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AMERICAN COUNCIL OF ENGINEERING COMPANIES
of Pennsylvania

Pennsylvania's New Transportation Funding Law Detailed Summary of Act 89 of 2013

Transportation Mode	Year 1 (Jan. 1-June 30, 2014) est.	Year 5 Estimate
State Roads and Bridges	\$188 million	\$1.3 billion
Public Transportation	\$60 million	\$497 million
Local Roads and Bridges	\$35 million	\$237 million
PA Turnpike Expansion Projects	\$13 million	\$86 million
Multi-Modal Fund	\$30 million	\$144 million
Fish and Boat Commission	\$3 million	\$9 million
County/Forestry Bridges	\$2 million	\$12 million
Dirt/Gravel/Low-Volume Roads		\$35 million
TOTAL	\$331 million	\$2.3 billion

Overview of Funding Levels:

- Generates additional \$2.3 billion per year by FY2017-18 for the Commonwealth's highway, bridge, public transit, local government, and other modal infrastructure systems.
- Generates an additional \$1.65 billion per year for highways and bridges by 2017-18.
- Generates an additional \$476 to \$497 million per year for public transit by 2017-18.
- Provides an additional \$220 million per year in fuel tax revenue for local government highway and bridge projects by 2017-18.
- Establishes a new \$144 million per year Multimodal Transportation Fund by 2017-18 to fund Commonwealth aviation, freight and passenger rail, ports and waterways, bicycle and pedestrian projects.
- Allows for PennDOT to achieve \$1 billion in savings over 10 years as a result of improved efficiencies.

Changes to State Fuel Tax Calculations:

- Effective January 1, 2014, the new law eliminates the 12 cents-per-gallon state retail gas and diesel tax.
- Also effective January 1, 2014, a corresponding increase in the millage rate of the Oil Company Franchise Tax (OCFT) is increased to offset and make the 12 cent elimination revenue neutral to the Commonwealth.

- The OCFT is a tax on gasoline and diesel at the wholesale level or “at the rack.” Under the current formula used to calculate the tax, an artificial cap of \$1.25 was applied in 1983 effectively suppressing revenues and the ability for the current wholesale price to be used when calculating the tax rates. In today’s market, the wholesale price of gasoline is approximately \$3.11.
- The law uncaps the OCFT over a five-year period. The OCFT is adjusted as follows:
 - For calculation purposes, sets the wholesale price at \$1.87 on January 1, 2014.
 - For calculation purposes, sets the wholesale price at \$2.49 on January 1, 2015.
 - Beginning on January 1, 2017, establishes a new “floor price” of \$2.99 to protect the state from any sharp declines in price.
 - Beginning on January 1, 2017, re-establishes an annual average wholesale price determination by the Dept. of Revenue as it existed prior to Act 89 but in no case shall the price determination be less than \$2.99 per gallon.
- The five-year phase out of the OCFT is estimated to generate an additional \$1.85 billion annually.
- OCFT revenues are constitutionally protected for Commonwealth highway and bridge programs.

Changes to Vehicle Registration Fees:

- Basic passenger car registration fees will increase from \$36 to \$37 in 2015-16 and from \$37 to \$38 in 2017-18. An inflationary CPI adjustment would then apply increase every two years starting July 1, 2019.
- Pickup truck registration fees will increase from \$58.50 to \$60 in 2015-16 and from \$60 to \$62 in 2017-18. Inflationary increase every two years thereafter. An inflationary CPI adjustment would then apply increase every two years starting July 1, 2019.
- Trucks (Class 2-4B) registration fees will have an inflationary increase starting July 1, 2019 and every two years thereafter.
- Commercial and non-commercial trucks 11,001-80,000 lbs. (each weight-class Class 5 through Class 25) will see a phased-in increase beginning 2015, for example:
 - from \$243-\$263 for class 5 & \$1,687 to \$1,827 for class 25 in FY 2014-15
 - from \$263-\$283 for class 5 & \$1,827 to \$1,966 for class 25 in FY2015-16
 - from \$283-\$303 for class 5 & \$1,966 to \$2,105 for class 25 in FY 2016-17
 - from \$303-\$323 for class 5 & \$2,105 to \$2,244 for class 25 in FY 2017-18
 - Inflationary increases every two years thereafter.
 - Buses, school buses, limousines and motor homes will have a similar phased-in increase beginning 2014-15. Inflationary increase every two years thereafter.
- Motorcycle registration fees will increase from \$18 to \$19 in 2015-16 and from \$19 to \$20 in 2017-18. An inflationary CPI adjustment would then apply increase every two years starting July 1, 2019.
- Antique/classic/collectible car registration fees will increase from \$75 to \$77 in 2015-16 and from \$77 to \$80 in 2017-18. An inflationary CPI adjustment would then apply increase every two years starting July 1, 2019.
- Other registration fee provisions:
 - Optional biennial registration for all vehicles other than those subject to the International Registration Plan. Takes effect in 2017.
 - Local Government option for counties to assess a \$5 vehicle registration fee to meet local government needs.

Changes to Driver Licensing Fees:

- Remain at a four-year renewal period.
- Increases the base licensing fee from \$21 to \$22 in 2015-16 and from \$22 to \$23 in 2017-18. An Inflationary increase is applied every two years thereafter. (An additional photo processing fee still applies as per PennDOT regulations).

Changes to Traffic Violation Fines, Surcharges and Permits:

- Increases several existing surcharges on certain serious moving traffic violations by 50% which is estimated to generate an additional \$86 million annually by the fifth year of the new law. These funds would be dedicated to public transit funding.
- A flat \$150 fine is established for violations of section 3111 of the Vehicle Code (Failure to Obey Traffic Control Devices), which is estimated to generate an additional \$40 million annually. A portion of this fine is dedicated for public transit.
- Establishes a new option to pay an increased \$500 fine in lieu of a 90-day suspension for lapses in insurance. This is estimated to generate \$7 million and would be dedicated to public transit needs.
- Redirects to public transit revenue from eight fees currently deposited into Motor License Fund, but not constitutionally restricted to the Fund. This provision is estimated to generate an estimated \$265 million per year by fifth year.
- Inflationary adjustments are made to various PennDOT fees, including license plates, overweight/oversized hauling permits, occupational limited licenses, CDLs, and probationary licenses.

Local Government Funding Provisions:

- Increases the 52-year-old Prevailing Wage Law threshold that determines whether state prevailing wage rates shall be paid for local transportation projects (those funded by local governments). The threshold of \$25,000 is increased to \$100,000 effective 2014.
- Local governments will receive an additional \$220 million annually by the fifth year in direct allocations from the OCFT increase. This represents a 60% increase over current allocations to local governments.
- Allocates up to \$40 million in grant money by 2016-17 to coordinate traffic signals to alleviate congestion.
- Allocates an additional \$30 million for the Dirt & Gravel Roads program bringing it to an annual \$35 million program.
 - A minimum of \$8 million annually for the paving of low-volume rural roads.
 - \$28 million is dedicated for State Conservation Commission grants and \$7 million to DCNR.
- Allows local governments to save up to 20% of local matching funds for each bridge under PennDOT's new bridge bundling program that was established in the new law.
- The bill granted the ability to waive local match requirements for some transit capital projects.
- Provides incentives, including local match waivers, for transit agencies to consolidate in regions.
- Option for counties to assess a \$5 vehicle registration fee.

Establishment of a One-of-a-kind Multimodal Fund:

- A newly created dedicated fund was established for multimodal transportation projects which may include freight rail, passenger rail, ports/waterways, aviation, pedestrian, and bicycle facilities.
- Minimum funding levels are established for each mode and additional discretionary money is established for eligible programs. Grants for such projects will be awarded on a competitive basis.
- Minimum Funding levels are as follows:
 - Aviation programs: \$5 million in 2013-14 and \$6 million each year thereafter.
 - Rail freight programs: \$8 million in 2013-14 and \$10 million each year thereafter.
 - Passenger rail programs: \$6 million in 2013-14 and \$8 million each year thereafter.
 - Ports and waterway programs: \$8 million in 2013-14 and \$10 million each year thereafter.
 - \$2 million annually for programs related to bicycle and pedestrian facilities.
- Funding for the Multimodal Fund comes from the following sources:
 - \$30 million of the Act 44 Turnpike obligation redirected from transit.
 - A portion of the revenue derived from some “unprotected” fees (\$30 million in first year; \$79 million a year by year five).
 - \$35 million of the OCFT revenue, redirected from Motor License Fund.

Pennsylvania Turnpike Related Provisions:

- Sunsets the Turnpike’s \$450 obligation to the Commonwealth established under Act 44 over an eight-year period.
- For the next eight years, the entire \$450 million obligation—of which \$30 million is bondable for major capital projects—is now dedicated to public transit funding.
- After the eight-year phase out, the lost public transit funding would be replaced with sales tax revenue derived from the sale of motor vehicles.
- Strengthens toll collection enforcement as it pertains to fare evasion, adding summary offenses and for restitution.

Public Transportation Provisions:

- Creates incentives for consolidation of transit system operations.
- Creates a Shared Ride Service Delivery Pilot Program.
- Requires transit agencies to derive and issue public policies regarding adjustment of fare rates based on inflation.

Other Provisions of Note:

- Allows PennDOT and the Turnpike Commission to establish 70 mph speed limits on limited access highways provided they meet the safety standards required under the engineering and traffic studies conducted for the posted roadway.
- Allows for transporters of processed dairy products to obtain an annual 95,000 lb. hauling permit.
- Allows PennDOT to waive the amount that an industry may be responsible for along a bonded road that needs reconstruction if it is determined that another industry contributed to the road destruction to a much greater degree.

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- Grants PennDOT greater enforcement authority under its posted and bonded permitting process.
 - Provides for an additional 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. Beginning in fiscal year 2018-19, the rebate may be used for a broader spectrum of motorboat- related amenities.

Sources:

--House Bill 1060

--Fiscal Analyses from the PA Department of Transportation

--Fiscal Analyses from the PA House Appropriations Committee

--PA Senate Transportation Committee

--Summary Analysis from the PA House Transportation Committee

Updated: December 10, 2014