PennDOT House Appropriations Statement

Chairman Saylor, Chairman Bradford, members of the Appropriations Committee, thank you for the opportunity to review our efforts to maintain and improve our state's transportation system.

Transportation is the backbone of Pennsylvania's economy and the cornerstone of quality of life. Goods movement is a necessity, as is people's ability to commute for work, to access health care, leisure activities, and family. Transportation provides and supports many Pennsylvanians' jobs.

In addition to our vast, multimodal responsibility across the state, our Driver and Vehicle Services operation provides online tools and operates 103 facilities for face-to-face customer service, ensuring commercial and personal driver licensing and testing, photo services and vehicle registration and inspection remain current and safe. We provide over-the-counter REAL ID services at 13 facilities, with further expansion planned.

Across our modes and assets, our long-standing needs have come to a head with recent events. We cannot deny the need for and consensus to act on transportation funding solutions.

COVID-19

Like other state agencies, we have had significant challenges from the pandemic but also found innovations. Our team - working at home, on our roadways, and in our driver license centers or offices - has adapted and shown incredible dedication in the face of this emergency. While we have experienced challenges and shown resiliency in our business practices because of the pandemic, this global situation has undoubtedly underscored our transportation revenue challenges.

COVID-19 has drastically impacted our funding, especially for highways and bridges. While the first round of federal relief, the CARES Act, did ensure transit operations could continue, it did not include road and bridge assistance. In the early days of the pandemic, we lost a significant amount of revenue almost entirely in the gas tax due to traffic reductions. Even with the return of traffic volumes to about 85 percent of normal, we're still expecting to be down a total of $600 million through June 2021. Actual losses through December of 2021 amounted to $450 million. To update, through January 2021 losses are near $500 million. While we lost less revenue than we initially thought, we don't anticipate recovering all of the losses.

Even before COVID-19 arrived, our funding situation forced us to adjust our maintenance efforts, focusing on lower-cost preservation activities and in some cases, scaling back operations. We had already reduced the size of our overall construction program steadily over the last several years due to revenue decreases and loss in buying power, from a high of $2.5 billion in 2015 to an intended $2.2 billion for 2020 before COVID. When the pandemic hit, we reduced our program by an additional $300 million to a revised $1.9 billion level, and when we had to postpone our December planned bids we ended the year at roughly $1.6 billion. We currently have our calendar-year 2021 total letting estimates at $1.9 billion and hope to increase that if revenues permit.
The pandemic also impacted other transportation modes such as public transit and aviation. Pennsylvania received $1.1 billion in federal CARES Act funding for rural public transportation. The department has worked with the Federal Transit Administration (FTA) to apply for these funds on behalf of rural agencies. Urban agencies receive their funding directly from the FTA. Pennsylvania received more than $440 million in the Coronavirus Response and Relief Supplemental Appropriation Act (CRRSAA) funding in December 2020 for public transportation, though it did not include rural transportation funding.

This federal CARES Act funding has helped agencies offset immediate operational losses due to the pandemic. CARES Act monies were able to fill the losses of ridership revenue and state reductions in funding. However, some agencies are anticipating reduced state revenues in FY 2021-2022 (for which they will not have CARES Act monies to replace) and are starting to analyze whether further reductions in service or furloughs will be required beyond the end of this fiscal year.

Additionally, the department is administering $3 million in total CARES funding for the state's 40 general aviation airports that are eligible to receive federal funding and are part of the State Block Grant Program. We await federal guidance on the amount available for Pennsylvania airports in the second CARES Act package.

OVERALL SYSTEM STATUS, NEEDS

Roadways

These new programs, federal requirements, and our subsequent funding-distribution changes have brought much attention to our interstate system. Many of the interstates in Pennsylvania were designed in the 1950s and constructed in the 1960s, and many major bridges on the interstate network are nearing the end of their useful life. These bridge assets on the interstate system serve as the economic backbone to communities, local businesses, and interstate commerce. Though rehabilitation or replacement is costly, their maintenance and preservation costs only increase over time. Since this network carries 26 percent of the total vehicle miles traveled in the state, it is imperative to keep these assets in a state of good repair.

But increasing focus on the 1,300-mile interstate network cannot result in a lack of investment on the non-interstate roadways. As of December 2019, 26 percent of the PennDOT-maintained roads that are not on the interstates or the rest of the National Highway System, are rated as "Poor" with the International Roughness Index. On non-NHS roadways with an average daily traffic volume of fewer than 2,000 vehicles, 33 percent of the miles are in "Poor" condition on the same scale. These lower-traffic roadways make up a large part of our system. In addition to a rougher ride, poor IRI may indicate insufficient pavement structure and the need to repair the pavement base.

There are 21,000 miles of PennDOT-owned, low-volume bituminous roadways maintained with seal coating (oil and chip) and resurfacing, mostly in rural areas. Twenty-four percent of these roadways have not seen more than basic maintenance in up to 20 years.

While nearly three quarters of our highway and bridge budget goes to the private sector, we must maintain a team and equipment to support safe travel. With the current Capital Equipment Budget funding levels, we are unable to maintain a cost-effective life cycle on our equipment fleet. We maintain more than 2,200 dump trucks and are unable to purchase the number of new units per year to maintain a successful life cycle. This also reduces the amount we can spend on other core equipment such as loaders, graders, and foreman crew cabs. The average cost of a dump truck in 1999 was $82,000, while today's dump truck cost is $210,000.

Bridges

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

We have made considerable progress, as the number of state-owned bridges in poor condition has decreased from a high of 6,034 in 2008 to roughly 2,500. We cannot rest on this progress since we have a large aging bridge population. In fact, we anticipate this number rising as bridges we have maintained and preserved cycle back to needing full replacements or more extensive repairs.

Additionally, all 558 bridges that were replaced through our Public-Private Partnership Rapid Bridge Replacement program are open to traffic. The overall project took five years compared to the normal eight to 12 years through standard project delivery and scheduling. This was added to the hundreds of bridge projects we and our private-sector partners addressed annually.

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

Transit

Public transportation is available in some form in every county in Pennsylvania and these services are critical in communities across the state. On average, 63 percent of the people who use these services say that they have no alternate means of transportation (based on responses in past transit-agency performance surveys). While transit provides millions of dollars in positive economic impact each year, providers have significant facility and equipment needs, not to mention the desire to provide more services to support Pennsylvanians who want more mobility options. Long-term, sustained investment is critical for our communities to thrive and residents to be supported.

Act 44 of 2008 relied on the Turnpike and its customers to pay for transportation benefits across Pennsylvania, requiring annual payments of $450 million that were divided between the statewide highway and bridge network and public transit. Act 89 modified the law to provide $450 million for transit until 2022. After 2022, the Turnpike's commitment lowers to $50 million and $450 million is to be provided from the General Fund annually via the state vehicle sales tax. But given the existing challenges and deficiencies in the General Fund, and that appropriation of those funds is not guaranteed, any loss of that funding stream means that we cannot meet the needs for state-of-good repair projects, a reliable transit fleet, expanded services, or the initiatives needed to grow to support our communities. We will remain engaged with lawmakers so the Legislature can find sustainable solutions to meet these challenges.

We also continue to advance improved technology services, efficiencies, and projects that will enhance operations as well as customers' experiences. Operations and service will be further enhanced through facility projects including our Compressed Natural Gas (CNG) public-private partnership and other improvements. The CNG project allows participating transit agencies to convert vehicle fleets to CNG, saving more than $5 million annually when fully implemented. Several sites will allow for public fuel sales where consumers can access CNG fuel. The project is nearing the end of construction, with 19 stations complete and five stations to be completed. Additionally, we have begun various facility projects across the state, including sites in Butler, Cambria, Luzerne, Schuylkill, and Westmoreland counties.

Our federally mandated support of Amtrak service continues and we're doing all we can to advance station projects. The Middletown station and parking improvements in Lancaster are in construction. The Coatesville Train Station will begin construction this year. Additional capital improvements in Lancaster, Downingtown and Parkesburg will continue development. We are also working with Norfolk Southern on a feasibility study for increasing train service frequency on the Pennsylvanian service to Pittsburgh.

We remain committed to providing and enhancing these critical services for Pennsylvanians.

EVOLVING TRANSPORTATION FUNDING

In discussions of funding needs, stakeholders may presume that funding provided in Act 89 of 2013 – primarily through gas-taxes – already provide adequate funding. They don't. It's true that 74 percent of our highway and bridge funding comes from state and federal gas taxes, and Act 89 accelerated or made possible thousands of projects. We've completed nearly 4,000 projects worth more than $10 billion since the Act's passage in 2013. We have more than 500 projects underway worth more than $4.5 billion, and roughly 1,700 projects on our four or 12-year plans.

While historic and much-needed, Act 89 didn't meet the minimum needs identified by the Transportation Funding Advisory Commission in 2011 and our funding gap has only grown wider. The Transportation Advisory Committee advised in a February 2019 Transportation Funding Risks Report that when considering risks from any potential funding legislation changes, along with projected decreasing revenues, the total cumulative risk to Pennsylvania transportation funding through 2030 is $18.5 billion. These encompassed the cumulative risks to funding at that time, and the department has refined its broader needs since then. Federal funding hasn't seen a dramatic increase since 1993, fuel efficiency and fleet conversion to electric vehicles is accelerating, and now the global pandemic is compounding the dramatic impacts in meeting our mission. Our current projections indicate the annual funding gap for highways and bridges to be $8.1 billion. This includes a gap of nearly $1.2 billion just to keep up with routine activities by our maintenance forces such as winter operations and vehicle fleet management, signage, litter control, and core maintenance activities which preserve our assets. Federal requirements and available resources have forced PennDOT to direct more funding toward our aging interstates at the expense of funding in our local planning regions, thus resulting in deferred projects on regional state highways.

The auto industry has committed $225B to EVs.

Ford:	40 models by 2022
Chrysler:	12 models by 2022
Volkswagen:	50% of models by 2030
Honda:	All models w/ option by 2022
GM:	All models by 2035
BMW:	15-25% of sales by 2025
Toyota:	50% of sales by 2025
Volvo:	50% of sales by 2025

Legislative action in 2016 to reduce funding for the Pennsylvania State Police from the motor license fund is helpful to PennDOT but increases general fund support for PSP. The administration recognizes it is critical to ensure PSP meets their mission and that state budget impacts are minimized as demands on their services grow. Governor Wolf has once again proposed reasonable municipal fees for PSP support and PennDOT supports that proposal. Relative to PennDOT funding, gradually reducing this allotment from $800 million annually to a planned target of $500 million by the 2027-28 fiscal year is providing some aid to maintenance and construction projects. However, the $32 million annual adjustment does not keep pace with inflation in either category.

Delays in projects have asset-condition costs as well as financial costs. Considering even a modest inflation rate of 3 percent, each year the cost of those projects would increase by an additional $30 million due to escalation costs – while our revenues are declining. As our needs continue to grow and significant risks to existing revenues are identified, we, as an agency, are forced to look to alternative means of funding that are emerging across the nation. The following table outlines our additional unmet needs over 10 years.

TRANSPORTATION UNMET FUNDING NEEDS (Figures in Millions of Dollars)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
National Highway System	1,900	1,995	2,095	2,199	2,309	2,425	2,546	2,673	2,807	2,948
System Modernization and Upgrades	2,100	2,205	2,315	2,431	2,553	2,680	2,814	2,955	3,103	3,258
Non-NHS and Maintenance & Operations	4,100	4,305	4,520	4,746	4,984	5,233	5,494	5,769	6,058	6,360
Facilities	50	53	55	58	61	64	67	70	74	78
Multimodal	1,200	1,260	1,323	1,389	1,459	1,532	1,608	1,689	1,773	1,862
Total Transportation Funding Need	9,350	9,818	10,308	10,824	11,365	11,933	12,530	13,156	13,814	14,505

Models of road user charges and vehicle miles traveled are emerging and being studied and piloted. In fact, PennDOT has taken part in three Mileage-Based User Fee pilot studies conducted by the Eastern Transportation Coalition. This is a promising approach, and we are part of the conversation as those technologies and necessary infrastructure develop. The current Federal Administration has interest in advancing this concept.

In 2020, Secretary Gramian created the Office of Alternative Funding. This office has been charged with developing an Alternative Funding Program for PennDOT and will be investigating various alternative funding strategies to help augment our current revenue sources. In November, through the office, the department launched a new initiative called PennDOT Pathways, through which we'll analyze new future-focused sources of funding for our overall transportation systems that could better serve our communities.

As a part of PennDOT Pathways, we're embarking on a Planning and Environmental Linkages, or PEL, study. This document will serve as the programmatic framework for how PennDOT will study and potentially implement various alternative highway and bridge funding strategies in Pennsylvania. High-level strategies will be considered, including, but not limited to: Congestion Pricing, Managed Lane concepts, bridge tolling, system-wide tolling, cordoned pricing, and Vehicle Miles Traveled concepts. In addition to sustainable funding, these options could reduce congestion and improve travel reliability and air quality, improving Pennsylvanians' quality of life with better infrastructure and connectivity.

The first, short-term alternative funding concept coming out of the PennDOT Pathways program is the Major Bridges P3 Initiative aimed at replacing or rehabilitating major bridges on the

Interstate system and other expressways, as appropriate. Approved by the Pennsylvania Public-Private Partnership (P3) Board on November 12, 2020, it pursues the replacement or rehabilitation of major bridges through the Design-Build, Finance, Operate and Maintain method of P3 project delivery.

This program seeks to provide self-sustaining revenues to address major bridge deficiencies that might otherwise not be feasible with existing funding in turn providing relief to the Interstate Transportation Improvement Program (TIP) as well as regional TIPs so that other important transportation projects on the state system can continue to proceed through the project development process. The project also ensures users (including out-of-state traffic) contribute fairly to the replacement or rehabilitation of the bridges based on usage, while their fuel-tax dollars go toward other improvements.

On February 18, we announced the nine candidate bridges we're considering for this P3 project. We can assure the constituents and officials that their feedback will be heard and we are proceeding methodically. This program intends to fund these bridge projects with new toll revenues. If a bridge wouldn't generate enough toll revenue at a reasonable toll rate to fund its construction and maintenance, it will not be included in this program. Additionally, PennDOT is required by the National Environmental Policy Act (NEPA) to conduct public outreach for each of these candidate locations. Special emphasis will be placed on identifying and evaluating economic impacts to under-served populations, as well as direct and indirect impacts as a result of potential diversions from tolls. If warranted, appropriate mitigation strategies will be deployed in conjunction with these federally mandated environmental studies. If the toll rates needed to achieve all of this exceed reasonable rates, the location will be dropped from the candidate list.

Driver and Vehicle Services – Enhancing the Customer Experience

PennDOT Driver and Vehicle Services (DVS) is focused on improving the customer experience enterprise wide. On January 1, 2020, the Enhancing the Customer Experience initiative began and will span over 10 years. This initiative is a holistic approach to enhancing every customer's experience at each touch point. Some of the improvements will be customer facing – such as new or enhanced facilities – while others will be made in systems and processes to create a more efficient environment to serve customers quickly and accurately. Enhancing the Customer Experience will focus on exceeding customer expectations through the innovative use of technology, updated facilities, hiring and training of dynamic staff and through improved interaction with the individual customer.

A positive customer experience is critical to DVS and ensures a lasting impression of government that works. With the evolution of the private-sector business model, customers now compare us to cutting-edge businesses. The customers' experience will be integrated into all processes within DVS.

To date, we added staff to our busier driver license centers to provide an initial point of contact, upon entrance, to assist customers by facilitating their visit to the driver license center. This "triage" staff offers customers a review of documents, assistance with choosing the correct service queue, and answers to any questions that might arise about required forms, wait times, etc. In addition, in January 2021 PennDOT opened an additional REAL ID Driver License Center in Jeanette. The new center offers same-day over-the-counter REAL ID products.

REAL ID

PennDOT began issuing REAL ID products on March 1, 2019, and on May 17, 2019, the Department of Homeland Security (DHS) issued a Final Determination of Compliance to Pennsylvania, which means federal agencies can accept REAL ID driver's licenses and identification cards from Pennsylvania for boarding domestic commercial flights, entering Federal facilities and entering nuclear power plants.

PennDOT anticipates an estimated 25 percent of the current 10.1 million Pennsylvania Driver License and Identification (DL/ID) Card holders will acquire a REAL ID product – roughly 2.5 million current Pennsylvania DL/ID holders. Of those customers, we expect 1.3 million will request a REAL ID product before October 1, 2021, the date DHS has indicated it will no longer provide any additional compliance extensions. This date was an extension of the previous deadline in 2020, moved by DHS due to the pandemic. As of the close of business on February 16, 2021, PennDOT has issued 1,062,583 REAL ID products.

For residents who require a REAL ID immediately for travel or other purposes, and to help address the expected surge of additional customers seeking a REAL ID as October approaches, PennDOT has established 13 locations that meet federal standards for the over-the-counter issuance of REAL ID products. In addition to the department's public-education efforts, we are part of a coalition among federal, state, and private-sector partners that started this year to collaborate on communications to prepare travelers for the enforcement deadline this fall.

Dismantling Systemic Racism and Inequities

Amid our challenges, we continue evolving as an organization. Diversity and inclusion have become central themes at PennDOT in recent years, and this was underscored by Governor Wolf's directive toward Dismantling Systemic Racism and Inequities.

We recently wrapped up months of work reviewing our strengths and opportunities. We plan to take additional steps in the realms of our internal activities, contracting, public involvement, community investment, and Boards and Commissions.

The department looks forward to sharing more details in the coming months as we advance our goals of equity as an organization, business partner, and builder of our communities.

Moving Forward

PennDOT touches residents' lives every day. Our team is making improvements, enhancing equity in our organization and in transportation systems for all people, and – as always – aiming at a safer, more connected Pennsylvania.

We have started taking the bold steps within our purview to address our systemic funding challenges and move toward the future. Your partnership and action is critical to not just plugging the leaks in our funding framework, but to also help move us to a more reliable system for the future.