Testimony of

Acting Secretary Yassmin Gramian

Pennsylvania Department of Transportation

Fiscal Year 2020-2021 Budget

House Appropriations Committee

February 25, 2020

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

We continue our mission 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 1,650 bridge projects and 3,517 roadway and other improvement projects worth approximately $12.3 billion from January 2015 through 2019. In that same time, we improved more than 30,324 miles of roadway and improved 2,925 bridges.

Efforts on our expansive network – with more than 73 percent of our highway and bridge funding currently going to the private sector – illustrates that an investment in PennDOT is an investment in business and improving our infrastructure.

However, based on projected revenues, revenue losses from increased fuel efficiency as well as inflation, and the growing impacts of climate change, we again anticipate $2.2 billion in construction lettings in 2020 compared to $2.5 billion in 2018. Last year was the first time the lettings were below $2.4 billion since Act 89 of 2013 was passed.

We are at a turning point in our ability to meet infrastructure needs. While historic and much-needed, Act 89 did not meet the need that was identified by the Transportation Funding Advisory Commission in 2011. Their report noted that unmet needs would grow to $7.2 billion by 2020 but Act 89 was designed to build to roughly $2.4 billion by its fifth year.

Additionally, we can no longer rely on the gas tax to meet our highway and bridge needs. As vehicles become more efficient and even stop using motor fuels, we need to move to a truly sustainable revenue source. On top of these market realities, the federal government hasn't taken meaningful action on transportation funding in years.

Recognizing the need to explore all funding options, PennDOT is embarking on an extensive Alternative Funding Study to examine possible road user fee strategies and how they could potentially work in Pennsylvania. We are looking at a host of tools – and it may be a package of different solutions such as tolling and congestion pricing – that could help Pennsylvania with critical investment revenue while achieving multiple goals. In addition to sustainable funding, these options could reduce congestion and improve travel reliability and air quality. This path will improve Pennsylvanians' quality of life with better infrastructure and connectivity.

Every community, whether rural or urban, will benefit from fewer bridge-related detours, longer-lasting road surfaces, more transportation options and more travel predictability. PennDOT takes its responsibility as stewards of mobility in Pennsylvania very seriously, which is why we must explore all options. As we evaluate potential funding tools, a dialogue with Pennsylvanians is critical, and we will engage our stakeholders throughout the process. The legislature will be crucial partners as we move forward.

Adapting to Funding Realities

We have started adjusting to this funding landscape with new Financial Guidance for project funding. Every two years, PennDOT leads an effort with our state planning partners, the Metropolitan Planning Organizations (MPOs) and the Rural Planning Organizations (RPOs) to update the Commonwealth's Twelve-Year Program (TYP) and the Statewide Transportation Improvement Program (STIP) in compliance with all applicable State and Federal requirements. PennDOT is currently in the process of updating the TYP for the 2021 program.

One of the first and most critical steps in that process is developing Financial Guidance, which determines the formulas by which funds are distributed to MPOs and RPOs. PennDOT is recognized for having one of the most transparent and collaborative Financial Guidance development processes in the nation.

In parallel with this collaborative process, we're facing the reality that Act 89 did not meet the defined needs. Additionally, Act 89 envisioned a more robust investment from the federal government to assist with interstates, and as such we focused on the rest of our system in developing our needs assessment. This federal investment has not happened. 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.

Coupled with this federal inaction, when comparing the first four years of the 2021 program to the 2019 program, available state funding from the Motor License Fund is $289 million less based on revenue projections. We are also faced with moving to a federally-mandated Performance Based Planning and Programming Process that shifts towards a life cycle cost philosophy rather than a "worst-first" approach and has changed our funding formula. Planning partners are currently prioritizing regional projects based on the resulting reductions in their available funding, in some cases tabling long-desired projects.

A significant change will be increased investment in our interstates. 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, in balancing needs across our network, we've completed less than 10 miles per year. Where we have been investing between $450 million to $500 million annually on the interstate system, the plan put forward by the Financial Guidance Work Group increases Interstate investment by approximately $150 million in FFY 2021 and grows the investment by $50 million/year until it reaches $1 billion (FFY 2028).

While necessary, these changes will have ripple effects without additional revenue. With reduced revenues overall and investments moving toward interstates, resources for other roadways – especially rural or lower-traffic ones – will decrease.

As of December 2018, 26 percent of the PennDOT-maintained roads that aren't on the Interstates or the rest of the National Highway System, are rated as "Poor" on the International Roughness Index. On 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. 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. Thirteen percent of these roadways have not been seal coated in more than seven years or have not had structural resurfacing in more than 20 years.

These historic and upcoming challenges illustrate the importance of Governor Wolf's Restore Pennsylvania proposal which, in part, 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 are now taking the steps to redirect funds away from these roadways to invest more sufficiently in our interstate system. We also note, if we do not invest in our interstates, more traffic will move onto these secondary roadways as interstate conditions deteriorate, exacerbating the problem.

This is why, absent any federal action on meaningful transportation funding, PennDOT is taking the responsible steps to not only adjust based on current and near-term revenues, but also review funding options for 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 (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.

This is not simply about finding a long-term solution for public transportation funding. This is a workforce and economic competitiveness issue. Transportation was highlighted over the past year by the Keystone Economic Development and Workforce Command Center (Command Center) as one of five major barriers to employment for jobseekers, workers, and employers. PennDOT is a participant at the Command Center, a group of public-private sector partners that has met nearly every week for the past year to address Pennsylvania's workforce challenges, recommend action to reduce or eliminate impediments to employment, and better align commonwealth resources and private sector needs. Even where public transportation exists, barriers still exist, including the lack of first- and last-mile service, shorter hours of operation that may not provide service on weekends and evenings or low frequency of services.

Act 44 of 2007 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. Act 89 also defines that in 2022 the commitment becomes $50 million from the Turnpike, with $450 million to be provided from the state vehicle sales tax moving forward. Without a sustainable alternative funding source for mass transit, 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.

In our daily mission we continue to advance improved technology services, efficiencies, and projects. We've completed statewide implementation of shared-ride service scheduling and dispatch software and we continue work on a statewide program providing cutting-edge technology at fixed route agencies which 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 $10 million annually. Several sites will allow for public fuel sales where consumers can access CNG fuel. The project is nearing the end of construction, with 15 stations complete, four under construction, and two under design. Additionally, we will begin various facility projects across the state, including sites in Schuylkill County, Westmoreland County, Luzerne County, Cambria County, and Butler County.

Our federally mandated support of Amtrak service continues and we're doing everything we can to advance station projects. The Middletown station and Harrisburg Transportation Center improvements will begin construction this year. The Paoli station, under the oversight of SEPTA, completed construction in late 2019, and improvements in Lancaster, Coatesville, Downingtown and Parkesburg will continue development. We are also in discussions with Norfolk Southern to begin a feasibility study for increasing train service frequency on the Pennsylvanian to Pittsburgh.

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

Bridges

Pennsylvania is home to a large network of state and locally- maintained bridges. More than 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 2,600. 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.

Our Public-Private Partnership Rapid Bridge Replacement program is nearly complete, with 556 poor-condition bridges completed and the final two scheduled to finish by the end of the spring. These improvements – especially important for rural areas – were delivered over a roughly four-year period instead of the normal eight to 12 years. This was in addition to the hundreds of bridge projects we and our private-sector partners worked on each year.

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. While the number of local bridges in poor condition has dropped from 35 percent in 2015, 29 percent of locally owned bridges are still in poor condition.

Driving 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 or a Customer Service Expediter at a Driver License Center, while others will be made in systems and processes to create a more efficient environment to serve customers quickly and accurately.

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' expectations have risen, and we are now compared to cutting-edge businesses. Enhancing the Customer Experience will focus on exceeding those expectations through the innovative use of technology, updated facilities, hiring and training of dynamic staff and through improved interaction with the individual customer. The customers' experience will be integrated into all processes within DVS. This can range from real-time rating of their experience at a driver's license center, to the ability to perform more transactions online, and to flexible and real-time adoption of change.

REAL ID

PennDOT began the issuance of REAL ID products starting 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 9.7 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, 2020, the date DHS has indicated it will no longer provide any additional compliance extensions. As of the close of business on February 2, 2020, PennDOT has issued 740,693 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 12 locations that meet federal standards for the over-the-counter issuance of REAL ID products.

PennDOT has also established comprehensive REAL ID public communication outreach efforts. To date three paid media campaigns focused on REAL ID have been initiated. Airports across the state have initiated REAL ID awareness campaigns through signage, social media, and a website presence. Also, The Transportation Safety Administration (TSA) agents are reminding travelers in airports that they will need a REAL ID to fly by October 1, 2020. PennDOT has also participated in TSA press events at the Philadelphia, Harrisburg, Pittsburgh and Lehigh Valley airports.

Moving Forward

PennDOT touches residents' lives every day. Our team is making improvements, implementing efficiencies, adapting to (and even leading) technology change, while aiming at a safer, more connected Pennsylvania. While our mission remains the same, our challenges grow.

The legislature has taken bold steps in recent years to advance transportation funding, but they did not meet Pennsylvanians' full needs, nor did they anticipate waning federal support or the significant vehicle changes that are impacting our revenues. We again are facing circumstances that demand action for comprehensive solutions that keep us on a sustainable path while supporting the growth our communities need.

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.