dollars used?

5 SECRETARY GRAMIAN: Yes. Is it compared to  
6 different states?

7 REPRESENTATIVE SCHROEDER: Yes.

8 SECRETARY GRAMIAN: Yes. This is the process,  
9 ma'am. This is the process that every state. When they  
10 take a progressive P3 approach, this is the same process  
11 every state goes through -- every DOT's goes through. It's  
12 no different.

13 REPRESENTATIVE SCHROEDER: And this is like an  
14 analysis that you did, and you said it can't be public.  
15 Will it be made public eventually for us to review?

16 SECRETARY GRAMIAN: Yes. Yes. Yes.

17 REPRESENTATIVE SCHROEDER: When will that be? Do  
18 you know?

19 SECRETARY GRAMIAN: Well, when we go through --  
20 well, the full disclosure of the cost, I mean, where we're  
21 sharing a lot of information -- obviously, you know, as I  
22 said, the traffic will be -- when the candidate bridges are  
23 confirmed that they can be on the list of the bundling  
24 bridges, we in general talk about the cost of the project,  
25 obviously, and you know, there is a lot confidential

1 information on the cost side that goes on. And the  
2 contractors know it better than anybody else, we have to be  
3 very -- you know, follow the process of the P3 and make  
4 sure that we are not, you know, jeopardizing anybody's  
5 confidential information, but we will share as much as  
6 possible without compromising any confidential information.

7 REPRESENTATIVE SCHROEDER: Thank you. I  
8 appreciate it. And I know, Chairman, you have other  
9 questioners. I'll let you move on. Thank you so much.

10 SECRETARY GRAMIAN: Thank you.

11 MAJORITY CHAIRMAN HENNESSEY: Thank you,  
12 Representative Schroeder. Representative Heffley, again,  
13 please, short questions, short answers, so we can get back  
14 on schedule.

15 REPRESENTATIVE HEFFLEY: Thank you, Mr. Chairman.  
16 I will be brief. Madam Secretary, in looking at overall  
17 cost and the cost drivers, what percentage of these  
18 projects are cost -- instead of just the construction  
19 materials and the construction costs, the endless  
20 engineering, endless reviews, endless studies,  
21 environmental impact, what percentage of a project's money  
22 is used up before the project even starts?

23 SECRETARY GRAMIAN: Yeah. I know that's a major  
24 concern of yours, Representative Heffley, and you always  
25 ask me that question, and I appreciate that. We are very



1 mindful of that. As I mentioned earlier, typically, it's  
2 about seven to eight percent. I have to also mention to  
3 you that we went back into RBR, the Rapid Bridge  
4 Replacement project, just to do an evaluation because there  
5 is some understanding by some of the folks that we spent an  
6 exuberant amount of money for that project, for  
7 environmental, for engineering, for all the permitting,  
8 everything else. And when we added all the cost it was  
9 about five percent. So I can assure you that the soft  
10 costs, as you mentioned, they're about I'd say 5 to 10  
11 percent.

12 REPRESENTATIVE HEFFLEY: Okay. Because I'm  
13 hearing from some of our county bridges that it's about  
14 half -- sometimes the --

15 SECRETARY GRAMIAN: That's not true.

16 REPRESENTATIVE HEFFLEY: -- soft costs are more.  
17 So obviously, tolling is going to be something the public  
18 doesn't like or want. We already have the very high gas  
19 tax, and I'm very concerned with this new task force, what  
20 type of funding are -- are we talking about a user tax?  
21 We're going to put a computer in every car and then track  
22 every mile that somebody drives and tax them on that --  
23 like, the similar to what we do with the IFTA tax that the  
24 commercial carriers pay a tax on every mile? Is that the  
25 model that Pennsylvania -- that this administration wants

1 to go?

2 SECRETARY GRAMIAN: So I think if you're  
3 referring to the mileage base users fee, I think this is  
4 the trend that we are pivoting to as a country eventually.  
5 I understand all --

6 REPRESENTATIVE HEFFLEY: But let me just -- I  
7 would say that that is the scariest thing. I mean, the  
8 Chicons would be envious of the population control that you  
9 will have over people in that type of model. So I just  
10 want to interject right now that that is a terrible idea  
11 for the citizens of this state and this nation to go that  
12 route. Thank you, Madam Secretary.

13 SECRETARY GRAMIAN: Thank you, sir. Thank you.

14 MAJORITY CHAIRMAN HENNESSEY: Thank you,  
15 Representative Heffley. Madam Secretary, that's the end of  
16 the questions for you, but can you stick around in case  
17 there are some follow-up comments that you want to make at  
18 the end of the hearing? I know you're busy. Your schedule  
19 is probably as busy as ours maybe more so. Can you stick  
20 around?

21 SECRETARY GRAMIAN: Thank you, Chairman. Never  
22 too busy for you.

23 MAJORITY CHAIRMAN HENNESSEY: Okay. Well, thank  
24 you. Next we have the American Council on Engineering  
25 Companies of Pennsylvania. We are joined virtually by

1 Leeann Sherman and by Eric Veydt, who's the -- I'm sorry.  
2 Leeann is the Executive Director of ACEC and Eric Veydt,  
3 who's the Vice President of Gannett Fleming.

4 Leeann, I see you on screen. Eric, are you  
5 there? Maybe we could split the screen perhaps. Again,  
6 pursuant to our new procedure, please raise your right  
7 hand.

8 (Oath administered.)

9 MS. SHERMAN: I do.

10 MR. VEYDT: I do.

11 MAJORITY CHAIRMAN HENNESSEY: Okay. Leeann, I  
12 think you have prepared remarks. You've shared those with  
13 us, but go ahead and begin --

14 MS. SHERMAN: Thank you.

15 MAJORITY CHAIRMAN HENNESSEY: -- whenever you're  
16 ready.

17 MS. SHERMAN: Thank you, Chairman. And just two  
18 quick things. I apologize. My allergies are acting up a  
19 little bit today, so hopefully we get through the testimony  
20 without sneezing or coughing, so I apologize. And second  
21 thing is, I do have great respect for the Secretary and  
22 appreciate her. And as a diehard Penn Stater, I've been  
23 trying to ignore her background this morning. So to all of  
24 you Penn Staters, but thank you for the humor this morning.  
25 It's great fun, Secretary. Thank you.

1           So Chairman Hennessey, Chairman Carroll, and  
2 members of the Committee, thank you for the opportunity for  
3 us to testify today. As you've mentioned, I have with me  
4 our association president-elect, Eric Veydt, who is Vice  
5 President for Gannet Plumbing, Incorporated. I am Leeann  
6 Sherman, Executive Director of the American Council on  
7 Engineering Companies of Pennsylvania, a trade association  
8 representing over 11,000 engineering consultants throughout  
9 the Commonwealth, which employ engineers, architects, land  
10 surveyors, scientists, technicians, and various other  
11 professionals and administrative staff.

12           From the industry's perspective, Act 89 of 2013  
13 was unquestionably the most single important piece of state  
14 legislation over the past decade. Since its beginning,  
15 many have spoken to the benefits that have been realized by  
16 the Commonwealth, and we certainly agree that it has been  
17 and has had a significant impact on safety and mobility of  
18 the infrastructure network. But we're all too aware that  
19 it was not going to be the sustainable long-term funding  
20 solution for Pennsylvania's aging infrastructure. At the  
21 time of its passing, the TFAC report showed a substantial  
22 gap, which would only continue to grow with time. And now  
23 it is time to create that sustainable long-term funding  
24 solution that Pennsylvania can depend on.

25           Over a decade ago, Pennsylvania was faced with

1 critical choices on how to solve several extremely  
2 important issues not only for our residents, but visitors,  
3 commerce, tourism, and developers. Public transportation  
4 serves all 67 counties and was being strained in both rural  
5 and urban communities alike. Passenger rail, air, and  
6 seaports needed our attention, and our highways, both state  
7 and local, could no longer be improved by maintenance  
8 alone, but they needed reconstruction, and the condition of  
9 our bridges was deteriorating. We, Pennsylvania, needed a  
10 true investment in our infrastructure.

11           The passage of Act 89 provided a much needed \$2.3  
12 billion investment, and it created the dedicated multimodal  
13 fund, but this did not happen without many conversations,  
14 partnerships, education, study after study showing findings  
15 of the need, and of course, a coalition of groups that came  
16 together for the betterment of Pennsylvania. As one of  
17 only a handful of states who passed such legislation at  
18 that time, we have since seen so many more recognize that  
19 this kind of dedicated effort must be accomplished and  
20 continued to further create a more safe tomorrow.

21           Advancement in technology, changing computer  
22 habits, and consumer preferences have heightened that our  
23 reliance on this revenue stream tied to the tax on gasoline  
24 is not sustainable, and frankly, we all knew that that  
25 would happen, and we do need a long-term funding stream

1 solution. Many people wondered if our industry and others  
2 could handle the increase put upon us with the influx of  
3 projects, challenges, and honestly, if our workforce could  
4 handle the increased workload for both design and  
5 construction to be able to make the improvements to the  
6 infrastructure that Act 89 would bring. I can tell you  
7 that we were ready and we did. Not alone of course, but  
8 with public and private partnerships, associates from  
9 across sectors and industry alike, blue and white collar  
10 workers, and a coming together of business and state  
11 government to set us on a path for the future.

12           The jobs that Act 89 created are not only in the  
13 engineering sector, but they are across all sectors as we  
14 continuously partner and collaborate with other industries  
15 to solve issues and challenges and build a better community  
16 by building a better infrastructure in Pennsylvania. What  
17 we want for our visitors and our residents alike is a  
18 Commonwealth which puts safety, mobility, economic  
19 liability, and quality of life in the forefront.

20           In large part, Act 89 is responsible for creating  
21 the dedicated funding to reduce the number of structurally  
22 deficient bridges through the innovative procurements like  
23 the P3 for the Rapid Bridge Replacement project. The RBR  
24 project replaced 558 bridges with the remainder of bridges  
25 being replaced through conventional funding and procurement

1 methods. The reduction of the number of structurally  
2 deficient bridges is a very important goal, but it also  
3 comes with a cost of diverting funds from roadway projects  
4 that require maintenance, restoration, rehabilitation, and  
5 reconstruction. Our bridges still need attention to fix  
6 those deteriorating conditions, and our roadways are also  
7 in need of that same attention.

8           About one hundred of the state's structurally  
9 deficient bridges are on interstate highways. Nine of the  
10 ten most traveled structurally deficient bridges were in  
11 Philadelphia County, which includes the entire city of  
12 Philadelphia. According to the American Society of Civil  
13 Engineers recent scorecard, and they do put one out  
14 frequently, of the 22,911 bridges in Pennsylvania, the  
15 Federal Highway has classified 15.3 percent or 3,501  
16 bridges to be structurally deficient as of 2019. This is  
17 down from 4,701 bridges in 2015, but there are still so  
18 many more.

19           There are many obstacles that we face as the  
20 passing of Act 89 was not a cure for the future of our  
21 infrastructure. Act 44 requires the Pennsylvania Turnpike  
22 to provide \$450 million per year for public transportation  
23 and projects, but this will sunset very soon in 2022, and  
24 we need to ensure a reliable source of funding that will be  
25 there when it dies. To date, we have not heard solutions

1 to the impediment, but we are confident that not only the  
2 engineering industry but many others will continue to speak  
3 of the need for reliable, stable, dedicated, and  
4 sustainable transportation funding for Pennsylvania.

5 And hopefully, viable options will come from the  
6 newly created Transportation Revenue Options Commission to  
7 which I am serving as well as many others, including some  
8 of the legislators here today, our stakeholders and  
9 partners, other industry associations, and various other  
10 stakeholders. As you know, this was announced by the  
11 governor recently, and our work begins tomorrow. We must  
12 continue what we started with Act 89, and we ACEC/PA are  
13 here to help you do that.

14 As infrastructure and construction projects have  
15 increased, we have also increased the jobs in Pennsylvania  
16 and an opportunity for companies to grow and prosper. This  
17 means more mothers, fathers, brothers, and sisters in the  
18 industry working on these projects. While it builds our  
19 economy and provides a stable livelihood for many  
20 Pennsylvanians, it also brings to light that without the  
21 proper funding mechanisms, these projects are not possible  
22 nor are the jobs that they bring.

23 While we must focus on the long-term funding  
24 sustainable solution for Pennsylvania's infrastructure, we  
25 also need to ensure that we approach all projects with



1 efficiency. We do applaud PennDOT for taking the lead and  
2 working to develop a method to not only fix nine of the  
3 major bridges in PA, but they are a very small fraction of  
4 those over 100 structurally deficient bridges that require  
5 the immediate attention in our aging infrastructure. In  
6 comparison, the Rapid Bridge Replacement project was 558  
7 bridges. Obviously, this is more than the nine in the P3  
8 Major Bridge Initiative. The RBR made important progress  
9 on the last-mile and first-mile bridges, which are  
10 exceedingly important to the livelihood of Pennsylvanians.  
11 And the interstate bridges are also critical to our economy  
12 and mobility.

13           With an unmet need of over 8.1 billion and  
14 growing, the Motor License Fund is not able to adequately  
15 fund these bridge enhancements, let alone hundreds of other  
16 projects that are needed each and every year. We must find  
17 a dedicated funding source for the PA State Police, which  
18 is not to be taken out of the Motor License Fund, while  
19 also developing a long-term sustained funding mechanism for  
20 the state's infrastructure to ensure that safety and  
21 quality of life not only for Pennsylvania but for our  
22 visitors alike.

23           For many years, the focus has been more locally  
24 needed projects within PennDOT's districts as our  
25 interstate highway system aged. And now the attention has

1 to be shifted to our interstates. We cannot just wait to  
2 fix, maintain, or enhance our infrastructure because the  
3 conversation and decisions become hard. We must work  
4 together to find not only revenue solutions but alternative  
5 funding options for projects that meet the needs of  
6 Pennsylvania's infrastructure and that have safety, quality  
7 of life, and economic viability for the Commonwealth.

8           These may include those being discussed in the  
9 TQI, or the Transportation Quality Initiative, which is an  
10 industry protective of the Pennsylvania Turnpike, PennDOT,  
11 APC, and ACEC/PA. They also may include those discussed  
12 here at the PennDOT's P3 Major Bridge Initiative or various  
13 others that are currently within PennDOT's legislative  
14 purview and those that are yet to be legislatively  
15 permitted.

16           We need to create together and ensure the most  
17 efficient procurement method that is being used for each  
18 and every project, and we need to be certain that we have  
19 set Pennsylvania up for success with revenue options to  
20 allow these projects to be fulfilled. We need to address  
21 them now, and we need to ensure that future generations of  
22 Pennsylvanians have a safe and efficient infrastructure  
23 system.

24           The pandemic not only exacerbated the need for  
25 funding and the attention to our aging infrastructure as

1 it's brought to the forefront what we all knew would happen  
2 at some point after the passage of Act 89, a reduction in  
3 revenues, especially for the impending Act 44 sunset just  
4 around the corner.

5 In summary, I urge the following of you: Create  
6 a dedicated and sufficient long-term sustainable revenue  
7 stream for Pennsylvania's growing infrastructure needs that  
8 provides safety, quality of life, and economic viability  
9 for the Commonwealth. Two, ensure that money is not  
10 diverted from the Motor License Fund or any fund that is  
11 dedicated to transportation and transportation  
12 infrastructure for non-transportation-related items, and  
13 three, discuss and develop a solution for the sunset of Act  
14 44 monies from the Pennsylvania Turnpike commission.

15 Thank you for the opportunity to provide  
16 testimony today. We will stay here through the entire  
17 testimony, and I have again Eric Veydt with me to answer  
18 questions.

19 MAJORITY CHAIRMAN HENNESSEY: Thank you, Leeann.  
20 Eric, you have no prepared testimony to offer right now?

21 MR. VEYDT: I do not. Thank you.

22 MAJORITY CHAIRMAN HENNESSEY: Okay. Thank you.  
23 If you'll stick around for questions, we'll get to those in  
24 a minute. Rather than run the risk of running out of time  
25 because of questions, I'm going to ask that Rebecca Oyler,

1 Mark Giuffre and Joe Butzer from the Pennsylvania Motor  
2 Truck Association begin their testimony now, and then we'll  
3 take questions from members as time allows. We have an  
4 11:00 deadline for the House to reconvene, so we'll try to  
5 get done by then and accommodate everybody if we can.  
6 Thank you.

7 Rebecca, are you the only person that's offering  
8 a prepared testimony? I'm sorry. No. Mark Giuffre also  
9 has provided that. I could've remembered that from last  
10 night when I read it. Please begin whenever you're ready.

11 MS. OYLER: There were go. Good morning,  
12 Chairman Hennessey, Chairman Carroll. Thank you so much  
13 for having us here and to all members of the Committee who  
14 are here today. We appreciate the opportunity to testify  
15 on the impact of bridge tolling on the trucking industry in  
16 Pennsylvania. I'm Rebecca Oyler, president and CEO of the  
17 Pennsylvania Motor Truck Association. We represent an  
18 industry comprised of over 37,000 trucking companies in the  
19 Commonwealth, the majority of which are small businesses  
20 operating fewer than six trucks. You have my written  
21 comments, so I'm not going to go into them in great detail,  
22 but I'll read a summary.

23 The trucking industry employs more than 320,000  
24 hard-working men and women in Pennsylvania. One in every  
25 16 workers is employed directly in transportation and

1       countless other jobs are indirectly related. Our industry  
2       is critical to many others. Manufacturing, agriculture,  
3       warehousing, supply chains, and essential customer good  
4       distribution depend on trucking in every corner of the  
5       state.

6               When COVID-19 shut down our country, truck  
7       drivers kept our economy going and continued to do so every  
8       day. I am happy to be joined today by the Chairman of  
9       PMTA's board of directors, Mark Giuffre, who will also  
10      testify, along with my predecessor, Joe Butzer. Joe  
11      operated several trucking companies in Lancaster County,  
12      and he can provide the benefit of his experience with the  
13      industry struggles, which tolling will only exacerbate.

14             First, I would like to point out that the  
15      trucking industry is fully supportive of well-funded  
16      transportation infrastructure. Roads are our workplaces,  
17      and our companies rely on highways to be safe and  
18      efficient. However, the industry already pays a large  
19      portion of the bill, and this burden is affecting the  
20      competitiveness of Pennsylvania companies even now.  
21      Already, the trucking industry pays almost 40 percent of  
22      transportation taxes in the Commonwealth while operating  
23      about nine percent of vehicle miles. In fact, taxes and  
24      fees make Pennsylvania the third most expensive state in  
25      the country in which to operate a truck.

1           Of course, you already know we have the second  
2 highest fuel tax in the nation, but registration fees on  
3 trucks have drastically increased, too, further squeezing  
4 the industry. Between fuel and registration costs, it  
5 costs more than \$7,400 more to operate a single tractor  
6 trailer in Pennsylvania than it did in 2012, and that's  
7 just one truck. Of course, many companies have truck  
8 fleets, which increase these costs exponentially. A single  
9 PMTA member who operates six tractor trailers in their  
10 business is now paying \$45,000 more a year; a crippling  
11 increase for a business that already operates on a razor-  
12 thin margin.

13           But now that I've set the stage with the current  
14 situation for PA trucking companies, consider the impact of  
15 a bridge toll. A \$10 toll on a typical PMTA member's six  
16 trucks, which may need to cross the bridge twice a day,  
17 will add over \$31,000 a year to its operating costs. For a  
18 small business, this is crushing. In my written testimony,  
19 I have included some more specific examples of how  
20 Pennsylvania trucking companies will be affected by this  
21 tolling proposal, but the most important point is that for  
22 our industry, tolling is a tax that cannot be passed onto  
23 customers. It disproportionately impacts trucking, and in  
24 fact, jeopardizes the viability of this critical industry  
25 and our state.

1            Pennsylvania's trucking companies are integral to  
2 the state's economy. Making them even less competitive  
3 will impact all the businesses that depend on them with  
4 ripple effects across regional economies and actually the  
5 state at large. We don't think that these unintended  
6 consequences have been well considered. We believe that  
7 bridge tolling is the wrong approach to funding highways  
8 and keep Pennsylvania's infrastructure sound, and we are  
9 looking forward to the conversation ahead about more  
10 appropriate funding solutions. This proposal will  
11 exacerbate the problems Pennsylvania trucking companies  
12 already have staying competitive. Worse, it will create  
13 winners and losers for businesses across the board,  
14 depending on which side of the bridge they're on. Thank  
15 you for your time. We're happy to answer questions.

16            MAJORITY CHAIRMAN HENNESSEY: Thank you, Rebecca.  
17 Next we'll hear from Mr. Giuffre.

18            MR. GIUFFRE: Thank you to the Chairs and to the  
19 Committee. I appreciate the opportunity to speak today,  
20 and I do submit this testimony on behalf of the 24,000  
21 UPSers who work in the Commonwealth and our association of  
22 the trucking industry as well. And it's important to start  
23 by saying that UPS applauds the Committee and the  
24 Commonwealth for focusing on improving the infrastructure,  
25 the funding, the bridges, and roads that we use every

1 single day. UPS opposes the proposed Pathways Major Bridge  
2 Initiative and the tolling of existing highways. I think  
3 it's important that we note that the trucking industry are  
4 the payers into this systems. So we've heard from a lot of  
5 different groups that are part of the takers, but we're the  
6 ones paying the bills right now.

7           Rebecca talked about the 40 percent of the fees  
8 come from the trucks, even though we're only driving about  
9 nine percent of the miles in the Commonwealth. And tolling  
10 is the least efficient and most detrimental way to try to  
11 raise revenues. The facilities are expensive to build,  
12 maintain, operate. A major toll road collection costs from  
13 an administrative perspective is almost 30 percent from a  
14 collection perspective, whereas the fuel tax fee is about a  
15 two percent fee, and it's a fair fee because it's paid by  
16 everyone at the toll itself.

17           UPS, from an overall perspective, drives over 184  
18 million miles in Pennsylvania every year, and we pay for  
19 every single mile through the International Fuel Tax  
20 Agreement, the IFTA tax, regardless of where we've  
21 purchased that fuel, where we fueled that truck, we pay the  
22 Pennsylvania fuel rate, diesel tax, natural gas fuel tax  
23 rates for those miles that we use throughout Pennsylvania.  
24 In addition, UPS paid more than \$15 million in current  
25 tolls in Pennsylvania last year alone. And the



1       unfortunate part to this is that only a percentage of the  
2       funds that we pay go back into the roads and bridges.

3               And we've heard, you know, many speak about the  
4       diversion of the funds. Whether it's the State Police,  
5       administrative costs, public transportation, funds are  
6       being diverted that are being paid into the system for the  
7       very use of improving and maintaining the roads.

8       Pennsylvania's transportation and logistics industry is one  
9       of the fastest growing. UPS this year alone announced more  
10      than a billion dollars in investment in two new facilities,  
11      expansions of the facilities as well, and that's all at the  
12      need and the growth of the consumers who are making the  
13      demands, looking for these types of deliveries. COVID  
14      exacerbated that. Last year, we hired more than 50,000  
15      more employees to our network just to meet the demands that  
16      we're seeing today.

17              So Pennsylvania plays an important role in this  
18      transportation network. The Keystone State, the title is  
19      there for a reason, and many trucking companies now will  
20      have to look for alternative routes to avoid tolls. We saw  
21      firsthand the impact of toll increases on the turnpike for  
22      many years as they raised the rates. The traffic continued  
23      to build there. But in 2019, before COVID, the Turnpike  
24      Commission actually spoke to the fact that they saw a  
25      decrease in travel because of the high rates that truckers

1 and cars had to pay along that road.

2 Tolling an existing piece of infrastructure  
3 forces motorists to pay two taxes: one, they're paying the  
4 gas tax for that usage, and now they're paying a second tax  
5 for the same roads that they've paid for through a toll as  
6 well. This current mechanism for funding and road bridge  
7 maintenance and construction has worked for decades from a  
8 fuel tax perspective, if you use the funds that are  
9 dedicated for it for those purposes and not for the others.

10 There are many creative new solutions that are  
11 being considered to fund them, and there are challenges  
12 that we face. And we want to be part of that solution to  
13 look for it because the roads and bridges are what we  
14 travel on every day. That is our workforce. But we urge  
15 you to explore, you know, the usages of those funds and  
16 using them for the intended purposes.

17 Deterioration of the bridges was not only caused  
18 by cars and trucks that drive them every day, but it is  
19 also a result of the neglect that we're not using the funds  
20 that we have to do the basic maintenance, the repairs that  
21 are necessary, and we're in this challenging position  
22 today. So I appreciate the opportunity to be in front of  
23 you, and we're happy to answer any questions that you may  
24 have. Thank you.

25 MR. BUTZER: I'm just here to answer questions,

1 since I ran a trucking company and eventually had to close  
2 it. I thought you might like to hear from me about cost  
3 structures.

4 MAJORITY CHAIRMAN HENNESSEY: I'm sorry. I do  
5 have a question. I'll direct it first to Rebecca. You had  
6 made the comment that the trucking industry pays 40 percent  
7 of the transportation taxes in Pennsylvania and only  
8 operating nine percent of the vehicle miles. I guess the  
9 answer to that -- and I think, Mark, you eluded to the same  
10 thing. But realistically, doesn't, you know, an 80,000  
11 pound truck do more damage to the roads or put more wear  
12 and tear on our highways than a 5,000 pound passenger car?  
13 So I mean, to some extent, you know, if your vehicle is 10,  
14 12 times heavier, shouldn't you be expected to pay -- as an  
15 industry, to pay more than, you know, a passenger car  
16 operator?

17 MS. OYLER: Well, I think I'd start by saying  
18 that our argument is not that the fuel taxes should be  
19 lowered right now at this point, but by assessing an  
20 additional toll, which will disproportionately impact  
21 trucks, you'll be exacerbating the disproportionate impact  
22 of the tax structure that we have right now. That make  
23 sense?

24 MAJORITY CHAIRMAN HENNESSEY: Okay.

25 MR. BUTZER: If I may --

1 MAJORITY CHAIRMAN HENNESSEY: Yeah. Sure. Go  
2 ahead, Joe.

3 MR. BUTZER: I'll talk about my company. We  
4 compete internationally for a \$500 truckload that may start  
5 in Harrisburg. I could have a company from Canada, one  
6 from Mexico, one from California, one from Texas, all  
7 trying to compete over a \$500 load. Should we pay a little  
8 bit more? I think we are. We have been, and we continue  
9 to do that. We've got no problem paying our fair share.  
10 Please understand that. But you also need to understand  
11 that I'm going to lose. I shut a company down. I couldn't  
12 compete anymore with the company from Maryland or a company  
13 from New Jersey or a company from New York because our  
14 structured fees are too high in Pennsylvania. It's really  
15 that simple.

16 It doesn't matter what we do here unless we're  
17 trying to compete with somebody else. If we're all staying  
18 in Pennsylvania, we're fine. We're not. We operate all  
19 throughout the -- actually North America. And that's the  
20 hardest part about this whole tolling thing and accepting  
21 more to our bottom line -- more hits to our bottom line.  
22 We can't afford it. It's that simple. We lose business.  
23 You're going to shut Pennsylvania trucking companies down,  
24 if we can't compete with a trucking company in Maryland or  
25 Mexico or Canada.

1 MS. OYLER: We're already at a comparative  
2 disadvantage to other states -- in competing with other  
3 state trucking companies.

4 MR. BUTZER: Right.

5 MS. OYLER: So this would put us at an even  
6 greater disadvantage, I guess, is the point.

7 MAJORITY CHAIRMAN HENNESSEY: Okay. And the  
8 other trucking companies in Pennsylvania, if a toll were to  
9 be imposed on a new bridge or a repaired bridge, those  
10 other companies would be paying that toll as well; is that  
11 right?

12 MR. BUTZER: It's possible, but the Pennsylvania  
13 company would have to cross it twice. If you think about  
14 us having to across a bridge to pick up a load, a company  
15 from south of that -- or the other side of that bridge  
16 picking it up -- company from Maryland coming up to pick up  
17 something in Etters. If my location is in Highspire, I  
18 have to cross the bridge to pick it up. They only have to  
19 cross it when they bring the freight. I'd be crossing it  
20 twice.

21 MAJORITY CHAIRMAN HENNESSEY: Okay.

22 MR. BUTZER: We would pay it two times.

23 MAJORITY CHAIRMAN HENNESSEY: Okay. Thank you.  
24 I guess the question is -- you know, I hear you say you're  
25 willing to pay your fair share. Question is how we define

1 fair share, and different people will probably come up with  
2 different ideas about that.

3 Chairman Carroll?

4 MINORITY CHAIRMAN CARROLL: Thank you. And I do  
5 appreciate everything that was said by all three of you.  
6 And as a person with a CDL in their wallet, I know this  
7 pretty well. What I would observe and I think needs to be  
8 said today is that, we have challenges that are in a lot of  
9 states. I did a quick Google search of tolling of bridges,  
10 and I see stories of Kentucky, Indiana, Ohio, Louisiana,  
11 Texas, Oregon, Washington. The state of Wyoming wanted to  
12 toll I-80 in its entirety. And I see the -- your  
13 counterparts, the PMTA counterparts -- I guess it's just  
14 MTA whatever state they happen to be in -- opposed to all  
15 of that, and I get that.

16 But I think the common denominator here is that  
17 we have an absent federal partner when it comes to the  
18 maintenance of our interstate system across this nation.  
19 And the absence of that federal partner has forced Kentucky  
20 and Indiana and Pennsylvania and all these other states to  
21 take steps that they'd prefer not to take but have no other  
22 choice. And this is not really a question for any of you  
23 three, but we have an absent federal partner, and you know,  
24 I think it's a fair observation to say the state of Wyoming  
25 is not a progressive, left-leaning state. And when I read

1 stories of them wanting to toll I-80, it suggests to me  
2 that there is a real problem. When the state of Kentucky  
3 wants to toll a bridge over the Ohio River, or Louisiana  
4 wants to toll a bridge over the Mississippi River, there is  
5 a problem.

6 And so PennDOT's reaction and the decisions that  
7 are being made in Pennsylvania are being mirrored across  
8 the country, and it just highlights, again, for me an  
9 absent federal partner and the absolute need that all of  
10 these state DOT's have to maintain an interstate system  
11 that's really expensive to maintain. And when you start  
12 down the path of building bridges over the Mississippi or  
13 over the Columbia River or over the Ohio River, these come  
14 with gigantic price tags that would eat into the budget of  
15 these state DOT's in a big way. We have a real problem  
16 nationally, not just in Pennsylvania.

17 MR. GIUFFRE: And I agree with that comment and  
18 it's something that we've been advocating for at a national  
19 level for the increases in the fuel taxes for the federals,  
20 also from greater investment from the federal government.  
21 I think what's important too is that we don't always come  
22 and say we oppose tolls flat out. And Kentucky's a great  
23 example. Tolling a new structure creating more  
24 efficiencies. They built two new bridges, and they put  
25 tolls on those bridges to pay for it. But what we're

1 looking at right now is not a new bridge, new efficiency, a  
2 new freight lane, a new bypass lane. We're looking at the  
3 same infrastructure that's been there. No new efficiency,  
4 no new changes, just additional cost to move through that  
5 same area.

6           Along Maryland and elsewhere, you know, they've  
7 built express lanes where they put a toll on it, you can  
8 choose to use that or not. But you're creating new  
9 efficiencies, new routes, new bridges. In these cases,  
10 we're -- what you're seeing in I-80 in Wyoming and others,  
11 is they're just putting a toll on a road that's been there  
12 and paid for, for years. And in essence, you know, again,  
13 on the trucking industry side, we pay for every mile we  
14 drive regardless of where we bought the fuel, where we're  
15 coming from, and we're paying a large fare.

16           Here, in Pennsylvania Act 89, we stepped up and  
17 said tax us more. We took a significant increase. We also  
18 took a significant increase in the registration fees,  
19 hundreds of dollars -- not \$50, not 20 -- almost \$6-700  
20 registration fee. You know, UPS registers almost 4,500  
21 vehicles every year in Pennsylvania. So there's an impact.

22           We feel like we're coming and saying we'll pay,  
23 we want to pay more. But in a tolling perspective, if  
24 you're building a new bridge, you're building a new freight  
25 lane that gives us some new efficiencies, we're willing to



1 pay for that. But in this case, we're being asked to pay  
2 for the same roads we been paying for for a long time.

3 MAJORITY CHAIRMAN HENNESSEY: Thank you, Mark.

4 Representative Brown.

5 REPRESENTATIVE BROWN: Thank you, Mr. Chairman.

6 And I think both Chairmen touched a little bit on my  
7 question. Obviously, we're absent the federal partner,  
8 so -- and first and foremost, the trucking industry -- I  
9 don't think any of us don't acknowledge how important it is  
10 to our everyday lives and our services, so we do know that  
11 and we know how important it is. But a couple additional  
12 questions. And I looked through the testimony, and I  
13 didn't see anything. And this is just for data gathering.  
14 What is the average weight of a truck, depending on axles,  
15 that you could maybe give us just to -- as a guage that  
16 would help us in the future, so.

17 MR. BUTZER: Pennsylvania has a requirement that  
18 a axle on a truck may not exceed 20,000 pounds.

19 REPRESENTATIVE BROWN: Right. Because I think  
20 there was -- at one point when we were looking at expanding  
21 that weight, right?

22 MR. BUTZER: And that has to do with the bridge  
23 formula. That's correct.

24 REPRESENTATIVE BROWN: Okay. And then, if you  
25 were to compare that to the average weight of a car. Do

1 you know what that is?

2 MR. BUTZER: Well, all you've seen recently is a  
3 lot of SUV's being sold --

4 REPRESENTATIVE BROWN: Yeah.

5 MR. BUTZER: -- so --

6 REPRESENTATIVE BROWN: Yeah.

7 MR. BUTZER: -- it's a little difficult to  
8 calculate.

9 REPRESENTATIVE BROWN: So an SUV versus an --

10 MR. BUTZER: Right.

11 REPRESENTATIVE BROWN: -- electric vehicle or  
12 whatever.

13 MR. BUTZER: Yes.

14 REPRESENTATIVE BROWN: Okay. My thought process  
15 is a little bit with Chairman Hennessey on the impact of  
16 the roads that you just -- you know, you have to  
17 acknowledge that piece of it that it is. And the other  
18 piece that I wanted to talk a little bit about was,  
19 obviously, you're in favor of the bridges and the safety,  
20 of course, of what we've seen across the country. So when  
21 you look at our budget and you say well, we have to pull  
22 the State Police out. We all agree that we're trying to do  
23 that in a percentage over the years, but we still have to  
24 find that money somewhere in order to make that up some  
25 other place in our budget so that's where we kind of

1 struggle.

2 But you mentioned Maryland and a couple other  
3 states as far as the structure, and you talked a little bit  
4 here and there about the speed lane and those type of  
5 things. But can you give a little bit more of Maryland  
6 versus PA side by side? And if you don't have it today,  
7 that's okay. But I think that would help us a little bit  
8 more as we move forward, as well, what made you close your  
9 business, like you said. But the side by side because this  
10 is where we're really struggling, and I think you obviously  
11 know the need. You obviously can see, you know, that the  
12 weights do have a stronger impact on the road systems. But  
13 help us out a little bit that way. I think it would be  
14 helpful.

15 MR. BUTZER: If I may, I traveled back from  
16 Georgia on Monday, and I have Maryland gas in my car. So  
17 Madam Secretary, please don't send me a bill. If you look  
18 at that, what I just said happens every single day.  
19 People, trucking companies, cars -- if I am near the border  
20 of Pennsylvania, I'm not buying gas here. I'm not buying  
21 diesel fuel here. I'm going to avoid the bridge.

22 And you talked about safety. And I'm sorry. I'm  
23 getting too close. You mentioned about safety. If you  
24 look at the I-83 bridge that we're talking about doing, the  
25 diversion route around that is not safe. To avoid that

1 bridge, if I still owned my trucking company, I would have  
2 my drivers take 581 West. What's that going to do to  
3 traffic on 83 North? It's going to cause a backup. And  
4 the most serious accidents involving tractor trailers is at  
5 the end of all the traffic being stopped. There's no way  
6 to get on 581 West quickly, and that's the key to the whole  
7 thing.

8           And you look at these other structures that we  
9 have. We don't have great entrance ramps. We just don't  
10 in Pennsylvania. Like I said, I just drove back from  
11 Georgia. I was amazed at some of the entrance ramps I ran  
12 into there. Only a few are like Pennsylvania. I even  
13 mentioned it to my wife.

14           Again, if we're going to improve infrastructure,  
15 I don't think anybody's got a problem paying the toll or  
16 new infrastructure. We're not talking about that. We're  
17 already paying for it. We continue to pay for it. I am  
18 really worried. And honestly, I'm glad I don't own a  
19 trucking company anymore because we used 83 a lot. Them  
20 coming up into traffic and you clear -- on the other side  
21 of New Cumberland -- when you clear that hump in the road  
22 and traffic has stopped, you remember what all -- what it  
23 used to be like, how unsafe that area was.

24           And PennDOT did a great job fixing that but now  
25 you're going to create the bottleneck right there again

1 with a toll by people wanting -- or not a toll. Create the  
2 bottleneck by people wanting to avoid the toll and staying  
3 in the left lane. I'm fearful of that kind of thing,  
4 especially with that bridge.

5 MS. OYLER: It's especially, I think, good to  
6 note that Secretary Gramian mentioned the seven bottlenecks  
7 that we do have in Pennsylvania. That interchange that Joe  
8 just mentioned, the 83 to 581, is actually one of those  
9 bottlenecks. By tolling the 83 bridge across the river  
10 actually will exacerbate that particular bottleneck, which  
11 has us very concerned for truckers.

12 REPRESENTATIVE BROWN: Thank you, Mr. Chairman.  
13 And anything you can provide on a side-by-side comparison  
14 moving forward, I think, would be very helpful, too. Thank  
15 you.

16 MS. OYLER: Sure.

17 MAJORITY CHAIRMAN HENNESSEY: Thank you.

18 Next I'll ask Bob Latham to make some comments on  
19 behalf of APC.

20 MR. LATHAM: Okay. Thanks, Mr. Chairman. And in  
21 25 seconds or less -- I've spent 15 years in Maryland.  
22 There's a couple of major differences there. Their whole  
23 system of government is different. They have a county  
24 system of government. They have 5,000 miles of road. We  
25 have over 40,000 miles of road here in Pennsylvania. And

1 I'm pretty sure they don't divert 20 percent of their gas  
2 tax to the general fund, so just saying. There's a little  
3 bit of a side-by-side.

4 One of the things I do want to point out is --  
5 you know, obviously, any proposals would have to require  
6 legislative approval. There would have to be approval for  
7 a bond financing schematic as we laid out. Also, in  
8 November, the Department did come to the General Assembly  
9 and ask for a \$600 million bond issuance, so I don't think  
10 that that's unprecedented. And I think, once again, if you  
11 use existing highway user revenue fees that are going into  
12 the general fund now as a debt retirement mechanism, to me  
13 it make sense. We have \$7 billion coming to us in Biden  
14 bucks. We could use some of that and move forward.

15 Again, we're not opposed to tolling, but I think  
16 part of a comprehensive plan. We've had a different  
17 experience with regard to P3 than Secretary Gramian laid  
18 out. I'd like George Mezey to just very briefly elaborate  
19 on some of those experiences, and thank you all for your  
20 time.

21 MAJORITY CHAIRMAN HENNESSEY: Go ahead, George.

22 MR. MEZEY: Yeah. Thanks, Bob. You know, one of  
23 the issues that I think the department's focus is on in the  
24 progressive P3 is they talk about the successes, but one of  
25 the mistakes that has been made historically, is that there

1 hasn't been enough conversation about the failures. And  
2 there have been dozens of P3 failures across the United  
3 States, in which the general public ends up ultimately  
4 paying the bill.

5           Some of the more recent and current failures are  
6 right close to home. The **Purple Line** in Maryland just  
7 recently cost the State of Maryland \$250 million to exit  
8 from. The Virginia Elizabeth River Bridge crossing in  
9 Virginia failed twice. Cost over \$300 million for the  
10 state to bail that project out. The I-69 project in  
11 Indiana, and of course, the original large interstate  
12 tolling project of the Indiana toll road eight years after  
13 failed.

14           And so one of our biggest concerns is, and I  
15 heard the conversation that some of this information is  
16 proprietary regarding toll studies and other information.  
17 I would disagree a little bit that I believe that there's a  
18 lot of tolling information that -- studies that need to be  
19 done. In the past, those studies have been skewed, and  
20 that's what's gotten agencies into trouble. We are a  
21 proponent that more information can be shared, should be  
22 shared, more data should be presented before decisions  
23 should be made.

24           We think tolling locations -- if tolling is a  
25 solution, which we do support, need to be probably

1 strategically located. And many of the projects that were  
2 identified as large bridge projects, they are  
3 coincidentally at state borders where they are capturing  
4 interstate traffic more than intrastate traffic. So those  
5 are all things that information and more planning and  
6 preparation we think would be appropriate.

7           One comment that was made regarding the cost  
8 that the department -- or the P3 developers could borrow at  
9 lower rates and use TIFIA loans. TIFIA loans are used, but  
10 they're generally a small percentage of the financing. And  
11 the point that I was trying to make earlier is that the  
12 equity partners and the concessionaires, they're required  
13 to put typically 20 percent of their own money up, and  
14 they're only borrowing 80 percent.

15           So the borrowing portion may be lower percentage,  
16 but the equity share is a much higher percentage. So when  
17 the blended rates of all the borrowing costs are calculated  
18 that's where you get into the 8 to 12 percent cost of money  
19 that's kind of hidden in there.

20           So again, we think that this particular delivery  
21 for these particular projects has other alternatives that  
22 could be explored. We believe there's time to explore  
23 them, and we believe that you should look at and be  
24 prepared for the possibility of failure as well as the  
25 possibility of success. We agree there's a big problem



1 from funding in a needs perspective. I think everyone  
2 today agrees and acknowledges that.

3 We're just saying that we believe there are other  
4 options and opportunities for us to work together, both at  
5 the state level and at the federal level in order to secure  
6 that funding and apply it appropriately and execute the  
7 plan properly. We just don't think that use of a private  
8 developer is the appropriate way to do that, and we haven't  
9 seen enough information yet that would support that.

10 MAJORITY CHAIRMAN HENNESSEY: Okay. Let me just  
11 ask a real quick question. I understood from, I think, in  
12 responses Secretary Gramian made to one of my questions was  
13 that the only way that tolling becomes viable in  
14 Pennsylvania is if we use a P3 model. We just don't have  
15 authority under federal law currently to just impose tolls  
16 unless we -- was it Title 23 --

17 MR. LATHAM: I'll let the Secretary have the last  
18 word, but my understanding on that, Mr. Chairman, is under  
19 federal law we have the authority to toll on interstates in  
20 certain instances. However, we don't have -- PennDOT does  
21 not have the authority under state law to issue tolling,  
22 which is why the proposal is to use a P3 mechanism, which  
23 under Act 88, according to the Department, is legal that  
24 the private developer entity does have, through Act 88 or  
25 the P3 law, the legal authority to do that. That's my

1 understanding of the discussion.

2 Now, the other thing that hasn't been brought out  
3 is we are planning - there is a part of this plan is to use  
4 some back office expertise from the Pennsylvania Turnpike  
5 Commission as part of the collection and management system  
6 here. I think that there's room for a discussion about  
7 whether we can expand the role of the Turnpike Commission  
8 to do this type of financing, but again, we think that in a  
9 broader scope that's where the discussion should be. And  
10 then there are other -- and again, we've laid out some  
11 other options for consideration. At the end of the day,  
12 maybe that's not where the General Assembly or the  
13 leadership of the Commonwealth wants to go, but it is  
14 another option.

15 MAJORITY CHAIRMAN HENNESSEY: Okay. Mike, do you  
16 want to respond real quick?

17 MINORITY CHAIRMAN CARROLL: Just in an effort to  
18 advance the discussion, I'm wondering if the Secretary has  
19 a response to what we just heard from George with respect  
20 to the financing and the cost to utilize these funds.

21 SECRETARY GRAMIAN: Well, there are a couple  
22 things I was listening to -- the trucking industry and the  
23 comments they made. There is a lot of things that I wanted  
24 to address. First of all, Representative Brown asked a  
25 question about the weights. The cars, they typically weigh

1 around 3,000 to 6,000 versus trucks, 33,000 to 80,000,  
2 depending on the size. So obviously, they're a much  
3 heavier vehicle pounding our roadway system, and these are  
4 the roadways that were built in the '50s and '60s and were  
5 not designed or constructed for these heavy loads. So I  
6 just want you to keep that in mind.

7 The other thing is, the gentleman made a point  
8 about -- yes, the cars, they get their gas in other states  
9 that are cheaper in Pennsylvania. We do lose a lot of  
10 revenue that way. The other thing they mentioned was they  
11 come in to Pennsylvania and they would avoid I-83 because  
12 it's going to get tolled. They would take other routes.  
13 It's congested. It's got problems. The cars are backing  
14 into each other.

15 One thing I wanted to mention -- and I say it --  
16 I said it in my testimony, and I want to emphasize it  
17 again. One reason we are doing the tollings on these  
18 bridges is to be able to free up the money to put it into  
19 the other networking system. This is really important to  
20 us. This should be extremely important to the trucking  
21 industry. Your livelihood depends on the safety and the  
22 condition of the roadways.

23 I mean, I'm looking at the numbers for UPS, and  
24 congratulations for having such a successful year last  
25 year, with all the revenues and with all the profits. We

1 want to partner with you. We want to make sure that you  
2 can continue on this successful path. That's why it's  
3 important to us, not only for the trucking industry but  
4 also for our general public. This is important to us.

5 The other thing the gentleman mentioned about the  
6 financial side, Mr. Mezey from Trumbull, all the horror  
7 stories about some of the projects that became a failure.  
8 That is not necessarily the case for all of them. We have  
9 many more success stories against one or two or three  
10 couple failures and not successful stories. And I can go  
11 over the list, and I can tell you all the reasons why some  
12 of those projects were not successful. There were all  
13 kinds of good reasons.

14 And by the way, some of them happened early on.  
15 Some of them they went into agreements with folks who did  
16 not have the experience in United States or in P3 type of  
17 projects, and we've -- we're taking all lessons learned  
18 from all these projects. So anyways I just wanted to share  
19 that with the team. Thank you.

20 MAJORITY CHAIRMAN HENNESSEY: Thank you, Madam  
21 Secretary. We have two more questioners. We'll try to get  
22 to them. Representative Heffley, please short and sweet  
23 and short and sweet answers.

24 REPRESENTATIVE HEFFLEY: Real quick, what is  
25 the -- 80,000 pounds is the max weight according to the

1 state. Now, you can require a permit and haul 85- or  
2 90,000 with an additional permit, and then you have to run  
3 on restricted roads. What is -- the equipment -- what is  
4 it built to haul? How much could you safely transport on  
5 one truck? About a 100, 125,000 gross?

6 MR. BUTZER: Yes. The frame rails of every truck  
7 are built to hold 125,000 pounds.

8 REPRESENTATIVE HEFFLEY: And when PennDOT builds  
9 roads, right, they build those roads to be able to provide  
10 safe passage for about -- a truck that could weigh up to  
11 125,000 pounds or 80,000 pounds, or they restrict access to  
12 that road. So for the Secretary to say that they're not  
13 building roads that can haul 80,000 pounds I would think  
14 that's not correct because you are building roads and  
15 bridges that can haul that weight. So just for that I find  
16 it amazing that in Washington they spent \$1.9 trillion and  
17 didn't address the infrastructure in this country. It's  
18 pathetic.

19 When we toll these bridges, trucks will have --  
20 somebody's going to haul the freight if it's there. But  
21 for the manufacturers or for the aggregate companies that  
22 work in that capacity, they will lose if you're going to  
23 add an additional \$20 or \$40 for every load that they're  
24 hauling if they're taking it into New York or anywhere  
25 else. They then compete -- our cement mills compete with

1 foreign cement companies that barge it in. And I've seen  
2 it happen. You're talking about some of these companies  
3 are getting 2-300 loads a day. You put 40 bucks on every  
4 truck you will lose manufacturing in the state of  
5 Pennsylvania.

6 And I think it's important that we hear from the  
7 trucking industry and the manufacturers that this will  
8 impact rather than bureaucrats sitting behind a desk  
9 because you give us \$10 and we'll spend a hundred out here.  
10 But it's important that we realize that any impact like  
11 this -- the negative impact that it's going to have on that  
12 industry. And I thank you for your testimony today and  
13 just giving a different perspective because at the end of  
14 the day, we got to fix the roads. We got to figure it out.  
15 But I just think that tolling will negatively impact  
16 manufacturing and trucking and ability for people to get  
17 good jobs in the state of Pennsylvania.

18 MAJORITY CHAIRMAN HENNESSEY: Thank you,  
19 Representative Heffley. Representative Hohenstein?

20 REPRESENTATIVE HOHENSTEIN: Thank you, Chair.  
21 And I will be short. I know we've got a minute, so I'm  
22 just going to raise a question that I'll ask people to  
23 answer offline back to me or back to the Chairs. The  
24 concept of either a national infrastructure bank or a state  
25 infrastructure bank as one of the alternative funding

1 mechanisms is something I would like to be hearing more  
2 about from the people who are making these decisions right  
3 now or engaged in them on either the governmental side or  
4 on the business side.

5 I think that if we're getting to look at why  
6 different things are the way they are -- and I agree, the  
7 way they are doesn't work, we've got to be looking at  
8 creative solutions. And from my understanding a national  
9 infrastructure bank provides a lot of balance, provides a  
10 lot of efficiency in the way that the funds would be  
11 distributed, and if it's structured properly would even be  
12 budget neutral because it would be funded primarily by  
13 treasury securities. So I would like to hear people's  
14 opinions and maybe that's a subject for a future hearing  
15 either here or in another forum, but.

16 MAJORITY CHAIRMAN HENNESSEY: Yes. Thank you,  
17 Joe. I think frankly it --

18 SECRETARY GRAMIAN: Can I make a comment?

19 MAJORITY CHAIRMAN HENNESSEY: Well, could you  
20 wait to --

21 SECRETARY GRAMIAN: Excellent -- I'm sorry --

22 MAJORITY CHAIRMAN HENNESSEY: Can we do it --

23 SECRETARY GRAMIAN: -- Chair Hennessey.

24 MAJORITY CHAIRMAN HENNESSEY: Can you do it in  
25 writing?

1           SECRETARY GRAMIAN: I just wanted to say  
2 excellent comment. We support it. It's not available. If  
3 it becomes available, we support it. Thank you.

4           MAJORITY CHAIRMAN HENNESSEY: Thank you. I think  
5 that frankly, I'd be interested in learning more about it  
6 and having everybody's input in terms of the idea of an  
7 infrastructure bank.

8           Representative Lawrence, you have the last  
9 question.

10          REPRESENTATIVE LAWRENCE: Thank you, Mr.  
11 Chairman. I know we're up against time. I did just want  
12 to ask the panel. We were talking a couple minutes ago  
13 about tolling and the difference -- in other words, we  
14 have -- so we're competing in a global economy. We're  
15 competing against other states. We're competing against  
16 trucking companies that are based in other states. And I  
17 think what I heard earlier was that if under the proposal,  
18 if the tolls are put into place on the bridges that, you  
19 know, truckers will pay them, and the tolls will be paid,  
20 but we might end up with very few trucking companies based  
21 out of Pennsylvania.

22                 So if it costs me \$5,000 to register a truck in  
23 Pennsylvania and \$500 to register a truck in wherever,  
24 Ohio, Texas, Mexico, wherever it is, then I mean, that  
25 load -- that \$500 load that the gentleman was referring to



1 earlier, it's going to get transported but it's just might  
2 not get transported by anyone who's based in Pennsylvania.  
3 Is that about right?

4 MR. GIUFFRE: It's an excellent point. And you  
5 know, Secretary Gramian spoke to the -- you know, the  
6 benefits of UPS and what a great quarter we had, and we're  
7 very fortunate. We're a large operation and we have the  
8 resources to manage this, but the majority of Pennsylvania  
9 trucking companies, the members of Pennsylvania Motor Truck  
10 Association are small family businesses. They run a few  
11 trucks. They support the dairies. They support the  
12 construction industries. They support all the different  
13 industries that are here, and to them, you know, each --  
14 every increase in the cost -- and they can only capture so  
15 much per load, is money out of their pockets. And in many  
16 cases, we'll lose members because they're going to have to  
17 shut down their own family businesses because they can't  
18 afford to compete in this type of market anymore.

19 REPRESENTATIVE LAWRENCE: So let me ask you this,  
20 approximately how many trucks -- tractor trailer trucks  
21 does UPS have registered in this Commonwealth? Do you know  
22 that?

23 MR. GIUFFRE: We register 4,500 vehicles in the  
24 Commonwealth, about 1,200 tractor trailers, and then about  
25 3,500 delivery vehicles -- the box vans or step vans that

1 you see, but --

2 REPRESENTATIVE LAWRENCE: So at some point,  
3 wouldn't it make sense for UPS to register those trucks in  
4 some other state and simply run them in Pennsylvania?

5 MR. GIUFFRE: Well, we do have, you know,  
6 vehicles --

7 MAJORITY CHAIRMAN HENNESSEY: I think I'm not --  
8 but I was going to ask you -- or no, but thank you for not  
9 asking that question.

10 REPRESENTATIVE LAWRENCE: Yeah. So I know we're  
11 up against time, Mr. Chairman. I guess just my point is,  
12 is that I mean, look, if I were UPS, I'm accountable at the  
13 end of the day to my shareholders, and I don't want to  
14 charge more for delivery than I have to because I don't  
15 want to lose customers to FedEx or the United States Postal  
16 Service, which I don't think has to pay at all.

17 MR. GIUFFRE: That's right.

18 REPRESENTATIVE LAWRENCE: So at the end of the  
19 day, I'm going to start making a calculation. And I'm  
20 going to say, do I need to register 4,500 vehicles in this  
21 state? You know, I probably only need to register 450  
22 vehicles, and I'm going to register the other 4,000 --  
23 because of these new bridge tolls, it just gets to a  
24 breaking point, and maybe I'll register them in Virginia or  
25 wherever else and pocket the difference. And then PennDOT

1 loses all that money from the registration fees. Now,  
2 maybe they gain more from the bridge toll. I don't know.  
3 But do I have it about right?

4 MR. GIUFFRE: It is. On a UPS perspective, we  
5 wouldn't do that because we're -- you know, while we're a  
6 multinational company, every place that we operate we look  
7 at the impact to the communities. You know, we pay our  
8 taxes. We pay our employees who live there and work there  
9 and serve, and we register our vehicles there. But that is  
10 a reality for most of our members of the association who  
11 can register their vehicles in different places or choose  
12 not to, you know, have their main operation based out of  
13 Pennsylvania. And for most of them, those are family  
14 businesses, and these are good wages, good -- you know,  
15 good family raising jobs, and you know, I'd hate to lose  
16 those here.

17 MAJORITY CHAIRMAN HENNESSEY: Yes. Thank you for  
18 that.

19 MR. BUTZER: If I may just follow up a moment on  
20 that. You are absolutely correct. We have one of the  
21 nation's largest leasing companies in the country in our  
22 state, and they register most of their vehicles in Indiana.

23 MAJORITY CHAIRMAN HENNESSEY: Thank you. Closing  
24 comment from Chairman Carroll.

25 MINORITY CHAIRMAN CARROLL: Thank you. The one

1 common denominator I heard from every testifier today was  
2 that we have to stop diverting Motor License Fund money to  
3 the State Police, and I see more nodding heads. None of  
4 the testifiers today can effectuate that change. That  
5 falls on all of us on this side of the table. And so if  
6 nothing else today, I hope we take away the urgent need to  
7 have an honest discussion about the general fund and how we  
8 pay for things like the State Police and transit without  
9 diverting funds from the Turnpike and the Motor License  
10 Fund and all of the other chicken wire and duct tape  
11 transactions that we do in order to fund things in the  
12 general fund. It's time that we be more sincere with  
13 respect to funding things in the general fund.

14 MAJORITY CHAIRMAN HENNESSEY: Okay. I'd like to  
15 thank all of our testifiers for your input today. It's  
16 been very valuable. We invite your written comments to  
17 follow up on the hearing, not just on the infrastructure  
18 bank proposal as Representative Hohenstein has asked about,  
19 but any of the testimony that's been given. And I really  
20 would like to get an answer because I think I hear a  
21 disagreement between whether -- between PennDOT and APC as  
22 to whether or not the only way we're allowed to toll is  
23 under a P3 arrangement. It seems like PennDOT says, yes,  
24 we need P3's in order to have tolling, and APC is saying  
25 maybe not so much.

1                   I don't need your comment now, Bob, because we  
2 have to get up to the floor. We're already overdue. But  
3 thank you very much, and please, send us a letter and  
4 outline your position on that. Again, thank you all very  
5 much. We're adjourned.

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C E R T I F I C A T E

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Natalie Webb  
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