

TRANSPORTATION REVENUE OPTIONS COMMISSION

PA



JUNE 24, 2021

AGENDA

- 1. Meeting Objectives**
- 2. Commission Chair's Opening Remarks**
- 3. Schedule/Milestones**
- 4. Review of Draft Funding Proposal Principles**
- 5. Work Group Leads' Revenue Projections**
 - Combined Projections
 - Individual Revenue Options (Projections and Responses)
 - Mileage-Based User Fees (MBUF)
 - Tolling
 - Fees
 - Taxing Scenarios
 - PSP Funding
 - Other Options to Consider
 - Local Solutions
 - Open Forum for TROC Members
- 6. Briefings**
 - Package Tax/Fee Feasibility (Jennie Granger, Deputy Secretary for Multimodal Transportation)
 - PennDOT Maintenance Funding (Mike Keiser, P.E., Acting Deputy Secretary for Highway Administration, PennDOT)
- 7. Meeting Summary and Public Comments**
- 8. Commission Chair's Closing Remarks**
- 9. Next Meeting Date: July 14, 1:00 – 3:00**

MEETING OBJECTIVES

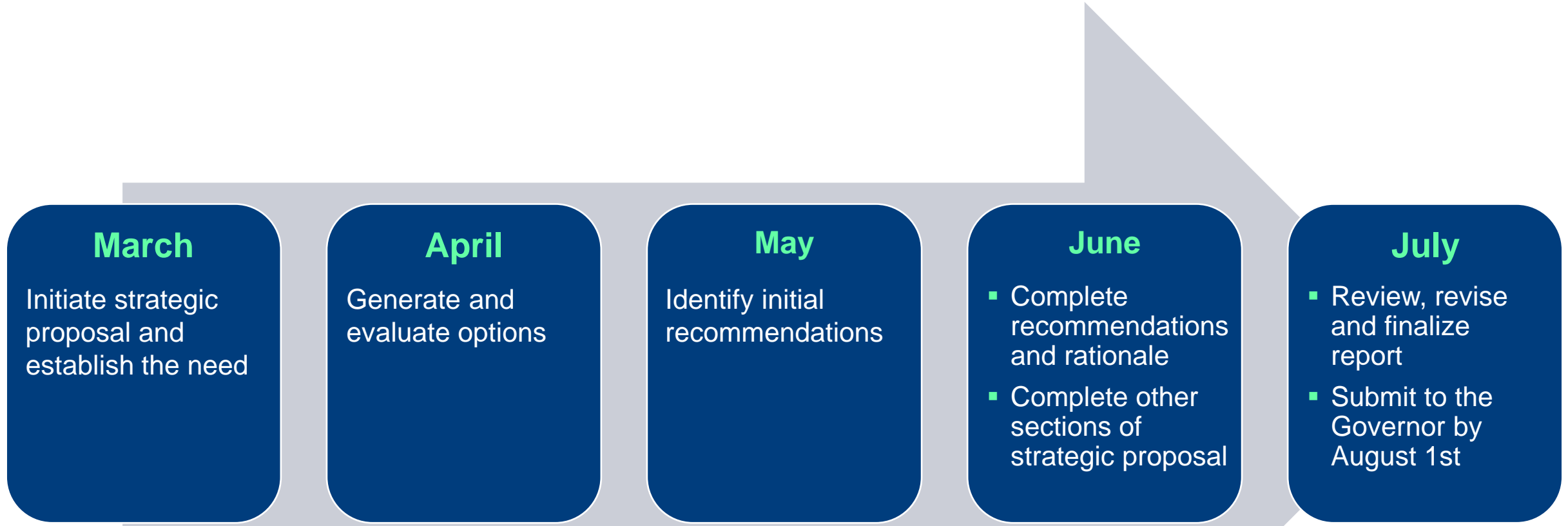
- To review and validate the revenue options developed by work group leads.
- To build consensus on the guiding principles of TROC's strategic funding proposal.
- To gain an understanding of road and bridge maintenance requirements as components of the overall need.
- To explore the potential revenue opportunities presented by the changing package-delivery landscape.

COMMISSION CHAIR'S OPENING REMARKS



Secretary of Transportation,
Yassmin Gramian

SCHEDULE/MILESTONE REVIEW



Upcoming Meeting Dates: July 14 and July 28

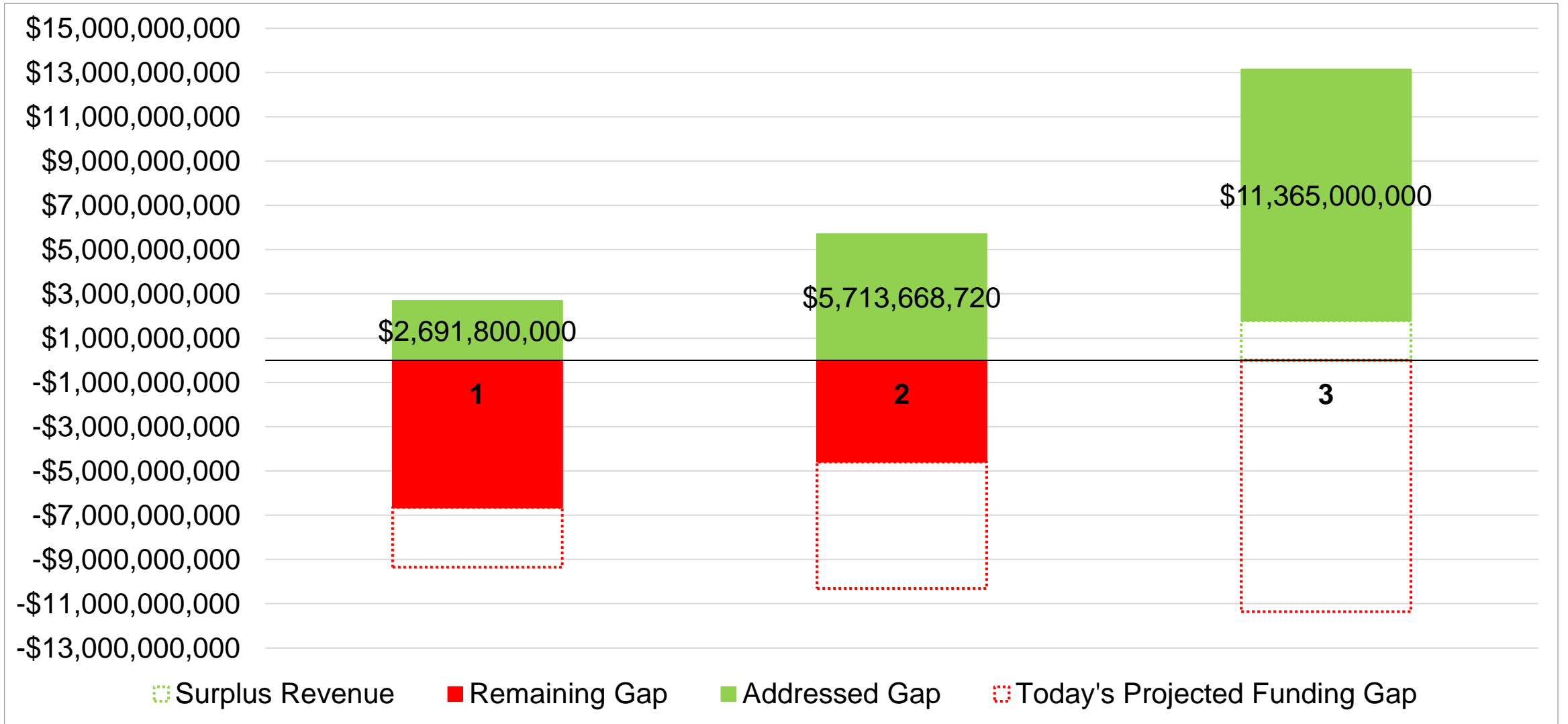
PRINCIPLES DISCUSSION

- Equity impacts
- Transportation-user focus
- Broadening and diversifying of revenue base (multiple sources) . . .
. . . but limiting the use of non-transportation taxation
- Stability (of revenue sources)
- Inflation adjustments
- Flexibility of use across modes (locally and modally)
- Ease of administration
- Short-term feasibility (for Phase 1 and 2 implementation)
- Consideration of other states' experience

WORK GROUP LEADS' REVENUE PROJECTIONS

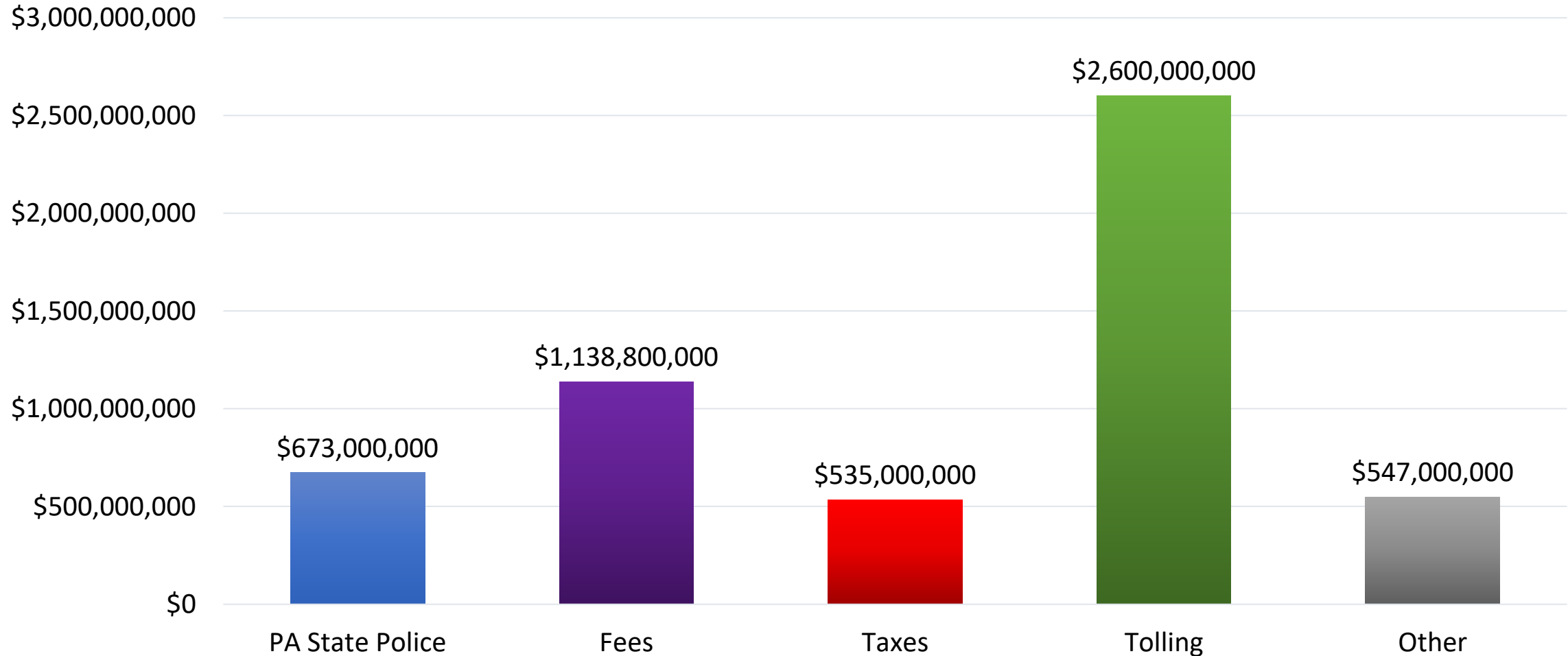


COMBINED RESULTS



COMBINED RESULTS

Overall Annual Revenue



MILEAGE-BASED USER FEES (MBUF)



MILEAGE-BASED USER FEES (MBUF)

MBUF by the Numbers

- Current need: \$9.3 B (\$8.1 B highway and bridge)
- Current liquid fuels revenue is \$4.6 B (state and federal monies)
- Total current need: \$12.7 B (liquid fuels PLUS need)
- At 2% inflation, that's \$15.5 B (Fed and other revenues may reduce by \$2 B)
- Implementation might begin at 3 or 4 cents/mile and increase for urgent needs

MILEAGE-BASED USER FEES (MBUF)

MBUF Considerations

- Timing (Phase 3)
- Federal coordination
- Adjusting other revenues while phasing in MBUF
- Potential for proposing multiple MBUF scenarios

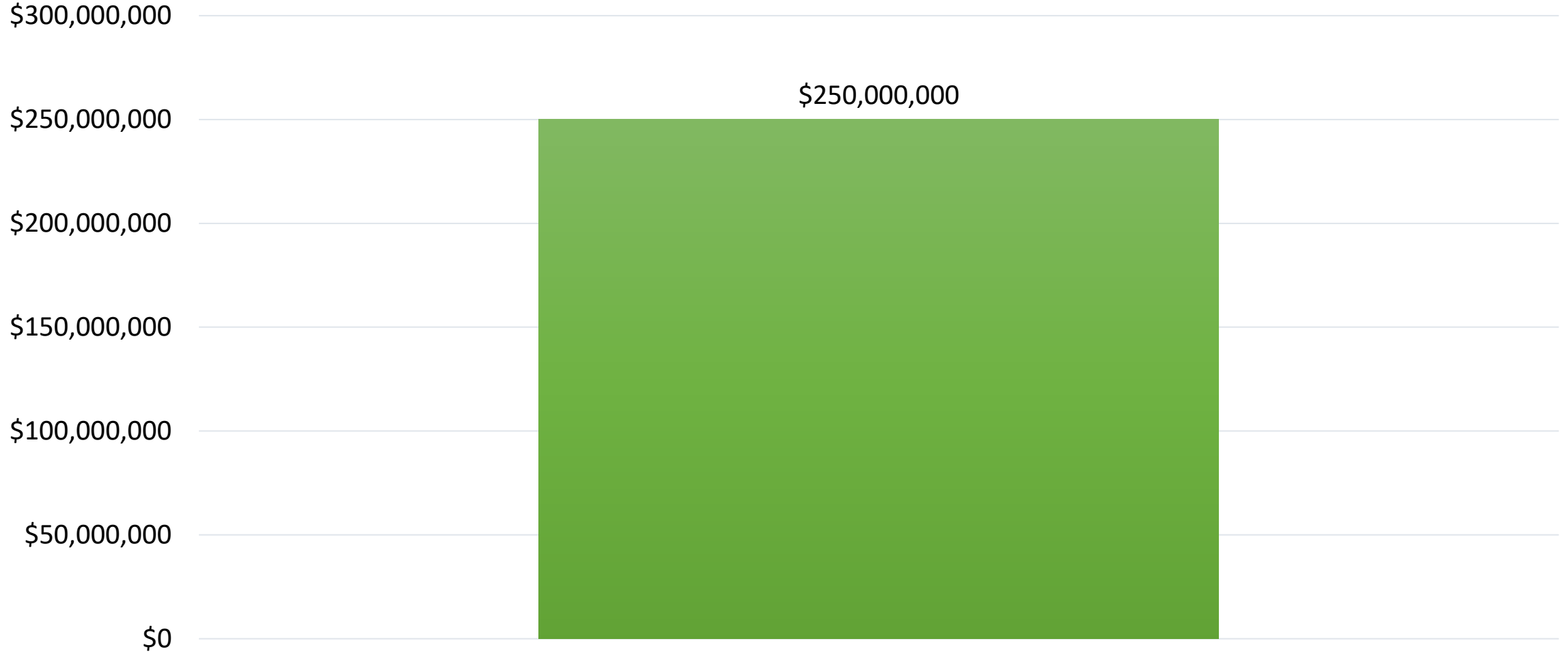
TOLLING

Corridor Tolling

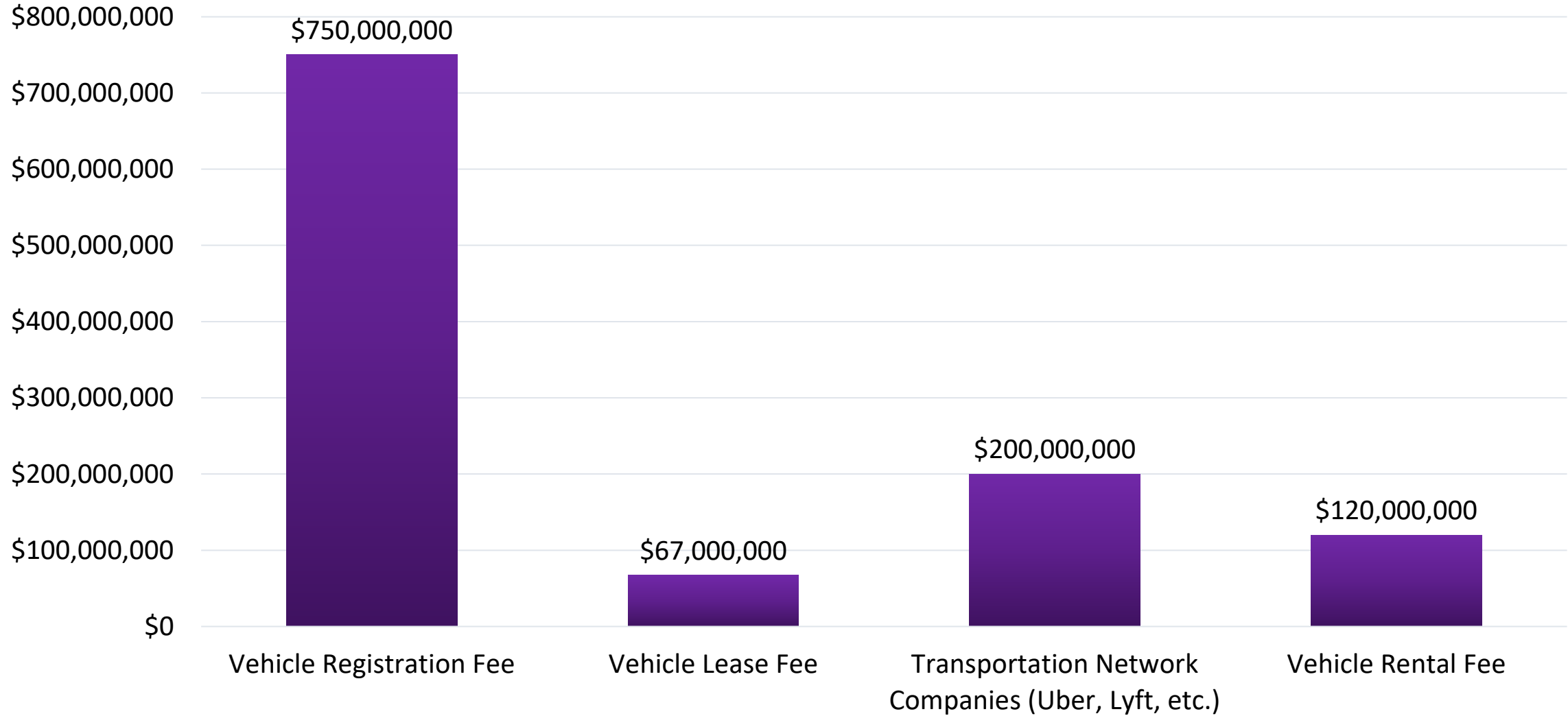


TOLLING

Managed Lanes (Limited Lane Tolling)



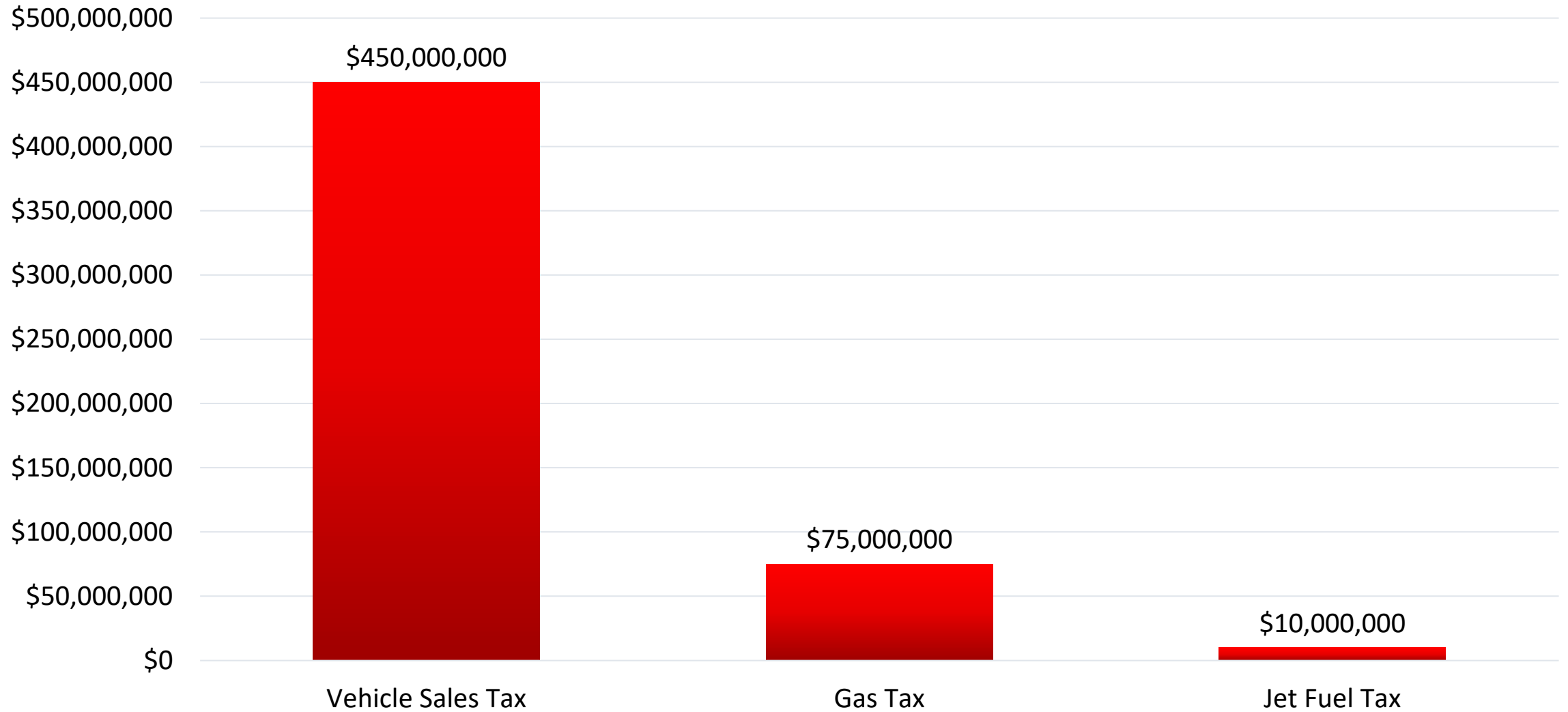
FEEES



FEEES



TAXES



TAXES

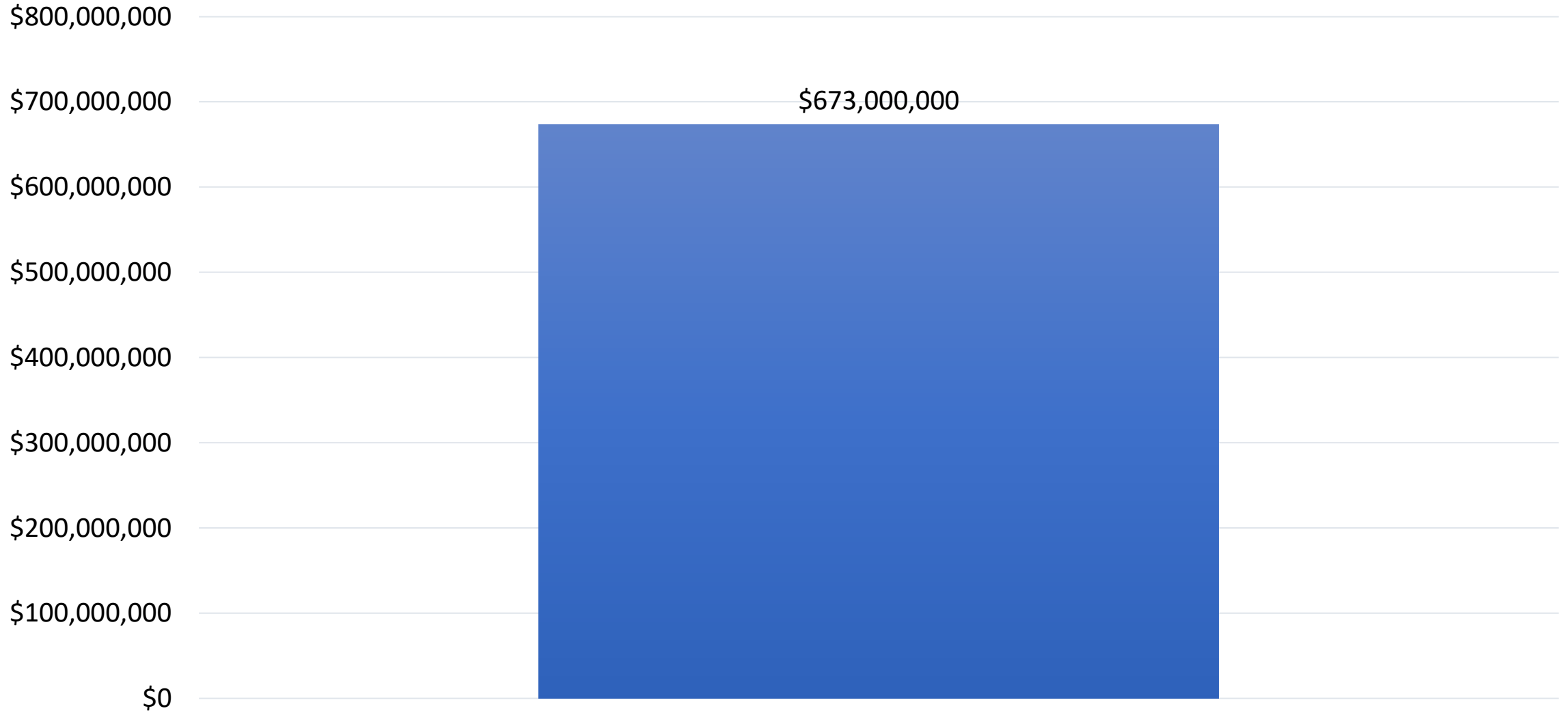
Not projected as significant revenue options for transportation funding at present:

- Corporate Income Tax
- Personal Income Tax
- Real Estate Transfer Tax
- Sales Tax Increase*

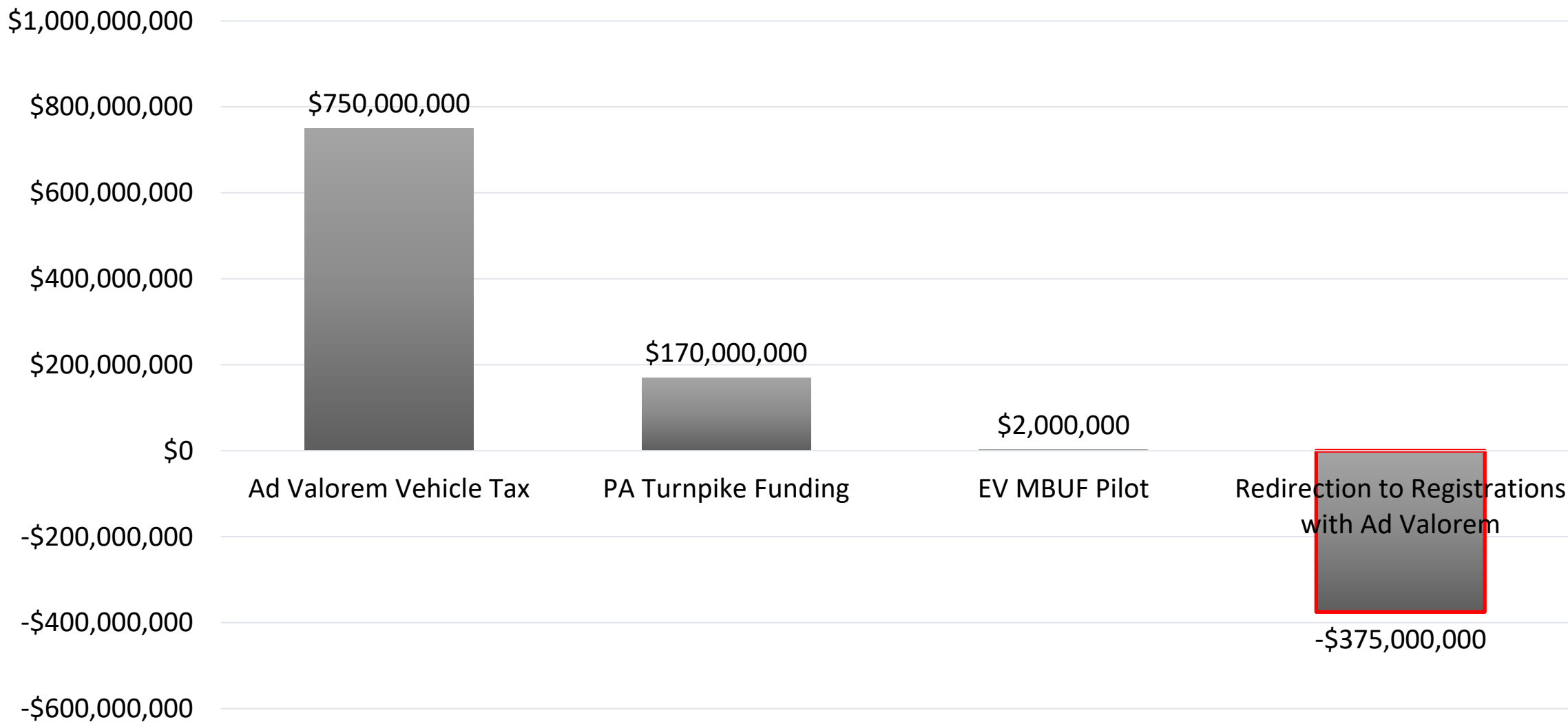


*Also to be discussed at local level

PA STATE POLICE FUNDING



OTHER



OTHER

Not projected as significant revenue options for transportation funding at present:

- Legalized recreational marijuana
- Gambling proceeds
- American Rescue Plan



LOCAL SOLUTIONS

Considerations

- Scale and extent of local needs
- Local officials' support for TROC
- Revenue options – uniquely challenging
- Sales tax opportunity at county/regional level
- Per capita concept
- Revisiting Road and Bridge Turnback (System Rationalization)
- Local and modal flexibility

BRIEFINGS



TRANSPORTATION REVENUE OPTIONS COMMISSION

PA

PACKAGE TAX/FEE FEASIBILITY



JENNIE GRANGER, DEPUTY SECRETARY FOR MULTIMODAL TRANSPORTATION

AGENDA

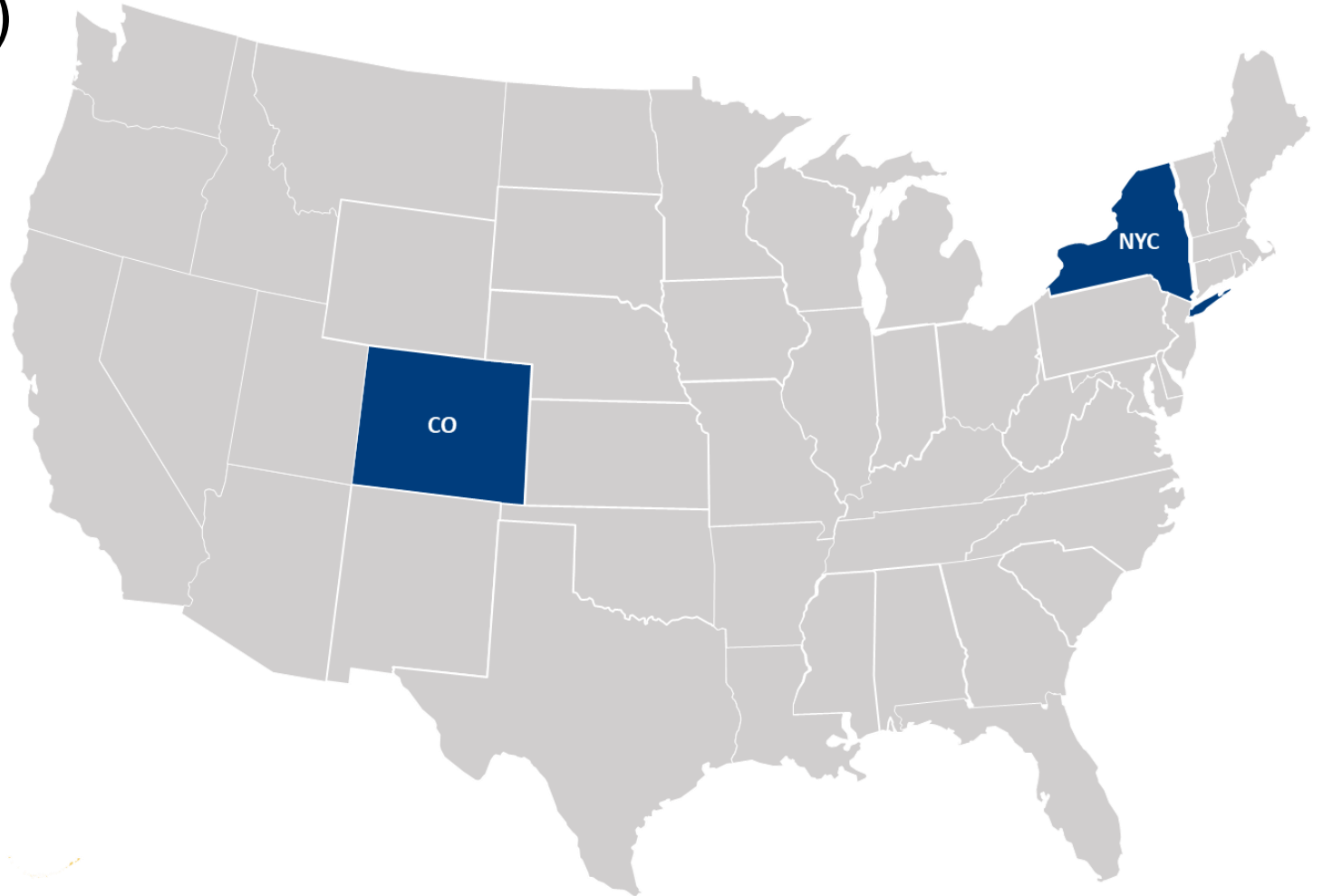
- What is a “Package Tax/Fee”?
- Where is this being considered/implemented?
- How much could it generate within the Commonwealth?
- What are the policy considerations?

WHAT IS A “PACKAGE TAX/FEE”?

- Also referred to as a “E-Commerce Convenience Fee”
- Flat fee imposed on purchaser for shipment of goods
- Addresses impact on transportation and environment
- 2019 – 14.7 billion parcels were shipped in US
 - Estimated 554.8 M in PA
- 2020 – Estimated 19.4 billion parcels in US
 - Estimated 721.5 M in PA
- PA estimates are based on share of GDP

WHERE IS THIS BEING CONSIDERED/IMPLEMENTED?

- New York City (\$3.00 box)
(Transit)
- Colorado (\$ 0.25)
(Transportation)



HOW MUCH COULD IT GENERATE?

- Scenario Planning (\$ 0.25; \$ 0.50; \$ 0.75; \$1.00 box)

<i>Fee as a Flat Charge on Retail Parcels Delivered to Consumers & Businesses (Millions \$)</i>					
Fee Rates:		\$0.25	\$0.50	\$0.75	\$1.00
Base Collections (2020):		\$180.4	\$360.8	\$541.2	\$721.5
	<i>Growth Rate</i>				
FY2021-22	8.90%	\$196.4	\$392.9	\$589.3	\$785.8
FY2022-23	6.02%	\$208.3	\$416.5	\$624.8	\$833.0
FY2023-24	7.92%	\$224.7	\$449.5	\$674.2	\$899.0
FY2024-25	7.99%	\$242.7	\$485.4	\$728.1	\$970.8
FY2025-26	8.60%	\$263.6	\$527.1	\$790.7	\$1,054.3
Total		\$1,135.7	\$2,271.4	\$3,407.1	\$4,542.8

WHAT ARE THE POLICY CONSIDERATIONS?

- Mode funding (Highway/Transit/Freight/Aviation/etc.)
- Percentage distributed locally
- Exempt certain shipments (e.g., prescriptions)
- Confirm ability to implement
- Others

QUESTIONS



TROC – MAINTENANCE FUNDING



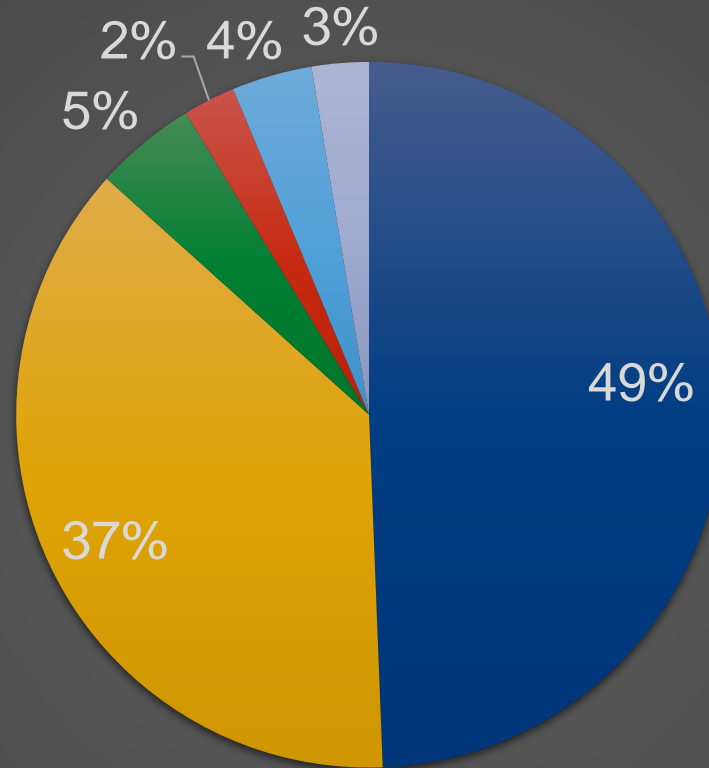
MICHAEL KEISER, P.E. ACTING DEPUTY SECRETARY FOR HIGHWAY ADMINISTRATION

BUDGET

- \$1.34 billion/year for maintenance in PA, funded through the Motor License Fund (MLF)
- Funding levels essentially fixed since the 2005/2006 SFY
- Presentation based on 2018/2019 budget data
- The \$1.34 billion addresses all maintenance needs across the Commonwealth plus critical maintenance support services
- Provide a breakdown of major expenses/unmet needs
- Best practices and efficiencies in maintenance

BREAKDOWN OF MAJOR EXPENSES

Maintenance Funding 2018-2019



- Payroll/Benefits
- Operations
- Facility Expenses
- Central Office
- District Office
- Capital Equipment

OPERATIONS

- Winter Services
- Core Maintenance Activities
 - Drainage
 - Shoulder cutting
 - Patching, crack sealing and seal coats
 - Bridge washing
 - Mowing/Brush clearing
 - Roadway signing, line painting
- Garage Costs
- Fuel
- Materials

NORMAL OPERATING EXPENSES

Administration/Upkeep of our Facilities & General Business Needs

- Repair/Maintenance costs of all facilities
- Maintaining rest areas and welcome centers
- Utility expenses
- Rent
- Office supplies
- Employee training administrative costs
- Safety apparel
- Other reoccurring expenses

EQUIPMENT

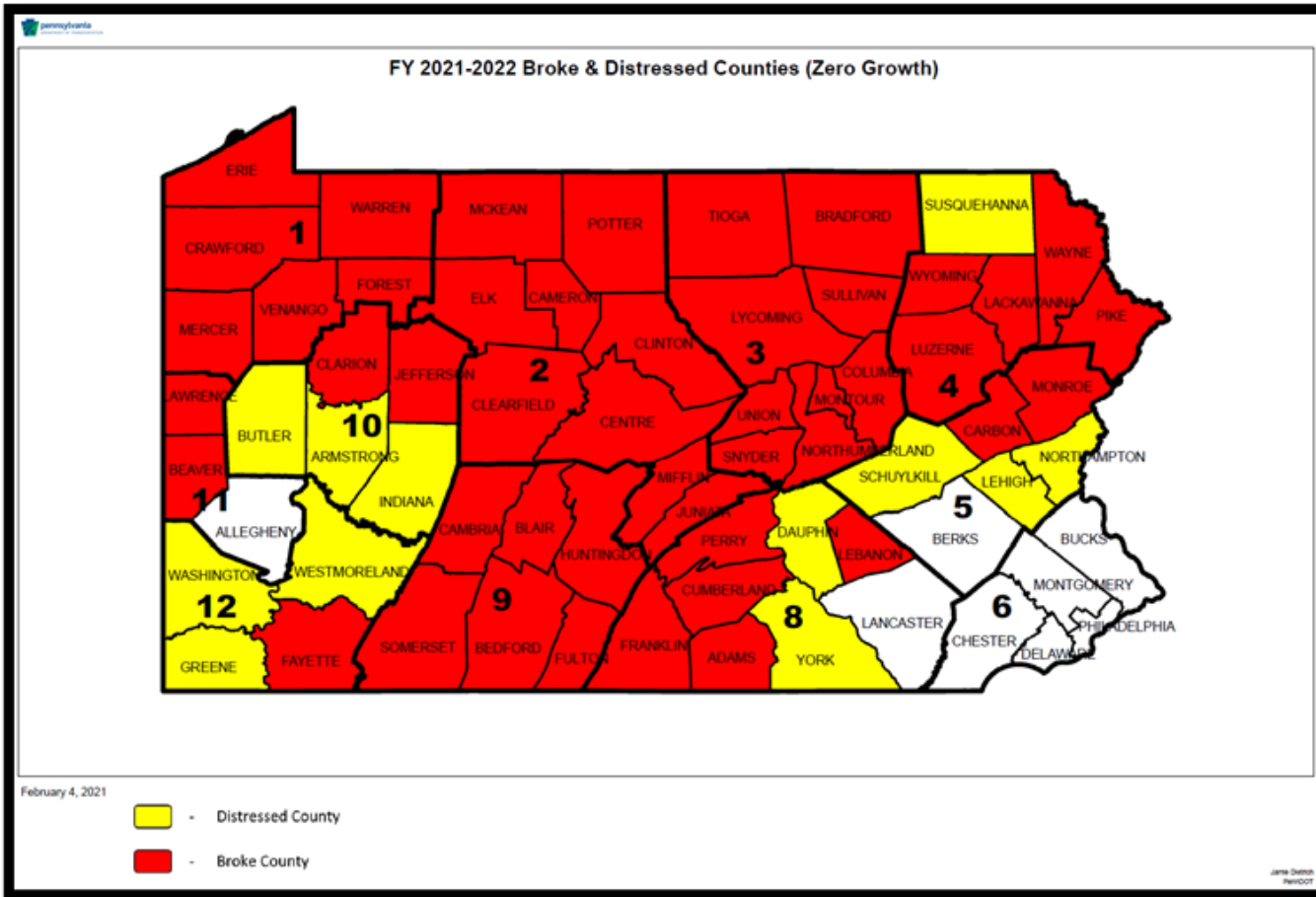
Fleet Management Division (FMD)

- Core Equipment (81%)
 - Dump trucks
 - Crew cabs
 - Loaders
- Support Equipment/Fleet Vehicles (19%)
 - Backhoes, excavators, gradalls, graders, skid steers, pavers, rollers, oil distributors, spray patchers, attenuators, etc.
 - Specialize equipment (paint trucks, bridge cranes)

MATERIAL COST

	Fiscal Year 2018 - 2019	
Material Type	Unit Cost	Total Expenditures (Millions)
Asphalt	\$55.35/ton	\$67.5
Anti-skid	\$18.03/ton	\$11.1
Aggregate	\$22.02/ton	\$23.5
Liquid Bituminous	\$1.62/gal	\$32.5
Seal Cost Stone	\$17.31/ton	\$12.9
Paint	\$1.23/gal	\$14.0
Salt	\$63.40/ton	\$57.9

BOTTOM LINE



- 47 of the 67 counties (70%) have reached the point where current funding levels do not support the completion of core maintenance activities and are defined as “Broke.”
- 12 additional counties have \$1M dollars or less to expand beyond core maintenance activities to address resurfacing and bridge replacement needs within the county. These counties are defined as “Distressed.”

ANNUAL MAINTENANCE UNMET NEEDS

- Unmet Non-NHS and Maintenance and Operations: \$4.1 Billion
 - Includes unmet County Maintenance Budgets of **\$600 Million** – PennDOT County Funding has been fixed at \$1.34 billion since the 05/06 State Fiscal Year. The \$600 million in unmet needs is simply an ***adjustment for inflation***
- The \$600 Million represents the floor or minimum additional funding considering the following:
 - To manage within current fiscal constraints, we have underfunded our investment in core/secondary equipment (extending service years of existing inventory) and the backlog of facility upgrades (maintenance offices, garages, etc.) continues to grow
- Funding limits in Maintenance also impacts our Annual Construction Program as less cash is available to address pavement resurfacing and preservation needs by Contract

BEST PRACTICES & EFFICIENCIES

- 11,375 Employees vs. > 22,000 Employees in the mid to late 70's
- Winter Services
 - Winter preparation – planning, recruiting, training & equipment
 - Salt brine/pretreating roadways
 - Routed rentals – rental equipment
 - Temporary operators (Filled 350 of the 663 authorized positions)
 - Equipment advances/technology
 - Winter Maintenance Agreements – leverage local resources
- Work & Associated Equipment Shifted to the Private Sector
 - Guiderail installation
 - Core borings
 - Mowing

BEST PRACTICES & EFFICIENCIES

- Regional and Combined Specialty Crews
 - Paving & surface treating
- County Accreditation – Review of all Operations for Cost Savings and Efficiencies
- Equipment Sharing – District & County Levels
- New High RAP Options for Lower Volume Roadways
- Mobile Equipment Teams
- Traffic Management Centers and Activation of Incident Command Centers

THANK YOU!



COMMISSION CHAIR'S CLOSING REMARKS



Secretary of Transportation,
Yassmin Gramian

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