

**2010 Special Session on Transportation**  
**Transportation Funding and Reform Proposed Legislation**

Overview

This proposed legislation increases funding for transportation and establishes specific reforms.

(1) The following table compares the proposed alternative to the Governor's :

<b>Comparison for FY 2011/12 (First Full Year)</b>	<b>Governor's Proposal</b>	<b>Governor's Proposal</b>	<b>Alternative Proposal</b>
	<b>Adm. Revenue Est.</b>	<b>HACD Revenue Estimate*</b>	
	<b>Millions of Dollars</b>		
<b>TOTAL TRANSPORTATION FUNDING</b>	<b>1,009.0</b>	<b>874.6</b>	<b>1,286.8</b>
<b>TOTAL TRANSIT FUNDING:</b>	<b>299.7</b>	<b>229.8</b>	<b>501.8</b>
Total Transit Funding for Operating	49.7	38.2	50.2
Total Transit Funding for Capital (Asset Improvement)	249.9	191.7	451.6
<b>TOTAL HIGHWAY FUNDING:</b>	<b>709.3</b>	<b>644.8</b>	<b>785.0</b>
Total dedicated for State Highways and Bridges	240.7	184.6	435.5
Total dedicated for Municipal Highway and Bridges	30.4	23.3	55.1
Total dedicated for County Highway and Bridges	5.5	4.2	10.0
Unrestricted Revenue for Motor License Fund	432.6	432.6	284.4

(\*HACD used a more conservative revenue estimate. With the \$450 million payments from the Pennsylvania Turnpike Commission that still are forthcoming because of Act 44, the \$1.3 billion alternative proposal brings the total funding to \$1.75 billion consistent with the recommendation of the Governor's Commission on Transportation Funding and Reform in 2006.)

(2) The reforms consist of eight specific elements. The proposed legislation:

- (i) Allows for transportation-related public private partnerships;
- (ii) Requires boards of transit systems to adopt a policy on fare revenue growth equal to inflation;
- (iii) Provides incentives for transit systems to merge or consolidate;
- (iv) Establishes guidelines for minimum qualifications for transit agency board members;
- (v) Requires transit unions to provide 72-hour public notice prior to a work stoppage;
- (vi) Directs PennDOT to create a best practice manual for transit-oriented development;
- (vii) Directs the Legislative Budget and Finance Committee to study and recommend how the State can more efficiently provide human service transportation services; and
- (viii) Makes technical change relative to fund availability in the Public Transportation Trust Fund

Revenue Sources and Flow of Funds:

The proposed legislation has three revenue sources: a new 8 percent tax on the gross profits of oil companies; a 52 mill (6.5¢) per gallon increase in the Oil Company Franchise Tax; and increases in PennDOT fees to reflect the growth in inflation. Starting in 2012, the additional Oil Company Franchise Tax and the increases in the PennDOT fees will grow with the rate of inflation up to 1.5 percent per year. The estimates shown reflect the first full year of funding (FY 2011/12). Funding for FY 2010/11 will be less depending on the timing of passage.

See table on next page.

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Comparison for FY 2011/12 (First Full Year)	Governor's Proposal		Governor's Proposal		Alternative Proposal	
	Adm. Revenue Est.		HACD Revenue Estimate			
	Millions \$	%	Millions \$	%	Millions \$	%
<b>REVENUE COMPONENTS OF TRANSIT FUNDING:</b>						
<b>Transit Funding from Oil Company Gross Profits Tax</b>	<b>299.7</b>		<b>229.8</b>		<b>353.6</b>	
Portion for Transit Operating	49.7	16.6%	38.2	16.6%	50.2	14.2%
Portion for Transit Capital (Asset Improvement)	249.9	83.4%	191.7	83.4%	303.4	85.8%
<b>Revenue from Title 75 Fees (dedicated to capital)</b>	<b>0.0</b>		<b>0.0</b>		<b>148.2</b>	
<b>REVENUE COMPONENTS OF HIGHWAY FUNDING:</b>						
<b>Revenue from Increased Title 75 Fees Per Inflation</b>	<b>432.6</b>		<b>432.6</b>		<b>284.4</b>	
<b>Revenue from Oil Company Gross Profits Tax</b>	<b>276.6</b>		<b>212.2</b>		<b>88.4</b>	
State Highways and Bridges	240.7	87.0%	184.6	87.0%	76.9	87.0%
Municipal Highway and Bridges	30.4	11.0%	23.3	11.0%	9.7	11.0%
County Highway and Bridges	5.5	2.0%	4.2	2.0%	1.8	2.0%
<b>Revenue from Oil Company Franchise Tax</b>	<b>0.0</b>		<b>0.0</b>		<b>412.2</b>	
State Highways and Bridges					358.6	87.0%
Municipal Highway and Bridges					45.3	11.0%
County Highway and Bridges					8.2	2.0%

Oil Company Gross Profits Tax

The Oil Company Gross Profits tax is an excise tax on oil companies that engage in exploration, drilling, refining, or wholesale distribution of petroleum products. The tax base is the gross profits of a unitary business as reported on federal income tax returns and apportioned to Pennsylvania. A unitary business means the tax base includes the profits of any subsidiaries, parent companies, and interrelated companies of a commonly controlled group. An oil company which uses capital, owns property, or transacts business in PA that results in a financial gain or profit would pay the 8 percent tax on the gross profits apportioned to Pennsylvania. **This tax is in lieu of the corporate net income tax.** Oil companies will be required to remit estimated payments of their tax liability on a quarterly basis.

A small portion (7.3 percent or \$35 million out of \$477 million for FY 2011/12) of the new revenue from this tax will be deposited in the General Fund in order to compensate for the loss of corporate net income tax revenue from oil companies. The remaining revenue is divided between transit (80%) and highways (20%). Of the revenue designated for transit, 85.8 percent would be earmarked for capital projects and 14.2 percent for operating. Of the revenue designated for highways, 87 percent would be earmarked for state highway and bridge projects; 11 percent for municipal highways and bridges distributed equally based on population and local road mileage; and 2 percent for county highway and bridges distributed based upon bridge deck area of county bridges.

Difference in Oil Company Gross Profits Tax Revenue Estimate from Governor

The House Committee on Appropriations (D) estimate of Oil Company Gross Profits Tax revenue is more conservative than the Governor's estimate. The Administration estimated net revenue of \$576 million for the first full fiscal year, but the HACD estimate is \$442 million. The administration's revenue estimate is based on data that includes products that would not be subject to the tax, such as coal and household products containing petroleum.

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#### Oil Company Franchise Tax

Oil companies also are subject to the Oil Company Franchise Tax, which is assessed on the average wholesale price of fuels used for transportation, that is, gasoline and diesel fuel. State law establishes a minimum wholesale price of 90¢ per gallon and a maximum wholesale price of \$1.25 per gallon. The current millage rates are 153.5 mills on each gallon of gasoline and 208.5 mills on each gallon of diesel fuel, which is equivalent to 19.2¢ per gallon on gasoline and 26.1¢ per gallon on diesel fuel. This bill adds an additional 52 mills on both gasoline and diesel fuel, which is equivalent to 6.5¢ per gallon given today's average wholesale price. In order to stabilize revenue growth over the long term, this additional tax will grow each year by the rate of inflation up to 1.5 percent, which is lower than historic inflation rates. The revenue would be distributed as follows: 87 percent would be earmarked for state highway and bridge projects; 11 percent for municipal highways and bridges distributed equally based on population and local road mileage; and 2 percent for county highway and bridges distributed based upon bridge deck area of county bridges.

#### PennDOT Fees

The bill will increase fees now found in Title 75, Pa.C.S., so the new fees reflect the rate of inflation from the time they were last changed, which varies for the different fees. In addition, beginning in 2012, the fees will increase annually by the rate of inflation up to 1.5 percent. Of the total \$432.6 million expected to be raised by the increases, the Administration has identified \$148.2 million in fee revenue that may be used for either highways or transit. Article VIII, Section 11, of the Pennsylvania Constitution restricts the use of the proceeds from registration and licensing fees to highways and the public safety of highways. However, the Administration has identified other fees in Title 75 the proceeds of which do not fall under this restriction, thus enabling the General Assembly to direct the revenue to other uses. The proposed legislation directs the revenue from these non-restricted fees for transit. The revenue designated for highways will be deposited in the Motor License Fund as unrestricted revenue.

*See attached table on page 5 for a complete listing of all fees.*

#### Private Public Partnerships:

The proposed legislation creates a chapter in Title 74 (Transportation), Pa.C.S., allowing for transportation-related public private partnerships which may provide private-sector funding opportunities for specific projects. The language is the product of a bipartisan, bicameral workgroup that included the input of the Administration and various stakeholders.

*See separate summary for more details.*

#### Fare Revenue Growth Policies

As a condition to receive state subsidies, the proposed legislation requires all governing boards of transit agencies to adopt a statement of policy outlining basic principles for adjustment in fare revenue growth to meet the rate of inflation.

#### Incentives for Transit System Mergers and Consolidation

Current law establishes priorities for funding transit capital projects under the Asset Improvement program. The proposed legislation adds mergers and consolidation of transit agencies as one of these priorities.

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#### Guidelines for Minimum Qualifications for Board Members

The proposed legislation establishes guidelines for the minimum qualification of governing board members for transit systems as follows:

- Be a reputable citizen of the Commonwealth, of mature judgment and broad experience.
- Have professional background expertise, or substantial experience in one or more of the following areas:
  - Transportation
  - Finance
  - Law
  - Land use and public planning
  - Human Services
- Demonstrate an interest in public transportation through support of the organization's mission, values and vision.

#### Public Transit Strike Notification Requirement:

The proposed legislation requires collective bargaining units to give the public 72 hours notice prior to a work stoppage. Notice is defined as holding a press conference attended by representatives of major newspapers, television stations, and news radio stations in the region served by the transit agency for which the work stoppage is being called. Violations of this notification requirement will be a summary offense. Union leaders who call the work stoppage will be subject to a \$500 fine for each hour the work stoppage occurs prior to the required 72 hours notice. Participating union members will be fined \$50 for each hour. Failure to pay the fine may result in imprisonment of up to 120 days for union leaders who called the work stoppage or up to 12 days for participating union members.

#### Best Practices for Transit-Oriented Development:

The proposed legislation directs the Department of Transportation to develop a manual on the best practices for transit oriented development and to make the manual available to local transportation organizations and local governments.

#### Study to Make Human Services Transportation More Efficient

The proposed legislation charges the Legislative Budget and Finance Committee to study human services transportation, which is now operated across three agencies—the Departments of Aging, Public Welfare, and Transportation—and make recommendations on how to more efficiently provide those services. The LBFC is directed to issue its report within one year of the effective date of the act.

#### Technical Change on Availability of Funds

The proposed legislation makes the technical change that ensures availability of funds within the Public Transportation Trust Fund to help PennDOT better manage the flow of funds to transit agencies.

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PennDOT Fees (Data per Administration)							
Year Last increased	Fee Description	Transactions 2009	FY 2008/09 Revenue	Current Fee	Increase based on CPI		
					New Fee	Fee Increase	New Revenue
<b>Proceeds restricted to Highway Use Only</b>			<b>(000\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(000\$)</b>
2003	Drivers License Fee (4 year renewal)	2,353,350	\$49,239	\$21.00	\$25.00	\$4.00	\$9,413
1997	Passenger Car Registration	7,829,113	\$283,896	\$36.00	\$49.00	\$13.00	\$101,778
1997	Truck Class 1 - Registration	721,896	\$43,327	\$58.50	\$80.00	\$21.50	\$15,521
1997	Truck Class 2 - Registration	623,458	\$49,419	\$81.00	\$110.00	\$29.00	\$18,080
1997	Truck Class 3 - Registration	188,139	\$27,110	\$153.00	\$208.00	\$55.00	\$10,348
1997	Truck Class 4 - Registration	108,342	\$19,610	\$198.00	\$269.00	\$71.00	\$7,692
1997	Truck Class 5 - Registration	34,420	\$7,264	\$243.00	\$330.00	\$87.00	\$2,995
1997	Truck Class 6 - Registration	30,046	\$8,038	\$288.00	\$390.00	\$102.00	\$3,065
1997	Truck Class 7 - Registration	20,924	\$5,601	\$355.50	\$482.00	\$126.50	\$2,647
1997	Truck Class 8 - Registration	39,319	\$13,826	\$405.00	\$540.00	\$144.00	\$5,662
1997	Truck Class 9 - Registration	5,926	\$1,454	\$472.50	\$640.00	\$167.50	\$993
1997	Truck Class 10 - Registration	18,322	\$7,566	\$567.00	\$768.00	\$201.00	\$3,683
1997	Truck Class 11 - Registration	5,670	\$1,331	\$621.00	\$841.00	\$220.00	\$1,247
1997	Truck Class 12 - Registration	5,912	\$1,144	\$657.00	\$890.00	\$233.00	\$1,377
1997	Truck Class 13 - Registration	2,717	\$586	\$697.50	\$945.00	\$247.50	\$672
1997	Truck Class 14 - Registration	2,897	\$1,195	\$751.50	\$1,018.00	\$266.50	\$772
1997	Truck Class 15 - Registration	4,636	\$2,153	\$828.00	\$1,122.00	\$294.00	\$1,363
1997	Truck Class 16 - Registration	7,198	\$4,646	\$882.00	\$1,195.00	\$313.00	\$2,253
1997	Truck Class 17 - Registration	8,579	\$4,898	\$999.00	\$1,353.00	\$354.00	\$3,037
1997	Truck Class 18 - Registration	1,664	\$981	\$1,111.50	\$1,506.00	\$394.50	\$656
1997	Truck Class 19 - Registration	2,340	\$1,628	\$1,165.50	\$1,579.00	\$413.50	\$968
1997	Truck Class 20 - Registration	26,341	\$26,191	\$1,251.00	\$1,694.00	\$443.00	\$11,669
1997	Truck Class 21 - Registration	301	\$222	\$1,597.50	\$2,164.00	\$566.50	\$171
1997	Truck Class 22 - Registration	173	\$209	\$1,633.50	\$2,212.00	\$578.50	\$100
1997	Truck Class 23 - Registration	20	\$30	\$1,651.50	\$2,237.00	\$585.50	\$12
1997	Truck Class 24 - Registration	31	\$48	\$1,669.50	\$2,261.00	\$591.50	\$18
1997	Truck Class 25 - Registration	39,432	\$35,957	\$1,687.50	\$2,286.00	\$598.50	\$23,600
1997	Motor Home Class 1 - Registration	4,586	\$220	\$45.00	\$61.00	\$16.00	\$73
1997	Motor Home Class 2 - Registration	7,777	\$517	\$63.00	\$86.00	\$23.00	\$179
1997	Motor Home Class 3 - Registration	24,246	\$1,986	\$81.00	\$110.00	\$29.00	\$703
1997	Motorcycle - Registration	388,923	\$7,239	\$18.00	\$25.00	\$7.00	\$2,722
1997	School Bus - Registration	31,194	\$461	\$24.00	\$33.00	\$9.00	\$281
1997	Buses (All classes) - Registration	22,878	\$2,287	Various	Various		\$810
1997	Ambulance, Taxi, Hearse - Registration	6,150	\$261	\$54.00	\$74.00	\$20.00	\$123
1997	Antique, Classic, Collectible Vehicle - Registration	10,489	\$768	\$75.00	\$102.00	\$27.00	\$283
1997	Farm Vehicles - Registration	13,638	\$1,898	Various	Various		\$669.99
1997	Duplicate Registration Card (Registration, transfer/renewal, replacement)	730,932	\$1,103	\$1.50	\$3.00	\$1.50	\$1,096
1997	Duplicate Registration Card (Any other time)	84,287	\$373	\$4.50	\$7.00	\$2.50	\$211
1997	Replacement License	368,080	\$1,856	\$5.00	\$7.00	\$2.00	\$736
1997	Transfer of Registration plate	885,664	\$5,079	\$6.00	\$9.00	\$3.00	\$2,657
1997	Dealers and miscellaneous motor vehicle business		\$3,650	Various	Various		\$1,292.10
1995	Reinstatement of Operating Privilege or Vehicle Registration - Re	36,022	\$1,874	\$50.00	\$72.00	\$22.00	\$792
1980	Trailers 3,000 or Less	612,052	\$3,985	\$6.00	\$16.00	\$10.00	\$6,121
1980	Trailers 3,001 to 10,000	289,726	\$3,642	\$12.00	\$32.00	\$20.00	\$5,795
1980	Trailers 10,001 or more	172,296	\$1,950	\$27.00	\$71.00	\$44.00	\$7,581
1980	Temporary and electronically issued registration plates	1,587,569	\$8,091	\$5.00	\$14.00	\$9.00	\$14,288
1977	Leamer's Permit	344,991	\$1,908	\$5.00	\$18.00	\$13.00	\$4,485
Various	Personal registration plates	14,731	\$293	\$20.00	\$51.00	\$31.00	\$448
1990	CDL License	122,098	\$4,757	\$10 to \$40	Various		\$3,187.19
1995	Hazmat	17,794	\$184	\$10.00	\$15.00	\$5.00	\$78
2003	Occupation Limited License	4,820	\$241	\$50.00	\$60.00	\$10.00	\$45
1982	Uncollectible Checks	19,104	Not Available	\$ 10.00	\$36.00	\$26.00	Not Available
<b>Subtotal</b>			<b>\$652,192</b>				<b>\$284,448</b>
<b>Proceeds (Increase) could be used for either Highways and/or Transit</b>							
1997	Certificate of Title	3,069,345	\$67,914	\$22.50	\$31.00	\$8.50	\$26,089
1982	Inspection Stickers	10,280,580	\$20,555	\$2.00	\$5.00	\$3.00	\$30,842
1980	Recording/Changing Amount of Security Interest on a Title	922,882	\$4,665	\$5.00	\$14.00	\$9.00	\$8,306
1977	Semiannual Certificate of Inspection	415,255	\$418	\$1.00	\$4.00	\$3.00	\$1,246
1977	ID Card (4 year renewal)	183,937	\$1,674	\$5.00	\$18.00	\$13.00	\$2,391
1977	Driver Information	6,078,595	\$31,417	\$5.00	\$18.00	\$13.00	\$79,022
1977	Certified Copies of Records	11,614	\$100	\$10.00	\$36.00	\$26.00	\$302
<b>Subtotal</b>			<b>\$126,743</b>				<b>\$148,198</b>
<b>Total</b>			<b>\$778,935</b>				<b>\$432,646</b>