HOUSE OF REPRESENTATIVES DEMOCRATIC COMMITTEE BILL ANALYSIS

Bill No: SB0001 PN1308

Committee: Transportation **Sponsor:** Rafferty, John C.

2013-06-28

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A. <u>Brief Concept</u>

Date:

Proposes a transportation funding package to fund public transit, roads, bridges and other modes of transportation.

B. Analysis of the Bill

Two amendments were adopted by the House Transportation Committee on June 27, 2013. One amendment was a gut and replace while the other made some additional changes to the gut and replace amendment.

Public Transit Related Amendments to Title 74 and Title 75: *Title 74 Amendments*:

Section 1503 (relating to definitions)

Amends the definition of "base operating allocation" to be determined by the last full fiscal year that the qualifying transit agencies receive assistance including the funds received from the Alternative Energy Capital Investment Program. It also changes the definition of "capital expenditure" to give PennDOT the ability to allow preventative maintenance expenses to be eligible as a capital expenditure.

Amends Section 1504 (relating to department authorization)

Allows PennDOT to operate transit service in the Commonwealth by contract or with its own personnel. Those activities and services provided by PennDOT are not subject to the jurisdiction of the Public Utility Commission (PUC).

Establishes a new Section 1505.1 (relating to fees and taxes)

Moves the provision currently in Article II of the Tax Reform Code and increases the tire fee from \$1 to \$2 per tire. Also increases from 3% to 6% the total lease price on the lease of a motor vehicle (doesn't include trucks class 4 and higher). The rental tax of \$2 for each day or part of the day is also imposed on a vehicle rental.

Section 1506 (relating to Public Transportation Trust Fund (PTTF))

Sunsets the \$250M payments made by the Pennsylvania Turnpike Commission (PTC) under Act 44 to the PTTF after FY 2020-2021. The bill repeals the Public Transportation Assistance Fund. The funds from the increased tire fee, increased lease tax and car rental tax go into the fund. Also, the replacement revenues deposited under Act 44 (\$250)will go into the PTTF in FY 2021-2022 and each year thereafter. These replacement funds will come from the receipts from the tax collected under section 298 of the Tax Reform Code on motor vehicles, trailers and semi-trailers if no other legislation is enacted before that time. Revenues from the increased fines for violations of section 3111 (relating to obedience to traffic control devices) will got to the PTTF.

Decreases the payments from the PTC payments to the operating program for transit agencies beginning in FY13-14. The \$250M the PTTF currently receives goes to the operating program.

- \$121M FY 13-14 and FY 14-15
- \$30M- FY 15-16 and FY 16-17
- \$0.00 FY 17-18 and thereafter

Also, the revenues deposited into the PTTF from the sales and use tax will go towards the operating program. Currently, the PTTF receives 4.4% of the sales and use tax and 69.99% of those revenues deposited go to the operating program. The new language increases that percentage to 86.76%. In addition, the operating program will receive revenues from fees collected that are not constitutionally

protected from being used solely for roads and bridges after 23% is allocated to the Multimodal Fund. In fiscal years 13-14 through 16-17, the PTTF will receive all remaining revenue and two-thirds of the revenue in each fiscal year thereafter.

Directs 95% of the remaining revenue deposited into the PTTF under Act 44 to be allocated to the Asset Improvement program as well as the revenues for the replacement funds for the Act 44 payments and revenues from the increase fines for violations section 3111 (relating to obedience to traffic control devices). After June 30, 2017, one-third of the revenues from the unprotected fees will go to the Asset Improvement program.

Directs any remaining revenue from the payments made by the PTC to the PTTF to the Program of Statewide Significance.

Authorizes that no more than \$60M be allocated to fund the Alternative Energy Capital Investment program which is newly established under this bill.

Section 1507 (relating to application and approval process)

Requires transit agencies to provide a statement of policy outlining the basic principles for the adjustment of fare growth to meet the rate of inflation in order to receive financial assistance. Transit agencies are already required to submit evidence of commitment for matching funds satisfactory to PennDOT by June 30 of the fiscal year. It also limits the duration of a waiver for the use of funds so that it does not exceed the duration of the plan of corrective action. If a plan of corrective action is not implemented, PennDOT may rescind the waiver.

Section 1512 (relating to coordination and consolidation)

Requires PennDOT to study the consolidation and mutual cooperation of transit agencies as a means of reducing expenses without loss of service. The study must look at the creation of service regions to determine if consolidating would reduce annual expenses. If it concludes that consolidating will result in an annual saving of at least \$2M or 25% of the local match to at the time of completion, the transit agency or municipality may implement the recommended action. PennDOT must waive the match increase for five fiscal years for a transit agency or municipality who is willing to consolidate.

Section 1513 (relating to operating program)

Increases the local match for operating assistance for transit agencies from 15% to 20%. Beginning in FY 14-15, if the local match provided is less than the 20% the local matching funds will be increased annually by a minimum of 5% (unless a lesser amount is needed) above the amount provided until 20% is met.

Section 1514 (relating to asset improvement program)

Increases the local match for capital assistance for transit agencies from 3.33% to 10%. The local match will increase annually by a minimum of 5% of the match require for the previous year.

Creates a new subsection for the allocation of financial assistance for the Asset Improvement program. • SEPTA – 69.4%

- Port Authority of Allegheny County 22.6%
- All others 8%
- Before distributing, PennDOT will receive 5% for discretionary use

Section 1516 (relating to programs of statewide significance)

Amends this section to allow Allegheny County to participate in the Person with Disabilities program. The section is also amended to allow a transit agency to apply for funds from the operating grogram to assist with a short term demonstration project to transition into a regular public passenger transportation service.

Creates a Shared Ride Community Service Delivery Pilot Program which PennDOT will develop and implement to test new ways of paying for and delivering shared ride and community transportation. The bill establishes a pilot advisory committee to provide guidance. The committee includes, a member appointed the Majority and Minority Chairs of the Senate and House Transportation Committees, two members from the PA Public Transit Association, a member appointed by Secretary of PennDOT to represent people with disabilities, a member appointed by Secretary of Aging to represent senior citizens, a member appointed by Secretary of Public Welfare to represent people using medical assistance transportation, a member of the County Commissioners Association, the Secretary of PennDOT or designee, the Secretary of Aging or designee, and the Secretary of the Office of the Budget or designee. PennDOT must work with the committee to define potential pilot models within 6 months.

Section 1517 (relating to capital improvement program)

States that financial assistance for the existing capital improvement program will cease when the Secretary certifies that funds are no longer available for this program.

Section 1517.1 (relating to alternative energy capital investment program)

Creates a new section authorizing PennDOT to establish a competitive grant program to implement capital improvements to support conversion of a transit agency's fleet to an alternative energy source. The criteria for grants must include feasibility, cost/benefit analysis and project readiness. PennDOT may also use the funds to supplement a local transit agency base operation allocation if necessary to stabilize an operating budget.

Section 1521.1 (relating to local tax for mass transportation)

Includes language to allow municipalities, at their discretion, to impose local taxes for mass transit to defray cost of operation, maintenance and debt service. The following taxes may be imposed:

- Up to .5 percent increase in Realty Transfer Tax
- Up to .2 percent increase in Earned Income Tax
- Up to .25 percent increase in Sales and Use Tax

In addition, this section allows municipalities to administer grants to meet the necessary local match requirements.

Multimodal Transportation Fund - Title 74 Amendment

Creates a new chapter to establish a special fund in the State Treasury, known as the Multimodal Transportation Fund (Fund). The Fund will be comprised of \$10 Million from revenue deposited in the PTTF from the PTC; 23% of the revenues from the fees that are not constitutionally protected, beginning with FY 15-16 revenues allocated from the oil company franchise tax to be expended in accordance with the constitution and any other appropriations or deposits and interest earned. The money in the Fund must be used for aviation, rail freight, passenger rail, port and waterways, bicycle and pedestrian bridges, roads and bridges, and other modes. The annual distributions of the money is as follows:

- \$3M aviation
- \$6M- rail freight
- \$6M passenger rail
- \$8M ports and waterways
- \$2M bicycle and pedestrian facilities
- The remaining is for eligible programs upon agreement of a majority of the Chairmen of the Transportation Committees in the Senate and House of Representatives.

The local match for projects funded under this chapter will require a local match equal to 30% of the nonfederal share of the project cost.

First class city consolidated car rental facility - Title 74 Amendment

Authorizes a city of the first class (Philadelphia) to impose a customer facility charge of not more than \$8 per rental day on a customer renting a vehicle from a vehicle rental company doing business at the airport. A city may adjust the customer facility charge necessary to fund the consolidated car rental facility. The revenue is to be used for construction, operation of a rental facility, improvements to a rental facility, cost of a transportation system, and rental facility operation and maintenance.

Traffic Signals Replacement and Synchronization Program - Title 74 Amendment

Creates a new chapter that authorizes agility agreements between municipalities and PennDOT to replace, synchronize and time traffic signals in a designated traffic corridor. The term of the agreement may not exceed the useful life of traffic signals. The municipalities must properly maintain and time the traffic signals in accordance with agreements. If a municipality fails to correct deficiencies identified, PennDOT may take action to correct it. PennDOT may deduct actual costs of correcting the deficiencies from payments made to municipalities.

Bridge Bundling Program - Title 74 Amendment

Creates a new chapter that authorizes PennDOT to bundle the design and construction of highway bridges owned by the Commonwealth or local governments. PennDOT must annually develop a preliminary list from different regions on a rotating basis of eligible bridges and must notify the local government owning bridges recommended for inclusion. PennDOT makes the final determination of bridges to be designed and constructed under the program and provide a list to the planning organizations. Upon execution of the agreement, PennDOT must manage project design and construction. Bridges recommended for inclusion in program are not required to be itemized in the capital budget. A local government that participates will receive a reduction of the local share of the costs associated with the design and construction of up to 100% of the cost. A local government who refuses participation is required to pay 30% of the non-federal share of costs.

Bridge Maintenance - Title 74 Amendment

Adds a new chapter stating that municipalities that fail to maintain a bridge on a state highway or under the jurisdiction the municipality would be penalized. The municipality would have 60 days to correct the deficiencies contained in PennDOT's written notice or 30 days to contest the violation. If a municipality fails to correct the deficiencies, PennDOT may deduct the cost of correcting the deficiencies from <u>the</u> <u>municipality's liquid fuels money</u>.

Public Utility -Title 74 Amendment

Allows PennDOT to change, adjust, alter or relocate water and sewer lines owned and operated by a public utility, if, during construction, widening or relocation of a state highway is being done. PennDOT may enter into an agreement with the utility to share the costs associated with the work done.

Pennsylvania Turnpike related Amendments to Title 74 and Title 75 Section 8102 of Title 74

Adds definitions for "automated toll collection", "certification of passage", "certification of passage toll collection", "toll collection", "video tolling", "violation" and changes existing definitions to assist with the collecting of unpaid tolls to address technological changes and to facilitate the conversion to all-electronic tolling.

Section 8105 of Title 74

Institutes a two term limit for members of the PTC . Also, an appointed member who has not been reconfirmed/reappointed may continue to hold office for 90 days or until a successor is appointed, whichever is shorter. There currently is no time limit.

Section 8117 Title 74

Substantially rewrites the section and codifies the current practices of the PTC as it relates to certificate of passage. The section also allows PennDOT to suspend the registration of a vehicle upon notification from PTC that the owner or registrant of the vehicle has either failed to pay or defaulted in the payment of six or more violations, or incurs unpaid tolls or administrative fees and/or costs that collectively total a minimum of \$500.00.

Section 8121 of Title 74

Requires at least one Commissioner to testify before the Appropriations Committee of the Senate and the House of Representatives in June of every year.

Section 8204 of Title74

Requires the Auditor General to review the PTC's performance and operating budget every two years instead of every 4 years.

Section 1380 of Title 75

Allows PennDOT to suspend a vehicle registration upon notification from a tolling entity that the owner or registrant of the vehicle has failed to pay unpaid tolls to the tolling entity. PennDOT may suspend a registration for a violation occurring outside the Commonwealth upon notification from a tolling entity with a reciprocal agreement with the Commonwealth.

Section 6110 of Title 75

Imposes penalties for persons who take affirmative action to evade a toll. The penalty is a summary offense and carries a fine of \$6500 and imprisonment of 60 days.

Section 8901 of Title 75

Sunsets the payments made by the PTC to PennDOT in FY 2020-2021.

Amendments to Driver's Licenses, Registrations and Increased Fees - Title 75 Section 1904 - "Unprotected Fees" and Four-Year Inflationary Fee Increase

Fees from the following sections; 1951 (c) (relating to Identification card renewal), 1952 (relating to certificate of title), 1953 (relating to recording/changing amount of security interest on a title), 1955 (relating to driver information),1956 (relating to certified copies of records) and 1958 (relating to inspection stickers) shall be transmitted to Treasury Department for deposit as follows:

• FY 2013-2014 and FY 2014-2015 – 10% to Public Transportation Fund, 23% to Multimodal Fund, 67% to MLF.

- FY 15-16 and FY 16-17 43.6% to Public Transportation Fund; 23% to Multimodal Fund; and 33.4% to MLF.
- FY 17-18 and each other 77% to Public Transportation Fund; 23% to Multimodal Fund.

For a 48 month period between July 1, 2017 – June 30, 21 and thereafter, all fees in Title 75 shall be increased as calculated by applying percentage in CPI-U calculated March 1 – Feb 28.

Highways and Bridge Funding related Amendments to Title 75 <u>Section 8901 (relating definitions)</u>

Immediately ends the \$200M PTC payments under Act 44 that currently got to the MLF. The additional \$250M to the PTTF sunsets in 2020-2021.

Section 9002 (relating to definition of average wholesale price)

Amends the definition of average wholesale price which is used to determine the Oil Company Franchise Tax. The average wholesale price increases as follows:

- FY 13-14 and Jan. 2014-Dec. 2014 \$1.87
- Calendar year 2015 and 2016 \$2.49
- January 1, 2017 -floor is set at \$2.49 and no cap

The existing floor is 90 cents and the cap is \$1.25

Section 9106 (relating to the dirt and gravel road program)

Provides for an increase in the amount DCNR and the State Conservation Commission receives for the program through the Oil Company Franchise Tax revenue. Currently, DCNR receives \$1M for maintenance and mitigation of dust and sediment pollution from forestry roads, and State Conservation Commission gets \$4M for maintenance and improvement of dirt and gravel roads. Under the bill, DCNR gets \$7M and the State Conservation Commission receives \$28M. \$8M annually must got to low volume road maintenance and improvement.

Section 9301 (relating to supplement funding for municipal highway maintenance)

Allocates \$5M from the MLF to counties based on square footage of deck areas of a county's countyowned bridges to the total square footage of deck area county-owned bridges statewide.

Section 9502 (relating to imposition of tax)

Of the 60 mills for FY 15-16 and thereafter, a minimum of \$20M and maximum of \$35M (at discretion of Secretary) must be deposited in the Multimodal fund to be expended according to PA constitution. Of the additional 55mills imposed under Act 26 of 1991, the county maintenance district for highway maintenance will receive 29% (currently 42%) for FY13-14 and 19% for FY14-15 and thereafter. 30% (increased from 17%) will go for highway capital projects for FY13-14 and 40% for FY 14-15 and thereafter. 15% of the funding for capital projects are distributed at eth discretion of PennDOT until 20-23-2024

Of the additional 38.5mills imposed under Act 3 of 1997, 12% will go to municipalities as in the existing formula and the remaining 88% which is currently used for maintenance is reallocated as follows:

- 53% distributed under the Highway Maintenance formula FY13-14 and 40% for FY 14-15 and thereafter
- 35% for expanded highway and bridge maintenance for FY13-14 and 48% for FY14-15 and thereafter to be distributed as follows:
 - 15% at discretion of the Secretary
 - Remainder distributed under the Highway Maintenance formula

Section 9511 (relating to allocation of proceeds)

Reallocates the three mills of the OCFT imposed under Act 32 of 1983 for the Highway Turnback program as follows:

- FY13-14 through FY16-17
 - \$27M to the State Highway Transfer Restoration Restricted Account
 - All other funds will be deposited in the Highway Bridge Improvement Restricted Account for local bridges
- FY17-18 and thereafter
 - 1.5mills in the State Highway Transfer restoration Restricted Account
 - 1.5mills in Highway Bridge Improvement Restricted Account for local bridges .

Refunds the PA Fish and Boat Commission the amount of the OCFT imposed on fuel for the operation of motorboats and watercrafts upon the waters in PA in the full amount so the tax will be refunded to the

Boat Fund on petition to the Board. The Fish and Boat Commission must biannually calculate the amount of fuels consumed and furnish the information to the Board. The Board must review and certify to the State Treasurer for refund annually.

- For FY 13-14 through 17-18, the money must be used for the improvements of hazardous dams impounding waters of PA on which boating permitted, including development and clearing of water areas.
- $\bullet\,$ FY 18-19 and thereafter, the money must be used for the improvement of the waters on PA.

Changes to Alternative Fuels Tax Collection

Section 2102 (identification markers and license or road tax registration card required)

To prevent fraud, this would require carriers of International Fuel Tax Agreement Decals to notify the Department when there is a transfer of a decal. Violating the IFTA provisions is a summary offense and a \$500-\$1000 fine for first offenses and from \$500-\$2000 for subsequent offenses.

Section 2105 (Exemptions)

Adds the following groups to a list exempt from motor fuel taxes such as charitable organizations, religious organizations nonpublic schools, not including colleges and universities, vehicles in transit from manufacturer to distributor.

Section 9003 (Liquid Fuels and Fuels Permits; bond or deposit of securities)

Allows for a special blenders permit to be obtained by distributors that blend liquid fuels and alternative fuels. This section would also require the Department of Revenue to establish different classes of licenses for Distributers of Alternative Fuels. Each class of licenses may have special bonding requirements where the Department will be in charge of setting the bonding amount.

Section 9004 (Imposition of tax, exemption and deductions)

Provides that the alternative fuels tax is applied to the entire amount of fuels used or sold and delivered. This section would also change how alternative fuels taxes are paid. Specifically, the bill elevates the alternative fuels point of taxation to the distributor level and expands the alternative fuel provisions to clearly distinguish these fuels from gasoline and diesel.

Section 9006 (Distributor's report and payment of tax)

Mandates electronic filing and payment by distributors of motor fuels to the Department of Revenue. In cases of hardship, paper filing may be completed.

Section 9019 (Diesel fuel importers transporters; prohibiting the use of dyed diesel fuel on highways; violations and penalties)

Adds language that would require gasoline and alternative fuel transporters to be subject to the same licensing requirements that diesel transporters are subject to. Provides an exception to the license requirements for natural gas pipelines.

Section 9023 (Emergency Assistance in a timely manner)

Allows the Secretary of Revenue to waive, suspend or otherwise modify provisions of this chapter to allow motor carriers to provide emergency relief faster during state of emergency.

Section 9032 (Road use fee imposed on electric vehicles)

Removes the per kWh tax on electric vehicles and replaces it by establishing an electric vehicle road fee in order to register an electric vehicle. This provision will be administered by PennDOT. The formula for determining the fee would be- total miles driven/100mpg * liquid fuels tax (.31 cents)

Other Amendments:

Chapter 2 of Title 74

Reorganizes PennDOT by consolidating and renaming the deputy secretaries. The bill changes the title of the Deputy for Safety Administration to the Deputy for Driver and Vehicle Services and the Deputies for Aviation and Local and Area Transportation are consolidated into a newly created Deputy for Multimodal Transportation.

Section 6131 of Title 75

Increases the State tax on aviation jet fuel in the Commonwealth from 1.1 cents to 3 cents per gallon. These revenues go into the Aviation Restricted Account.

Section 1786 of Title 75

Allows for an optional fine in lieu of registration suspension. In lieu of 3 month vehicle registration suspension for failure to carry financial responsibility, a person may pay a \$500 penalty plus restoration fee of \$50 and provide proof of insurance. May only exercise the option once per a 12 month period. **Section 1935 of Title 75**

Authorizes counties to impose a \$5 fee for each vehicle registered in the county for local use. PennDOT will collect and distribute the revenues to the counties.

Section 3111 of Title 75

Increases the fine under section 3111 relating to obedience to traffic control to a penalty of \$75. \$25 must be deposited in the Judicial computer system augmentation account while the remaining portion must be deposited in the Public Transportation Trust Fund.

Section 4902 of Title 75

Hauling operations less than 700 loads per year would not be required to provide an agreement or bond for travel on a roadway. The loads can be negotiated by PennDOT if its determined that the roadway can accept a higher or lower weigh limit.

Companies that are at risk industry sectors experiencing a 20% decline in employment are exempt from bonds and permits under this section. PennDOT may determine whether or not hauling unconventional oil and gas development is also excluded from these requirements.

Section 4968 of Title 75

Expands current law to allow transporters of milk to obtain an annual permit, for vehicles up to 95,000 pounds, to travel to or from a manufacturer. The application for obtaining a permit must specify the designated route of travel.

Repeals:

Section s 281.2(b), (d), (e)and 1110-A(c) of the Tax Reform Code **Effective Dates:**

This Act shall take effect as follows:

- The addition of 74 PA. C.S. CH. 59 Subchapter C (Philadelphia Consolidated Vehicle Car Rental Facility) and 75 Pa C.S.§4968 (relating to permit for moving during course of manufacture) take effect immediately.
- The remainder of the act shall take effect in 60 days.

C. <u>Relevant Existing Law</u>

Act 44 of 2007

Under this Act a "public-public partnership" between the Turnpike Commission and the Pennsylvania Department of Transportation was created in order to provide funding for roads, bridges and transit throughout the Commonwealth. Specifically, the partnership entered into by the Turnpike Commission and PennDOT on Oct. 14, 2007 is slated to last for a period of 50 years. The Act also includes an application provision requesting approval from the Federal Highway Administration for permission to place tolls on Interstate 80. The tolls would have been used to fund I-80's reconstruction and make payments to PennDOT. The Feds rejected this proposal.

In addition, the Act requires the Pennsylvania Turnpike Commission (PTC) to make an annual contribution of \$450M to PennDOT. \$250 million of those funds are used for transit operations while the remaining \$200 million is used to fund non-Turnpike road and bridge projects.

Title 75 (Vehicles)

Section 1617 establishes vehicle and driver fees.

Section 9502 establishes the Oil Company Franchise Tax which is imposed on all taxable liquid fuels and fuels on a cents-per-gallon basis and is remitted by distributors of liquid fuels and fuels. The current tax rate is 153.5 mills for liquid fuels and 208.5 mills for fuels.

Section 9004 (a) establishes a permanent State flat tax of 12 cents a gallon on all liquid fuels and fuels used, sold or delivered by distributors in the Commonwealth. One-half cent of the tax is deposited into the Liquid Fuels Tax Fund for distribution to counties.

Section 9010 requires that all money paid into the Liquid Fuels Tax Fund must be paid to the counties on June 1 and December 1 of each year. All money received by the counties is then deposited into a special fund known as the County Liquid Fuels Tax Fund.

<u>Title 74 (Transportation)</u>

Section 1506 establishes the Public Transportation Trust Fund which provides funding for public transportation services.

Chapter 81 deals with the appointment, vacancies, compensation, powers and duties of the Pennsylvania Turnpike Commission (PTC). It also authorizes the collection and disposition of revenue and provides for restrictions on toll revenue as well as providing for administration and enforcement of toll violations.

Tax Reform Code of 1971

Section 2301 (a) creates the Public Transportation Assistance Fund in the State Treasury and specifies how the moneys deposited into the fund will be used.

Section 2301 (b) requires that all funds received by the Department of Revenue shall be deposited into the Public Transportation Assistance Fund.

Liquid Fuels Tax Municipal Allocation Law of 1956

This law establishes how liquid fuels moneys are allocated to municipalities based on the ratio of mileage and population of the municipality to the state totals.

The Alternative Fuels Incentive Grant Program (Act 166 of 1992) currently provides for grants and rebates for the purchase of or conversion to vehicles that run on alternative fuels. Grants under this act are awarded to organizations, non-profit agencies, for profit companies, commonwealth or municipal authorities and local transportation organizations.

There is currently nothing in statute mandating that a municipality must maintain a bridge on a state designated highway.

D. Prior Session (Previous Bill Numbers & House/Senate Votes)

House Bills 12 (Frankel), House Bill 13 (Hanna), House Bill 14 (Hanna) were introduced this session and were modeled after the Governor's Transportation Funding Advisory Commission report issued in August of 2011.

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