

ACEC/PA Transportation Funding & Privatization Issue Statement

The American Council of Engineering Companies of Pennsylvania (ACEC/PA) is keenly aware of the critical condition of our transportation infrastructure and associated funding challenges, and has laid out the following Guiding Principals, which we hope will become part of the ongoing discussion and solution to these important issues.

Background

It is widely accepted that an additional \$760 million per year is needed for transit, and \$965 million is needed for highways and bridges.

Our transportation system is funded through a combination of revenue sources. Our highways and bridges are largely funded through State and Federal fuel taxes, as well as other fees on items such as vehicle registration. Mass transit is funded through a complex combination of fees and taxes and allocated through the General Fund. The buying power of these revenue sources has been dramatically reduced due to recent significant inflation in construction materials. In addition, fuel tax revenues will continue to decline as vehicles continue to become more fuel efficient and alternative fuels become more common. As currently configured the gas tax does not increase with rising fuel prices, and is also not indexed to account for inflation.

Concerns

There is no “magic bullet” to provide increased funding. While privatization may play an important role in expanding the transportation system, it does not in itself bring significant “new” revenue into the equation. Public-Private Partnerships generally rely on tolling the new facility to generate the revenue necessary to make the deal attractive to the private entity, and it does not take into account the hardships that will be incurred by the traveling public.

Funding Solutions

. ACEC/PA suggests the following Guiding Principles to transportation funding:

- ❖ Both short and a long term solutions are required to address the funding needs
- ❖ Any funding solution must be indexed to account for reasonable inflation
- ❖ Provide a dedicated source of Mass Transit funding as suggested by the [Transportation Funding and Reform Commission \(TFRC\)](#) and [Pennsylvania Economy League \(PEL\)](#) studies, through a reliable source of State and local taxes
- ❖ Consider prudent use of bonding, supported by the new tax and fee revenues
- ❖ Implement agency reforms as suggested by the TFRC to streamline processes and produce additional efficiencies

- ❖ Short term solutions will include some combination of increases in gas tax, oil company franchise tax, and fees as suggested in the TFRC and PEL studies. While tax and fee increases require political courage, they are the quickest and most effective ways to raise funds while longer term solutions are developed
 - The current gas tax (18 cents Federal, 31 cents State) represents approximately 17% of a \$3 per gallon gas price
 - The main components of the 31 cent State tax are a 12 cent gas tax and an 18 cent oil company franchise tax, which adjusts with changing fuel costs but is currently capped at \$1.25 per gallon

- ❖ Long Term Solution (within five years) to include the following possibilities:
 - Implement a usage based fee system, based on miles traveled, similar to other pilot programs being studied in the US
 - Toll selected regional interstate routes to fund needed maintenance, reconstruction and expansion of these facilities
 - Construct High Occupancy Toll (HOT) lanes in congested urban areas
 - Utilize technology applications including Open Road Tolling (ORT)
 - Organize Regional Transportation Mobility Authorities, primarily in urban areas, to oversee all modes of transportation. Give these Authorities power to institute local fees, oversee planning and funding decisions on a multi modal, regional basis.
 - As nearly as practical, transportation funding should be supplied directly by the users of the system and those that benefit

Public-Private Partnerships

Public-Private Partnership (P3) is a broad term used to describe a partnership combining private development and funding with a public entity that allows for greater private sector participation in the delivery of transportation projects. A P3 can include building a new facility with some or all of the funds from private sources, as well as a Concession which privatizes an existing asset. Tolls are generally applied to cover part or all of the investment.

Public-Private Partnerships can play an important part in providing for our overall transportation program. P3's can leverage private funds to deliver projects that would not be possible through traditional funding means. P3's may be helpful in augmenting the transportation program, but cannot be expected to solve the funding crises.

- ❖ We believe that P3 is best applied in the following instances:
 - Where traditional funding is not sufficient to implement a project
 - For new or expanded "Greenfield" type projects, such as a new highway alignment or adding lanes to an existing, congested facility, where an improved service can be provided for the new fee
 - P3 can be used for non-highway projects on other public facilities or infrastructure where a fee can support the investment

- ❖ Above all, P3 should be utilized to enhance the transportation system while maximizing the Public benefit and protecting the investment of toll revenue ("get the best bang for the buck").

- ❖ The following principles should guide the application of P3's
 - Revenues from any partnership must be dedicated to transportation uses
 - A sound financial plan must be implemented
 - A fair and transparent process must be utilized to solicit P3's
 - Quality Based Selection must be stipulated for all professional services

- ❖ Leasing an existing or future toll facility to a private entity must be closely evaluated, with the following considerations:

- What is the overall benefit to the citizens of Pennsylvania?
- How does it enhance or improve the overall transportation system?
- How will the proceeds be spent?
- Will the up front payment be enough to justify the increased tolls necessary to make the deal attractive to the private entity?
- Can the financial interests of the public be adequately protected?
- If a foreign entity assumes ownership of a future or existing facility, would they tend to hire engineering firms from their own country to perform engineering services?
- Will a private entity favor hiring national engineering firms which would push aside local midsize or smaller firms?
- Will the current Transportation Project Development Process and NEPA regulations be adhered to if a foreign entity were to assume ownership of an existing or to be constructed Pennsylvania highway?
- Under what conditions would the State have to return invested funds to a P3 Contractor over the course of their lease, should revenue generation be reduced, (i.e. significantly lower traffic volumes due to higher fuel costs, improved transit availability or technology improvements)?
- Will a P3 Contractor enjoy a limitation of liability, such as public agencies have, for tort liability related to traffic accidents and personal injury related to the standard of care maintaining transportation assets
- Will a P3 contractor be subject to audit of agreed to profit limitations, and review of Executive Compensation?

Those with direct industry experience, such as ACEC/PA and APC member firms, who directly design and build to P3 Programs, must be involved in the decision-making process. It is proposed that a joint panel of ACEC/PA and APC professionals participate in a detailed review of any proposed P3 Program, and provide input from an industry perspective.

Conclusions

- 1.) Infrastructure in PA is at a critical juncture.
- 2.) The "Do Nothing" approach will only lead to increased congestion, deteriorating bridges and roadways, and poor quality of life for all Pennsylvanians.
- 3.) ACEC/PA supports immediate, prudent action to ensure that adequate funding is in place to maintain our vital interests of safety and economic growth.

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