

# Appropriations Committee

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HOUSE OF REPRESENTATIVES  
COMMONWEALTH OF PENNSYLVANIA  
HARRISBURG

November 18, 2013

The Honorable Nicholas A. Micozzie  
105 Ryan Office Building  
Harrisburg, PA 17120

RE: Fiscal Note  
HB 106 PN 2654  
Amendment #A04465

Dear Representative Micozzie:

Amendment A04465 is a comprehensive transportation funding amendment that provides new revenues for roads and bridges, mass transit, and multimodal transportation. This amendment would provide between \$1.6 billion and \$1.8 billion for roads and bridges, between \$476 and \$497 million for mass transit and approximately \$144 million for multimodal transportation in 2017-18. Please see attachment for a more detailed fiscal statement of this amendment over the next 5 years.

The amendment would incrementally eliminate the cap on the average wholesale price on gasoline and diesel subject to the Oil Company Franchise Tax by January 1, 2017. The cap on the average wholesale price of a gallon of gas has been \$1.25 since 1983. The current average wholesale price of a gallon of gasoline is over \$3. The amendment would lift the cap incrementally through January 1, 2017, when it would be eliminated. A price floor of \$2.99 is established in the amendment on January 1, 2017.

The amendment replaces the 12¢ liquid fuels and fuels tax on January 1, 2014 with an increased millage rate on the Oil Company Franchise Tax. The percentages of this tax distributed to counties and municipalities are adjusted so that counties and municipalities are held harmless with this change. The millage rate is reduced annually as the cap on the Oil Company Franchise Tax increases to keep this change revenue neutral.

Most Title 75 fees are increased to the rate of the inflation with the exception of passenger vehicles, driver's licenses, light trailers, light trucks, heavy trucks, motor coaches, limousines, school buses, motorcycles, learner's permits, and antique cars. Passenger vehicles, driver's licenses, light trailers, light trucks, motorcycles, learner's permits, and antique cars are not increased immediately but are allowed to increase with the CPI-U on July 1, 2015. Heavy trucks, motor coaches, limousines, and school buses are increased immediately but at a lesser amount than the inflationary change since last adjusted in 1997. These fees are then increased incrementally each fiscal year until 2017-18 when they reach the rate of inflation since 1997. All aforementioned fees are subject to inflationary adjustments every two years starting July 1, 2015 with the exception of heavy trucks, motor coaches, limousines, and school buses which will have their first adjustment on July 1, 2019.

The amendment establishes a new Multimodal Transportation Fund. Revenues to this fund will support grants for airports, rail freight, ports and waterways, intercity rail, local roads, as well as pedestrian and bicycle facilities. Revenues to this Fund include money from the Turnpike Commission, unprotected Title 75 fees as well as up to \$35 million from the Oil Company Franchise Tax starting in 2015-16.

The Title 75 unprotected fees such as title certificates, inspections stickers, and requests for driver information are phased out of the Motor License Fund and redirected into the Public Transportation Trust Fund for mass transit and the Multimodal Transportation Fund. These fees are gradually redirected over the first 5 years.

The \$200 million from the Turnpike Commission that currently is deposited in the Motor License Fund is redirected to the Public Transportation Trust Fund for mass transit and the Multimodal Transportation Fund starting in 2014-15. The full Turnpike obligation to provide \$450 million annually (Act 44 of 2007) will cease after 2021-22. This revenue will be replaced with a percentage of the sales tax, not less than \$450 million, and will be disbursed from the sales and use tax on motor vehicles and trailers. The Turnpike Commission shall provide \$30 million in cash each year for mass transit within the total contribution. Starting in 2022-23, and each fiscal year thereafter, the Turnpike Commission shall provide \$50 million for mass transit from current revenue.

Other revenue sources for mass transit that will go into the Public Transportation Trust Fund include the optional \$500 fee that a driver may now choose in lieu of a 90-day suspension of registration for driving without insurance. Mass transit will also receive all of the surcharge revenue from Title 75, Section 6506(a)(2) through (a)(7). All Title 75, Section 6506 surcharges are increased by 50% so that the General Fund is held harmless and to provide additional funding for mass transit. The Title 75, Section 3111 violations are increased to \$150 per violation but will not include court costs or a surcharge. Of the \$150, \$125 will go into the Public Transportation Trust Fund and \$25 will go to the Judicial Computer Augmentation Account.

The amendment also increases the threshold for local transportation projects, subject to the Prevailing Wage Act of 1961, from \$25,000 to \$100,000. This change will take place on contracts beginning January 1, 2014.

The amendment also provides for other miscellaneous provisions such as increasing the maximum speed limit to 70, creating a bridge bundling program, providing additional allocations for the Commonwealth's dirt and gravel road programs, establishing a Philadelphia Airport car rental fee, providing a new rebate for the Oil Company Franchise Tax to the Fish and Boat Commission, consolidating PennDOT deputates, providing for a \$5 optional county vehicle registration fee as well as expanding the diverse business program for transportation projects.

The adjustment to the prevailing wage threshold would also provide some savings to local government. According to the Municipal Statistics web page provided by the Department of Community and Economic Development, local government spent approximately \$1.6 billion in the last available years (2011 for municipalities and 2009 for counties) on public works projects for bridges and streets. However, it is indeterminable at this point to realize the value of the projects that would be between \$25,000 and \$100,000. Estimates suggest that prevailing wage requirements inflate the cost of projects between 10% and 30%.

The optional county vehicle registration fee could also provide some additional revenue for counties. PennDOT indicates that there are 11.5 million vehicles registered in Pennsylvania. If all counties levied this fee, this provision could add as much as \$57.5 million in the aggregate for counties annually.

Sincerely,



William F. Adolph, Jr.

WA/tp

*Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*

HB 106, PN 2654, A04465 (Rep. Micozzie) Fiscal Range

	Year 1 2013-14		Year 2 2014-15		Year 3 2015-16		Year 4 2016-17		Year 5 2017-18		Five Year Total	
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
<b>Highways and Bridges</b>												
Cap Utilized on Average Wholesale Price	\$1.87	\$1.87	\$1.87/\$2.49	\$1.87/\$2.49	\$2.49	\$2.49	\$2.49/\$2.99	\$2.49/\$3.11	\$2.99	\$3.11	5,897	6,078
Uncap Oil Company Franchise Tax	271	271	925	925	1,309	1,309	1,537	1,590	1,855	1,983	15	15
Replace 12¢ Liquid Fuels Tax with New OCFT Millage Rate	(1)	(1)	4	4	6	6	5	5	1	1	1,215	1,215
Title 75 Fee Increases	34	34	223	223	285	285	303	303	370	370	(1,171)	(1,171)
Redirect Unrestricted Title 75 Fees to Mass Transit/Multimodal	(63)	(63)	(196)	(196)	(284)	(284)	(284)	(284)	(344)	(344)	0	0
"One-Time" Revenue from Optional Biennial Registration	0	0	0	0	0	0	0	0	0	0	(800)	(800)
Stop Act 44 (Turnpike) Transfer to the Motor License Fund	0	0	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(105)	(105)
Redirect OCFT Revenue (Assumes \$35 million)	0	0	0	0	(35)	(35)	(35)	(35)	(35)	(35)	5,052	5,232
<b>Total Highways and Bridges</b>	242	242	756	756	1,081	1,081	1,326	1,379	1,646	1,774	75%	74%
<b>% of Total Highways and Bridges + Total Mass Transit</b>	83%	80%	69%	68%	72%	71%	76%	76%	78%	78%		
<b>Mass Transit</b>												
Unprotected Fees	33	33	128	128	211	211	211	211	265	265	849	849
Title 75/Section 1786 \$500 Fee in Lieu of Suspension	0	0	3	3	5	5	5	5	5	5	18	18
Title 75/Section 3111 \$150 Fine (\$125 to PTF and \$25 to JCSAA	11	21	42	42	21	42	21	42	21	42	95	191
Title 75/Section 6506 Surcharges	5	5	12	12	13	13	14	14	14	14	58	58
Redirect Motor License Fund Act 44 (Turnpike) Transfer to Trans	0	0	200	200	200	200	200	200	200	200	800	800
Redirect \$30M of Act 44 (Turnpike) Transfer to Multimodal	0	0	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(120)	(120)
<b>Total Mass Transit</b>	49	60	334	355	420	441	421	442	476	497	1,699	1,795
<b>% of Total Highways and Bridges + Total Mass Transit</b>	17%	20%	31%	32%	28%	29%	24%	24%	22%	22%	25%	26%
<b>Multimodal</b>												
Unprotected Fees	30	30	67	67	73	73	73	73	79	79	322	322
Redirect \$30M of Act 44 (Turnpike) Transfer to Multimodal	0	0	30	30	30	30	30	30	30	30	120	120
Redirect OCFT Revenue (Assumes \$35 million)	0	0	0	0	35	35	35	35	35	35	105	105
<b>Total Multimodal</b>	30	30	97	97	138	138	138	138	144	144	547	547
<b>Total Revenue all Modes</b>	320	331	1,187	1,209	1,639	1,660	1,885	1,959	2,266	2,415	7,298	7,574

Notes:

Assumes the first OCFT increase will be January 1, 2014

Title 75 fees are adjusted for the CPI-U on 7/1/15 and again on 7/1/17 with the exception of heavy trucks, school buses and motor coaches where the inflator starts on 7/1/19

In year 5 for Highways and Bridges, the high column represents an average wholesale price of \$3.11, whereas the low column would be an average wholesale price of \$2.99

The difference between the low and high columns for mass transit are the Section 3111 fines. The low column represents a conservative revenue estimate that assumes violations will decrease by 50% because of the increased fine.