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.
SCHEDULE/MILESTONE REVIEW

March
Initiate strategic proposal and establish the need

April
Generate and evaluate options

May
Identify initial recommendations

June
- Complete recommendations and rationale
- Complete other sections of strategic proposal

July
- Review, revise and finalize report
- Submit to the Governor by August 1st

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’ REVENU PROJECTIONS
COMBINED RESULTS

Surplus Revenue

Remaining Gap

Addressed Gap

Today's Projected Funding Gap

$2,691,800,000

$5,713,668,720

$11,365,000,000

$1,000,000,000

$3,000,000,000

$5,000,000,000

$7,000,000,000

$9,000,000,000

$11,000,000,000

$13,000,000,000

$15,000,000,000

$11,000,000,000

$5,000,000,000

$3,000,000,000

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$3,000,000,000

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$9,000,000,000

$11,000,000,000

$13,000,000,000

$15,000,000,000

$11,365,000,000
COMBINED RESULTS

Overall Annual Revenue

- PA State Police: $673,000,000
- Fees: $1,138,800,000
- Taxes: $535,000,000
- Tolling: $2,600,000,000
- Other: $547,000,000
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 my reduce by $2 B)
- Implementation might begin at 3 or 4 cents/mile and increase for urgent needs
MBUF Considerations

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

Corridor Tolling

$0 - $2,350,000,000
Managed Lanes (Limited Lane Tolling)

$250,000,000
Vehicle Registration Fee: $750,000,000
Vehicle Lease Fee: $67,000,000
Transportation Network Companies (Uber, Lyft, etc.): $200,000,000
Vehicle Rental Fee: $120,000,000
FEES

Electric Car Fee: $1,500,000
Aircraft Registration Fees: $300,000
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
Not projected as significant revenue options for transportation funding at present:

- Legalized recreational marijuana
- Gambling proceeds
- American Rescue Plan
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
PACKAGE TAX/FEE FEASIBILITY

JENNIE GRANGER, DEPUTY SECRETARY FOR MULTIMODAL TRANSPORTATION
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)**

<table>
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<tr>
<th>Fee Rates:</th>
<th>$0.25</th>
<th>$0.50</th>
<th>$0.75</th>
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<td>Base Collections (2020):</td>
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<tr>
<td>$180.4</td>
<td>$360.8</td>
<td>$541.2</td>
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<td>Growth Rate</td>
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<td>FY2021-22</td>
<td>$196.4</td>
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<td>$790.7</td>
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<td>Total</td>
<td>$1,135.7</td>
<td>$2,271.4</td>
<td>$3,407.1</td>
<td>$4,542.8</td>
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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
TROC – MAINTENANCE FUNDING

MICHAEL KEISER, P.E.  ACTING DEPUTY SECRETARY FOR HIGHWAY ADMINISTRATION
$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: 49%
- Operations: 37%
- Facility Expenses: 5%
- Central Office: 3%
- District Office: 4%
- Capital Equipment: 2%
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
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)
<table>
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<tr>
<th>Material Type</th>
<th>Unit Cost</th>
<th>Total Expenditures (Millions)</th>
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<tr>
<td>Asphalt</td>
<td>$55.35/ton</td>
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<td>Anti-skid</td>
<td>$18.03/ton</td>
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<td>Aggregate</td>
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<td>Liquid Bituminous</td>
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<td>Seal Cost Stone</td>
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<td>Paint</td>
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<tr>
<td>Salt</td>
<td>$63.40/ton</td>
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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.”
• 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
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