

PENNSYLVANIA HOUSE TRANSPORTATION COMMITTEE
Public Hearing on Transportation Needs and Funding
Scranton, PA, June 10, 2010

Testimony of James I. Scheiner, Chair, Pennsylvania Chamber of Business and Industry
Policy Committee

CHAIRMEN MARKOSEK, GEIST, STURLA, SAYLOR AND OTHER
DISTINGUISHED MEMBERS OF THE HOUSE TRANSPORTATION AND POLICY
COMMITTEES, I AM JIM SCHEINER, CHAIR OF THE PENNSYLVANIA
CHAMBER'S POLICY COMMITTEE. ON BEHALF OF THE CHAMBER AND OUR
THOUSANDS OF EMPLOYERS, WE THANK YOUR COMMITTEE FOR HOLDING
THIS SERIES OF HEARINGS.

THE CHAMBER'S TRANSPORTATION POLICY (attached) RECOGNIZES, AS YOU
DO, THAT GOOD ROADS, STRONG BRIDGES AND DEPENDABLE TRANSIT
PROMOTE JOBS. THE NORTHEAST PENNSYLVANIA ROAD NETWORK,
INCLUDING INTERSTATE HIGHWAYS AND THE TURNPIKE, HAS ALMOST
4,000 MILES OF STATE ROADS AND 2,000 STATE BRIDGES, PLUS LOCAL
ROADS AND BRIDGES. THE CURRENT LEVEL OF SPENDING IS INADEQUATE
TO MAINTAIN THIS EXTENSIVE NETWORK, LET ALONE IMPROVE IT.

OTHERS ARE PROVIDING INFORMATION ON SPECIFIC TRANSPORTATION
NEEDS. WITH MY REVENUE DEPARTMENT EXPERIENCE, I WOULD LIKE TO
USE THESE 5 MINUTES TO BRIEFLY ADDRESS SEVERAL TRANSPORTATION
FUNDING OPTIONS.

OIL COMPANY FRANCHISE TAX: ALMOST 30 YEARS AGO, THE HOUSE, UNDER LEADERS IRVIS, MANDERINO, RYAN AND HAYES, CREATED THE OIL COMPANY FRANCHISE TAX. THIS VISIONARY TAX IS BASED, NOT ON THE VOLUME OF GAS AND DIESEL SOLD, BUT RATHER ON ITS VALUE. THE TAX WAS DESIGNED TO KEEP PACE WITH HIGHWAY CONSTRUCTION AND MAINTENANCE COSTS. IN ORDER TO INSULATE THE TAX YIELD FROM WILD PRICE SWINGS, THE WHOLESALE PRICE WAS ORIGINALLY SET WITH A 90-CENT MINIMUM AND \$1.25 MAXIMUM PRICE "COLLAR." THE PRICE COLLAR WAS NEVER INTENDED TO STAND IN PERPETUITY.

THREE DECADES LATER, IT'S TIME TO UPDATE THE OIL COMPANY FRANCHISE TAX BY RAISING THE OBSOLETE PRICE COLLAR. EACH 20-CENT INCREASE IN THE PRICE COLLAR WOULD YIELD ABOUT \$200 MILLION EACH YEAR. WITH COLLECTION AT THE WHOLESALE LEVEL, THE COST TO THE MOTORIST OF EACH 20-CENT PRICE COLLAR INCREASE WOULD BE IN THE RANGE OF 3 CENTS PER GALLON. PENNSYLVANIA FRANCHISE AND FUEL TAXES HAVE NOT PUT AN UNDUE BURDEN ON OUR MOTORISTS. THE JUNE 7, 2010 AAA FUEL GAUGE REPORT SHOWS THAT THE AVERAGE COST OF REGULAR GAS IN PENNSYLVANIA IS LOWER THAN IN 22 OTHER STATES. IT IS EQUAL TO THE FUEL COST IN DELAWARE.

VEHICLE REGISTRATION: AT \$36 PER YEAR, PA HAS ONE OF THE LOWEST CAR AND LIGHT TRUCK REGISTRATION FEES IN AMERICA. ONE NEAR

TERM OPTION WOULD BE TO MAINTAIN THIS LOW FEE, BUT EXTEND THE REGISTRATION CYCLE TO TWO YEARS. A 2-YEAR FEE OF \$72 WOULD SAVE MOTORISTS TIME AND MONEY, AND IT WOULD RESULT IN A **ONE-TIME** REVENUE AUGMENTATION OF ABOUT \$200 MILLION. WHILE INCREASING THE LOW VEHICLE REGISTRATION FEE IS JUSTIFIED, THAT ACTION COULD BE DEFERRED UNTIL A FUTURE, POST-RECESSION YEAR.

DEDICATED INTERSTATE TOLLING: WITH ENACTMENT OF ACT 44 AND SUBSEQUENT EVENTS, I-80 TOLLING ISSUES ARE WELL KNOWN. CURRENTLY, PENNDOT IS DOING ITS BEST TO **MAINTAIN** THE INTERSTATE SYSTEM IN THE FACE OF HEAVIER TRUCK VOLUMES AND LOADS. IN ORDER TO **MODERNIZE** THE INTERSTATES, TO STRENGTHEN BRIDGES, ADD NEW TRUCK LANES AND IMPROVE ALL-WEATHER SERVICE, A DEDICATED TOLL COULD BE IMPOSED PER FEDERAL DIRECTION. FOR EXAMPLE, ACT 44 COULD BE AMENDED TO ESTABLISH AN I-80 TOLL RATE AT A LOWER PROPORTION OF THE TURNPIKE TOLL RATE. TOLLING WOULD ENABLE I-80 TO SERVE AS THE NORTHEAST'S "SHORTWAY" AND ENERGY HIGHWAY FOR DECADES TO COME. I-95 COULD BE MODERNIZED IN SIMILAR FASHION.

SALES AND USE TAX ENFORCEMENT: PER STATE LAW, THE REVENUE DEPARTMENT IS CURRENTLY CONDUCTING A TAX AMNESTY PROGRAM. WHEN THE PROGRAM ENDS IN JUNE, THE DEPARTMENT WILL REDOUBLE

EFFORTS TO COLLECT TAXES THAT ARE LEGALLY DUE. ACROSS THE NATION, STATES SUCH AS NEW YORK, NORTH CAROLINA AND COLORADO ARE STEPPING UP SALES AND USE TAX ENFORCEMENT. ULTIMATELY, INCREASED SALES AND USE TAX ENFORCEMENT COULD YIELD HUNDREDS OF MILLIONS OF DOLLARS TO BENEFIT TRANSIT AND OTHER GENERAL FUND PRIORITIES. AS THE BENEFITS OF THIS ENFORCEMENT ARE REALIZED, TRANSIT FUNDING AUGMENTATIONS COULD BE MADE LESS DEPENDENT ON TURNPIKE TOLL REVENUE.

ALLOWING OUR ROAD SYSTEM TO FALL INTO DISREPAIR - AND FORCING TRANSIT TO CUT SERVICE AND RAISE FARES - IS THE WRONG CHOICE. REASONABLE REVENUE-RAISING OPTIONS, SUCH AS THOSE OUTLINED ABOVE, ARE THE RIGHT CHOICE TO GROW OUR ECONOMY. THE PENNSYLVANIA CHAMBER APPRECIATES YOUR COMMITTEE'S DILIGENCE IN ITS SEARCH FOR THE RIGHT CHOICE.



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TRANSPORTATION AND INFRASTRUCTURE

The Pennsylvania Chamber of Business and Industry recognizes that a modern, safe and efficient transportation infrastructure is necessary for the free flow of goods and commerce and the mobility of its citizens for business and recreational activities. Managing congestion on over 41,000 miles of roadways that are maintained by the Commonwealth is essential to the safety of its citizens and a vital part of the efficient distribution of products and services. The Chamber believes a greater focus on the implementation of reasonable and consistent regulations, the promotion of car pooling and various safety initiatives and improvements to the engineering and design of the transportation infrastructure, will help enable the Commonwealth to alleviate congestion. The Chamber acknowledges that roads are not the only answer to Pennsylvania's transportation challenges. A comprehensive solution will employ multiple modes of transportation in the most effective configuration- including roads, rail, air, transit and water.

The Chamber also recognizes that it is time for a new vision for transportation policy. There is a need to change the conversation when addressing the needs of Pennsylvania's aging transportation infrastructure. Policy makers need to effectively communicate the connection between transportation infrastructure, economic growth, and maintenance of our quality of life. Prudence and necessity dictate that Pennsylvania consider a variety of possibilities for funding transportation needs, including but not limited to the following:

Motor License Fund and Motor Fuels Taxes

The Pennsylvania Constitution mandates that monies generated from all liquid fuels taxes be placed in a dedicated revenue account – the Motor License Fund – and used solely for highway-related transportation improvements. This portion of the Constitution is known as the "non diversionary clause." Given the importance of maintaining a secure funding stream for highway-related purposes, the Chamber opposes any changes to the non diversionary clause of the Pennsylvania Constitution.

Liquid Fuels Taxes includes various types of fuels taxes, including those commonly characterized as motor fuels taxes. Motor fuels taxes include separate taxes on Liquid Fuels (primarily gasoline), Fuels (primarily diesel), Alternative Fuels (i.e. ethanol). The Chamber believes that motor fuels taxes are the clearest examples of user fees and therefore supports reasonable increases to the motor fuels taxes as part of the funding solution. It is clear that this funding source alone will not be sustainable due to fewer miles being traveled (VMT), the use of alternate transportation and the use of more fuel efficient and alternative-fuels vehicles. In order to achieve necessary funding, the Chamber would consider other revenue-producing options.

Public-Private Partnerships

Private investment will likely play a major role in building new capacity in the future. A more comprehensive examination of the risks and the benefits of such investments should take place in the context of developing a comprehensive PPP plan for Pennsylvania rather than limiting the discussion to the sale or lease of assets.

Strategic Borrowing

Short-term debt financing will likely be part of a comprehensive plan going forward. Short-term debt should be viewed as a transitional funding source used to bridge gaps as new resources come on line.

Tolling

Limited funding streams exist in Pennsylvania for the maintenance of its total transportation infrastructure. For this reason, the Chamber supports efficient electronic tolling of newly created and modernized highways as an additional funding mechanism to maintain the roadways in the Commonwealth.

High Speed Rail and Mass Transit

Pennsylvania's mass transit system, which consists of roughly 70 different systems within the Commonwealth, is critical to business operations in Pennsylvania by providing bus and rail service to the workforce, as well as to residents and visitors. While the Chamber is open to considering secure funding streams for these systems, the first step should be to pursue greater efficiencies in those systems, including, but not limited to, the exploration of public/private partnerships and/or other privatization efforts.

The Chamber supports the development of nationally designated high speed corridors that serve Pennsylvania.

Regulatory Reform

The Chamber acknowledges that regulatory red tape frequently delays transportation project execution. The Chamber supports the streamlining of the regulatory permitting process to expedite a project to shovel ready status with the appropriate attention to public safety.

The Chamber also acknowledges that prevailing wage arbitrarily raises the cost of construction for projects and increases the tax burden. The Chamber supports the elimination of prevailing wage to allow more transportation funding to be applied directly to the cost of building and maintaining transportation infrastructure.

Approved by the Board of Directors on 9/30/09.