

HESS AMENDMENT TO SENATE BILL 1

OCFT Ceiling 10-Yr. Phase-Out

Uncaps ceiling on Oil Company Franchise Tax (OCFT) over **10 years** instead of the three-year phase-out of the ceiling proposed in SB1.

Estimated to generate an additional \$2 billion a year by the 10th year.

Projected estimate of price increase per gallon potentially passed on to consumer:

- 7 cents per gallon in 2013-14
- 1 cent per gallon in 2014-15
- 4 cents per gallon in 2015-16
- 2.3 cents per gallon each year thereafter

The OCFT is the tax on the Average Wholesale Price of gasoline. The OCFT is calculated by multiplying the Average Wholesale Price (AWP) by the applicable millage rate for gasoline and diesel.

An artificial cap on the taxable amount per gallon was set by the Legislature at \$1.25 per gallon in 1983 and has been capped at that level since then.

Liquid Fuels Tax

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

No Increases to Fees, Fines

Removes all proposed fee and fine increases.
Eliminates the proposed \$100 surcharge on traffic violations.
Eliminates Special License Plates provision
Eliminates increase in Optional Donation to Organ Donor Fund

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.

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.

Prevailing Wage Reform

Municipal transportation maintenance projects that are funded by the municipality's annual allotment of liquid fuels revenue are not subject to the state's Prevailing Wage law. Any projects with federal money would be covered by Davis-Bacon Act (not addressed in SB1).

Public Transportation

Increases local match for operating assistance to transit agencies from 15 to 20 percent.

Increases local match for capital assistance to transit agencies from 3.3 percent to 10 pct.

Enables municipalities to impose local taxes for mass transit in order to achieve the increased local matches:

- Up to 0.5 percent increase in Realty Transfer Tax
- Up to 0.2 percent increase in Earned Income Tax
- Up to 0.25 percent increase in Sales and Use Tax

Adds a bus route privatization component. Requires that 10 percent of current routes of mass transit systems in Philadelphia and Pittsburgh to be made available for possible operation by private operators through a competitive bidding process. (not addressed in SB1).

Adds a provision enabling PennDOT to veto a transit agency's budget within 30 days of approval by the agency's board if the agency budget is not balanced or

Adds strike notification requirements, prohibiting a union leader of a collective bargaining unit representing transit workers from calling a strike unless there is

notification to the general public and no sooner than 72 hours after the public has been notified.

Creates a Shared Ride Service Delivery Pilot Program

PA Turnpike Commission Reforms

Adds required performance audit by Auditor General every two years.

Adds required appearance by Commission before Legislature every June.

Adds requirement that Turnpike Chief Financial Officer to be federally certified.

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. (already contained in SB1)

Eliminates proposed term-of-office changes for Turnpike Commissioners.

\$500 fine 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.

County Vehicle Registration Fee

(not addressed in SB1)

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 SB1)

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 would be the first increase in the tax since 1984. (not addressed in SB1).

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 SB1 to be earmarked for the paving of low-volume (500 vehicles or less a day) roads.

SB 1 provides a \$30 million increase to the Dirt and Gravel Road Program through additional Oil Company Franchise Tax 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 SB1)

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.

Addresses blending operations to ensure all applicable taxes are collected.

Modernize administration – seeks the maximization of electronic filing and payment to reduce administrative burden.

Risk management – establish bonding and licensing requirements that weigh taxpayer risk factors to protect the Commonwealth's financial interests.

Clarify exempt entities – clarify 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 the Department can enforce possible safety violations or consumer fraud.

Record keeping – strengthens the taxpayer recordkeeping requirements, consistent with recent Pennsylvania 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 SB1)

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 northcentral PA supplies processed product to the yogurt industry in New York.

Posted and Bonded Road Exemptions

(not addressed in SB1)

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 (previously was not)
- 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 percent or more declines 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 SB1)

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”

(remains in SB1)

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 the department, shall be relieved of any local match requirement. If, however, a locally owned bridge is identified by the department and the local government refuses its inclusion in the program, that bridge will be subject to a local match of 30 percent of the non-federal share at such time as it would be constructed.

Traffic Signals Maintenance Agreement

(remains in SB1)

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

(remains in SB1)

Chapter 59 of Title 74 is amended to add a 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, could be increased in the future upon the mutual agreement of the city and the rental car companies.

Fish and Boat Commission OCFT Rebate

(remains in SB1)

Amends Section 9511 of Title 75 to provide for a rebate to the PA Fish and Boat Commission from the Oil Company Franchise Tax 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.