



Testimony of the American Council of Engineering Companies of Pennsylvania (ACEC/PA)

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Before the House Transportation Committee's Public Hearing on
PennDOT's P3 Major Bridge Initiative
September 30, 2021

Chairman Hennessey, Chairman Carroll, members of the committee and guests here today, thank you for the opportunity to testify today.

I am Leeann Sherman, executive director for the American Council of Engineering Companies of Pennsylvania and I have with me today the President of our board of directors, Eric Veydt from Gannett Fleming who will be happy to take questions as well.

ACEC/PA is a trade association representing over 12,000 engineering consultants throughout the commonwealth consisting of engineers, land surveyors, scientists, technicians and various other professionals with varied disciplines, including civil, structural, sanitary, environmental, mechanical, electrical, geotechnical, chemical, industrial and agricultural engineering services. ACEC/PA is the *business* association of Pennsylvania's engineering industry.

Consulting engineers are involved in designing virtually every construction and renovation project in the nation, from bridges and prisons to water purification plants and energy-efficient generation and distribution systems. They design ventilation and electrical systems for new hospitals, figure out how to build tunnels through mountains without disturbing the local wildlife, and renovate wastewater treatment systems for bustling cities. They solve environmental and ecological problems almost every day from moving hundreds of thousands of mussels or ensuring a habitat for protected animals or grasses and trees.

As a catalyst in the problem-solving process, consulting engineers lead teams of multi-disciplined

professionals on complex technical projects. They serve as expert advisors to local, state, and federal government agencies, and to private businesses and industries. Consulting engineers serve these public and private clients from preliminary survey and analysis through final design and construction.

While our members provide a wide range of professional engineering services, our membership has a very keen interest in civil engineering and the design of the public's water and transportation infrastructure.

From the industry's perspective, Act 89 was unquestionably the single-most important piece of state legislation – so thank you! Others have also spoken about the benefits to the Commonwealth over the years since the 2013 passing and many states have used it as model for transportation funding. While we agree with its success, its intent was never going to fully solve all the challenges especially should an anomaly like COVID-19 occur.

Almost decade ago, Pennsylvania was faced with critical choices on how to solve several extremely important issues not only for our residents but visitors. Public Transportation serves all 67 counties and was being strained in both rural and urban communities alike, the condition of our bridges was deteriorating, passenger rail, air and sea ports needed attention and our highways both state and local could no longer rely upon just "fixing and maintaining". We, Pennsylvania, needed a true investment in our infrastructure.

The passage of Act 89 provided a much needed \$2.3 billion-dollar investment and created the dedicated Multimodal Fund. This did not happen without many conversations, partnerships, education, study after study showing findings of need and a coalition of groups coming together for the betterment of Pennsylvania.

Many people wondered if our industry and others could handle the increases put upon us with the influx of projects and challenges and if we had the workforce to handle the increase in infrastructure that Act 89 would bring. I can tell you that we were ready, and we did it! Not alone of course but with public and private partnerships, associates from across sectors and industries alike, blue, and white-collar workers and a coming together of businesses and state government to set us on a path for the future.

The jobs Act 89 created are not only in the engineering sector but across all sectors as we continuously partner and collaborate with other industries to solve issues and challenges and build a better community by building a better infrastructure in Pennsylvania. I would like to share

some statistics.

- For every \$1billion spent on public transportation capital projects: it sustains approximately 15,900 jobs;
- For every \$1billion spent on public transportation operations it sustains 24,200 jobs; and
- For every \$1billion spent on highway operations it sustains 17,810 jobs.

All the while 25,000-30,000 jobs are created in the AEC industry or Architecture, Engineering and Construction all by the investment. That is over 80,000 direct jobs sustained for every \$1Billion spent. While these numbers are from almost 2 years ago, they still hold true and are growing even higher.

As infrastructure and construction projects have increased, we have also increased more jobs for Pennsylvania residents and companies which in turn creates economic growth across industries and sectors. I urge you to review the second document provided which is an economic update compiled just a few days ago from our national association, ACEC, which shows various charts and graphs. Page 1 is a pie chart showing construction by project type and take note of the percentages then the Cost of Goods increase. Next you will see Construction Put in Place showing Residential, Private, or non-residential and Public such as state agencies and other government associated entities. Please take time to review the latest research information I have provided.

While the infrastructure is in need, the monies are just not there to fund the need. This means things do not get built, fixed, or updated to ensure safety, quality of life, mobility and food security for Pennsylvanians and our visitors.

No industry is not touched by the architecture, engineering and construction industry which sustains tens of thousands of direct jobs and hundreds of thousands from products and services the AEC firms utilize. This economic impact is significant.

There are many obstacles we still face, as we knew that we would have to build upon the foundation laid by Act 89. Act 44 requires the Pennsylvania Turnpike Commission to provide \$450 million per year for public transportation and projects. Act 89 set 2022 as the end date for Pennsylvania Turnpike Commission's commitment to provide this \$450 Million per year. Beginning in 2022, \$50 million per year will be paid from the Turnpike and \$450 million from the sales tax of motor vehicles. Replacement of the funds that previously came from the Turnpike is needed.

At the moment, we continue facing another challenge with detrimental effects.... a pandemic which

not only has caused medical and economic hardship to Pennsylvania residents but state and local governments, small and large businesses in almost every sector and an unknown future when it comes to innovation and modernization. We have dealt with COVID-19 for over 18 months and the effects will be felt for years if not decades to come.

With a projected loss of at least \$800 million through 2021 to PennDOT from the pandemic, the diversions from the MLF, the needs gap we knew would eventually catch up when Act 89 was passed, and the debt the Turnpike is under, now is the time to act. We have hit a pivotal point but that doesn't mean we can stop fixing bridges. Doing nothing and allowing the crisis at hand to continue is just not possible.

With travel restrictions, teleworking and financially strained companies and the workforce, we cannot ignore that we need to find solutions and we need to find them now. The P3 Major Bridge Initiative is just one tool in the toolbox as some would say. I was part of the TROC or Transportation Revenue Options Committee with Rep. Hennessey and Rep. Carroll and many others who worked to find options to offer all of you. These were a start with the hope that those hard conversations that need to be had once again will occur. Our legislators, all of you, need to find solutions like consulting engineers do every day. You have done it before and we will continue to be here to educate, offer resources, assist with grassroots, and bring coalitions and industries together to help in any way we can. The pandemic has only exacerbated the urgency.

If PennDOT were to use their annual budget to fund the bridge projects being considered in the P3 Major Bridge Initiative, then there would not be monies left to fund other much needed projects. We cannot pull from one to pay for another or we will never get ahead, innovate, and ensure safety, quality of life, mobility and food and service security. We need a long-term sustainable funding solution as the gas tax whittles away. We need an investment once again.

We hope there is a solution and in summary, I urge the following:

- Discuss and develop sustainable and reliable revenue replacement to the gas tax. Car manufacturers continue to improve the fuel efficiency of their vehicles reducing fuel consumption and are heading to all electric vehicles in the next 10 to 15 years. The gas tax will not sustain the funding necessary to keep our roads and bridges in a state of good repair
- Discuss and develop a sustainable and reliable solution for the sunset of Act 44 monies from the PA Turnpike Commission and the replacement with sustainable revenues for public transportation. This must include a bipartisan approach with honest discussions and education on the impacts if nothing is done. The time to act is now.

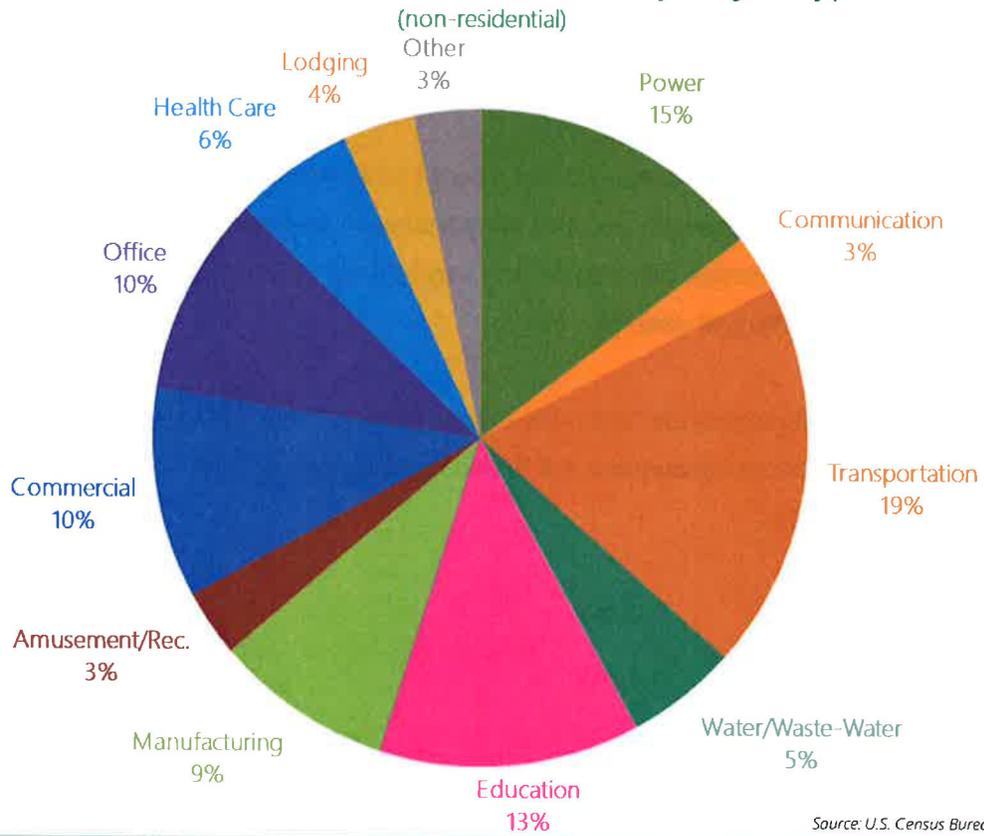
- We cannot assume or wait for the federal government to act. Just like Pennsylvania's local governments have said they need the ability to raise revenues because they cannot wait for the state legislature as their challenges are building, Pennsylvania cannot assume there will be a savior in the federal government. We, you, and all Pennsylvania's need to work together and it must be now. Waiting will create deeper problems and shifting of the funds available will only leave maintenance and other projects on the table. We have seen what can happen if we do nothing for our highways, roadways, and bridges but it is so much bigger than only these. The lag time to construction when design activities or environmental surveys are not completed can be years and when maintenance or modernization is not attended too, we sink deeper behind. And if the federal government does come through with relief, Pennsylvania needs to be ready to leverage that opportunity.

To date, a clear solution to this impediment has not been brought forth. ACEC/PA and the consulting industry will continue to engage with you and our partners to help solve the crisis we are facing, and we see the P3 Major Bridge Initiative as one way to keep our infrastructure strong but there are many others as well. We just need you to act.

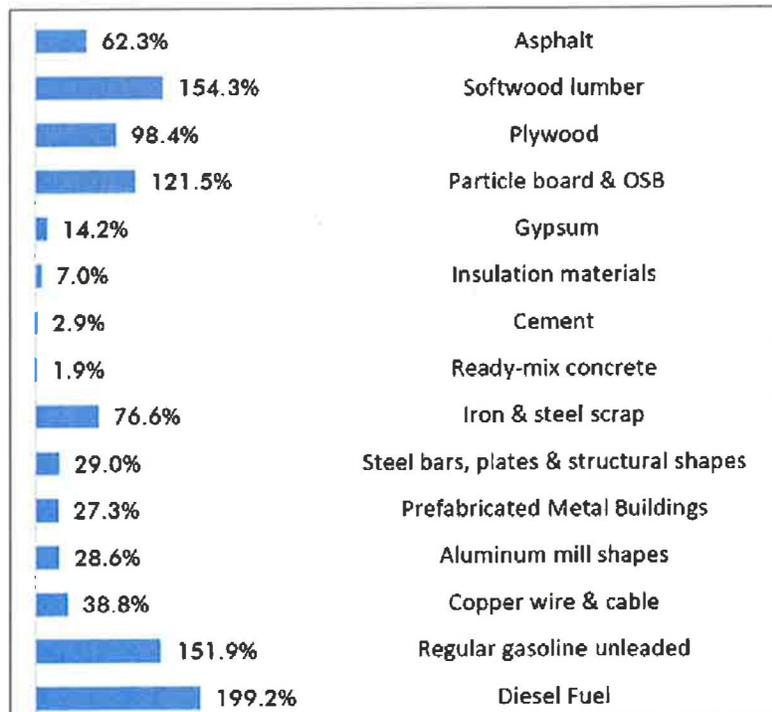
Thank you again for the opportunity to provide testimony today and note that I have also supplied with the written testimony one additional document: the Economic Impact from ACEC. And now Eric and I are available for questions.

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2020 U.S. Construction Put in Place by Project Type



U.S. Construction Material Cost Changes (YOY May 2020-May 2021)



Source: ConstructConnect, U.S. Bureau of Labor Statistics

#1: Economy and Engineering Revenues are Beginning to Rebound

Construction Put in Place – Jan.-July YOY Comparison

	Jan. - July 2021	Jan. - July 2020	Jan. - July YOY % Change
Total Construction	\$883.2 B	\$831.5 B	+6.2%
Residential (private)	\$430.0 B	\$342.1 B	+25.7%
Private (non-residential)	\$262.2 B	\$284.0 B	-7.7%
Public	\$191.0 B	\$205.4 B	-7.0%

Source: U.S. Census Bureau

#1: Economy and Engineering Revenues are Beginning to Rebound

Construction Put in Place – Annual Numbers 2020 vs. 2019

Construction Put in Place	2020	2019	% Change
Total Construction	\$1.430 T	\$1.365 T	+4.8%
Residential (private)	\$607.9 B	\$544.4 B	+11.7%
Private (non-residential)	\$471.5 B	\$486.3 B	-3.0%
Public	\$351.0 B	\$334.4 B	+5.0%

Source: U.S. Census Bureau

#1: Economy and Engineering Revenues are Beginning to Rebound

Public Construction Put in Place – YOY Change, July 2020-July 2021

Month	2021	2020	YOY % Change
July (p)	\$337.8 B	\$356.0 B	-5.1%
June (r)	\$335.6 B	\$364.2 B	-8.0%
May (r)	\$341.1 B	\$374.4 B	-8.9%
April	\$343.8 B	\$351.3 B	-2.1%
March	\$343.9 B	\$360.4 B	-4.6%
February	\$351.3 B	\$352.4 B	-0.3%
January	\$361.5 B	\$351.3 B	+2.9%
Month	2020	2019	YOY % Change
December	\$352.8 B	\$342.6 B	+3.0%
November	\$347.6 B	\$337.1 B	+3.1%
October	\$344.8 B	\$332.6 B	+3.7%
September	\$339.1 B	\$343.7 B	-1.3%
August	\$351.4 B	\$333.2 B	+5.5%
July	\$351.1 B	\$334.2 B	+5.1%

Source: U.S. Census Bureau

p = preliminary
r = revised