PennDOT House Appropriations Statement

Chairman Saylor, Chairman Bradford, members of the Appropriations Committee, thank you for the opportunity to review where we stand with managing transportation for the Commonwealth of Pennsylvania.

Maintaining and expanding Pennsylvania's transportation system is vital to keeping its businesses connected to the global economy. For every billion we invest, 25,000-30,000 good paying jobs are created in industries like construction. Of PennDOT's highway and bridge investments, more than 73 percent currently goes to the private sector. An investment in PennDOT is an investment in businesses and improving our infrastructure.

Investing in our transportation network goes beyond maintaining what we have – it needs to include modernizations that will prepare our infrastructure for the changes coming with connected and automated vehicles, along with advanced traffic management strategies.

We are making headway on the needs of maintaining and improving the network of roughly 40,000 miles of state-owned roads and roughly 25,000 state-owned bridges, 35 fixed route transit systems, 130 public use airports, 259 private use airports, 277 private-use heliports, three ports and the privately-owned network of more than 5,600 miles of freight railroad lines. Our fuel taxes and various transportation fees support construction and maintenance on another 78,000 miles of municipal and county roads, along with 6,400 local bridges.

PennDOT issued contracts for 1,162 bridge projects and 2,583 roadway and other improvement projects worth approximately $9.92 billion since January 2015. In that same time, we improved more than 20,400 miles of roadway and improved 1,930 bridges.

However, we stand to lose that momentum and our progress on interstate conditions without additional investment, since preservation treatments will lose their effectiveness and do not replace the need for rehabilitation or reconstruction. Also, based on projected revenues, revenue losses from increased fuel efficiency as well as inflation, significant emergency funding needs this past year, and fiscal management of our large program, we anticipate $2.2 billion in construction lettings in 2019 compared to $2.5 billion in 2018. This is the first time the lettings will be below $2.4 billion since Act 89 was passed.

System Progress, Opportunities and Challenges

Pennsylvania has one of the largest interstate systems in the nation, at more than 1,300 linear miles managed by PennDOT. Roughly 57 percent of Pennsylvania's interstates are more than 40 years old and need to be rebuilt. Interstates should be considered for reconstruction every 40 years. Pennsylvania should be rebuilding 32 interstate miles each year and we've had the resources to complete less than 10 miles per year. Of the 2,567 PennDOT-owned interstate bridges, nearly 51 percent have exceeded their original 50-year design life and 82 of them are older than 65 years.

PennDOT has identified the need for a $40 billion 15-year program to address safety upgrades, reconstruction, technology modernization, and strategic capacity investments in our interstate system. We currently invest around $500 million annually on interstate reconstruction and rehabilitation projects, but for proper maintenance and modernization we should be allocating at least $1 billion annually to restore the system to good cycle maintenance. In addition, we need to move toward $2 billion in annual construction contracts to accomplish the needed modernization and strategic capacity investments.

Unfortunately, the federal investment envisioned at the time of Act 89 of 2013 has not happened. The current federal reauthorization law for transportation, the FAST Act, did not substantially increase highway and bridge or interstate funding. And if federal appropriations are reduced beginning in federal fiscal year 2021 due to the insolvency of the Highway Trust Fund, our investments over the next 12 years could be reduced by a cumulative $6 billion.

Act 89 was historic and much-needed but did not close the gap in needed funds that was identified. In 2010, the Transportation Funding Advisory Commission's report on funding advised that the state's unmet transportation needs were roughly $3.5 billion and were projected to grow to $7.2 billion by 2020. Act 89 generated only $2.3-$2.4 billion a year in total, with about $1.5 billion toward state and local highways and bridges.

As of December 14, 26 percent of the PennDOT-maintained roads that aren't on the National Highway System, including interstates, are rated as "Poor" on the International Roughness Index. On roadways with an average daily traffic volume of fewer than 2,000 vehicles, 32 percent of the miles are in "Poor" condition on the same scale.

There are 18,500 miles of PennDOT-owned, low-volume bituminous roadways maintained with seal coating (oil and chip) and resurfacing, mostly in rural areas. They should have structural resurfacing every 15 to 20 years. More than 4,300 miles have not had that in over 20 years.

Recognizing the importance of our transportation network, Governor Wolf has proposed Restore Pennsylvania, which will accelerate progress of projects to resurface, repave and repair four-digit roads and provide technical assistance and funding for dirt and gravel roads throughout the state. This is especially important as we will need to redirect funds away from these roadways if we don't have additional interstate investment, and simultaneously more traffic will move onto these secondary roadways if interstate conditions deteriorate, exacerbating the problem.

We are partners on regional funding-need studies and the Transportation Advisory Committee has also reviewed risks to the state's transportation funding. We are realizing more efficiencies through shared services, enhanced maintenance operations and planning, and improved strategic investment planning. We are leveraging technology to improve traffic flow, implementing innovative traffic management, and planning for the infrastructure of the future.

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, 62 percent of the people who use these services say that they have no alternate means of transportation (see Attachment B). But if a long-term transit funding solution is not maintained or supported, operational and capital funding for systems in rural and urban areas alike will be impacted.

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 that to $450 million for transit until 2022 and then $50 million a year after that, with $450 million to be provided from the state vehicle sales tax moving forward. However, the Act 44 arrangement has left the Turnpike in debt and has sparked a legal challenge, which delayed this year's payments. Disruption of this funding plan holds serious consequences for transit agencies across the state and the Amtrak service Pennsylvania subsidizes. Act 44 provides funding for transit operations, and a reduction in operating funding would likely result in service reductions.

Through use of reserve funds and re-prioritization of transit capital programs, we have been able to minimize impacts this fiscal year. Without the Turnpike payments, the distribution for transit capital projects in the new fiscal year will be dramatically lower. We will need the General Assembly's help with addressing this issue, as we are assessing several capital improvements as well as studies and operational activities that will have to stop or slow down in the fiscal year beginning in July. We have outlined the impacts – in rural and urban communities alike – in Attachment A. This also means less work for the private sector.

You will see that for our Amtrak service, capital investments are needed for ADA compliance at train stations, for rail cars, and other infrastructure, and this service, used by more than 1 million riders a year, will also be impacted. Half of the department's operational subsidy of the Amtrak Keystone and Pennsylvanian services come from Act 44 dollars. In the next fiscal year, operational funding will remain stagnant for fixed-route agencies, while their costs increase by 4 percent a year on average. We also will not begin any studies or reviews for additional or expanded service.

Bridges

Pennsylvania is home to a large network of state and locally- maintained bridges. More than 250 bridges move into the "poor-condition" category each year due to their age and deterioration and due to their age, we expect this to increase. We must maintain and improve more than that number each year because when 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 2,800, but we cannot rest on this progress because of our continued challenges and aging bridge population.

Our Public-Private Partnership Rapid Bridge Replacement program is nearing completion, meaning 558 poor-condition bridges will have been replaced by the end of 2019. These improvements – especially important for rural areas – were delivered over a roughly four-year period instead of the normal eight to 12 years.

Twenty-three counties took 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. The number of locally owned poor-condition bridges dropped from 2,115 in October 2016 to 1,863.

Flooding Impacts

During 2018, there was an estimated $125.7 million in flood and significant slide damage to state-maintained roads and bridges – the highest cost in any single year in the past 10 years.

We typically budget approximately $30 million for emergency funding per fiscal year. We anticipate recovering some of these costs through the Federal Emergency Management Association, but these funds will not come for a couple of years. The Federal Highway Administration recently announced it is providing $30 million for the U.S. 30 slide in Allegheny County and July and August flooding, but all costs will not be covered.

PennDOT is actively evaluating how to account for these added costs and we already reallocated some funds intended to improve rural roadway improvements to be used on these emergency repairs. While PennDOT would like to think of this year's total as an anomaly, we fear this may be the new normal.

The governor's Restore Pennsylvania proposal would not only provide an avenue for communities and people impacted by these emergencies to rebuild their lives, but it will also help PennDOT and communities across the state make improvements to mitigate risk.

REAL ID

PennDOT's plans to make REAL ID-compliant driver's licenses and photo ID cards available at the customer's option in March 2019 is on schedule. The following, critical project milestones have been completed to date: successful launch of online pre-verification in March 2018; implementation of State-to-State on May 20, 2018; submission of the annual report to the General Assembly in accordance with the REAL ID Compliance Act of May 26, 2017 (Act 3) on June 28, 2018; successful quarterly update conference calls with the United States Department of Homeland Security (DHS); and our contractor, UniqueSource, signed five new leases for REAL ID Centers on July 4, 2018.

PennDOT anticipates an estimated 25 percent REAL ID adoption rate – roughly 2.5 million current Pennsylvania residents. Of those customers, we expect 1.3 million will request a REAL ID product before October 1, 2020, the date DHS has indicated it will no longer provide any additional compliance extensions.

The numbers change each day, but PennDOT has pre-verified over 140,000 customers for REAL ID, both online and in person. These customers will be able to order their REAL ID online and will not need to visit a driver license center in person to obtain one. Online pre-verification will remain available to customers who obtained their first PennDOT product after September 2003, since PennDOT may already have the required REAL ID documentation on file. This means that these customers will not need to visit a driver license center in person at all.

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, PennDOT has established 12 locations that meet federal standards for the over-the-counter issuance of REAL ID products.

PennDOT understands the importance of communication with its customers regarding REAL ID, has completed two paid media campaigns focused on REAL ID, and mailed postcards to its 10.8 million customers advising them of REAL IDs' coming availability and inviting them to pre-verify.

We added an additional 249 complement positions, over 123 to the field, to ensure smooth REAL ID implementation and to address and manage the expected initial surge of customers at existing and new centers. Total number of facilities and complement will be reduced over time through the consolidation of facilities and attrition of complement as the surge subsides.

Driver and Vehicle Services (DVS)

We aim to enhance customer service at its driver license and photo centers by focusing on the customer experience from start to finish. DVS has developed a detailed plan and is prepared to begin a concentrated effort to upgrade, relocate, or expand facilities, as well as enhance the capabilities of other customer touchpoints with the goal of ensuring a positive customer experience. DVS has also proposed a staffing increase for field operations, as well as additional complement to support back-end processing. DVS has identified 26 centers as replacement priorities and identified the need for an additional center in Chester County.

Modernization of the driver license center experience is a key component of this initiative, and we are poised to begin accepting credit cards as a payment option at the 12 REAL ID locations in March and will accept them at all driver license centers by summer 2019.

Moving Forward

Over roughly the last decade, Pennsylvania's leaders twice reached agreement on revenue options: Act 44 in 2008 and Act 89 in 2013. While they each produced significant revenues, they do not adequately meet our transportation and infrastructure challenges.

While it is always difficult to explain to constituents why they are being asked to pay more for critical services, the fact is transportation underpins our economic vitality. The reality is we once again are facing circumstances that demand thoughtful and effective responses lest we fail to deliver on transportation expectations.

Thank you for the opportunity to review our efforts and commitment to using our resources wisely, effectively and timely to make this state a wonderful place to work and live.