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AMERICAN COUNCIL OF ENGINEERING COMPANIES
*of Pennsylvania*

**TESTIMONY ON THE EFFECTS OF USING THE MOTOR LICENSE FUND TO SUPPLEMENT THE BUDGET OF THE PA STATE POLICE**

**Roseline Bougher, Chair, ACEC/PA**

Good morning Chairman Neilson, Chairman Benninghoff and members of the House Transportation Committee. My name is Roseline Bougher and I am the President and CEO of A.D. Marble, an environmental and engineering firm with three offices across Pennsylvania. I also serve as the 2022-2023 Chair of the ACEC/PA board of directors. ACEC/PA represents 112 member companies and more than 11,000 professionals within the engineering industry, providing advocacy, education, and to highlight and improve this vital professional service.

One of the most critical areas of business for many of our members is Pennsylvania's transportation network. Many ACEC/PA members provide a myriad of consulting services to the Pennsylvania Department of Transportation and the Pennsylvania Turnpike Commission, serving as construction managers, construction inspectors, and road & bridge designers. Because PennDOT contracts out approximately 74% of its annual workload, funding that is utilized for highway, road, and bridge construction, repair, and maintenance is responsible for hundreds of Pennsylvania-based firms that employ thousands of engineers, designers, inspectors, and other professionals.

While the Turnpike Commission utilizes revenues from toll collection to address annual expenses, PennDOT's $8.8 billion annual budget is almost entirely dependent on direct federal funding and gas taxes. These user-based revenues are then collected in the Motor License Fund (MLF) and utilized for a variety of transportation-related improvements including bridge and highway construction and repair, aviation facilities, and local maintenance. The MLF also provides revenues for another vital activity in the patrol of state highways by the Pennsylvania State Police (PSP).

PSP provides patrol and enforcement services to municipalities that do not have their own police force and in 2016, roughly half of all of Pennsylvania's municipalities relied on PSP for enforcement. By 2019, that number had grown to 66%. This increased enforcement carries an increased need for revenues – the Legislative Budget & Finance Committee estimated that from 2000 until 2019, the PSP utilization of

MLF revenues saw a 143% increase. While 2016 legislation finally enacted a cap on the transfer of MLF revenues to PSP for enforcement activity starting with fiscal year 2017-2018, the total transfer of funding had grown to $814 million in the 2016-2017 fiscal year, a sharp increase from the $339 million transferred in FY 2001-2002. Since 2016, the transfer of MLF revenues to PSP has been limited to roughly $500 million, however, since the annual amount of MLF revenues is dependent on a variety of factors including gasoline consumption, the reduced amount has continued to present a disproportionate share of the overall fund.

Despite the 2016 cap on MLF transfers to PSP, the Motor License Fund has continued to struggle due to a number of factors. First, while PennDOT's annual budget is roughly $8.8 billion, the estimated annual budget actually needed to adequately address the commonwealth's transportation needs is $18.15 billion – a number that increases every year. Of that staggering number, a large portion of funding is and would continue to be dedicated strictly to the maintenance of existing structures. Pennsylvania offers approximately 121,000 miles of roads and more than 32,000 state and local bridges for drivers to utilize and roughly 75% of PennDOT's annual budget is devoted to that vast network. Much of that funding is utilized to preserve the current condition of these facilities; in 2022, 2,400 state-maintained bridges were rated in poor condition. While this investment alone is incredible, even more funding is needed to respond to growth and development. New routes and travel opportunities for residential growth, as well as upgraded facilities to prevent congestion and overcrowding will only continue to add to the cost of our transportation network.

Secondly, the Motor License Fund has consistently been accruing less revenue in past years. This can be attributed to a number of factors, but certainly the COVID-19 pandemic has had a drastic effect on the MLF. An increasing number of employers, including the Commonwealth of Pennsylvania, have reduced or entirely eliminated in-office requirements, significantly decreasing the need for employees to travel for work. With these relaxed attendance expectations and lowered travel volume comes a dip in MLF revenues as Pennsylvanians use less gasoline. Not only have they been driving less, but efficient technologies in automobile manufacturing have increased the Miles Per Gallon statistic across the industry, meaning drivers can go farther on less gas. In fact, most recent efforts have included incentivized purchases of Electric Vehicles (EV), which completely eliminate the need for gasoline consumption. Both the Inflation Reduction Act (IRA) and the Infrastructure Investment and Jobs Act (IIJA), which created the National Electric Vehicle Infrastructure Formula Program, included major funding components for the expansion of electric vehicles. As this effort continues to expand, it will have a significant impact on the MLF.

Finally, inflation has had a crippling effect on the transportation industry, similar to nearly every other aspect of our everyday lives. While costs for goods and services continue to rise, the method utilized to provide those facilities has not. The federal gas tax has not seen an increase in thirty years, despite the fact that the actual price of a gallon of gas has increased by 215%. Not only does this limit the ability to provide revenues for road and bridge repair, but the increased cost of goods for those repairs also decreases the number of potential improvements. PennDOT also utilizes a deferred maintenance approach, meaning they defer improvements when appropriate levels of funding are unavailable. Because of supply chain issues and ongoing inflation, these delays can cause cost estimates to increase by as much as 40%. In 2021, a Transportation Revenue Options Commission (TROC) report found that PennDOT loses $100 million every year to inflation alone. In just nine years, from FY 2021-2022 to FY 2030-2031, PennDOT will have realized a $7.6 billion cumulative loss in buying power.

As the Motor License Fund continues to struggle, the strain of providing state police funding has only exacerbated these issues. With a lack of a sustainable transportation funding solution in place, the MLF faces very real struggles in the years to come. While Act 89 of 2013 sought to stabilize transportation funding, this critical component will expire next year, leaving a growing void of sustainable revenues. Once this revenue is eliminated, the $500 million in transferred funding will become even more crippling to our road and bridge network. Recent proposals have offered multi-year approaches to providing PSP with an independent, dedicated funding source, however ACEC/PA's concern is the effect this process will have in the short term. Sen. Wayne Langerholc's legislation, Senate Bill 121, would phase down PSP funding by capping the eligible transfer at $250 million for the coming fiscal year and completely eliminating the process by FY 2028-2029. Governor Shapiro has also proposed a process to eliminate the transfer by creating the Public Safety and Protection Fund, a dedicated fund strictly for PSP activities. The fund would be infused by a $400 million transfer and subsequently reducing MLF transfers by $100 million annually until FY 2027-2028. ACEC/PA supports both of these plans and we are optimistic that these critical, yet conflicting services can coexist and continue to strengthen, however we would urge expediency in any approach so that our aging transportation network is not put at even more risk. With that, I thank you for your time and would be happy to answer any questions you may have.