



BILL SUMMARY

<u>COMMITTEE:</u>	Transportation	<u>DATE:</u>	6/29/13
<u>PRIME SPONSOR:</u>	Rafferty	<u>BILL NO.:</u>	SB 1
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A. **SYNOPSIS:**

Provides for:

- increased funding for the Commonwealth's transportation system, including highways, roads, bridges, mass transit and other modes;
- PennDOT modernization; and
- PA Turnpike Commission modernization and reforms.

B. **BILL SUMMARY:**

SB 1 amends Titles 74 (Transportation) and 75 (Vehicles) to provide for a comprehensive funding plan and significant funding increase for all modes of transportation and all transportation infrastructure within the Commonwealth.

House Transportation Committee amendments:

The committee struck all mention of Title 20 and replaced much of the Title 74 and Title 75 language. A summary of the amendments is as follows:

Uncapping the Oil Company Franchise Tax (OCFT):

- Uncapping of the OCFT phased in over 5 years: 1/3 on July 1, 2013; the 2nd 1/3 January 1, 2015 and the remaining 1/3 on January 1, 2017.
- Currently, the OCFT is based on a fixed millage rate which is applied against the variable Average Wholesale Price (AWP) of gas and diesel, up to an AWP set by Act 32 of 1983. The actual AWP is now more than double the ceiling.
- Phasing out the ceiling will significantly increase revenue to PennDOT in the amount of \$1.8 billion annually within five years.

Liquid Fuels Tax:

- Eliminates proposed temporary reduction in liquid fuels tax assessed at pump.
- Keeps current rate at 12 cents per gallon.

Fees, Fines to Transit:

- Eliminates increases to Driver's License and Registration Fees
- Eliminates the proposed \$100 surcharge on traffic violations.
- Increases existing fine for failure to obey traffic control devices by \$75 - This raises \$20 million annually
- Adjusts all unencumbered fees in the Vehicle Code for inflation with another re-adjustment for inflation in year 5. These are fees that are not required to be restricted to the Motor License Fund. Revenue is then directed to transit.
- Those fees which are being shifted from the Motor License Fund to the Public Transportation Trust Fund, are:
 - ID Card (4 year Renewal), from \$5 to \$19
 - Certificate of Title, from \$22.50 to \$45
 - Manufacturer's or Dealer's Notification, from \$3 to \$5
 - Record/Change Title Security Amount, from \$5 to \$23
 - Driver Information, from \$5 to \$6 + \$2 PennDOT charge
 - Certified Copies of Records, from \$5 to \$20
 - Annual Certificate of Inspection, from \$2 to \$5
 - Semiannual Certificate of Inspection, from \$1 to \$3
 - New Certificate of Exemption, \$2
- This raises \$216 million for public transportation by 2017-18
- Tire Tax - Increase by \$1 to \$2
- Vehicle Lease Fee - 3% Increase to 6%, combined with the tire tax, will raise \$46 million

Transit Modernization:

- Requires consolidation and mutual cooperation study
- Creates a Shared Ride Service Delivery Pilot Program
- Allows PennDOT to operate service to prevent service disruptions
- Include Allegheny County in Persons With Disabilities (PWD) Program
- Increases local match for operating assistance to transit agencies from 15 to 20% (incrementally increasing 5% each year until 20% is reached).
- Increases local match for capital assistance to transit agencies from 3.3 to 10%. (Incrementally increasing 5% each year until 10% is reached).
- Enables municipalities to impose local taxes for mass transit in order to achieve the increased local matches:
 - Up to 0.5% increase in Realty Transfer Tax
 - Up to 0.2% increase in Earned Income Tax
 - Up to 0.25% increase in Sales and Use Tax

Creation of a Multi-Modal & Local Development Fund:

- Establishes a dedicated fund for multimodal transportation making resources available to such facilities as rail, ports, aviation, pedestrians and bicycles. Creating a multimodal fund will allow PennDOT to make investments in critical infrastructure by making available dedicated funding not restricted to just roads and bridges. In addition, a portion of the funding will be set aside for local match projects which will allow PennDOT to identify and prioritize economic development and other critical mobility projects to partner with local government on. Minimum annual funding levels are established for each of the modes and the remaining discretionary funds will be spent with approval from a majority of four Transportation Chairs.

Minimum annual funding levels for each mode:

- \$3 million for programs related to aviation.
- \$6 million for programs related to rail freight.
- \$6 million for programs related to passenger rail.
- \$8 million for programs related to ports and waterways.
- \$2 million for programs related to bicycle and pedestrian facilities.

No changes to valid periods of Registration, Driver's License:

- Eliminates the proposed extended periods of vehicle registration and driver's license.
- Keeps annual vehicle registration and four-year driver's license.

\$500 fee in lieu of license suspension for insurance lapse:

- Retains this provision, but directs the generated revenue to mass transit. Projected to be \$7 million a year. Adds stipulation that an individual can exercise this option no more than once a year.

Sunset of Act 44 Turnpike Obligation:

- Immediately stops the \$200 million-a-year portion of the \$450 million annual debt obligation to PennDOT that is directed to roads and bridges, as authorized by Act 44 of 2007. Turnpike can cut their borrowing of this amount.
- Continues for eight years the \$250 million-a-year portion of that annual debt obligation that is directed to fund mass transit. Ends that portion of the obligation after eight years and replaces the transit funding by directing \$250 million annually from vehicle sales tax revenues.

PA Turnpike Commission Reforms:

- Adds required performance audit by Auditor General every two years.
- Adds required appearance by Commission before Legislature every June.
- Adds abrogation of Turnpike Commission's 50-year lease of Interstate 80, as authorized by Act 44, upon mutual consent with PennDOT.
- Strengthens toll collection enforcement; provides for all-electronic tolling; establishes toll collection enforcement reciprocity with other states.
- Eliminates a proposed term-of-office change for Turnpike Commissioners.

County Vehicle Registration Fee:

(Not addressed in prior PN of SB 1)

- Adds a provision to Title 75 allowing counties the option of imposing a \$5 fee for each vehicle registered to an address located in the county. If levied, the revenue is to be deposited into a newly created Fee for Local Use Fund and used to supplement local transportation needs.

Jet Fuel Tax:

(Not addressed in prior PN of SB 1)

- Increases the tax on aviation jet fuel by two cents per gallon, raising the per-gallon tax to 3.1 cents. That is the second-lowest in the nation. This will be the first increase in the tax since 1984.

Dirt and Gravel Roads:

- Adds a provision to carve out \$8 million of the \$35 million dedicated to the Dirt and Gravel Road Program under SB 1 to be earmarked for the paving of low-volume (500 vehicles or less a day) roads.
- Provides a \$30 million increase to the Dirt and Gravel Road Program through additional OCFT revenue, bringing total funding to \$35 million annually for maintenance and improvement of dirt and gravel roads. \$28 million for State Conservation Commission grants and \$7 million to DCNR.

Alternative Fuels Tax Collection:

[Not addressed in prior PN of SB 1, similar to HB 1519 (Ellis)]

- Adds provisions to streamline the collection of appropriate alternative fuels tax and ensure fair and equitable taxation and enforcement across all fuel types.
- By enacting the Alternative Fuels Compliance and General Compliance Enforcement provisions, additional annual revenue of \$4.2 million is projected for the Motor License Fund.
- The Bureau of Motor and Alternative Fuel Taxes (MAFT) will focus on modernizing outdated laws and administrative policies for electricity, ethanol, compressed natural gas, liquefied natural gas, hydrogen and other non-conventional fuels so that tax simplification, education & outreach, targeted enforcement, technology and administrative efficiencies are created for enhanced revenue collections.
- Elevates the alternative fuels point of taxation to the distributor level, while also expanding the alternative fuel provisions to clearly distinguish these fuels from gasoline and diesel.
- Modernizes administration – adopts industry standard terms and techniques for calculating and collecting alternative fuels tax.
- Alternative fuels distributor – eliminates the confusing dealer/user category and replaces with distributor to mirror existing gas and diesel protocols.
- Establishes an annual fee in place of the alternative fuels tax on electric vehicles, which will be administered by PennDOT. Estimated to be \$42.
- Addresses blending operations to ensure all applicable taxes are collected.
- Modernizes administration – seeks the maximization of electronic filing and payment to reduce administrative burden.

- Risk management – establishes bonding and licensing requirements that weigh taxpayer risk factors to protect the Commonwealth’s financial interests.
- Clarifies qualifications for exempt entities and exempt uses, thereby improving compliance and reducing the likelihood of needless litigation.
- Public safety & consumer protection – provides a mechanism by which PennDOT can enforce possible safety violations or consumer fraud.
- Record keeping – strengthens the taxpayer recordkeeping requirements, consistent with recent PA court decisions.
- Penalty and citations – changes misdemeanor offenses to summary offenses to both reduce the need for criminal litigation support and improve enforcement capabilities.

Dairy Freight Hauling:

[Not addressed in prior PN of SB 1, similar to SB 1010 (Vogel)]

- Current state law allows transporters of raw milk to obtain annual permits for vehicles up to 95,000 pounds, but all processed dairy products are excluded from current law.
- Adds provisions to expand the annual permit to allow the transport of processed dairy products, i.e. skim milk, cream, and condensed (skim or whole) milk (plain or sweetened).
- The exclusion of processed dairy products from current law creates a competitive disadvantage for the dairy industry with other states. Of immediate concern, the dairy industry in eastern and north-central PA supplies processed product to the yogurt industry in New York.

Posted and Bonded Road Exemptions:

(Not addressed in prior PN of SB 1)

Section 4902 of Title 75 is amended:

- Local Traffic – Hauling related to natural resource extraction may not “self-certify” as Local Traffic to bypass PennDOT permitting and exemption process.
- Loads/Year Exemption – Hauling operations less than 700 loads/year (15 loads/week, 60 loads/month) will not be required to provide an agreement or bond (i.e. “Exemption”).
 - 700 loads/year based on technical study
 - Most timber and coal companies do not exceed 700 loads/year
 - Weekly and monthly load count could be negotiated for flexibility
 - Haulers are issued newly created “exempt” minimum use permit
- Distressed Industry Exemption – Companies belonging to an “at-risk” industry sector with 20% or more decline in employment are exempt from agreement, bond and permit. (Continuing with Act 13 exemptions).
 - Coal is not excluded as a distressed industry
 - Provides exemption for all company hauling operations per route, regardless of size
 - Haulers are issued a Letter of Local Determination
 - At-Risk exemption will expire in 5 years
- PennDOT may restrict exempt hauling during freeze/thaw period.
- PennDOT may audit and revoke permits for fraudulent load counts.
- Cost to implement the new loads per year exception will be \$50 million per year
- Implementing Loads/Year exemption will ensure:

- Timber industry will have secondary method of exemption if/when “at-risk” exemption sunsets.
- Most coal companies will be exempt except the following 5 current heavy haulers: Bedrock Mines, Coal Valley Sales, Genon Power Midwest, Coal Loaders, Inc., EP Bender.

Consolidation of PennDOT Deputates:

(Not addressed in prior PN of SB 1)

- Adds provisions enabling the consolidation of PennDOT Deputates. Specifically, creates a Deputy Secretary for Multimodal Transportation, which will encompass local and public transportation, rail freight, aviation and airports, and ports and waterways.

Bridge “Bundling”:

- New Chapter 93 is added to Title 74 to provide for PennDOT’s “bridge bundling” program. The purpose of the program is to bundle state owned and/or locally owned bridges for the purposes of cost-efficient design and construction.
- Local governments owning bridges that are included in the program, after having been identified as candidates by PennDOT, shall be relieved of any local match requirement. If, however, a locally owned bridge is identified by PennDOT and the local government refuses its inclusion in the program, that bridge will be subject to a local match of 30% of the non-federal share at such time as it is constructed.

Traffic Signals Maintenance Agreement:

Chapter 92 is added to Title 74 to provides for the traffic signal agility program between PennDOT and municipalities. Specifically, it provides for agreements between PennDOT and municipalities for the upgrade and synchronization of signals in a designated traffic corridor. In return, the agreement may include requirements for the municipality to provide transportation-related services to PennDOT. In cases where PennDOT contends municipalities do not meet the requirements of such an agreement, a procedure is put in place for resolution, ultimately culminating with arbitration if necessary. If a municipality still fails to meet its requirements under an agreement, PennDOT is authorized to withhold liquid fuels funds.

Philadelphia Airport Car Rental Fee Increase:

- Chapter 59 of Title 74 is amended to add a new Subchapter C which establishes an \$8 per day fee on motor vehicle rentals at the Philadelphia International Airport. The fee will be used to incur debt to build a multi-story parking facility for the use of the customers of the rental car companies, which will be conveniently located and have the vehicles of all the companies in one area.
- The initial \$8 fee, effective immediately upon enactment, may be increased in the future upon the mutual agreement of the city and the rental car companies.

Fish and Boat Commission OCFT Rebate:

- Amends Section 9511 of Title 75 to provide for a rebate to the PA Fish and Boat Commission from the OCFT that is paid on fuel used to power motorboats.
- For the first five years, the rebate may only be used for the improvement of high-hazard dams and dredging/clearing in the area of the dam. Fish & Boat Commission will be

required to come before the House and Senate annually to present their plan to spend this money. Beginning in fiscal year 2018-19, the rebate may be used for a broader spectrum of motorboat-related amenities.

Mass Transit:

SB 1 amends *Title 74* as follows:

Section 1503 (relating to definitions), to:

- Clarify the definition of “Base Operating Allocation,” stipulating that the allocation shall be based on the last fiscal year that a transit agency received financial assistance under the Operating Assistance program. [Current law provides that the fiscal year 2005-06 operating allocation multiplied by 1.0506 shall be the base operating allocation.]
- Amend the definition of “Capital Expenditure” to provide PennDOT with the discretion to allow preventative maintenance expenses to be eligible to receive capital funding.

Section 1506 (relating to fund), to:

- Deposit revenue in the PTF from the increase in the Section 3111 fine under Title 75.
- Provide for an increase in the allotment to the Operating Assistance Program for transit agencies derived from the 4.4% of the state’s sales and use tax that currently is deposited into the PTF. The allotment is increased from 69.99% to 86.76% of the 4.4% of collections deposited in the PTF.

Section 1507 (relating to application and approval process), to:

- Strengthen requirements for transit agencies in submitting evidence of ability to meet local match requirements. Transit agencies are required to submit statements relative to fare growth in conjunction with the rate of inflation. Section 1507(c), which applies to waivers for use of funds provided by PennDOT, is amended so that a waiver may not exceed the duration of a plan of corrective action put in place as part of a department waiver.

Section 1514 (relating to asset improvement program), by:

- Adding a new subsection (e)(1) that establishes a new percentage-based distribution of capital funding:
 - SEPTA – 69.4%
 - Port Authority of Allegheny County – 22.6%
 - All other transit agencies – 8%
 - Distribution by Secretary of Transportation – 5%

SB 1 adds new Section 1517.1, which establishes the Alternative Energy Capital Investment Program. This is a competitive grant program to implement capital improvements necessary to support conversion of a transit agency’s fleet to an alternative energy source, including Compressed Natural Gas (CNG). The grant program will be administered by PennDOT. \$60 million from the PTF is provided to this program. Under the program, PennDOT will also have the authority to supplement base operating allocations to transit agencies if necessary to stabilize an operating budget.

Municipal Governments:

An additional \$214 million a year is provided to municipal governments for use on their local roads. This is in addition to the low volume roads grants that will be available and mentioned earlier and the waiver of local match (as high as 20%) for the Bridge Bundling Program.

Section 9301 (supplemental funding for highways), to:

- \$35 million of the former Turnpike payment to the MLF will remain in effect sending \$30 million earmarked for municipalities and \$5 million earmarked for county bridges as designated originally under Act 44.

Effective Dates:

- The addition of Subchapter C in Chapter 59 of Title 74 (Phila. Airport Rental Car Fee) and Title 75 § 4968 (Milk Hauling), take effect immediately.
- The remainder of this act shall take effect in 60 days.

C. CURRENT LAW:

Title 75 is commonly referred to as the Vehicle Code. It was last re-codified by Act 81 of 1976, effective July 1, 1977. The code is designed to conform to the Uniform Vehicle Code, which is accepted nationally as a model for states to follow.

Title 74 governs public transportation in the Commonwealth, aviation in the Commonwealth, the PA Turnpike and PA Turnpike Commission.

Title 20 is the Probate, Estates, and Fiduciaries Code.

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