

COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES

APPROPRIATIONS COMMITTEE
PUBLIC HEARING

STATE CAPITOL
HARRISBURG, PA

IRVIS OFFICE BUILDING
ROOM G-50

THURSDAY, DECEMBER 14, 2017
9:00 A.M.

PRESENTATION ON
PA DEPARTMENT OF TRANSPORTATION
SPECIAL FUNDS

BEFORE:

HONORABLE STAN SAYLOR, MAJORITY CHAIRMAN
HONORABLE SHERYL M. DELOZIER
HONORABLE GEORGE DUNBAR
HONORABLE KEITH J. GREINER
HONORABLE SETH M. GROVE
HONORABLE MARCIA M. HAHN
HONORABLE DOYLE HEFFLEY
HONORABLE SUSAN C. HELM
HONORABLE R. LEE JAMES
HONORABLE WARREN KAMPF
HONORABLE FRED KELLER
HONORABLE DUANE D. MILNE
HONORABLE JASON ORTITAY
HONORABLE MICHAEL PEIFER
HONORABLE MARGUERITE QUINN
HONORABLE CURTIS G. SONNEY

* * * * *

Debra B. Miller

dbmreporting@msn.com

BEFORE (continued):

HONORABLE JOSEPH F. MARKOSEK, DEMOCRATIC CHAIRMAN
HONORABLE TIM BRIGGS
HONORABLE MARY JO DALEY
HONORABLE PATTY KIM
HONORABLE PETER SCHWEYER

COMMITTEE STAFF PRESENT:

DAVE DONLEY
MAJORITY EXECUTIVE DIRECTOR

MIRIAM FOX
DEMOCRATIC EXECUTIVE DIRECTOR

I N D E X

TESTIFIERS

* * *

<u>NAME</u>	<u>PAGE</u>
LESLIE S. RICHARDS SECRETARY, PA DEPARTMENT OF TRANSPORTATION.....	6
TOBY L. FAUVER DEPUTY SECRETARY FOR MULTIMODAL TRANSPORTATION, PA DEPARTMENT OF TRANSPORTATION.....	19

SUBMITTED WRITTEN TESTIMONY

* * *

See submitted written testimony and handouts online under "Show:" at:

http://www.legis.State.pa.us/cfdocs/Legis/TR/Public/tr_finder_public_action.cfm?tr doc typ=T&billBody=&billTyp=&billNbr=&hearing month=&hearing day=&hearing year=&NewCommittee=Appropriations&subcommittee=&subject=&bill=&new title=&new salutation=&new first name=&new middle name=&new last name=&new suffix=&hearing loc=

P R O C E E D I N G S

* * *

1
2
3 MAJORITY CHAIRMAN SAYLOR: I'm going to call the
4 Appropriations hearing to order, and I want to thank
5 Secretary Richards for agreeing to come to testify before
6 the Committee today.

7 Before we begin, if everybody would please make
8 sure your cell phones are silenced. Today's hearing is
9 being recorded, and I don't want to interfere with that
10 broadcast.

11 The purpose of today's hearing is to allow
12 Members an opportunity to ask questions and learn more
13 about the operation of special funds under the purview of
14 the Department of Transportation. We are looking to get a
15 better understanding of how these funds function and how
16 the moneys are expended, and what revenue sources are
17 utilized and why balances exist in these funds.

18 During the budget negotiations this year, many in
19 the House were interested in transferring balances from
20 various taxpayer special funds to help fulfill a deficit
21 caused by a decline, of course, in the revenue here in
22 Pennsylvania for the fiscal year 2016-17.

23 As this Committee dug into balances of these
24 various special funds, it became apparent that many
25 questions still exist about them. This past year, there

1 have been many -- there have been some difficulties, I
2 should say, with getting accurate and current information,
3 and I'm hoping today this represents the turning of the
4 page, where we can have a more open and honest dialogue
5 about these funds.

6 The Secretary is the first of several Secretaries
7 who will appear before the Committee to explain that, and
8 also Secretary -- I should say Treasurer Joe Torsella has
9 agreed to come over and explain how he manages these funds
10 as well at a future date.

11 I'm asking the Members and testifiers to keep
12 their questions and answers concise so that we can have the
13 best possible answers and understanding of this and make
14 this a productive hearing in the allotted time that we
15 have.

16 I'm not using the 5-minute clock, Members, but I
17 am asking Members to stick to, as close as possible, that
18 time, and I will interrupt you if you go too far beyond it.
19 So please, again, keep your questions very concise so that
20 the Secretary understands exactly what you're asking for.

21 And Madam Secretary, I will interrupt if I feel
22 like we're not getting an answer to the exact question,
23 because I don't want to spend all day here. Chairman
24 Markosek and us, we all have some Christmas shopping to do.
25 I do at least. I don't know about you.

1 MINORITY CHAIRMAN MARKOSEK: I don't know -- I
2 have to get your sizes.

3 (Laughing.)

4 MAJORITY CHAIRMAN SAYLOR: So, Madam Secretary,
5 if you or whoever is going to testify as well would stand
6 and raise your right hand to be sworn in:

7 Do you swear or affirm that the testimony you are
8 about to give is true to the best of your knowledge,
9 information, and belief? If so, say "I do."

10 SECRETARY RICHARDS: I do.

11 DEPUTY SECRETARY FAUVER: I do.

12 MAJORITY CHAIRMAN SAYLOR: Thank you.

13 Madam Secretary, I don't know if you have opening
14 remarks. If not, I will---

15 SECRETARY RICHARDS: I do. And while normally in
16 front of this Committee I forgo opening remarks because I
17 want to leave as much time, but if I could just have a few
18 minutes.

19 These funds, they are complicated, and I think I
20 could outline the funds that we are looking at, the money
21 that comes in, and just give you some details that would
22 help shape the conversation, and I think it would be a more
23 productive conversation. I promise not to take too long.

24 MAJORITY CHAIRMAN SAYLOR: Fine.

25 SECRETARY RICHARDS: Okay?

1 So first of all, Chairman Saylor and Chairman
2 Markosek, thank you for having me.

3 Members of the Committee, we really appreciate
4 this opportunity to answer questions about the balances in
5 the Public Transportation Trust Fund, the Multimodal Fund,
6 the Pennsylvania Infrastructure Bank, and the Highway
7 Beautification Fund.

8 Joining me today is Deputy Secretary Toby Fauver.
9 He is the Deputy Secretary for Multimodal, a deputate in
10 PennDOT. He manages all of the programs that rely on these
11 four funds.

12 The bulk of the funds I'll be discussing today
13 provide stable and predictable funding for public transit
14 on which millions of our citizens rely, and those are
15 people who live both in the two largest cities here in
16 Pennsylvania -- Philadelphia and Pittsburgh -- as well as
17 dozens of other towns across our State.

18 Our citizens rely on transit to get to work and
19 for trips that entail some of the other basics of everyday
20 life: shopping, medical appointments, as well as
21 recreation.

22 Transit provides shared rides in rural areas
23 where some of our citizens have no other means of getting
24 around. Here in the Harrisburg region, Capital Area
25 Transit has been adding special routes that supply

1 officially needed links between people in our in-town
2 neighborhoods and good-paying jobs in warehouses in our
3 outlying communities. And these funds, created over the
4 last 10 years or so, replaced haphazard and unpredictable
5 funding streams that allow transit to stabilize and provide
6 needed services and help for our economy to grow.

7 Here are some details about how these funds
8 work.

9 Money for, I'm going to use the acronym "PTTF"
10 from now on for the Public Transportation Trust Fund. PTF
11 comes from a combination of sources. It comes from the
12 Pennsylvania Turnpike, sales tax, the Public Transportation
13 Assistance Fund, unrestricted motor license fees, traffic
14 violation fines, and the Lottery.

15 The PTF supports \$1.02 billion in transit
16 operating subsidies, 432 million in transit capital
17 projects, and 82.5 million for Programs of Statewide
18 Significance, which includes our passenger rail service,
19 the Keystone Corridor.

20 Much of the money for capital projects in the
21 Public Transportation Trust Fund comes from Turnpike-issued
22 tax-exempt bonds. This amounts to \$375 million. I
23 would like to note that the source of this money is
24 Turnpike-issued debt, and under the bond indenture
25 agreements, the money cannot be transferred to noncapital

1 uses without the bonds losing their tax-exempt status.

2 Transferring those bond proceeds would translate
3 into credit downgrades for the Turnpike, tens of millions
4 of dollars in higher borrowing costs for the Turnpike,
5 additional pressure for more toll increases, a reduced
6 capital program for the turnpike improvements, as well as
7 reduced traffic on the turnpike, which would further
8 jeopardize its financial condition.

9 I would like to offer some background about
10 PennDOT's transit responsibilities as well as we discuss
11 this funding.

12 One reason Act 44 of 2007 was adopted was to give
13 PennDOT greater oversight over transit operations, and we
14 take this role very seriously. Among the steps that we
15 take are to evaluate and prioritize investments; analyze
16 performance and identify opportunities to improve public
17 transportation efficiency effectiveness, as well as
18 customer service.

19 We produce an annual performance report, which I
20 have here today. It's posted on our website, and it offers
21 details by each agency, financial information, and
22 passenger and operating data such as vehicle miles and
23 hours and other performance statistics. We have done this
24 each year since 2008.

25 We provide technical assistance to transit

1 agencies to implement improvement strategies; we analyze
2 transit systems for compliance to ensure continued
3 eligibility for State and Federal funding; and we analyze
4 safety and security to ensure actions by transit agencies
5 to remedy any problems that they are having.

6 One of the purposes of Acts 44 and 89 was to
7 create more predictable and stable transit funding for
8 services that generate more than 400 million rides a year
9 on 35 fixed-route transit agencies across the State. I
10 just want to repeat that: more than 400 million rides a
11 year to our residents here in Pennsylvania.

12 In 2007 when Act 44 was enacted in recognition
13 of a significant increase in funding and predictability,
14 there was an expectation of accountability, transparency,
15 and prudent management of the Commonwealth's investment.
16 This was the first time in many years that transit systems
17 could plan service based on a reliable and growing fund
18 source.

19 In the third year of the legislation, 2010,
20 revenue fell far short of projections. Fortunately, we had
21 a small reserve from the previous 2 years. Although we had
22 to reduce transit grants and payments for almost 4 percent
23 in June of 2010, without the reserve, the reduction would
24 have been greater and could have resulted in operating
25 deficits and service cuts.

1 At that time, we resolved to build a budgetary
2 reserve that would mitigate future economic downturns and
3 the potential for funding reductions, which can wreak havoc
4 with our operations. We set a reserve target of 5 percent
5 on operating funds. And while 5 percent may seem like a
6 big number, it only equates to 2 ½ weeks of transit
7 subsidies, a very small amount of time.

8 Operating payments to the 35 transit agencies
9 across the State are paid monthly, but they are given
10 notice in advance of what they can expect for the entire
11 fiscal year, and the transit agencies make their annual
12 budget and operating decisions based on that information.

13 Public transportation is solely funded by the
14 Public Transportation Trust Fund and the Public
15 Transportation Assistance Fund.

16 One other historical note:

17 Under Act 44, a significant portion of capital
18 funds for transit was to come from revenue from the tolling
19 of Interstate 80. When it was not approved by the Federal
20 Government, it left a 150 million shortage in Act 44, which
21 was available for transit capital funds.

22 Act 89 of 2013 made up that shortfall. Overall,
23 the inability to add tolling of I-80 cut Act 44's annual
24 transportation funding, including highways and bridges,
25 from 900 million to 450 million.

1 Among the plans for the PTTF funds are,
2 800 million in capital rail projects over the next 5 years.
3 New transit facilities are under construction in Erie and
4 Centre County, and more are planned for Armstrong;
5 Lackawanna; Luzerne; Bradford and McKean; Schuylkill and
6 Westmoreland Counties; DuBois, Clearfield County; Hazleton;
7 Endless Mountains; and Harrisburg. With Act 89, we are
8 addressing the huge statewide transportation needs that
9 affect everybody's constituents.

10 Transportation is a core function of government
11 and a service that impacts each of the State's more than
12 12 million residents. The balances in the PTTF represent
13 commitments in projects constituents are expecting and
14 need, and cutting these will have a widely-felt impact.

15 Moreover, briefly on the other funds, the loss of
16 50 million from the Multimodal Fund will deny much needed
17 assistance to communities around the State who rely on
18 critically needed resources through the Commonwealth
19 Financing Authority. Many communities and Legislators rely
20 on this program to direct much needed aid to their
21 municipalities for safety improvements to intersections, as
22 well as safety improvements for pedestrians and bicyclists.

23 Likewise, the 25 million reduction in the
24 Pennsylvania Infrastructure Bank would stop a variety of
25 local transportation improvements. The State

1 Infrastructure Bank can be used by municipalities and
2 developers to finance local match shares of larger
3 infrastructure projects. In fact, more than 20 million of
4 this funding is already committed or in the approval
5 process for projects improving community roadways.

6 Again, the steps impact the following projects:
7 500,000 for public streets and drainage reconstruction
8 projects in North Manheim Township, Schuylkill County;
9 26,000 for street improvements in Stillwater Borough,
10 Columbia County; and 263,000 for street and drainage
11 improvements in Beaver Meadows Borough, Carbon County.

12 The proposal to take 500,000 from the Highway
13 Beautification Fund would force us to redirect funding from
14 construction or maintenance activities. We rely on this
15 fund to pay for federally mandated surveillance and
16 enforcement of outdoor advertising and junkyard laws on
17 more than 16,000 miles of roadways statewide. This is not
18 a minor task, and the failure to maintain an effective
19 program would put the \$1.5 billion we get from the Federal
20 Highway Administration at jeopardy.

21 We understand we are in difficult financial
22 times, and the need for sacrifice extends widely. But in
23 making such sweeping decisions about diverting money from
24 funds established to meet critical needs, there needs to be
25 a complete understanding of the ramifications of what I

1 have attempted to outline today.

2 So we appreciate being in front of you today, and
3 we look forward to the dialogue.

4 MAJORITY CHAIRMAN SAYLOR: I was remiss in not
5 letting Chairman Markosek have an opening statement, so I'm
6 going to give him an opening statement, and then we'll move
7 to questions.

8 MINORITY CHAIRMAN MARKOSEK: Well, thank you.

9 Thank you. You know, how do I follow, you know,
10 such a great presentation. But welcome, Secretary and
11 Deputy Secretary. It's good to see you again. You have
12 been before our Committee numerous times and perhaps will
13 be again in the spring.

14 You know, this little reminiscing here, you
15 know, I was the Chairman of the Transportation Committee
16 for a number of years, and we used to meet right in this
17 room.

18 And my whole history with transportation has
19 been, obviously, trying to find funding, and the main ways
20 that we fund transportation, basically, are through the
21 fuel taxes for our other transportation needs. And, of
22 course, because of constitutional issues with transit, we
23 have to find some other means to fund transit. So in many
24 ways, my whole career here has been trying to find creative
25 ways to fund transit.

1 I was the prime sponsor of Act 44 way back when,
2 about 10 years ago. And that passed, parts of it, big
3 parts of it. The tolling of Interstate 80 did not. But
4 one of the reasons we did that is because the Legislature
5 at the time was averse to raising taxes, so we came up with
6 monetizing the turnpike as a way to raise funds.

7 That has worked. The turnpike, it has put a lot
8 of pressure on the turnpike, but it has provided a lot of
9 money for mass transit.

10 Beyond that, we have seen Act 89 a few years ago,
11 which I was also -- I wasn't Chairman then, but I was here
12 at this job. But we worked very hard also to get that
13 passed, and that has, in spite of some of its flaws, it has
14 been a very good working piece of legislation that has
15 provided money, particularly for transit.

16 I would remind everybody in here that Act 89 does
17 have a shelf life. And in the early 2020s, coming up
18 pretty soon, some of the transit money from the turnpike,
19 you know, may go away or be reduced.

20 We're about halfway through that Act 89 lifespan
21 now, interestingly enough. It's amazing how fast time goes
22 around here. So we have to be very cautious and we have to
23 be wary of finding other ways to fund transit, if that's
24 going to go away, and to make sure that the money that we
25 do have is protected.

1 We had some -- in our budget deliberations here
2 this past summer, of course we had many different ways,
3 schemes, if you will, to try to find money to solve the
4 overall budget. One of them was to take a lot of money,
5 not just a little bit but a lot of money, from special
6 funds, and mass transit was one of those. And I would
7 caution anyone that wants to do that that mass transit is
8 something that is available in all 67 counties.

9 Unfortunately, my history here has been that
10 mass transit seems to be, you know, a rural versus urban
11 kind of issue when it comes to Legislators. And we have to
12 get way beyond that, because mass transit not only is
13 available in all 67 counties, but the counties that it is
14 most helpful to, the southeast, southwest, and some of the
15 other urban areas, are oftentimes the engines for economic
16 development and also taxes, if you will, for the whole
17 Commonwealth. Those are donor regions, and a lot of, even
18 the rural areas, get money from the taxes that are raised
19 in some of those donor counties that depend and have
20 depended very greatly on mass transit for their economic
21 viability.

22 So any time that we're talking about, you know,
23 taking money away from mass transit and using it for other
24 issues, I am going to fight, you know, very diligently
25 against that.

1 So that's, you know, from the 10,000-foot level,
2 I don't have any specific questions. I'm anxious to hear
3 what you have to say, and I think we all on this Committee
4 need to drill down and take a look at how the funds that
5 you do have are used and why they are important for you as
6 we move forward and as the Commonwealth moves forward.

7 So I want to welcome you here today. I said to
8 the Chairman last night, I said, you know, it's supposed to
9 snow. I don't know if the Members will make it, but I know
10 the Secretary has her own snowplow, so she will be here.

11 SECRETARY RICHARDS: I would find a way.

12 MINORITY CHAIRMAN MARKOSEK: So we're glad that
13 you're here, we're glad you made it safely, and we're
14 anxious to hear what you have to say.

15 SECRETARY RICHARDS: Thank you.

16 MAJORITY CHAIRMAN SAYLOR: Thank you.

17 The first person on our list is the Vice Chairman
18 of the Committee, George Dunbar. George.

19 REPRESENTATIVE DUNBAR: Thank you, Mr. Chairman.

20 And thank you, Secretary and Deputy Secretary,
21 for being here.

22 I really have no great agenda here or anything
23 like that, but I agree with what you said and what Chairman
24 Markosek said about making sure everybody has a better
25 understanding of exactly what's going on. I think that's

1 really what we're here to do. We're not here looking for
2 dollars; we're looking for a better understanding.

3 As we went through the budget discussions last
4 year, you know, the options of looking into excess
5 dollars in special funds was certainly brought up. I
6 readily admit that I wasn't as enthusiastic as other
7 Members were about it, but at the same time, I think it's
8 something that we have to really look at and make sure and
9 get a good understanding so we all -- because when someone
10 comes to me and says, well, you're Vice Chair; what's going
11 on with these funds, and I'm like--- Well, I guess there
12 are some fair questions that we need to ask. So I think
13 that's what we're trying to do today, ask fair questions.
14 There are no gotchas. You know, there are no big surprises
15 coming.

16 So with that being said, at the same time, you
17 know, if we're in a budget situation and we're looking at
18 tax increases or other things, then I will certainly
19 overturn every couch cushion in the Capitol to find every
20 loose penny I can find to make sure we're having optimum
21 use of taxpayer dollars. So that is what we're trying to
22 do today.

23 Just some background questions and so we can
24 have a better understanding, starting with the Public
25 Transportation Trust Fund.

1 All the revenues you get in, you expend -- is
2 that correct? -- on a yearly basis. You are expending---

3 SECRETARY RICHARDS: Well, what comes in doesn't
4 go out necessarily in the same year.

5 Before we get into -- it's a balance.

6 REPRESENTATIVE DUNBAR: But your total revenues
7 -- your total expenditures for the year equal your total
8 revenues for the year.

9 DEPUTY SECRETARY FAUVER: Do you want me to---

10 SECRETARY RICHARDS: Yes. Sure.

11 Also, you do have a handout. I think that's
12 going to help as well. So I'm going to have Deputy
13 Secretary Fauver give us the details there.

14 REPRESENTATIVE DUNBAR: More paper. Lovely.

15 DEPUTY SECRETARY FAUVER: This is three pages.

16 SECRETARY RICHARDS: But again, this will help.
17 This is very simple and it will help, and also just to
18 describe the piles of paper we have in front of you so you
19 know what they are.

20 REPRESENTATIVE DUNBAR: I actually -- it's this
21 one right here?

22 DEPUTY SECRETARY FAUVER: Yes.

23 SECRETARY RICHARDS: Correct.

24 REPRESENTATIVE DUNBAR: All right. I have it.
25 And it is helpful, because it shows that you have a very

1 predictable revenue stream as well.

2 DEPUTY SECRETARY FAUVER: It does.

3 So I'm glad to explain the top part, but the
4 Secretary in her opening remarks outlined some of the
5 funding that comes into the fund, which are outlined in the
6 boxes across the top, and then there shows the total fund,
7 and this is for fiscal year '17-18.

8 Now, the fund numbers are estimates until we get
9 the year closed, because it's based upon dedicated receipts
10 of different sources of funds, and those sources of funds
11 fluctuate throughout the year, sales tax being one of them.

12 So when we get to the end of the year, we know
13 exactly what we received or we're getting, you know, as we
14 close the year out. But we update projections throughout
15 the year so we have ideas of where we're at, largely to
16 hedge our bets against numbers going down so we can prepare
17 for making sure we can meet the cash-flow requirements that
18 we have.

19 And then that breaks it into three programs,
20 three major categories of programs: transit operating
21 assistance, which then gets distributed by formula to all
22 the systems; capital assistance, which breaks out into more
23 or less four categories. There is a fifth category. I'll
24 just give you those categories now.

25 So SEPTA. SEPTA gets an amount of money from

1 that fund. Their number from this year is 242 million.
2 The Port Authority gets a number from it. Their number for
3 this year is 97 million. That's their allocation. And
4 then other systems, all the other systems around the State,
5 get an amount of money equal to \$40 million to meet their
6 needs.

7 And then there is an amount of money that comes
8 off for PennDOT. That's at \$26 million. That \$26 million,
9 when the legislation was set up, was meant to cover or help
10 to cover costs related to intercity passenger rail and
11 other statewide capital initiatives and then also give
12 PennDOT the ability to balance out capital needs, because
13 you get large projects and somebody may need a little more
14 money than somebody else, and so it helps us to balance
15 those needs out.

16 And then there's another category. It's under
17 Section 1517 of the law. There's a point-1 in there. The
18 pure 1517 went away with Act 89. 1517.1 went into place,
19 and that is called alternative energy, and that program was
20 set up to basically allow us to take an up-to amount. It
21 allows us to take up to \$60 million a year off the top out
22 of the capital program and put it into this alternative
23 energy program.

24 We put in \$25 million a year into that, and then
25 that goes to alternative energy projects. The difference

1 between that and normal capital is that alternative energy
2 has a zero local-match requirement. It's meant to
3 incentivize alternative energy investment. And it has
4 largely been used to fund the compressed natural gas
5 P3 project, but there are other projects that will be
6 funded as well.

7 And then the last category is "Programs of
8 Statewide Significance." That's sort of a catchall for all
9 the other smaller statewide programs.

10 There is intercity passenger rail in there, the
11 Persons with Disabilities Program that covers
12 transportation for persons with disabilities; community
13 transportation capital to fund capital. It funds the
14 capital, some of the capital portions of our Intercity
15 Passenger Rail Program that we use to match Federal funds.
16 We provide technical assistance. We do our performance
17 reviews out of that fund.

18 And we also, as part of our technical assistance,
19 for the smaller systems, other than the Port Authority and
20 SEPTA, PennDOT has really taken on a role for the major
21 capital project of doing a lot of, helping them to do a lot
22 of the planning, engineering, design, environmental
23 clearances, because those systems do a project every
24 30 years or so.

25 So that's the---

1 REPRESENTATIVE DUNBAR: Can I just interrupt you?
2 Because I do appreciate, I do appreciate where all the
3 dollars go. I really do appreciate where all the dollars
4 go. My concern, really, and not even a concern, but the
5 background that I'm trying to lay down is solely the idea
6 that there is excess funds.

7 DEPUTY SECRETARY FAUVER: I get it.

8 REPRESENTATIVE DUNBAR: So cash flows.

9 DEPUTY SECRETARY FAUVER: The next slide will
10 show you those.

11 REPRESENTATIVE DUNBAR: Cash flows is the
12 important conversation.

13 DEPUTY SECRETARY FAUVER: So the next two pages
14 are graphs. Most of what you're seeing in excess, quote,
15 unquote, "excess funds," what you're calling "excess
16 funds," are capital funds, and we can go into detail on
17 that. But let me just give you the high-level overview.

18 So what happened, when Act 89 passed, there was
19 no capital funds for transit. The capital funds, other
20 than -- there is a capital bond release that has been there
21 for a long time. But other than that, there was no capital
22 funds to meet -- to repair a backlog, to meet vehicle
23 replacement needs, to match Federal funds, and so systems
24 were getting desperate.

25 And other than SEPTA, who had a significant

1 amount of Federal funds that were continuing to go towards
2 capital, most systems weren't getting projects ready to go
3 to construction. They had needs, but they weren't doing
4 planning; they weren't doing environmental; they weren't
5 doing the engineering -- getting the pipeline of projects
6 ready.

7 When Act 89 passed, and you'll see the first
8 chart is Section 1514, Asset Improvement. That's our
9 capital program that refers on that front sheet. You'll
10 see a line that starts at the bottom that is blue that says
11 "Current Year Revenue." And it shows the revenue receipts
12 on that, on that capital account, and it projects it going
13 forward.

14 And we have shown it out to 2021-22, because that
15 is the legislation, what Representative Markosek, Chairman
16 Markosek, talked about when the turnpike funding goes away
17 and it's swapped out for vehicle sales tax, which I know
18 will ultimately create issues in the future, so it will
19 have to be dealt with. And so we have been working with
20 the systems to get a pipeline of projects ready.

21 So what you are going to see is, the red line
22 under that is what has actually been spent out in cash, and
23 it mirrors the same slope, but it has been going to
24 vehicles; it has been going to facilities; it has been
25 going to other capital needs. Some of it goes to

1 alternative -- it fits over into the alternative energy
2 program to fund CNG, and there's a gap. That gap is cash.

3 REPRESENTATIVE DUNBAR: Yeah. And that is
4 helpful.

5 DEPUTY SECRETARY FAUVER: Yeah.

6 REPRESENTATIVE DUNBAR: And that will help lead
7 into my next couple of questions.

8 Essentially looking at the, especially with the
9 Public Transportation Trust Fund, which dollar-wise is a
10 big number.

11 DEPUTY SECRETARY FAUVER: Mm-hmm.

12 REPRESENTATIVE DUNBAR: And so every year, you're
13 getting into X amount of revenue. You're pretty much
14 spending every dollar you get in, but you have had an
15 imprest type of cash balance, and that cash balance is
16 always, there has always been commitments exceeding
17 whatever that cash balance is.

18 DEPUTY SECRETARY FAUVER: Yes.

19 REPRESENTATIVE DUNBAR: But there has always been
20 a cash balance. So what you are telling me through these
21 charts is that we may not need it today, but down the road,
22 that cash balance is going to start shrinking.

23 DEPUTY SECRETARY FAUVER: Yes.

24 So what you're going to see -- what you see is in
25 the first 3 years of the legislation, really the first year

1 of the legislation, we were all scrambling to get our
2 systems to work for the funding and get funding out the
3 door, and people were starting to really think about those
4 projects.

5 And the local transit agencies have to work with
6 our municipalities. If they had to acquire land, they have
7 to go through environmental clearances, get Federal
8 approvals. There are all those steps that you have to go
9 through.

10 Then you go into preliminary engineering. You
11 begin to scope your project. At PennDOT, we are actively
12 -- I don't know how to stress this more. Prior to 2007,
13 PennDOT did not have legislative authority to oversee
14 transit agencies. In fact, the legislation set it up so
15 the transit agencies oversaw themselves.

16 The legislation had them doing management
17 performance reviews of themselves, and then they would
18 submit their reports to us. Now, PennDOT is doing that
19 work. PennDOT is really working with the agencies to try
20 to control costs to make sure projects are rightsized and
21 make sense and can fit well.

22 So we're building a pipeline of projects. So
23 that money that's here, we have in these tables, there's
24 a series of tables that were provided to the Committee
25 that---

1 REPRESENTATIVE DUNBAR: I'm trying to avoid that
2 big stack of papers.

3 DEPUTY SECRETARY FAUVER: You may not have seen
4 them. I'm showing you here, because there's lots of
5 information that we printed and brought along.

6 If anybody later wants to sit and go through
7 anything specific or wants to go through a specific
8 agency, I'm glad to do that. I'm glad to walk through any
9 today.

10 But there's a series of summary tables for each
11 agency in that packet. Each one of those summary tables
12 shows projects, major projects. It shows the vehicle
13 replacement schedules. It shows what the cash is going to
14 be needed on vehicle replacement schedules. And it also
15 shows when we anticipate needing cash for projects and
16 having projects ready to go.

17 MAJORITY CHAIRMAN SAYLOR: Let me interrupt a
18 minute.

19 When we got that stack, you gave us a fairly good
20 multimodal---

21 DEPUTY SECRETARY FAUVER: Yes.

22 MAJORITY CHAIRMAN SAYLOR: ---compressed. The
23 Committee would really like that stack compressed, just
24 like you did multimodal.

25 DEPUTY SECRETARY FAUVER: I got you.

1 MAJORITY CHAIRMAN SAYLOR: Because that is just
2 too much to go through and share with every Member, and
3 every Member should have that information. I think if you
4 do it like multimodal that you did---

5 DEPUTY SECRETARY FAUVER: Yes.

6 MAJORITY CHAIRMAN SAYLOR: ---it would give the
7 Members of the Committee a far better understanding of the
8 fund itself.

9 DEPUTY SECRETARY FAUVER: Yes.

10 MAJORITY CHAIRMAN SAYLOR: So I would just ask
11 you to get that back to us rather than us trying to copy
12 all that and give it to every Member.

13 DEPUTY SECRETARY FAUVER: I know; I know. I get
14 it.

15 We were trying to work to figure out a way to
16 summarize the information. The letter that you sent
17 requesting information, it was asking for details, so I
18 erred on the side of providing way more detail.

19 I didn't mean, I really didn't mean to overwhelm
20 you. I wanted to make sure you had the information.

21 MAJORITY CHAIRMAN SAYLOR: I'm just trying to
22 save trees.

23 DEPUTY SECRETARY FAUVER: I know. I get it. And
24 that's one of the reasons we didn't bring copies for every
25 Member.

1 REPRESENTATIVE DUNBAR: So when you're talking
2 about all these various projects and/or commitments, what
3 constitutes a commitment? When does it become a
4 commitment? What makes it a commitment?

5 DEPUTY SECRETARY FAUVER: Yeah. So let's---

6 REPRESENTATIVE DUNBAR: I mean, what's preventing
7 you from telling me I have, you know, 2 billion dollars'
8 worth of commitments?

9 DEPUTY SECRETARY FAUVER: Yeah. I can---

10 REPRESENTATIVE DUNBAR: Because I'm sure you can
11 come up with that list very easily.

12 DEPUTY SECRETARY FAUVER: So let's -- I'm glad to
13 talk about that.

14 We have revenue coming in, then we have what we
15 commit, and what we commit either goes directly into a
16 grant agreement. So if a system has bid out a project and
17 they have a contractor on board and now they're needing to
18 pay that contractor, we would put a grant agreement in
19 place.

20 One of the things about this fund is, capital
21 occurs on an annual -- the funding comes in on an annual
22 basis, but it's subject to annual appropriations, and they
23 lapse. So we have to roll lapsing funds forward, and we
24 then have to grant funds each year individually to match up
25 the projects.

1 So it makes -- the Multimodal Fund is different.
2 It's a non-lapsing appropriation. It's easier for us to
3 manage. The ones that lapse are more complicated.

4 So you have these commitments that are hard
5 commitments, that are committed to pay cash out because
6 they're going to have a bill. And then there are projects
7 that we are spending money on in design that we haven't
8 committed for construction yet in a contract but we're
9 projecting to commit for construction in a contract in the
10 future, in a year or two when the design is complete.

11 And on that graph again, you'll see a gray line
12 that peels off of the red line, and the gray starts at
13 fiscal year '17-18, the year we're in, because we haven't
14 completed that yet. I don't know exact spending for the
15 year. It's a planned or projected number. But you can see
16 that number begins to increase because those projects that
17 we had in engineering are now going to be going into
18 construction.

19 REPRESENTATIVE DUNBAR: Okay. And I know the
20 Chairman is starting to get irritated with me already, so
21 my last question. And really because I'm an anal-retentive
22 CPA, so you have to excuse me.

23 Do you have, like, somebody sitting in a room
24 somewhere telling you, like, hey, time out; you know, you
25 can spend anymore. Or is there some type of internal

1 control process in place that says we have to have this
2 much money sitting here, or how does that work?

3 DEPUTY SECRETARY FAUVER: So on operating, I'll
4 tell you like how we establish the amounts.

5 I can tell you there is a balance of funds in
6 capital that are a pipeline of projects. When they hit,
7 which is supposed to start hitting next year and then going
8 to grow, it's going to spend down those previous balances.
9 And we expect to get the project spending almost equal to
10 the revenue line going forward, and it's going to draw down
11 those balances to get these projects completed.

12 REPRESENTATIVE DUNBAR: Okay. Thank you.

13 DEPUTY SECRETARY FAUVER: Yep.

14 MAJORITY CHAIRMAN SAYLOR: Representative
15 Mary Jo Daley.

16 REPRESENTATIVE DALEY: Thanks, Mr. Chairman.

17 Madam Secretary, Deputy Secretary, thanks for
18 being here today.

19 I live in the southeastern part of Pennsylvania
20 in Montgomery County and, before coming to the Legislature,
21 was pretty much a lifelong user of the SEPTA system. And
22 our office has been set up as a site for seniors to come in
23 and get their photos for their SEPTA Key Card, so we're
24 actually doing a pretty brisk business in that. And I know
25 there's a delay in getting the new cards, but folks are

1 able to use their driver's licenses in the meantime.

2 But we know that seniors really rely on SEPTA,
3 because a lot of them are losing their licenses just
4 because doctors are not signing off on them, and that's a
5 concern. So I know, you know, speaking from a senior
6 perspective, SEPTA is a real value for that group.

7 And I have train stations in each part of my
8 district. I have buses that traverse our streets. I
9 actually have a bus stop right in front of my house, which
10 is very convenient at times.

11 But what I wanted to ask about, just to give a
12 bigger view of SEPTA and what it does in addition to
13 providing really very good, solid public transportation in
14 the southeast, is, my understanding is it also has an
15 economic impact across the State through its procurement
16 processes. Can you talk about that a little bit?

17 And is that something -- I mean, we actually have
18 a map of it county by county, and it provides over a
19 billion dollars over a 3-year period or a 4-year period,
20 I'm not sure. But I think that it's important to
21 understand, but I also wanted to know, is that something
22 that is consciously done in order to keep the business in
23 Pennsylvania, your purchasing?

24 SECRETARY RICHARDS: As a former member of the
25 SEPTA Board, I can definitely talk to that.

1 Absolutely. I mean, when procurement is done
2 anywhere, I mean, when it's done, as Chair of the Turnpike,
3 when we do it at the Turnpike, we look, and on all the
4 boards that I have sat at, it has always been good practice
5 to spread the work throughout Pennsylvania as much as
6 possible.

7 We like, when possible, and sometimes legally we
8 cannot, but we always like to keep businesses going to
9 those firms that have committed to having offices in
10 Pennsylvania, and that's definitely the practice at SEPTA
11 as well.

12 You are correct; a billion dollars of work goes
13 out easily from SEPTA, and it is its own economic engine.

14 The one point that I want to make to just connect
15 the dots is, should SEPTA service be cut in any way, the
16 congestion that would result in southeastern Pennsylvania
17 would be horrific. We know that when we see strikes, we
18 know that when we see even limited services in southeastern
19 Pennsylvania, the pressure on the PennDOT system and the
20 city of Philadelphia system, on the roadways and on the
21 networks, it is, you know, it brings traffic to a
22 standstill.

23 The same type of impact happens out in
24 Pittsburgh. And so every time we can get people on a
25 train, on a bus, on a trolley, and we can remove vehicles

1 on our congested highways, particularly in our urban areas,
2 it helps. It helps the transportation network as a whole.

3 And also, we have been given a huge investment
4 into the ports. We're seeing a lot more freight being
5 carried in and out. We're seeing a lot more truck traffic.
6 That is a good thing. And while that's not directly from
7 SEPTA, obviously why things are coming in is because those
8 trucks and those train routes, that they can get access to
9 the goods, to the fruits and to the vegetables and to the
10 supplies that are coming in, and they know that they can
11 get right into the freight corridor.

12 I repeat this statistic all the time, but I think
13 it's really important in this discussion as well, that
14 7 ½ percent of freight in the entire nation comes through
15 Pennsylvania, between the corridor from DC up through
16 Boston, and then from New York to Chicago. Two of the most
17 heavily traveled freight corridors have to come right
18 through the Keystone State. I mean, it's perfect as to why
19 we are called the Keystone State. So any type of impact,
20 particularly in southeastern Pennsylvania on our roadways,
21 would really hurt the economy.

22 So there are two impacts there. It's trying to
23 keep our traffic flowing as well as it can on our
24 interstates, particularly I-95, which is the corridor that
25 runs right through there, but also through the procurement

1 and spreading, you know, whether we're purchasing
2 equipment, whether we're purchasing services and everything
3 that SEPTA needs to keep it running.

4 Yes, it's a huge economic driver.

5 REPRESENTATIVE DALEY: And Mr. Chairman, can I
6 have a follow-up?

7 MAJORITY CHAIRMAN SAYLOR: Yes.

8 REPRESENTATIVE DALEY: Okay.

9 So the other thing then is, that was mostly about
10 procurement, but in your answer you also talked about the
11 impact. Do you have numbers that show the number of jobs
12 in SEPTA, but also across the State in regional jobs that
13 are directly related to public transit, and I think that's
14 the other piece I wanted to ask.

15 SECRETARY RICHARDS: Yeah. And I can see Toby is
16 paging. I'm going to let him find the exact page.

17 Again, I just want to bring everyone's attention
18 to the Pennsylvania Public Transportation Annual
19 Performance Report. It goes through every agency,
20 including the shared-ride agencies in the counties. And in
21 there, there are numbers, and Toby has it opened up. I'm
22 going to let him read to you the categories, and it does,
23 it gives very specific numbers on employees and some of the
24 other details you asked.

25 Toby, if you just want to walk through that.

1 DEPUTY SECRETARY FAUVER: Sure.

2 So I can't talk to the broader employment numbers
3 across the State, the exponential numbers from purchasing
4 and things like that. There are reports that identify
5 that. I don't have them here.

6 But SEPTA's current employees as of, you know,
7 the last fiscal year when these statistics were done, was
8 about 10,100. And it's give or take. I don't know exactly
9 what it is today, but it's about that number, about in that
10 range.

11 REPRESENTATIVE DALEY: And then is that
12 information that you could provide for us with the
13 statewide agencies?

14 And also, I mean, I think it would be interesting
15 to know across the State how many people are actually using
16 public transportation on a regular basis to get to their
17 jobs or to get to their doctors' appointments or all the
18 different things that people are using it for, and then
19 what the impact would be in any loss of funding.

20 SECRETARY RICHARDS: Yeah. And very quickly---

21 REPRESENTATIVE DALEY: Or uncertainty in the
22 funding.

23 SECRETARY RICHARDS: Yeah.

24 Very quickly, I also want to highlight the fact,
25 the reason that Philadelphia is able to attract a Pope

1 visit, a DNC, an NFL draft, is because they know they can
2 rely on SEPTA to get massive numbers of people in and out
3 of the city quickly, safely, and efficiently. It's why
4 Philadelphia has been able to bring in hundreds of millions
5 of dollars of economic activity from outside of
6 Pennsylvania and to highlight Pennsylvania in general at
7 these huge international and national events. So I didn't
8 want that fact to be overlooked.

9 DEPUTY SECRETARY FAUVER: The statistics book
10 that we have here is broken down by agency. So it has
11 employment by agency and it has ridership by agency, and
12 then it also breaks out senior rides by agency, so you can
13 see that on fixed route and on shared ride.

14 REPRESENTATIVE DALEY: Okay.

15 DEPUTY SECRETARY FAUVER: And then it shows the
16 number of people with disabilities that use the service and
17 things like that. So it's in this book.

18 We cut back on our printing to save trees a
19 number of years ago and started publishing on our website,
20 because I thought most of the time it wasn't getting used
21 or read but referred to when needed. But we do have some
22 hard copies, so we can get some hard copies to you as
23 well.

24 REPRESENTATIVE DALEY: Actually, it's better to
25 look at it online, as far as I'm concerned.

1 DEPUTY SECRETARY FAUVER: That's fine.

2 We'll make sure there's a link. I think there
3 may be a link somewhere in this, but we can send you a link
4 separately so the staff can easily find it.

5 REPRESENTATIVE DALEY: And Amazon. Amazon is
6 obviously a big question in Pennsylvania, for both sides of
7 the State, the impact of public transit. Is that one of
8 the things they were looking for?

9 SECRETARY RICHARDS: Absolutely.

10 We were very active, as well as other agencies,
11 on, you know, trying to attract Amazon. I know we're all
12 eagerly awaiting. We're hoping for an announcement in
13 January. I'm truly hoping that a Pennsylvania location
14 makes sense.

15 But in the Philadelphia, the Pittsburgh argument,
16 as well as the Lehigh Valley argument, I thought all three
17 were extremely strong. There were other arguments being
18 made as well, and transit is a huge part of it.

19 I did speak to my counterpart in Washington
20 State, and Secretary Millar, when I asked him, you know,
21 what is working in Seattle, because we wanted to see, you
22 know, what do they like there and what don't they like
23 there, and the transportation system was very high.

24 Quality of life to these employees and what
25 Amazon can provide for the people who work for them is very

1 important. And they're seeing that these people -- you
2 know, their employees don't want to own cars, right? And
3 in fact we are waiting to hear if we are lucky enough to
4 have Pittsburgh and Philadelphia named in the finalists.
5 Then we are going to look back over our 12-year plan and
6 see what we need to do to improve subway service, to
7 improve transit in those areas to make it even more
8 attractive.

9 REPRESENTATIVE DALEY: Thank you.

10 Thanks, Mr. Chairman.

11 MAJORITY CHAIRMAN SAYLOR: You're welcome,
12 Representative.

13 I just wanted to reiterate that that booklet is
14 online.

15 DEPUTY SECRETARY FAUVER: Yes.

16 MAJORITY CHAIRMAN SAYLOR: Any Member can look at
17 it and have the information that's in there.

18 SECRETARY RICHARDS: Absolutely.

19 MAJORITY CHAIRMAN SAYLOR: Very good.

20 I held up having Members introduce themselves,
21 simply because of the weather. I wanted to make sure
22 everybody or pretty much everybody was here by now.

23 So other than Chairman Markosek and I, who have
24 already done our thing, if we would start on that side and
25 introduce ourselves, and we'll go around.

1 REPRESENTATIVE GREINER: Good morning,
2 everybody.

3 Representative Greiner from Lancaster County.

4 REPRESENTATIVE BRIGGS: Representative Briggs
5 from Montgomery County.

6 MS. FOX: Miriam Fox, Executive Director for the
7 House Democratic Appropriations.

8 MR. DONLEY: Dave Donley, Republican staff,
9 Executive Director.

10 REPRESENTATIVE DUNBAR: Representative Dunbar,
11 Westmoreland County.

12 REPRESENTATIVE JAMES: My name is Lee James. I
13 live in Oil City, PA, in the great northwest, representing
14 Venango County and a piece of Butler County.

15 SECRETARY RICHARDS: You got some snow last
16 night.

17 REPRESENTATIVE JAMES: That's what I hear.

18 REPRESENTATIVE KAMPF: Warren Kampf, Chester and
19 Montgomery Counties.

20 REPRESENTATIVE HELM: Sue Helm, Dauphin and
21 Lebanon Counties.

22 REPRESENTATIVE HEFFLEY: Doyle Heffley, the 122nd,
23 Carbon County.

24 REPRESENTATIVE ORTITAY: Jason Ortitay, the 46th,
25 Washington and Allegheny Counties.

1 REPRESENTATIVE DELOZIER: Good morning.

2 Sheryl DeLozier, the 88th District, Cumberland
3 County.

4 MAJORITY CHAIRMAN SAYLOR: Very good.

5 Our next questioner is Representative Lee James.

6 REPRESENTATIVE JAMES: Thank you, Mr. Chairman.

7 Welcome. Thank you for coming in.

8 I would like to circle back to the multimodal
9 area, if we could, especially since I now know that Toby is
10 the guru.

11 And as I listened to what you are saying, I come
12 up with basically two words: "scope" and "priorities." So
13 mine is actually a two-part question, Mr. Chairman. Sorry
14 about that.

15 For the benefit of everybody in the room who
16 isn't fully apprised, could you give us a description of
17 what the Multimodal Fund is supposed -- what it does and
18 what it's supposed to accomplish, please.

19 DEPUTY SECRETARY FAUVER: Sure.

20 So the Multimodal Fund is broken into sort of
21 three main categories. There is a set-aside for some of
22 the various modes of transportation -- ports, intercity
23 passenger rail, bicycle and pedestrian improvements, and
24 rail freight and aviation.

25 And then there's a second tier that is a

1 discretionary program managed by PennDOT. We run through
2 a competitive process every year to select projects. There
3 is \$40 million a year that goes into that second tier,
4 35 million of which comes from the Motor License Fund
5 restricted fees, and it has to be spent on roads and
6 bridges. It could be spent on local roads and bridges or
7 private roads and bridges, but it has to be spent on roads
8 and bridges.

9 And then that third -- and then there is
10 5 million a year that can be spent on things other than
11 roads and bridges. And we try to marry that 5 million up
12 to the 35, because often projects that people apply for,
13 they don't apply for just a bridge or just a road; they
14 apply for an improvement that is a streetscape project that
15 includes a sidewalk or something else. And so we try to
16 marry funds together to make sure that we can get whole
17 projects done and make it legal.

18 And then the third tier is the remaining funds,
19 which is mostly unrestricted -- well, it's all unrestricted
20 funds -- and goes to the Commonwealth Finance Authority,
21 and that's any money that's left after the first two tiers
22 are satisfied.

23 And, you know, it's broken out by modes, so I
24 can talk further about how each mode works then, if you'd
25 like.

1 REPRESENTATIVE JAMES: Okay. There are many
2 moving parts in that.

3 DEPUTY SECRETARY FAUVER: There is.

4 REPRESENTATIVE JAMES: So part two of my question
5 then would be, in the event that certain funds were
6 redirected, as has been proposed, into the general
7 operating fund, what would your priorities be if -- pick a
8 number. If 100 million were redirected, what would be the
9 first to suffer?

10 DEPUTY SECRETARY FAUVER: Yeah.

11 So if you were redirecting 100 million, there's
12 35 million of funds in there that are constitutionally
13 restricted to roads and bridges. So taking that off the
14 table, then the funds that are left, the legislation says
15 you first fund this; then with the next set of funds, you
16 fund this; and then the funds that are left go to the CFA.

17 So I would think -- and that's unrestricted
18 funds. So I would think that the next tier would be
19 anything going to the CFA would come off the table.

20 And then it would eat into the individual -- it
21 would take the 5 million that would be non-roadway
22 discretionary funds from PennDOT, and then it would begin
23 to eat into the individual modal areas, and then it would
24 come down to prioritizing things that we want to keep
25 operating. Like, if we want to keep train service

1 operating to Pittsburgh, then we would make that a
2 priority. Or if we want to, you know, if we have a
3 critical project for aviation to make an airport stay open,
4 we would want to fund that, or, you know, things like that.

5 REPRESENTATIVE JAMES: Okay. Thank you very
6 much.

7 Thank you, Mr. Chairman.

8 MAJORITY CHAIRMAN SAYLOR: Representative Briggs.

9 REPRESENTATIVE BRIGGS: Thank you, Chairman.

10 And Representative Daley covered much of what I
11 wanted to talk about. But I'm coming from Montgomery
12 County, the King of Prussia area. Mass transit is a huge
13 priority for us to expand and to grow. And it's tapping
14 into what the Amazon discussion was. It's about jobs and
15 about creating an economy for the future.

16 And the folks that are moving to our area don't
17 want to have cars. You know, they could move to the city
18 or they could, if we give them what they're looking for,
19 they could move and grow in the suburbs.

20 So I get SEPTA and I think we're having a great
21 conversation, but the question was more, you mentioned a
22 little bit about all the other systems throughout the
23 Commonwealth and a \$60 million program for compressed
24 natural gas, which I'm not that familiar with. Could you
25 talk a little bit about the number of systems?

1 And, you know, I know Pittsburgh; I know
2 Philadelphia. Where is the compressed natural gas? Is
3 that a statewide program or is that one system
4 that's---

5 SECRETARY RICHARDS: Sure.

6 So that is a P3 program. I also chair the
7 P3 Board for the Governor. And there are 28 fueling
8 stations being funded throughout the entire State. I think
9 seven have been built.

10 Toby, is it five or seven that are completed?

11 DEPUTY SECRETARY FAUVER: A little more than
12 that.

13 SECRETARY RICHARDS: Yeah.

14 But what this is for, it's throughout the entire
15 Commonwealth, and it is to help transit agencies spend the
16 money where they need it most, and that is in their fleet.
17 And so they're able to slowly turn their fleet over to
18 cleaner alternative fuels, and we are putting the money so
19 that they don't have to put the money into their fueling
20 stations.

21 There are a handful that are open to the public
22 as well for those who have personal vehicles or fleets in
23 businesses as well, and over a 5-year period, these will
24 all be built so that all CNG vehicles will have places to
25 go.

1 It's one of our -- you know, there are several
2 P3 programs that are moving forward. It's one of our first
3 ones that is moving forward. It's highly successful, and
4 we're excited. And we have had some, you know, ribbon
5 cuttings in several areas. I know Johnstown was the very
6 first one to open, and, you know---

7 DEPUTY SECRETARY FAUVER: York was second.

8 SECRETARY RICHARDS: And York. And it's very
9 exciting, and it's really helping us to modernize.
10 Obviously keeping an eye on the environment as well, but
11 also an eye on the bottom line.

12 DEPUTY SECRETARY FAUVER: I can -- in the packet
13 of information, there is a page. There is a summary sheet
14 on statewide projects, and one of them is the compressed
15 natural gas project.

16 The capital cost of the CNG P3 project is about
17 \$84, \$85 million. That includes maintenance facility
18 upgrades that have to be done to make the maintenance
19 facilities compliant to meet code for working with natural
20 gas. They can't have open sparks. There is a variety of
21 things. They have to have ventilation, blast doors, a
22 variety of things that they have to have.

23 And then it includes putting in the compressors
24 and meeting all the code requirements to get the natural
25 gas lines and fuel to the sites, and then cleaning.

1 There are certain levels of -- there are no
2 standards for natural gas in your pipelines. There are no
3 pressure standards. There is no sort of quality standards,
4 or it's limited. But there is a quality standard and a
5 pressure standard that is needed for vehicles. So there's
6 equipment, and it varies based upon the quality of the fuel
7 coming in to the site what equipment has to be there.

8 We selected a P3 vendor. The company is called
9 Trillium. They have got a team. Trillium is owned by
10 Love's truck stops. It was the fastest -- I heard, from
11 the P3 consultants who worked with us, I heard it was the
12 fastest closing they ever had. We had a \$200 million cash
13 or bond requirement going into the project, because we
14 wanted to make sure the company was going to be there and
15 we could finish the project.

16 Love's truck stops I think basically showed a
17 checkbook, and they're a really well-off company. And that
18 has also made this project very successful, because we
19 haven't had to get into nickel and dime stuff. And they're
20 in it for 30 years, so that includes operating and
21 maintaining the fueling stations.

22 There are seven public fueling stations that are
23 opening, with more potentially to come based upon demand.
24 And I do have in this one page either dates that facilities
25 have opened already or projected dates of when they're

1 going to be open.

2 The Port Authority of Allegheny County is
3 included in the project if we can get a maintenance
4 facility upgraded or constructed to meet the requirements.
5 We are -- but it's all the rest of the systems, except for
6 Lancaster and Berks. They did not opt to be in the
7 program. But all of the rest of the systems in the State
8 are in the program, and we negotiated contracts with all of
9 them.

10 And one of the things we built into the project,
11 and this goes back to what I view as part of our role in
12 helping business manage transit, is we built into the
13 project the capital recovery fee. So we're funding the
14 capital up front out of the fund, but we have a capital
15 recovery fee that is going to be charged on a per-gallon
16 basis going out.

17 So the charge on a per-gallon basis to the
18 transit agencies is about a dollar, a dollar five. It
19 depends on what the actual cost of gas is in their area,
20 but it's going to be about a dollar, a dollar five, a
21 diesel gallon equivalent.

22 So you know what you pay for diesel at the pump.
23 Transit agencies don't pay the tax. But it's a significant
24 savings on fuel for transit agencies, and it's going to
25 help to allow transit agencies to be stable when fuel

1 prices spike again. At some point in the future, they're
2 not going to be scrambling for funds to find a way to cover
3 those additional costs. It should be stable. We're
4 excited about that, because small systems, fuel is a big
5 portion of their budget.

6 But this capital recovery fee, 25 cents per
7 gallon is built into that dollar. That 25 cents per gallon
8 is going to be going back into a P3 account. The plan is
9 to have it invested, and then at the end of the 30-year
10 contract, there will be a balance of funds there that is
11 recovered out of the project that can then go back in to
12 either do a new project or work on the next level of
13 technology, or it can be a reserve to manage that project.
14 But it's coming from the project as opposed to needing to
15 worry about finding funds at some point in the future when
16 the project is completed. So we're trying to make sure
17 it's sustainable going forward long into the future.

18 REPRESENTATIVE BRIGGS: Thank you. And that was
19 a great answer.

20 I have one quick question about multimodals.

21 A lot of us that were strong supporters of Act 89
22 and the transportation funding bill really fought hard to
23 get a multimodal investment account. And I know
24 Representative James discussed this and asked about this,
25 but I can't imagine there's -- I mean, it's such a popular

1 program in our communities, and especially, I mean, in my
2 district, but I know when I see the awards, they're
3 approved statewide. I mean, it's -- a number of us thought
4 it should just go to the folks who supported Act 89, but I
5 know that's not what's happening, because I look at the
6 list and it frustrates me.

7 DEPUTY SECRETARY FAUVER: Sure.

8 REPRESENTATIVE BRIGGS: But how competitive, how
9 many applications do you get each year? I can't imagine
10 there is money left on the table, because you guys, you
11 know, there's just such a demand for it.

12 SECRETARY RICHARDS: It's highly competitive.

13 DEPUTY SECRETARY FAUVER: Yeah.

14 So we're getting, for the \$40 million available,
15 we're getting about \$250 million in -- between \$200 and
16 \$250 million in requested funds every year.

17 There is a 30-percent minimum match requirement
18 on the funds, so it leverages more money. And on top of
19 that, many, many projects are actually larger than that,
20 because we cap the awards at about 3 million; well, at
21 \$3 million, unless they can justify some things over that.
22 So you might have a \$6 million project that may get a
23 \$3 million award or a \$2 million award, and it's helping to
24 get bigger projects accomplished.

25 REPRESENTATIVE BRIGGS: Thank you.

1 MAJORITY CHAIRMAN SAYLOR: Thank you.

2 Representative Ortitay.

3 REPRESENTATIVE ORTITAY: Thank you, Mr. Chairman.

4 And thank you to the Secretaries for being here
5 this morning.

6 I want to follow up on Representative Dunbar's
7 line of questioning.

8 When I look at the Treasury balance and the
9 Treasury pool, looking at for the Public Transportation
10 Trust Fund, I look at pool 99 and pool 198, and over the
11 last couple of years -- and I see pool 99 is sort of like
12 an operational/checking account, and pool 198 is a savings
13 account, more of a long-term account. And pool 198 seems
14 to be increasing over the last couple of years. I think in
15 June of this year, it had about \$297 million in it.

16 What process, what criteria do you guys use, and
17 do you work with the Treasurer to determine what amount of
18 money goes over there and when it goes over into that
19 account?

20 DEPUTY SECRETARY FAUVER: In the long-term
21 investment account, I think that's what you---

22 REPRESENTATIVE ORTITAY: Yes.

23 DEPUTY SECRETARY FAUVER: I mean, I don't know
24 how long term it is, because I don't do those investments.
25 That's something for the Treasurer, but.

1 REPRESENTATIVE ORTITAY: I think it's -- I think
2 from my conversations with the Treasurer's administration,
3 it's a year minimum, somewhere in there.

4 DEPUTY SECRETARY FAUVER: Yeah; yeah. It has a
5 higher return rate than the other account.

6 So those funds are, again, largely dedicated to
7 capital projects, and they are projects that are either in
8 engineering or in planning or in environmental phases.
9 They are in earlier phases with bigger costs to come. And
10 those funds are being put in that account with plans to be
11 drawing those funds down for projects in the future.

12 REPRESENTATIVE ORTITAY: Is there a way to get
13 access to what those projects are? That's that style, that
14 stack there?

15 DEPUTY SECRETARY FAUVER: In fact, we really, to
16 describe this just a little more, if it was all within my
17 control, not meaning me personally, but just if it was all
18 within one entity's control to drive everything and you
19 didn't have to work with Federal partners for Federal
20 approvals, I didn't have to work through the Historic
21 Review Commission for historic assets, I didn't have to
22 work through environmental problems, I could match projects
23 up to the dollars available really easily and spend them
24 out. But the problem is, I can't do that because things
25 shift.

1 So what we're doing is, in here, there are many
2 more projects than what we can afford to do with the
3 balance of funds plus the funds we're projected to receive
4 between now and 2021-22. I didn't put my glasses back on.
5 But there are many more projects in here than that, and
6 it's going to come down to balancing that out.

7 And the other piece that's unknown is Federal
8 discretionary dollars and where we might be able to access
9 Federal discretionary dollars that we have to competitively
10 apply for.

11 And for every major bus facility, like at York.
12 York is a good example. When that facility was being
13 planned in one of the Federal -- when it was getting close,
14 that we knew we had a date we could pretty much go to
15 construction, we were able to work with *rabbittransit* to
16 put an application in for a bus and bus facilities
17 discretionary grant, and they got a partially funded
18 project out of Federal funds, which helped us to spread
19 money out in other places then, so.

20 REPRESENTATIVE ORTITAY: But the allocation that
21 you're moving over there for maybe a specific project is
22 not fully funded. It might be like a down payment.

23 DEPUTY SECRETARY FAUVER: Well, we're going to
24 fully fund projects, so there really isn't -- we can't down
25 payment---

1 REPRESENTATIVE ORTITAY: Oh, I understand that.
2 But the amount of money that you're actually moving over
3 into that.

4 DEPUTY SECRETARY FAUVER: Is not enough to cover
5 all the projects that are in the pipeline.

6 REPRESENTATIVE ORTITAY: Okay.

7 DEPUTY SECRETARY FAUVER: Yes.

8 REPRESENTATIVE ORTITAY: So when you're looking,
9 and you mentioned some of the things that get in the way
10 and slow this down as far as getting the project. Is there
11 anything that we can do to help expedite that process to
12 get rid of some of these roadblocks?

13 I know a lot of these are up in the air with the
14 Federal Government and some of the permitting processes.

15 DEPUTY SECRETARY FAUVER: Other than that, I'll
16 tell you, one of the biggest challenges that we have had
17 is, and you've probably seen it with some of the graphics
18 in the past with this funnel thing, and, you know, you have
19 so many projects come in to the top end, but what you can
20 actually get done any given year is what comes out of the
21 funnel.

22 The transit facility is where we struggle, and
23 one of the areas we struggle in is getting -- if we have to
24 go pick a new site to build a new facility or to buy
25 additional land, then we really struggle with tax-exempt

1 status and municipalities and counties and school districts
2 not wanting to have property taken off the tax rolls,
3 because the transit facilities are tax exempt. So that
4 becomes a struggle.

5 There are other factors that apply. I'm not
6 saying you could help with that, but it's just one of the
7 things we struggle with.

8 Another big area that we really struggle with,
9 although it's getting better with Amtrak's new leadership,
10 is working with Amtrak to get projects completed on the
11 Keystone Corridor. We have a lot of stations with money
12 committed to them. Some of it's Federal money, and we're
13 struggling to get projects done.

14 And we have had Legislators, State Legislators,
15 involved in meetings with Amtrak to help beat on Amtrak a
16 little bit, to impress upon them that it's not just
17 PennDOT; it's broader constituencies that care about these
18 projects getting done.

19 REPRESENTATIVE ORTITAY: Well, I think that
20 helps, especially when we're looking at the balances. I
21 think as of last week, there was a \$305 million market
22 value on that account, and to go back home and be able to
23 tell people, okay, there are projects in line; we just need
24 to, we just need to figure out a way to get them done and
25 get through the things that are kind of keeping them from

1 getting done as quickly as possible. Because, you know, I
2 get asked, okay, if there's \$300 million in there that's
3 sitting there, why aren't they doing anything with it?

4 DEPUTY SECRETARY FAUVER: Yeah. And there's
5 stuff building in the pipeline.

6 And going back to these graphs, the graphs show
7 that we're going to have project spending above the revenue
8 in the future. That's going to be using that balance of
9 funds. That's the intent.

10 And then going forward, we're making sure that we
11 have our pipeline matching the funding. I'm talking about
12 the pipeline, but the level of projects to match the
13 funding coming in.

14 But the biggest problem that you're seeing with
15 this fund buildup is getting capital projects ready. Once
16 the legislation passed, it has taken a few years to get
17 projects ready to start really getting stuff done.

18 Believe me, it's not because there isn't the need
19 and it's not because we don't want to get projects done
20 quick. I mean, people who know me know.

21 REPRESENTATIVE ORTITAY: Well, that's one of the
22 big things. Everybody is talking about the gas tax. And I
23 know a lot of us here get beat up at home because we have a
24 higher gas tax than most other States. And people are
25 saying, okay, what's being done? I see a lot of road

1 projects in my district being done all the time---

2 DEPUTY SECRETARY FAUVER: Yes.

3 REPRESENTATIVE ORTITAY: ---so I know that
4 they're out there, but it certainly helps in describing
5 this process to them.

6 DEPUTY SECRETARY FAUVER: Another thing that I
7 will say that honestly I never imagined how, and maybe you
8 may not have imagined how we're going to be able to use it,
9 but Act 88 that passed in 2012, the Public-Private
10 Partnerships Law, we're now trying to use that P3 Law to
11 advance stations faster.

12 So the Middletown Train Station is the first one
13 that we're running through the P3 Law, and we're about this
14 close to having the RFP going to the development team, the
15 development team that has been down selected, and we're
16 going to leverage private development on this site.

17 Our thinking with this is that I don't want to
18 have to pay for the operating costs of these stations going
19 forward. We subsidize that today, and my hope is the
20 private sector, as part of their development, is going to
21 offset that operating cost. They're going to take
22 responsibility to operate these stations and lower costs
23 overall on a project-by-project basis.

24 But we're planning to try to use that in
25 Harrisburg, Lancaster, and a couple other station sites to

1 get private-sector developers in who can maybe structure
2 deals differently with Amtrak than the government can.

3 REPRESENTATIVE ORTITAY: All right. Thank you,
4 guys.

5 Thank you, Mr. Chairman.

6 MAJORITY CHAIRMAN SAYLOR: I'm just going to
7 follow up on that; not a question. But I think that's one
8 of the things that we in Pennsylvania get accused of,
9 having the highest gas taxes, as the Representative talked
10 about, and I see it sometimes in campaign ads.

11 But a lot of people forget, we don't charge you
12 \$800 for a registration. Or we don't have a personal
13 income tax on your chickens in your car. So I think people
14 need to understand in this State and we need to do a better
15 job of educating people why our gas tax is high.

16 I remember we had this discussion on Act 89.
17 There were people who came out and said, well, let's raise
18 registration fees on a car to \$250 instead of raising the
19 gas tax. So that's a discussion I think taxpayers have to
20 decide whether they feel the gas tax is more fair or is it
21 raising registration.

22 I mean, we also have had this debate about how do
23 you charge as far as electric cars, what should they be
24 paying for a highway, the natural gas cars.

25 So I just wanted to put that out there. I think

1 that we have to as Legislators, but also maybe the
2 Department, I would like to see at some point, and we're
3 not the hearing for that, but start looking at what every
4 State, what every owner of a car in every State actually
5 pays for their car.

6 DEPUTY SECRETARY FAUVER: Yeah.

7 MAJORITY CHAIRMAN SAYLOR: Because when you start
8 adding it up, I remember years ago, Florida, if you had a
9 Cadillac in Florida, you paid \$1,200. If you had a Nissan,
10 a little Pulsar, you paid like, I don't know, \$600.

11 So it would be interesting if people would start
12 being honest about what people really are paying and
13 comparing that State to State, so.

14 DEPUTY SECRETARY FAUVER: Kansas is that way,
15 too. I lived there for 2 years, and we bought a new car
16 while we were there going to grad school, and I registered
17 in Pennsylvania to avoid paying the property tax on it in
18 Kansas. Because I was a resident of Pennsylvania going to
19 school out of State, and it was going to be \$1,200 for a
20 Saturn. I mean, it was ridiculous.

21 SECRETARY RICHARDS: And just so you know, the
22 Transportation Committee is looking at it. Our TAC is
23 also, our Technical Assistance Committee is also looking at
24 those numbers.

25 And I speak to our colleagues across the country,

1 and it's very interesting. Some of them get a lot of
2 income tax. Some of them get sales tax. There are
3 different ways of paying for it. But I think everyone can
4 see all the activity, you know, a 2.5 billion construction
5 program just this year of getting our roads, our bridges,
6 and all of our modes in the best shape that we can.

7 We could always use more, I will say that, but
8 we're very happy to have Act 89.

9 MAJORITY CHAIRMAN SAYLOR: Madam Secretary, I'd
10 be surprised if you didn't need more.

11 (Phone ringing.)

12 MINORITY CHAIRMAN MARKOSEK: We would remind the
13 Members to turn their phones off.

14 (Laughing.)

15 MAJORITY CHAIRMAN SAYLOR: At least silence.

16 I did silence it, but -- anyway.

17 Representative Helm -- or no. Representative
18 Schweyer, you're next. I'm sorry.

19 REPRESENTATIVE SCHWEYER: Thank you,
20 Mr. Chairman.

21 And thank you both for your presentation and all
22 you do. As I said, I am on my eleventh or twelfth year now
23 on my transit board. I had a stint as chairman of our
24 board back home. And one of the things that I would like
25 to sort of frame out, we have talked about large-scale

1 projects. You have talked about the building of new
2 transit hubs, of new fueling stations. We're almost done
3 with our fueling station back home. We recently built new
4 multimodal centers, two in Northampton County. One is
5 completed in the east and one is just about done in
6 Bethlehem. So you have those large-scale projects.

7 The one thing that we're also not talking about
8 is it takes anywhere from 14 to 18 months to actually get a
9 bus. So when you're just talking -- I mean, we're talking
10 about the giant projects, the obvious ones with engineering
11 and everything else. But even just to acquire a bus, it's
12 not like there's a bus lot down the street from us where we
13 can go pick it out. And if you have to go out to bid for
14 any reason, it takes even more time.

15 So when we're looking at this multi-year
16 projected asset improvement plan that you gave us, we have
17 to take into account, for most of the smaller systems
18 outside of, you know, SEPTA and the Port Authority, our
19 biggest assets, capital assets, are in fact our rolling
20 stock. And so when we are putting in our CNG station,
21 we're not replacing our 83 buses at once, because that
22 would be really freaking expensive.

23 So we are, I think we have like 12 on the line
24 right now that we're doing at LANTA. And again, a midsized
25 agency, not very -- I mean, 5 million passenger trips a

1 year, but still a midsized agency as far as they go.

2 And so if we have rollbacks on the capital side
3 or we transfer money out of our capital side, we're not
4 buying new CNG buses. We're not. We're going to continue
5 to use our old diesel buses until they literally are
6 falling apart. And so I'm worried about rolling stock
7 representing a smaller agency, and I imagine you're hearing
8 this from a lot of folks.

9 SECRETARY RICHARDS: Absolutely. A lot of these
10 reports to the left of Deputy Secretary Fauver are
11 detailing just that: bus purchases; what year they get
12 done.

13 Everybody wants to eke out, you know, every day
14 of life that they can get out of their old equipment. You
15 don't want to trade in a bus before it's ready to be traded
16 in, so they're looking over the long term.

17 And that's why we have these balance of funds as
18 well, because it is put together over the years of when the
19 investment comes and how they're replacing it.

20 DEPUTY SECRETARY FAUVER: There is -- you're
21 absolutely right. There is cash flow needs as well. So
22 from the time LANTA applies for a grant -- a lot of smaller
23 systems will not order a bus, will not bid the bus out
24 until they have a grant agreement in place from PennDOT.
25 They want to have security that they have a contract that's

1 going to pay for the bus.

2 So from the time that they get that grant, it
3 could be a year, a year and a half later, until they
4 actually give us a bill to pay. That's just the way it
5 works.

6 And it does span fiscal years. So that's where I
7 was talking about appropriations and then those lapsing
8 appropriations? We have to lapse the appropriation from
9 the one year and then roll it forward, and then we have to
10 ask for spending authority increases to spend the money
11 from previous years in the current year.

12 It gets complicated in terms of how we account
13 for things, but I just like to think about it from the
14 perspective of, we have committed that balance of funds to
15 projects, and we know we're paying for those projects as we
16 go forward.

17 And LANTA has got a couple of facility projects
18 coming up as well with maintenance facility improvements.
19 And we have a fixed-route ITS project that's a statewide
20 project similar to CNG. We're negotiating the contract
21 right now. It will be a Pennsylvania vendor, I think. I
22 won't say who it is yet because it's not final. It's
23 being selected. But it's going to save money on a
24 system-by-system basis, and it's going to get a universal
25 smart card for the whole system. So you'll be able to use

1 the card to pay for your fare in Erie, and the same card
2 will work at LANTA, and the same card will work in York.

3 And the good part is, York and Harrisburg, for
4 example, people come from York to Harrisburg and they need
5 to get around in Harrisburg, and they have different fare
6 systems today. It will be the same fare system, because
7 PennDOT is buying it and telling everybody, you got to use
8 the same one. And we did that with paratransit as well.

9 It just makes sense. It's good common sense to
10 do it, it's good business sense to do it, and we'll get
11 savings by leveraging it altogether out of it.

12 REPRESENTATIVE SCHWEYER: I appreciate that,
13 because I lived through the paratransit one as well in that
14 role.

15 So again, you know, understanding that it takes
16 so long to do that, that really explains the big part of
17 the lag, at least for even a smaller system, even though we
18 do have these construction projects.

19 I had a follow-up on that, but I kind of forgot
20 it at the moment. But I did have another point.

21 The capital planning tool---

22 DEPUTY SECRETARY FAUVER: Yes.

23 REPRESENTATIVE SCHWEYER: ---that you're rolling
24 out, it's probably helpful for my colleagues who aren't
25 aware. Why don't we talk about that a little bit, because

1 that also gets to what you're doing to try to mitigate the
2 lag time and planning purposes and those sorts of things.

3 DEPUTY SECRETARY FAUVER: Absolutely. I
4 appreciate that opportunity, too. Because there are so
5 many things we could talk about, I would love to have you
6 for 2 days, maybe 3.

7 Dave Donley I think wants 4.

8 But when we did Act 44 and the vote was done,
9 included in Act 44 was a small, I don't remember exactly
10 where it is off the top of my head, but there's a sentence
11 in there that provided a mandate to PennDOT that we had to
12 build a capital planning function.

13 And it was precursored to asset management. The
14 whole thing was geared around asset management. I wanted
15 it in the law because I was struggling to get IT approvals
16 in our agency to be able to do it, so I had it in the law.
17 It gave me a piece of legislation then that I could point
18 to the IT people and say, I need to get it done.

19 We partnered with the State of Virginia. We had
20 an FTA grant that helped pay for it, and we built an asset
21 management tool for transit. It's being rolled out now.
22 There's a lot of data in there. The buses are in there.

23 The reports in here that show buses and bus
24 replacements are based upon the Federal standards for
25 useful life. And we also have updates on an annual basis.

1 Everybody puts their mileage in on their buses on an annual
2 basis so we know how many miles they're putting on. We can
3 predict when that vehicle is going to need to be replaced
4 based upon the average miles that you can get out of a bus,
5 the number of years you get out of a bus.

6 And then they also do a condition assessment. We
7 have a standard way that gets done, and that condition gets
8 put in as well. And that's, facilities are also going in
9 there. So maintenance facilities, signs, bus stops, all
10 that information is going in with the intent of keeping
11 track of it.

12 When Act 44 was done, and again when Act 89 was
13 done, it came to me to have to pull together what the needs
14 were for transit, and they were vast, and I had to go to
15 every transit agency and get it all in different formats,
16 and I wanted to have a tool that I could push a button and
17 get it out. I wanted to be able to predict what's going on
18 going forward and make sure we're planning for capital
19 funds, and that's what that tool is.

20 The Federal Transit Administration is now taking
21 that tool and pointing to it around the country, because
22 the MAP-21, the Federal legislation, requires asset
23 management, requires transit agencies to have asset
24 management. We built that tool to meet that requirement,
25 so the small systems are going to have met the requirement

1 by using that State tool.

2 REPRESENTATIVE SCHWEYER: And one last -- and
3 thank you for that, because it has been incredibly helpful.

4 One last point, kind of revisiting. I remember
5 what I was going to say before, getting back to the rolling
6 stock. And Mr. Chairman, this is my last point.

7 We shouldn't forget that there is a minimum of
8 5 to 6 to 7 percent local match for all of our counties, or
9 municipalities in the very rare cases where it's a
10 municipality. So if we do have capital needs and somehow
11 our commitments go away because of a transfer or a magic
12 wand or whatever reason it happens, a lot of this is going
13 to fall on our local counties as well to make it up.

14 So I don't want to forget to mention that this
15 isn't entirely State funded. There are, in Lehigh County
16 and Northampton County, I think it's 6 percent. And, you
17 know, obviously the money is a little bit movable between
18 capital versus operational subsidies, but it's still an
19 important part to mention them, our local municipalities.

20 And as we all know, we get yelled at any time we
21 want to make any change to our school district because it's
22 an unfunded mandate. Well, we would be talking about
23 additional unfunded mandates on our counties, which are all
24 paid for by property taxes, which also hurt and nobody
25 likes.

1 So I just wanted to point that out. Thank you
2 all.

3 Thank you, Mr. Chairman.

4 MAJORITY CHAIRMAN SAYLOR: Thank you.

5 Representative Helm.

6 REPRESENTATIVE HELM: Thank you, Mr. Chairman.

7 Secretary Richards, I would like to talk a little
8 bit about the Highway Beautification Fund, mainly because I
9 have a constituent that calls constantly with ideas to save
10 money. But you did give us some documentation that says:

11 "Although General Fund monies were initially
12 appropriated to establish the fund, highway beautification
13 activities are now supported...by...licenses and fees,
14 fines and penalties, and interest.

15 "Each year the Governor issues executive
16 authorizations which establish the amount to be spent by
17 the Department of Transportation in each of the...highway
18 beautification activities."

19 Now, my question is, the fund finished with an
20 ending balance of 703,000 and 642,000 respectively in
21 fiscal year 2015-16 and '16-17, and please explain to the
22 Committee why such large balances exist.

23 And also, in a memo dated September 7, 2017, to
24 the respective Chairmen of the House and Senate
25 Transportation Committees, you indicated in that memo that

1 the Highway Beautification Fund is relied upon to pay for
2 federally mandated surveillance and enforcement of outdoor
3 advertising and junkyard laws, and that failure to
4 maintain an effective program could result in losing up to
5 17 percent of the more than 1.5 billion in total highway
6 funds we receive from the Federal Highway Administration.

7 I would like you to explain to the Committee the
8 Federal requirements with this program and how a one-time
9 taking of just \$500,000 could potentially result in the
10 loss of up to 255 million in Federal highway funds.

11 SECRETARY RICHARDS: Sure.

12 So outdoor advertising has become a big part of
13 what we do. It's one of the main topics that I speak to my
14 chief counsel on all the time.

15 I will say it is not, you know, why I got into
16 transportation. And when I speak to the Federal Highway
17 Administrator, I mean, we, you know, that's our running
18 joke. But it is federally mandated, and we must follow
19 Federal Highway Administration laws regarding.

20 This is with billboards. This is with anything
21 that the Federal Highway, when I have these conversations,
22 anything that can be seen as a distraction to somebody who
23 is on the roadway. It regulates how far apart billboards
24 can be; how large they can be; when they can be lit up.
25 There are very strict restrictions in Philadelphia and

1 Pittsburgh in particular.

2 Where those States we're overseeing, PennDOT had
3 delegated that responsibility for many years, but the
4 Federal Highway Administration, under this Administration,
5 has required PennDOT to take back all of those
6 responsibilities.

7 We are still unsure of the total cost that will
8 be on PennDOT's shoulders to regulate, and make sure we
9 are in constant discussions, again, with our legal counsel.
10 And the costs could be way higher than what this amount
11 is.

12 And so the discussions are ongoing right now. We
13 may be required to, you know, actually buy billboards that
14 are not in the right distance of locations of other
15 billboards, if they haven't gone through permitting
16 processes that are approved by FHWA. Again, these are
17 decisions that were made 10, 20, 30 years ago, and now
18 PennDOT today, in 2017, is being held responsible.

19 And so we have to look at all of those. This is
20 just one of those great unknowns, and it is a great
21 unknown. Again, I could bring in our chief counsel to
22 discuss all of the details that are going back and forth.

23 This is an agenda item that is on my weekly
24 agenda when I meet with the chief counsel. It is going
25 back and forth. We're meeting with several billboard

1 companies just next month, because they will surely have us
2 in litigation very soon, because they are seeing it as us
3 preventing them from doing their business.

4 We are tied to FHWA, which I stated in my opening
5 comments. And you are correct, we rely on approximately
6 \$1.5 billion in Federal highway moneys, and anything that
7 we do that is not in line with FHWA mandates puts that
8 money in jeopardy.

9 And so I know you're talking about specific
10 numbers, but those numbers are there because we just don't
11 know what the cost is going to be over the next several
12 years. We are trying to iron it out. It is one of the
13 more frustrating things that I am dealing with right now
14 because of all the unknowns, and we are trying to figure
15 out exactly what we're talking about.

16 I don't know, Toby, if you have anything to
17 elaborate on that.

18 REPRESENTATIVE HELM: All right. Well, I hear
19 that you are working on it, trying to figure out what that
20 amount would be, and thank you.

21 SECRETARY RICHARDS: Yeah.

22 MAJORITY CHAIRMAN SAYLOR: Representative Quinn.

23 REPRESENTATIVE QUINN: Thank you, Mr. Chairman.

24 And thank you, Madam Secretary and Toby -- Deputy
25 Secretary.

1 And I'm curious; I missed your introduction. How
2 long have you been around? It sounds like you have been
3 with PennDOT -- you're saying Act 84, Act 89.

4 DEPUTY SECRETARY FAUVER: 2004.

5 REPRESENTATIVE QUINN: Okay. Your expertise
6 really comes through here. Don't go anywhere, huh?

7 A couple things. I want to---

8 SECRETARY RICHARDS: I feel the same way.

9 And I will just say, Toby was being very humble
10 when he was describing our capital formulas and what we
11 have developed here in PennDOT.

12 Whenever I am with my colleagues from across the
13 country, they're always asking about more information on
14 what we're doing on the multimodal side of things. So as
15 he describes it---

16 DEPUTY SECRETARY FAUVER: No other State has it.

17 SECRETARY RICHARDS: Yeah. We are really leaders
18 in putting in the oversight and putting in the formulas and
19 the transparency and explaining it.

20 REPRESENTATIVE QUINN: Thanks. Good to know.

21 I appreciate your comments, Secretary, with
22 regard to the ports. As a Member of the Transportation
23 Committee, I have had the privilege of touring those ports,
24 and when you're down on the ground, you really have an
25 appreciation other than like driving over the Walt Whitman

1 Bridge and peeking down.

2 But I would suggest that this Committee take a
3 road trip sometime and see them. What's happening in the
4 growth with the dredging of the Delaware, it's just amazing
5 the role that Pennsylvania is playing from that point in
6 bringing goods into the United States.

7 Okay. So I'm looking at some of these charts,
8 and I'm not as sophisticated in numbers as my good friend,
9 George Dunbar, is here. But I think in terms of pots of
10 money, and the Secretary is well aware of a couple bridge
11 projects I have had in my district, bridges that have been
12 out since 2009. And it's by no fault of PennDOT, in my
13 view; it's really some municipal issues of people who want
14 one type of bridge or another. And I have been in
15 meetings, Secretary Richards, when you have said, you guys
16 make up your mind and we will build it.

17 Where does the pot of money, since it has been
18 since 2009 for a bridge like this, where does that pot of
19 money sit when we're looking at funds that, you know, we
20 may want to take and put somewhere else, because I need
21 that bridge one day.

22 SECRETARY RICHARDS: Right.

23 That's an excellent example. When we talk about
24 what can hold up a project, when Toby gives the
25 visualization of the huge funnel of projects and only a few

1 make it through to get built, and that changes every single
2 year.

3 I know exactly the bridge that you're talking
4 about and the conversations that we've had, and we're
5 waiting for the municipalities---

6 REPRESENTATIVE QUINN: Right.

7 SECRETARY RICHARDS: ---hopefully to step up so
8 we can build that bridge.

9 And so there are different things that can slow
10 down a project, and on the other side of things, there are
11 also factors that can accelerate a project. And that's why
12 we need these funds, to be able to grab them when we need
13 them, to make a project that all of a sudden got its
14 permitting, or was able to figure out a utility issue, or
15 got the agreement with the railroads that we had been
16 waiting on, and we can move that forward.

17 We all know that when projects take longer to
18 build, when they are deferred, the costs of those projects
19 go up, whether it means we have to renew permits that have
20 expired; whether it's cost of materials, which continually
21 go up, whether they're higher; whether the costs of labor
22 go up, which is always happening as well.

23 We want to get these projects built as quickly as
24 we can, and so that's the give-and-take of the TIP process
25 when we're talking about highways and bridges, and it's the

1 same process that's in transit.

2 So again, we want to move those projects together
3 that have gotten through some of the hurdles that they have
4 needed to do so, but at the same time, it is a constant --
5 that's why when we're talking about numbers, and I know,
6 you know, if I were sitting where you were, the desire to
7 understand that every single dollar, where it's going and
8 that, you know, I wouldn't want numbers to end in zeros,
9 right? I want numbers to end in, you know, 3s and 5s and
10 point-72s, you know, because I want to know where every
11 single penny is going.

12 But it is a fluid budget. It's fluid because of
13 the reason that you just brought up and the bridges that we
14 see in Bucks County and everywhere else, where there are
15 hold-ups that we cannot foresee, and we just want to make
16 sure that the projects are moving as quickly as possible.

17 REPRESENTATIVE QUINN: Okay. Back to just other
18 types of bridges.

19 Where do you, like, reach for money when you have
20 the surprises like you did, I think it was last year, with
21 the turnpike bridge going into New Jersey, which just was
22 an enormous nightmare. I mean, that's not something you
23 have on a TIP. I would think there's one of these pots of
24 money that looks like it's in, you know, in 99 or whatever
25 the accounts, that you need to say, thank God that's there.

1 SECRETARY RICHARDS: Yeah.

2 You know, I wish -- I mean, I joke with our
3 finance office all the time: I wish we just had a drawer
4 of money that was sitting around and we could grab it when
5 we want.

6 All of our money is allocated to projects, but
7 that doesn't mean we go into that fund and we'll say, okay,
8 well, that project is not quite ready yet, or if we push
9 that off a month or two, that project will still go
10 through; it will still get finished on time; it will still
11 be built on time, but this other project is really ready to
12 go and we're going to push it forward.

13 So it is a constant, you know, when the question
14 was asked, do we have people in rooms, you know, looking at
15 these numbers? We do. We have a \$9 billion annual budget,
16 and there is constant, you know, moving back and forth to
17 get it. It is very fluid, and it's constantly moving.

18 But you all know, you know, we have billions of
19 dollars of projects in the pipeline at all times. So it's
20 not that we don't have enough projects, you know, to move
21 forward. We're looking to move as many forward as
22 possible.

23 As far as, you know, there is just not a fund
24 that is sitting there unallocated at any time. It's just
25 we move around where it's tied.

1 REPRESENTATIVE QUINN: You get surprise money
2 then.

3 SECRETARY RICHARDS: It's not surprise money.
4 It's money that is there.

5 REPRESENTATIVE QUINN: No; I mean, the project is
6 a surprise. Sorry. The project, the uh-oh, we have a
7 bridge out, and it's a major transportation artery---

8 SECRETARY RICHARDS: We do have an emergency.

9 REPRESENTATIVE QUINN: Okay.

10 SECRETARY RICHARDS: We do have -- I'm sorry.

11 We do have an emergency fund, but some years we
12 go over the amount that we reserve in the emergency, when
13 we have slides, for instance; when we have bridges that go
14 out; when we see the crack, when we see unexpected cracks
15 on our inspections. Yes, we do have emergency funds that
16 we tap into.

17 REPRESENTATIVE QUINN: And---

18 SECRETARY RICHARDS: And that is a set-aside.
19 Yeah; that is correct.

20 REPRESENTATIVE QUINN: Okay.

21 My recollection, and I don't have any paperwork
22 in front of me about this, so I might be wrong, and you'll
23 just tell me, please.

24 But when we had the budget impasse of 2015, my
25 recollection is that PennDOT was able to loan from one of

1 your funds money -- you're nodding, so finish my sentence
2 so I don't screw it up from here on, please.

3 SECRETARY RICHARDS: Yeah. We are able to do
4 that. Toby will give the details on it, but we are able to
5 loan. But it is a loan, and we get paid back, and we get
6 paid back with interest when we loan money.

7 DEPUTY SECRETARY FAUVER: So I think that was
8 lent out of the Motor License Fund. If I remember
9 correctly, it was \$750 million that was lent and then to
10 cover, to help the General Fund cover expenditures for cash
11 flow, and then the cash would come back by the end of the
12 year.

13 REPRESENTATIVE QUINN: Okay. So you can
14 understand when you see a big wad of money like that be
15 loaned, that there could be people saying, well, do you
16 need that money sitting around. But you had guarantees
17 then from the Treasury that that would get back with
18 interest within a certain time period?

19 SECRETARY RICHARDS: Correct.

20 REPRESENTATIVE QUINN: Thank you.

21 Toby, you have been really enthusiastic, offering
22 many days of testimony on this stuff. Let me ask you, were
23 you asked previous to this to discuss these funds, and if
24 so, did you say yes or no?

25 DEPUTY SECRETARY FAUVER: Me personally?

1 REPRESENTATIVE QUINN: The Department?

2 DEPUTY SECRETARY FAUVER: Yeah. I mean, if
3 you're---

4 REPRESENTATIVE QUINN: When there were
5 discussions going on this summer and into the fall about
6 looking at some of these, was PennDOT involved in the
7 discussions and were you asked, and if you said no, why?

8 DEPUTY SECRETARY FAUVER: So, no. So I never
9 said no. Every time there was, if there was an engagement
10 like this where we had, you know, an opportunity to sit and
11 talk with multiple Members at the same time---

12 REPRESENTATIVE QUINN: But not because you didn't
13 say no.

14 DEPUTY SECRETARY FAUVER: Yeah. It just never
15 happened. I mean, we never were asked---

16 REPRESENTATIVE QUINN: Okay.

17 DEPUTY SECRETARY FAUVER: ---and I don't think it
18 ever happened. But I can say that there were individual
19 Members, both in the House and Senate, that had, you know,
20 called us and talked with us, and we went and sat down and
21 talked about things.

22 I didn't bring this kind of stuff. I didn't have
23 this level of stuff. I don't have a system I can just push
24 a button and get this out of instantly. There's a lot of
25 work getting the information together.

1 And we could put more summary information
2 together, but there hasn't been an issue with providing
3 information.

4 SECRETARY RICHARDS: Yeah.

5 DEPUTY SECRETARY FAUVER: It's just having the
6 opportunities to---

7 SECRETARY RICHARDS: We would have been happy to
8 have this conversation prior to the fund discussion
9 starting. It would have been very helpful for us to have
10 it initially. We were happy to provide the information
11 afterwards.

12 REPRESENTATIVE QUINN: Well, I'm just delighted
13 that we have it out and delighted that the whole
14 conversations came to light initially, and it's great for
15 us as Legislators to have a better understanding of your
16 little pots of money and your drawerless desk of money.

17 Thank you.

18 MAJORITY CHAIRMAN SAYLOR: Representative
19 Heffley.

20 REPRESENTATIVE HEFFLEY: Thank you, Mr. Chairman.

21 And thank you, Secretary Richards, for coming in
22 and speaking with us today.

23 There was a lot of talk earlier about Act 44 and
24 the Turnpike. I have grave concerns on what Act 44 is
25 doing. I think it was a terrible piece of legislation when

1 it comes to the effect that it had on the Pennsylvania
2 Turnpike. They're now \$11 billion in debt. Now, some of
3 that is capital, but a majority of that is from Act 44.

4 And tolls have been mandated to increase every
5 year. In testimony earlier this year, or earlier this
6 week, or I think it was last week, the Turnpike Commission
7 had testified that they have seen an approximately
8 7 percent reduction in that Class VII traffic.

9 SECRETARY RICHARDS: Mm-hmm.

10 REPRESENTATIVE HEFFLEY: So we are showing that
11 if these toll increases continue, they will lose market
12 share and they will not be able to recoup that cost. So it
13 is something very concerning to me.

14 And I think when you look at it, and I look at
15 these reserve funds and I'm just thinking, as a taxpayer,
16 everybody wants more money -- right? -- everybody,
17 taxpayers, and taxpayers don't necessarily have it to give.
18 And we can see when these tolls go up and this pricing goes
19 up, we lose industries and businesses in Pennsylvania,
20 because there's only a set fee of the transportation costs
21 that are going to be absorbed. So I guess that's a
22 concern.

23 And as you look at the reserve funds, and I
24 understand why it takes so long to get projects done. It's
25 very frustrating. I would like to know from PennDOT some

1 specifics as to what can be done. I would like to also
2 understand why the Departments and the Secretaries from
3 DEP and everything can't work more cohesively to cut the
4 red tape to get these projects done.

5 Now, we have several projects in Carbon County
6 that are sitting for years, and I think there should be
7 more done to expedite that.

8 But if I look at the Turnpike turnover, 400 and
9 some odd million dollars a year to the Multimodal Fund, and
10 I look at a \$300 million fund because the projects can't be
11 completed, and then that fund is being set aside and then
12 that's gaining interest, but the Turnpike is paying on the
13 bond -- I don't know.

14 I guess looking at it as somebody who is new to
15 the Committee, it doesn't make a whole lot of sense,
16 because, you know, everybody is paying an increase in tolls
17 and this money is sitting on the sideline. I think these
18 projects need to get going a little bit faster. I think
19 somebody had said one time that PennDOT exists to make DEP
20 look efficient.

21 When talking to people in my district that deal
22 with these agencies, I find that is very frustrating to not
23 get these projects moving and have this money sitting on
24 the sideline. So I would, you know, like I said, I have
25 concerns over Act 44 and what it continues to do to the

1 Turnpike. I think we should be definitely looking at that
2 and, you know, expediting these projects.

3 When I see, we had an emergency situation in
4 Carbon County, and I appreciate the assistance, and I think
5 it was fight funding that was used to get that rockslide
6 cleaned up, and it's an ongoing issue. And when I see that
7 we can expedite these projects when we have to, I would
8 like to see, like, more of these projects that are sitting
9 on the sideline getting put on that expedited list to get
10 these projects done a little bit quicker.

11 And anything that we can do to assist in that
12 would, you know, because I hate to see this money -- it's
13 kind of like we're taking this money out of the economy and
14 sitting it on the sideline until we're able to use it, and
15 I would like to see that money getting out there, because
16 that money creates jobs and builds infrastructure.

17 Thank you.

18 SECRETARY RICHARDS: There are a couple of things
19 I would just like to respond to.

20 First of all, I completely agree with you on the
21 Turnpike. It is extremely troubling. As the Chair of the
22 Turnpike, this is a huge issue, for PennDOT and for the
23 Turnpike. When we're seeing a decrease in ridership, it
24 has to be, in my own mind, tied to the increase in tolls.
25 In January, it's going to increase again by 6 percent.

1 And we are not seeing the same decrease in
2 ridership in our neighboring turnpikes -- Ohio, New Jersey,
3 New York. All of their paid turnpikes, as well as the
4 thruways, are seeing increases. So why in Pennsylvania are
5 we not seeing those same increases?

6 Now, we happen to have, you know, free options
7 that other States don't have, right? And so now we're
8 looking at our PennDOT numbers to see where the increases
9 are on our PennDOT roadways.

10 But it's a very serious issue. And Act 44 did
11 tie us into these toll-rate increases, and it is my belief
12 that as the tolls continue to rise, I think our ridership
13 is going to continue to decrease. And it's going to be a
14 problem, and the turnpike won't be sustainable.

15 But right now, we have a good bond rating and we
16 have, you know, good finances on our side. We have an
17 excellent CFO. We reissue bonds as often as we can. I
18 think we're being extremely efficient, but it is an issue
19 that we are going to have to deal with.

20 The rockslide that you mentioned, that did come
21 out directly from our emergency funds. We have 20 million
22 set aside. We are very, you know, very careful in how we
23 spend that money. Rockslides are one of the number one
24 reasons that we do use that money, so that came immediately
25 out of there, and we were happy to assist with that. That

1 was a very serious problem, as we see in other counties as
2 well.

3 What I wouldn't agree with you is, that
4 300 million, it's not sitting there. You know, it's not
5 not being used. In my earlier discussion when I am talking
6 about how fluid these numbers are, money is coming in and
7 coming out constantly. It's just that, again, we need
8 these, we need these funds to be there when they are
9 needed.

10 We cannot always pinpoint. I know that in the
11 letter that was sent initially about this hearing, you
12 know, we were asked for specific project dates, when are
13 they going to begin, and it seems like a very normal
14 request and it seems like we should be able to do that.
15 But because of the issues that we have been discussing
16 today, dates can't always be set, especially when we're
17 talking several years ahead, when we're talking about
18 design, when we're talking about getting municipalities to
19 come together, and when we're talking about partnerships
20 with railroads that are very complicated and nobody can
21 figure that out. That is not, you know, a formula-based
22 decision.

23 And so, you know, the money that is in the
24 transit, for transit use, the PTF needs to be there so
25 that we can move all of these projects forward, so that

1 when design is completed, we can get to construction as
2 fast as possible, as soon as all the permits and everything
3 else are given.

4 So it's a complex thing. And I agree, the
5 turnpike is very troubling and we have to figure that out,
6 but we can't figure it out and let transit suffer from
7 that. Similar to the State Police issue that we have been
8 talking about. We have got to solve the State Police issue
9 and we have got to solve our construction program at
10 PennDOT at the same time. One cannot be solved at the
11 expense of the other.

12 REPRESENTATIVE HEFFLEY: If I could just follow
13 up, and you can cut me off if I get a little off base.

14 And I agree. I mean, I have been involved in
15 transportation for quite some time in the private sector,
16 and it just, like looking at these projects, and I know we
17 deal a lot with the railroads in a lot of projects we have
18 in Carbon County. But I don't know what other pressure you
19 could, to lean on the railroads. I mean, they're applying
20 for infrastructure grants, but then at the same time
21 they're holding up our projects that need to get done. So
22 I would like to leverage some -- I guess, I don't know, use
23 our leverage in that regard whenever we can.

24 SECRETARY RICHARDS: We do try our best to look
25 at the entire Commonwealth and what is going on, because we

1 know that, you know, a project in one county maybe can
2 offer some assistance to the railroad if they can give us
3 something in another county. Toby and his shop is
4 excellent at doing that. And we have been able to move
5 forward on a lot of projects that have been sitting still
6 because that agreement couldn't be made, and so we're
7 always looking at that and looking at those opportunities.

8 REPRESENTATIVE HEFFLEY: Just one more thing, and
9 I would love to sit down and talk with Toby a little bit
10 more about it.

11 One of the things that you said, Act 44, some of
12 the internal monitoring programs, the IT and everything
13 else. Does PennDOT have a fuel savings program? Do you
14 monitor what, you know, and does SEPTA do that, like how
15 much fuel each vehicle is using? What drivers are getting
16 better fuel mileage than others? Is there a bonus program
17 in place? And do you spec out specific equipment for
18 specific lanes?

19 DEPUTY SECRETARY FAUVER: So I can talk to
20 transit a little bit. And with the new IT, the new
21 fixed-route IT system that we're putting in place, they're
22 universally across the State for the smaller systems.
23 SEPTA and the Port Authority have their own systems.

24 But we're going to have vehicle health monitoring
25 and fuel usage stuff coming out, and the systems do look at

1 that and they manage their fleets based upon that.

2 And they also manage based upon what the expected
3 fuel usage should be, and if they start to see higher fuel
4 usage than what is expected, it raises red flags, and they
5 go in and see if there's a problem with the vehicle or
6 operations related to the vehicle to try to address it.
7 Because one vehicle, a few gallons of fuel isn't going to
8 kill a budget, but 89 vehicles by a few gallons of fuel
9 every day creates a big, can create a budget problem, and
10 that stuff is all looked at on a regular basis.

11 And I know PennDOT also has similar types of
12 things that they do with our fleet.

13 REPRESENTATIVE HEFFLEY: Thank you. I don't want
14 to -- we'll talk some more.

15 DEPUTY SECRETARY FAUVER: Yeah; sure. It's fine.
16 Yeah.

17 MAJORITY CHAIRMAN SAYLOR: I just want to remind
18 Members, we're trying to save money, and if you keep saying
19 good things about Toby, the Secretary is going to have to
20 give him a raise and increase our budget.

21 Next will be Representative Kampf.

22 REPRESENTATIVE KAMPF: Thank you, Mr. Chairman.

23 (Phone ringing.)

24 REPRESENTATIVE KAMPF: Goodness.

25 MAJORITY CHAIRMAN SAYLOR: They're telling me the

1 timer was not on, Representative.

2 REPRESENTATIVE KAMPF: Oh, that's a timer. Okay.
3 That's not your phone. Okay.

4 MR. DONLEY: Representative Warren's turn.

5 REPRESENTATIVE KAMPF: Okay; right. Now the next
6 guy gets to go, right? Okay.

7 So, I mean, I guess I assume that what I'm
8 gathering from the information you have provided and what I
9 have heard today was true before you provided it, and
10 mainly that's because of some of my own experiences with
11 transportation projects in my area.

12 That said, I mean, I do think that this
13 experience in providing the information has been
14 educational. So thank you for doing that.

15 This three-pager that you gave us, just so I make
16 sure I have understood what you just said here, on page 2,
17 the space between the gray line and the blue line, I guess
18 starting at about '18-19 and going out to '21-22, that's
19 essentially projects that you expect will significantly eat
20 into the cash balance of the public transit fund.

21 DEPUTY SECRETARY FAUVER: And what I have got to
22 say is, that's our projections right now. So there are
23 things that can be pushed out and that line may get
24 smoothed out a little more. And it could actually narrow
25 the gap if we're able to get more Federal funding. So,

1 like, Federal funding comes in and helps us to take State
2 money and spend on other projects, which is a great thing.

3 But we're definitely planning to have those
4 projects committed in grant agreements then. So the cash
5 for a project, a maintenance facility project that may cost
6 \$30 or \$40 million, may take 3 years for construction to
7 take place. We'll put it all in a grant agreement in the
8 first year so they can have access to the cash for
9 construction. But still it's going to take 3 years for the
10 cash to be drawn down.

11 REPRESENTATIVE KAMPF: Okay. Okay.

12 DEPUTY SECRETARY FAUVER: So I'm showing this.
13 These lines are when those projects are expected to hit.
14 And we actually did some cash-flow projections, so we
15 spread the cash out over the years, so the line represents
16 cash flow. But the commitments will occur earlier, like in
17 grant agreements.

18 REPRESENTATIVE KAMPF: Is there one overarching
19 reason why that money isn't being spent down now, or is it
20 just a variety of reasons?

21 DEPUTY SECRETARY FAUVER: No. I think the
22 biggest reason is that we had no capital funding prior to
23 2013, so we weren't spending -- if we had had capital
24 funding prior to that and knew definitely that the
25 Legislature was going to vote, 2 years before the vote

1 happened, that we were going to get this funding, we would
2 have spent money on planning, engineering, environmental,
3 and gotten more projects ready to go to construction, which
4 is where the majority of the cost is, but we didn't know
5 that.

6 And we weren't spending money, getting things
7 ready, because if Act 89 hadn't happened, we would've been
8 scrounging then just to try to keep people from cutting
9 service. So that's the short answer of it.

10 REPRESENTATIVE KAMPF: Okay.

11 So turning to what you sent us, which was the
12 multimodal program summary.

13 DEPUTY SECRETARY FAUVER: Yeah.

14 REPRESENTATIVE KAMPF: In that fund, on the
15 second page, or actually the first page with content,
16 there's this gray bar.

17 DEPUTY SECRETARY FAUVER: Yes.

18 REPRESENTATIVE KAMPF: 2017-2018, and that says
19 "Applications."

20 DEPUTY SECRETARY FAUVER: Yes.

21 REPRESENTATIVE KAMPF: So I understand that to be
22 different from "Committed."

23 DEPUTY SECRETARY FAUVER: Yes.

24 REPRESENTATIVE KAMPF: And then I guess there's a
25 graph like that for every one of the subcategories.

1 DEPUTY SECRETARY FAUVER: Yes.

2 REPRESENTATIVE KAMPF: What is it that is an
3 application? Like, where is that in the phase of the
4 project?

5 DEPUTY SECRETARY FAUVER: Yeah.

6 So the interesting thing about the competitive
7 grant programs, again, is we require people, when they
8 submit applications, to provide a lot of backup. Some of
9 that overwhelms people and they don't apply. But we get
10 some really kooky, and I shouldn't say "kooky," but we get
11 some really kooky sort of applications in for things,
12 like---

13 REPRESENTATIVE KAMPF: Interesting; how about
14 that?

15 DEPUTY SECRETARY FAUVER: "Interesting" is a good
16 word, that, you know--- And then we get a lot of projects
17 that a municipality or a developer may say, we have got a
18 development we can make happen if we can get this
19 infrastructure money. But they're not spending money on
20 design and permitting and getting all that stuff ready to
21 apply when they don't know they're going to get funding.
22 So unless they know for sure they're going to fund it no
23 matter what, they may have to require more private money or
24 something like that.

25 So when it's in this application phase, it's --

1 we have applications for this year where we went through a
2 scoring process, and we're very, very close to being able
3 to announce those projects and put them into that yellow
4 bar, which will be awarded, publicly awarded. So we have
5 publicly announced projects then.

6 And then there's a series of steps that the
7 grantees need to go through to make sure, and we make sure
8 before we put money into an agreement, things like making
9 sure you have environmental clearances; you're meeting the
10 proper bidding requirements; you're getting your designs
11 done properly; you're meeting all of the requirements for
12 using public funds. When you have done that, then we give
13 you a grant agreement.

14 And I'll show you on that same graph, you'll see
15 -- I need to put my glasses on a second.

16 SECRETARY RICHARDS: Toby, if you could comment,
17 and just to further clarify, these have gone through, you
18 know, township planning commissions, feasibility studies,
19 discussions with the MPOs and the RPOs. They have to, you
20 know, decide what the priorities are. Most of your
21 constituents, as they meet at the municipal level, they
22 have gone through all of that homework before it gets to us
23 and the applicant.

24 DEPUTY SECRETARY FAUVER: And we get---

25 SECRETARY RICHARDS: With matching funds.

1 DEPUTY SECRETARY FAUVER: And we get a lot of
2 letters from, you know, your colleagues as well, both in
3 the House and the Senate, with supporting various projects.
4 But---

5 REPRESENTATIVE KAMPF: So just to pare that back,
6 so application is a very serious phase just before grant?

7 Okay. All right. I just wanted to clarify that.
8 But go ahead if you want.

9 DEPUTY SECRETARY FAUVER: Well, I'll show you,
10 there's a little gray top to the first bar, and that was
11 the first year we had the program to distribute funds.
12 That little gray top is money we have clawed back, and it
13 was not quite \$2 million. It came from one project that
14 was awarded \$3 million in the first year.

15 And not to highlight the details of that project,
16 but they only were able to meet the requirements and get
17 under agreement for about a million dollars of the project,
18 and the remaining they weren't going to be able to meet the
19 requirements for.

20 And so after, like, probably 9 months of going
21 back and forth where they were trying to show us how they
22 could meet the requirements but never really met the
23 requirements, we had a legal opinion that we weren't ever
24 going to be able to meet the requirements, and we pulled
25 those funds back.

1 That gray, that little gray top, is being added
2 to the gray bar for this year, so we'll be re-awarding
3 those funds that were awarded in that year. It's about
4 \$2 million added to the list to be awarded this year.

5 REPRESENTATIVE KAMPF: And just back to -- my
6 final question, Mr. Chairman. Just back to public transit.

7 So at some point, will it be possible to
8 categorize as "Applications" that big stack to your left?
9 Do you know what I mean?

10 DEPUTY SECRETARY FAUVER: Yeah.

11 REPRESENTATIVE KAMPF: Is it the same sort of set
12 of phases or---?

13 DEPUTY SECRETARY FAUVER: No. It is and it
14 isn't.

15 So in this big packet to the left, there is a
16 summary page for every system, and then you get another
17 summary page behind it. This summary page shows for every
18 fiscal year, and it tells you the grants in that fiscal
19 year. And there are printouts that show you what, for each
20 of those fiscal years, what specifically has been granted
21 for -- they were buying four buses or whatever it was --
22 and there's an amount for that.

23 And it will say "In Progress." If it's in
24 progress, that means that they are somewhere in the
25 procurement process or in the process of receiving the

1 buses or doing the project. And then there's another
2 packet that goes with that that shows where they are in
3 terms of invoicing. So it will show what actual money has
4 been drawn down and what money remains to be drawn down.

5 So you'll see some that say "In Progress," and
6 then you'll see some that say "Planning Years." Now, that
7 goes for some systems. If you look at SEPTA's package, for
8 example, the SEPTA package, the same sheets exist, but on
9 that summary sheet that's here, you'll see '13-14, "All
10 Funds Expended." They have drawn down all the money from
11 that year. And then in '14-15, it says "In Progress";
12 '15-16, "In Progress"; '16-17, "All Funds Expended." That
13 means they have drawn all down for that year.

14 In those '14-15 and '15-16 years, we provided the
15 printout showing what they have remaining to be drawn down
16 per project yet. So some of it may be that they just need
17 to liquidate funds, because they may have been buying a bus
18 and now they have \$300 left, and we would liquidate that
19 and roll it forward, and then the grants get closed out.
20 But some of it may be they're halfway through a project but
21 haven't drawn it all down yet, and in this detail, you can
22 see where that is.

23 REPRESENTATIVE KAMPF: Okay.

24 DEPUTY SECRETARY FAUVER: And if anybody is
25 really interested in going through like the detail or wants

1 to understand it either for a particular system or for
2 SEPTA or the Port Authority or any of them, I'm glad to sit
3 down separately and just walk through the details.

4 REPRESENTATIVE KAMPF: Okay. Thank you very
5 much.

6 Thank you, Mr. Chairman.

7 MAJORITY CHAIRMAN SAYLOR: Representative Grove.

8 REPRESENTATIVE GROVE: Thank you, Mr. Chairman.

9 And thank you, Madam Secretary, Toby. Good to
10 see you both. And please pass on our heartfelt hope and
11 thank your PennDOT staff for all the winter maintenance
12 coming up, and please let them know that we hope they are
13 very safe when they are out there.

14 SECRETARY RICHARDS: We appreciate that. Thank
15 you very much.

16 REPRESENTATIVE GROVE: Yeah.

17 Let me first start with, what happens if you get
18 a Federal cut in any of your programs? How do you do
19 adjustments?

20 DEPUTY SECRETARY FAUVER: On the transit programs
21 or in the -- mainly transits. Transit and highway is where
22 you get dedicated capital funds.

23 The Federal funds for the rural systems come to
24 PennDOT, and then we manage those. The Federal funds for
25 the urban systems, like LANTA, for example, goes directly

1 to LANTA.

2 So LANTA would have a project that they would
3 have applied for State funds for, and they may have had
4 Federal funds that they are planning to also use, and they
5 show us both so we know how they are fully funding the
6 project.

7 If LANTA comes back and says, Federal funds got
8 cut by 6 percent and then that grant has been reduced, or
9 there's an amount of money we were planning on coming in in
10 the future and now it has been reduced and there's a
11 rescission and, you know, we lose \$300,000 or something,
12 LANTA first looks to make adjustments within its program.
13 So they would see where they can move Federal funding
14 around to make sure they can fully fund the project.

15 But we have had instances where a system would
16 come to us and say, we're short \$300,000 we were planning
17 on, and then we'll shift priorities across the State. So
18 we would do what the Secretary talked about, like on a
19 bridge project. We may push a project out a month or
20 2 months or something in a planning world to free up
21 300,000. Or we may reduce an award on a bus somewhere and
22 tell somebody, you got to make a bus last another year, to
23 free that 300,000 up to make a project work.

24 REPRESENTATIVE GROVE: Because budgets are
25 fluid---

1 DEPUTY SECRETARY FAUVER: Yes.

2 REPRESENTATIVE GROVE: ---so it allows you to
3 move money around as you need to move them in between
4 funds. Or not in between funds; within the funds.

5 DEPUTY SECRETARY FAUVER: Yes.

6 SECRETARY RICHARDS: Mm-hmm.

7 REPRESENTATIVE GROVE: Because it's illegal to
8 move money in between funds.

9 SECRETARY RICHARDS: Mm-hmm.

10 REPRESENTATIVE GROVE: Secretary, do you have
11 like a Council of Secretaries, like the President has his
12 Cabinet? You talk to your other Secretaries, right?

13 SECRETARY RICHARDS: Yeah, very often, and I
14 serve on several national and chair some national
15 committees with them.

16 REPRESENTATIVE GROVE: Okay. So DCED has a lot
17 of grants, and usually they're cut. Like this past year,
18 he had a reduction in his grants. How does he operate
19 those grants when he gets a reduction in those grants year
20 to year, because it has been a consistent thing for several
21 years now.

22 SECRETARY RICHARDS: You're talking about DCED
23 grants?

24 REPRESENTATIVE GROVE: Yeah. Just if you have
25 had a conversation with him about how he has handled that

1 at all.

2 SECRETARY RICHARDS: No. That---

3 REPRESENTATIVE GROVE: No?

4 SECRETARY RICHARDS: I thought you meant with the
5 other Secretaries of Transportation, across---

6 REPRESENTATIVE GROVE: Okay; no.

7 SECRETARY RICHARDS: No. I mean, I talk to
8 Secretary Davin all the time. I mean, transportation and
9 economic development are very closely tied.

10 As far as how DCED makes those decisions, I do
11 not know the decision-making process, but we have worked
12 together to try to get certain projects off the ground.

13 In fact, tomorrow, both Secretary Davin and
14 myself will be out in Erie. We have a large announcement,
15 a big investment, tens of millions of dollars that are
16 going to go into economic development as well as
17 transportation improvements. And we often meet to see how
18 we can leverage funds.

19 Most often I meet with Secretary Davin, Secretary
20 Dunn, and myself, because there are a lot of overlaps
21 between DCNR, DCED, and PennDOT where we can help each
22 other, where we can each put a bit into the pot and get a
23 greater whole impact out of it. And so we have been doing
24 that as often as we can, and tomorrow, it will be an
25 example. You can keep your ear open for a wonderful press

1 announcement that will be coming out.

2 REPRESENTATIVE GROVE: Yeah. So the application
3 phase, so basically any money sitting there is contracted,
4 right? You have a signed contract with whatever entity,
5 *rabbittransit*, right? That's a contract.

6 SECRETARY RICHARDS: If it gets to that point.
7 Correct.

8 REPRESENTATIVE GROVE: To that point.

9 The application phase means there's no money;
10 you're just reviewing it, correct?

11 SECRETARY RICHARDS: Well, we're looking at it,
12 but in order to put the application in, there has to be
13 local matching money that is available and identified.

14 REPRESENTATIVE GROVE: Then they bring it up.
15 But from your finances---

16 SECRETARY RICHARDS: I mean, they can't just say,
17 oh, we'll put this---

18 REPRESENTATIVE GROVE: Not from their finances;
19 I'm talking your finances.

20 SECRETARY RICHARDS: From our finances, right,
21 we have not awarded. We have what Toby will explain, the
22 \$40 million in the multimodal grant. That's the easiest
23 way to explain it. We have that \$40 million allocation
24 that is ready to be allocated to the \$250 million
25 request.

1 REPRESENTATIVE GROVE: All right. So under the
2 SAP system, the applications would not show, but your
3 commitments are listed on that, correct? All your
4 commitments have to be listed on the SAP system.

5 DEPUTY SECRETARY FAUVER: Correct.

6 SECRETARY RICHARDS: Correct.

7 REPRESENTATIVE GROVE: So when we look at
8 commitments, and let's say PTF was adjusted by
9 \$100 million in the downward direction. The commitments
10 would have to be paid in the out-years, but you would
11 adjust your applications coming in. You would notify your
12 transit agencies that, particularly on capital projects, we
13 don't have as much money, so you'll have to adjust your
14 out-year expenditures to reduce the outlay.

15 SECRETARY RICHARDS: On PTF -- I'll let Toby go
16 -- it would really impact the operating side of things.

17 DEPUTY SECRETARY FAUVER: Well, also there is,
18 on PTF, it's not done in an application form the way
19 multimodal is.

20 So multimodal, there's a pot of funds. We
21 advertise. Anybody that is eligible can apply for a
22 project and they put it in, and it gets scored based upon
23 criteria.

24 Under the Public Transportation Trust Fund, there
25 is legislative priorities, legislated priorities for

1 spending funds, and we try to balance that based upon those
2 legislative priorities.

3 REPRESENTATIVE GROVE: Mm-hmm.

4 DEPUTY SECRETARY FAUVER: So the first thing is
5 emergency in a priority, and the second thing is repairs of
6 things that we have that we need to keep repaired, and then
7 the third thing is replacing things that are at or have met
8 the useful life, and then the fourth thing is do things
9 new.

10 And in order to spend money on a new thing, prior
11 to, or instead of spending it, if you had to trade it off
12 and you wanted to build something new and you wanted to use
13 money that you were planning to replace things with, you
14 would have to show a return on investment analysis that
15 would show that it was worth doing the new thing over
16 replacing something.

17 But we have been using the capital planning tool
18 and then working with systems basically to program these
19 projects. So a lot of times, the projects may show up on
20 TIPs at the MPO and RPO level. And they may show up on
21 TIPs, but unlike the highway side, the highway side, when
22 it shows up on the TIP and is programmed, the funds are
23 here and you already do it.

24 Transit, the Federal Transit Administration with
25 Federal funds treats it differently. The FTA, you have to

1 have it on the TIP before you can apply for the funds.

2 It's a little different.

3 With the State-funded projects, if we were in
4 that situation where there was a \$100 million reduction,
5 then first we would have to look and make sure that we
6 weren't taking it, we weren't allowing or having that money
7 come from something that came from the Turnpike that was
8 bonds, you know, came from bond proceeds, so.

9 REPRESENTATIVE GROVE: Well, I mean, and I'm not
10 talking about -- I'm just talking about money, money in.

11 DEPUTY SECRETARY FAUVER: I get it.

12 REPRESENTATIVE GROVE: I mean, let's say sales
13 tax drops \$100 million.

14 DEPUTY SECRETARY FAUVER: I get it.

15 REPRESENTATIVE GROVE: You get \$100 million less,
16 right? I mean, how do you adjust for that?

17 DEPUTY SECRETARY FAUVER: Well, we would -- when
18 the Secretary talked earlier, she mentioned that we were
19 trying to use, have about a 5 percent reserve in operating.
20 That 5 percent reserve in operating would immediately go to
21 make up for a portion of the \$100 million reduction.

22 And then the next thing is, we would talk about
23 prorating, doing a prorated reduction to the transit
24 systems. Because the law says we can't move capital to
25 operating and we can't spend operating money on capital.

1 That was a protection that was written in in Act 44 based
2 upon some, quote, unquote, "sins of the past" prior to
3 that.

4 So you would end up with a prorated reduction in
5 funding going to the transit systems, and then each transit
6 system would have to then come back and say what that
7 reduction in operating funding would mean in terms of their
8 ability to deliver service. So it would probably result in
9 them cutting -- some may result in cutting service, raising
10 fares, or some combination of the two.

11 REPRESENTATIVE GROVE: Okay.

12 And your public transit, the revenue sheet, none
13 of that money is dedicated to anything specifically, right?
14 It's just generally put into public transit. Like, the
15 sales tax money coming into PTF, it's just put in there,
16 correct?

17 DEPUTY SECRETARY FAUVER: Well---

18 REPRESENTATIVE GROVE: It's not dedicated to
19 anything specific. That's not capital. That's not
20 operating. It just goes into that fund.

21 DEPUTY SECRETARY FAUVER: No. So that's not
22 quite how it works.

23 That graphic makes it look really simple---

24 REPRESENTATIVE GROVE: Mm-hmm.

25 DEPUTY SECRETARY FAUVER: ---but the law actually

1 directs different sources of funds to different accounts.

2 REPRESENTATIVE GROVE: Okay.

3 DEPUTY SECRETARY FAUVER: So the sales tax goes
4 to two accounts. It goes to the operating account, and
5 then it also goes, a portion of sales tax goes to Programs
6 of Statewide Significance, which largely covers the
7 operating portions of Programs of Statewide Significance:
8 reimbursement of service for people with disabilities, for
9 example, or operating costs for the Amtrak service that is
10 subsidized. Things like that.

11 And then turnpike funds come in, and turnpike,
12 there's a portion of turnpike funds go into Programs of
13 Statewide Significance for capital in Programs of Statewide
14 Significance.

15 Twenty-five million of turnpike funds is still
16 going into operating. The Turnpike was issuing taxable
17 bonds for a while when they had to fund operating. Prior
18 to Act 89 in particular, the 250 million that came to
19 transit went into the operating account and was restricted
20 in the operating account. They had to issue taxable bonds,
21 because they couldn't do tax-exempt bonds there because it
22 wasn't capital.

23 That was one of the fixes that occurred with
24 Act 89. They moved that out of taxable status into
25 nontaxable status by putting it into capital. There is

1 still 25 million that goes to the operating account. I
2 believe, although I would have to confirm it with the
3 Turnpike, but I believe they pay that \$25 million out of
4 cash coming from the turnpike. It's from toll revenue
5 directly; it's not bond issued. So that's what goes into
6 the operating account.

7 And then most of the turnpike funds, along with
8 some Motor License Fund fees, go into the capital account.

9 REPRESENTATIVE GROVE: All right. So fines and
10 fees are capital. Sales tax is generally operational.

11 DEPUTY SECRETARY FAUVER: Some fines and fees go
12 into operating as well. They had to make that---

13 REPRESENTATIVE GROVE: That's dictated by Act 44,
14 though, right?

15 DEPUTY SECRETARY FAUVER: Dictated by Act 89
16 actually.

17 REPRESENTATIVE GROVE: 89.

18 DEPUTY SECRETARY FAUVER: Yes.

19 There's a way I could sit down and just show you
20 like all the pieces and where they go, if you wanted to see
21 that, and I would be glad to walk you through the
22 legislation and show it to you, because it's complicated.

23 REPRESENTATIVE GROVE: Okay.

24 So had the General Assembly removed -- and I
25 guess potentially it could be as part of the Fiscal Code.

1 It requires a transfer of \$300 million.

2 DEPUTY SECRETARY FAUVER: Right.

3 REPRESENTATIVE GROVE: I have not heard or seen
4 anything from the Administration as to where that is, and I
5 assume they'll probably wait until later in the fiscal year
6 probably to make those decisions.

7 Let's assume \$100 million is going to come from
8 PTF, out of that fund. How are you going to adjust for
9 that moving forward? Because again, you're talking about
10 capital projects. Budgets are fluid. Are you going to
11 take in less applications this year, next year, to adjust
12 for the out-year?

13 DEPUTY SECRETARY FAUVER: I'm glad to -- go
14 ahead.

15 SECRETARY RICHARDS: Yeah.

16 First of all, we would see a direct impact
17 immediately. I mean, operating expenses at all transit
18 agencies across the Commonwealth---

19 REPRESENTATIVE GROVE: How is it operational,
20 though, because you have cash sitting in an account shifted
21 over. How would that affect your actual operating?

22 DEPUTY SECRETARY FAUVER: So---

23 SECRETARY RICHARDS: We're not going to -- I'm
24 going to let Toby go into the details.

25 REPRESENTATIVE GROVE: Because, I mean, you have

1 already testified that those are commitments. Those are
2 capital outlay commitments. So it's not operational that
3 are sitting in those accounts.

4 SECRETARY RICHARDS: We don't want to put at risk
5 all of our tax-exempt money, right? So that would, I
6 think, would not be, you know, a smart way to proceed. Why
7 would we take tax-exempt money and turn it into taxable
8 money, right? So that would be wasted money off of the
9 top. We all want to be as efficient as possible.

10 DEPUTY SECRETARY FAUVER: And affect Turnpike
11 bond ratings.

12 SECRETARY RICHARDS: So we don't want to do that.

13 REPRESENTATIVE GROVE: But you are---

14 SECRETARY RICHARDS: That's the majority of all
15 the capital money.

16 REPRESENTATIVE GROVE: So you can't go back and
17 pull sales tax? You can't maneuver money around within
18 your funding stream to make sure it's sales tax only?

19 DEPUTY SECRETARY FAUVER: So what I would say is,
20 we have got about that 5 percent reserve.

21 REPRESENTATIVE GROVE: Mm-hmm.

22 DEPUTY SECRETARY FAUVER: So in that operating
23 account that has been there for cash flow and to deal with
24 economic downturns, the first thing that would happen is we
25 would spend, you know, make that reserve, we would use that

1 reserve to continue making the operating payments. And
2 then after that, we have got to look at the eligible
3 sources of funds, and it would have to come out of the
4 eligible sources of funds. And Turnpike debt-issued funds
5 is where most of the capital projects are funded, and we
6 wouldn't look at those funds, because we wouldn't want to
7 affect the taxable, nontaxable, and the bond ratings of the
8 Turnpike. It would potentially cause the Turnpike or cause
9 us, when we provide projects to the Turnpike that they're
10 issuing bonds against, to violate their bond indentures.

11 SECRETARY RICHARDS: So instead of a hundred
12 million impact, it would be much higher than that -- right?
13 -- if we had to go into all of those taxable rates.

14 It's -- you know, look, I'll be honest. It's a
15 challenge that I hope I don't have to face, but if we do, I
16 just wanted to be clear in the opening statements and
17 everything, it's going to impact every single county here.

18 You know, it's going to impact all the community
19 rides, you know, shared-ride programs. It's going to
20 impact the transit agencies. They're going to have to make
21 very difficult decisions on which routes need to be
22 eliminated, which routes need to be shortened, which
23 constituents they can no longer serve. It's going to
24 impact seniors. It's going to impact people with
25 disabilities in big ways.

1 There is no easy, you know, answer to that. And,
2 you know, while we are trying to simplify it, and we truly,
3 we know that the overall goal of this meeting today is to
4 explain, we want you to have as much information -- and I
5 know the challenges in front of you are very difficult. We
6 want you to have as much information as possible, but there
7 are no easy answers here. Like, we really -- we wish it
8 were a lot easier.

9 And again, we are happy to sit down individually
10 with every single one of you. What I don't want to happen
11 is should a decision be made where you don't fully
12 understand how it's going to impact your constituents. And
13 there's nobody here in this room that would not have
14 constituents impacted by a cut to PTF or multimodal or the
15 other funds that we are talking about, and we just want you
16 to fully understand that before we make any decisions.

17 REPRESENTATIVE GROVE: We appreciate that.

18 So if any one of us would ask for more detailed
19 reports on encumbrances, commitments moving forward, you'll
20 provide that to us?

21 SECRETARY RICHARDS: Absolutely. And we would be
22 happy to sit down and walk you through it.

23 We understand not everybody is interested in this
24 entire pile that is sitting, but you are interested in a
25 piece of that pile, trust me. Every single person here is

1 interested in a different piece of that pile.

2 REPRESENTATIVE GROVE: And so you'll give us, as
3 the Chairman requested, a more summarized version.

4 Particularly I'm interested in those out-year
5 outlays.

6 DEPUTY SECRETARY FAUVER: So---

7 REPRESENTATIVE GROVE: And projected payment
8 dates. Do you have projected payment dates for those?

9 DEPUTY SECRETARY FAUVER: We do. It's on these
10 front tables. What I didn't give you is a summary table
11 that puts them altogether, so I can put that together for
12 you.

13 REPRESENTATIVE GROVE: That would be great.

14 DEPUTY SECRETARY FAUVER: Sure.

15 SECRETARY RICHARDS: And I just don't want those
16 summaries, which we can do and we will do, I just don't
17 want it to mask the individual impacts that they will have.

18 We can put a summary together. We want everybody
19 to get the general picture, but that's what it will be.
20 While it will be specific in some areas, it will be a
21 general picture, and if you really want to go into the
22 details, it's in these reports.

23 REPRESENTATIVE GROVE: Okay.

24 Madam Secretary, I sent each Secretary a slew of
25 budgetary questions last January. I gave you 4 months to

1 answer them. One of those questions was about the
2 commitments and the encumbrances of all these funds.

3 They were commingled. I don't know if you had
4 orders from the top down, but Budget did not answer any of
5 those questions, literally told us to go look at the SAP
6 system, which obviously the commitments were on the SAP
7 system, so that's what we went through to analyze those.

8 So we did ask, we were denied, and we used the
9 tools we had necessary. So, you know, when we ask
10 questions, we are looking for those datas.

11 SECRETARY RICHARDS: Mm-hmm.

12 REPRESENTATIVE GROVE: And personally I wanted it
13 from you, because you have these details. I didn't want
14 them from the Budget Secretary. He has got a global
15 picture outside of his own budget. So if questions are
16 asked, please, it's not a gotcha; it is, we're looking for
17 this because we want this information so we can make better
18 financial decisions.

19 Ultimately we pass an appropriations bill. We
20 make these decisions. We figure out how to fund this.
21 We're the only people in the entire Commonwealth of
22 Pennsylvania that have the ability to do that, and we want
23 to work with you to do that moving forward. But if we do
24 not have the information that we ask for, we cannot make
25 those decisions pertinent moving forward.

1 And again, that is a plea to work with you and
2 making sure we have these details up front so we can make
3 better decisions, not the tail end, not in July, not in
4 June. In January, February, March, these decisions need to
5 be made so we can have a better product moving forward -- I
6 think -- and based on past history, that would be a good
7 thing.

8 SECRETARY RICHARDS: I want you to have that
9 information, too.

10 REPRESENTATIVE GROVE: Yes. Thank you.

11 SECRETARY RICHARDS: And I was not aware of that
12 frustration, but we'll get the information to you.

13 DEPUTY SECRETARY FAUVER: Really the information,
14 this information that has been provided is a snapshot in
15 time from, you know, whatever day this was printed, which
16 is within a week, and it tells you in our electronic grant
17 system what has been granted, what cash is going out, and
18 then those sheets on top actually give you the projections
19 for cash flow going forward.

20 So I'd be glad to walk through, you know, an
21 example or spend time with you, you know, to walk through
22 it so you can---

23 REPRESENTATIVE GROVE: Yeah. I mean, when I
24 first saw this, I'm like, oh, we're going from a surplus to
25 a huge deficit, so.

1 DEPUTY SECRETARY FAUVER: Yeah.

2 REPRESENTATIVE GROVE: I mean, so that's your---

3 DEPUTY SECRETARY FAUVER: Right. I get it.

4 REPRESENTATIVE GROVE: That's your snapshot you
5 were looking at, so.

6 And I get you have internal controls looking at
7 that stuff, but we don't see it, so.

8 DEPUTY SECRETARY FAUVER: Yeah.

9 REPRESENTATIVE GROVE: Thank you, Mr. Chairman.

10 MAJORITY CHAIRMAN SAYLOR: Okay. Next is the
11 gentleman from Erie, Representative Curt Sonney.

12 REPRESENTATIVE SONNEY: Thank you, Mr. Chairman.
13 Thank you -- I think it's on.

14 SECRETARY RICHARDS: I can hear you.

15 REPRESENTATIVE SONNEY: Can you hear me?

16 SECRETARY RICHARDS: Yeah; I can hear you.

17 REPRESENTATIVE SONNEY: Thank you,
18 Madam Secretary and Deputy Secretary, for being here. Your
19 testimony has been educational.

20 I always kind of assumed that in the beginning,
21 the money was spoken for in some way. And, you know, I
22 have a lot of questions, but fortunately a lot of those
23 questions can wait until February.

24 But in a general sense then, would you say that
25 the money in the savings account -- okay? -- is spoken for

1 money for capital projects? Correct?

2 DEPUTY SECRETARY FAUVER: Correct.

3 SECRETARY RICHARDS: Correct.

4 REPRESENTATIVE SONNEY: And so if we as a
5 legislative body, if we see that account increasing over
6 time, it means that you are doing well because you are able
7 to fund projects. Would that---

8 DEPUTY SECRETARY FAUVER: I would say---

9 SECRETARY RICHARDS: I have a different answer;
10 yeah.

11 REPRESENTATIVE SONNEY: In other words, you have
12 the revenue coming in to fund projects, because you are
13 shifting it aside---

14 SECRETARY RICHARDS: Right, and it means that we
15 have moved forward in the planning phase and the design
16 phase and that these transit agencies can plan for their
17 future better.

18 REPRESENTATIVE SONNEY: Yes.

19 DEPUTY SECRETARY FAUVER: I would say that what
20 you're seeing, you're on the first 3 years of funding made
21 available and we're getting projects ready, and then
22 there's going to be a bunch of projects hit and it's going
23 to draw that down. A lot of that money that is in that
24 investment account will be drawn down to pay for those
25 projects, and then it's going to get fairly stable. There

1 is going to be -- there is always going to be a level more
2 money here sitting in an account---

3 REPRESENTATIVE SONNEY: Mm-hmm.

4 DEPUTY SECRETARY FAUVER: ---than what is able to
5 even be paid out, or we wouldn't be able to cash flow
6 things working.

7 But we're going to get to a stable point---

8 REPRESENTATIVE SONNEY: Do you have an idea of
9 what you think that stable point will be?

10 DEPUTY SECRETARY FAUVER: So on these graphs,
11 we're trying to predict that with these graphs by the
12 projects that we have in the works now. And it's going to
13 be out in 2020-2021 or 2021-2022 by the time the grant
14 agreements are in place and the cash, you know, drawdowns
15 occur. And you can see the slope of the line starting to
16 come down.

17 REPRESENTATIVE SONNEY: Well, I understand that.
18 So then what dollar figure will it be? In the future,
19 where would you anticipate this to keep fluctuating at?

20 DEPUTY SECRETARY FAUVER: Yeah. So it will be
21 half a year of funding maybe? I'm guessing \$150 to
22 \$200 million of funding that will be, that should be on the
23 capital side there. And then there are going to be
24 operating funds, that there are operating funds coming in
25 every month and there are payments going out every month,

1 and there is an operating balance there as well.

2 I wish I could predict that. I'm just -- I'm not
3 there. But it's obviously---

4 REPRESENTATIVE SONNEY: But it's not
5 substantially lower than what exists today because of, you
6 know, that influx of dollars that came in that you were
7 able to make those commitments.

8 DEPUTY SECRETARY FAUVER: Yes. And it's not
9 going to be, like in the future, it's not going to be
10 growing.

11 So, like, I get what you're seeing now. The
12 numbers are growing. You're going to see a balance of
13 cash, but you're going to also see contractual commitments,
14 and the difference between the contractual commitments and
15 that balance of cash is the uncommitted balance, and that
16 uncommitted balance is what I'm talking about. You're
17 going to see that uncommitted balance stabilize, and you're
18 going to see that cash balance level ultimately stabilize
19 against the commitment level.

20 REPRESENTATIVE SONNEY: And when it comes to
21 capital projects, do most of them come to fruition, you
22 know, or is there a certain percentage that are almost
23 always, you know, just don't make it?

24 DEPUTY SECRETARY FAUVER: Yes. So I would say
25 that under the way we're dealing with projects now, that

1 projects that are on here are going to come to fruition.
2 There may be some somewhere that, like, I'll give you a
3 really simple example.

4 In DuBois, in DuBois, Pennsylvania, there is a
5 maintenance facility project that we have been trying to
6 work through and figure out for a while. And they wanted
7 to expand on the existing site, then the site that was
8 there wasn't big enough and they were up against another
9 business and looking to acquire property. Then another
10 property, so we had part of a design. Then they looked to
11 move it to another site. They were in the process of
12 looking at doing land acquisition, and the municipality
13 that was there wanted the project stopped and didn't want
14 that property acquired because they didn't want to take it
15 off the tax rolls and they wanted to go to a private
16 developer.

17 We're now back to the original site, and the
18 decision is being made to tear down the existing building
19 and build a new building on the site. Instead of having
20 two buildings on the site, we'll be able to fit everything
21 there.

22 REPRESENTATIVE SONNEY: And are you guys involved
23 in, I mean, actively, workingly involved in the entire
24 process, or, you know, are the locals taking care of this
25 stuff and just simply supplying you with information?

1 DEPUTY SECRETARY FAUVER: No. So PennDOT is
2 hiring the consultants that do the planning, the design,
3 the environmental clearances. We're pushing that stuff
4 ahead, because most of the smaller systems do one of these
5 projects every 20 years and we do them all the time.

6 So we're hiring those consultants and we're
7 actively involved with the general managers and their
8 boards in trying to make those decisions.

9 REPRESENTATIVE SONNEY: And what would you tell
10 one of those local boards that their costs would be for all
11 of that preliminary, all of the planning and permitting?

12 DEPUTY SECRETARY FAUVER: So---

13 REPRESENTATIVE SONNEY: You know, what's the
14 percentage as compared to construction costs?

15 DEPUTY SECRETARY FAUVER: So a good rule of thumb
16 is about 10 percent for design, and then preliminary -- the
17 final design portion. And then preliminary engineering and
18 environmental, depending on what's there, is another 5 to
19 8 percent of the construction cost, generally.

20 REPRESENTATIVE SONNEY: Thank you.

21 Thank you, Mr. Chairman.

22 DEPUTY SECRETARY FAUVER: But we try to control
23 it and keep it down.

24 MAJORITY CHAIRMAN SAYLOR: Representative
25 Greiner.

1 REPRESENTATIVE GREINER: Thank you, Mr. Chairman.

2 I somewhat wanted to follow up on Representative
3 Dunbar's comments early on and Representative Grove just a
4 little while ago.

5 On background, I'm a certified public accountant,
6 and, you know, we can talk about, we can talk about here
7 where we draw the moneys from and what we need to do, but
8 I'm concerned about procedure, too, and I have an auditing
9 background.

10 So going back to what Representative Dunbar said,
11 I'm very -- I like to understand the process. I like to
12 understand the numbers. When I have colleagues coming to
13 me telling me we can pull from surplus funds, that's that
14 accounting skepticism in me that says, well, can we,
15 because of the commitments and things, you know, things
16 like that.

17 And to Representative Grove's comment, you know,
18 the budget years are getting much more challenging and
19 difficult, and when constituents back home say we have this
20 amount of money to spend, or I have colleagues telling me
21 we can pull from these surpluses, I need to have, I need to
22 have the most accurate information possible to make those
23 decisions. And of course the focus often was on
24 transportation, because there's more significant dollars in
25 some of these accounts than maybe some of the other funds

1 here, you know, here in Harrisburg.

2 But that being said, and kind of piggybacking off
3 of what my colleague said, I want to kind of go to the
4 Pennsylvania Infrastructure Bank and kind of ask several
5 questions concerning that.

6 How many commitments do we have, you know,
7 concerning -- and you may have that information there, too.
8 You know, how many commitments do you have, and what would
9 be the total cost of commitments that you have?

10 And then, is that an active fund? Do you get a
11 lot of, you know, in multimodal, a lot of requests? We
12 heard that dollar figure is quite significant. How about
13 this fund? How about the Infrastructure Bank?

14 SECRETARY RICHARDS: I'm going to let Toby talk
15 about the numbers there.

16 But just quickly, so the Infrastructure Bank
17 allows, you know, entities to borrow money at a very low
18 interest rate, of course, and it allows them to really roll
19 up their sleeves and take care of their needs.

20 And, you know, I agree with you, they are
21 significant funds that we're talking about, but the needs
22 are very significant, and, you know, just to emphasize,
23 much more than what the funds are there.

24 But what I wanted to say, part of Act 89 allowed
25 a \$5 registration fee that many counties have already

1 enacted and more are very interested in. We have made
2 additional money available to them. Some of them are going
3 to the Infrastructure Bank to get their matching funds in
4 order to get money to leverage further.

5 So I just wanted to say before handing it off to
6 Toby, and he can go through the numbers with you, what's
7 great about the Infrastructure Bank is it allows them to
8 leverage that money and make it even more, because they use
9 it for extra State funds as well.

10 REPRESENTATIVE GREINER: Just real quickly in
11 addition to my other question that I asked you.

12 I'm interested in knowing the criteria, too,
13 because, you know, it's like with any of these, whether
14 it's multimodal, you know, how would that work if somebody
15 from Lycoming County or Lancaster County or Allegheny or---

16 SECRETARY RICHARDS: Mm-hmm.

17 DEPUTY SECRETARY FAUVER: Yeah; yeah. Sure.

18 So first off, I can just go through the numbers
19 with you, because it's on this sheet and it's part of the
20 package that has been provided. But as of August of '17,
21 they didn't, the people that pulled this together didn't
22 give me like as of today: \$6,360,618.25 have been expended
23 and/or committed or disbursed in this fiscal year.

24 The program received \$18 million in applications
25 this year. They are currently pending.

1 And I can talk about some of the kinds of
2 applications. There's a \$17 million, the PIB is committed
3 to fund \$17 million to Dauphin County's infrastructure
4 bank. Dauphin County is creating their own infrastructure
5 bank. And it's also funding an infrastructure, helping to
6 fund an infrastructure bank in Lycoming and Greene
7 Counties.

8 And the Secretary talked about that
9 \$5 registration fee. They're planning to use that
10 \$5 registration fee to help to offset that, but they're
11 using it to advance county bridge projects and municipal
12 projects that are in those counties.

13 REPRESENTATIVE GREINER: Let me just follow up,
14 though, on the dollar.

15 DEPUTY SECRETARY FAUVER: Sure.

16 REPRESENTATIVE GREINER: Because, you know, like
17 I said, we're trying to make decisions here to the best of
18 our ability, because we have to respect the taxpayers, too.
19 But if I'm not mistaken, the balances in that account are
20 somewhere around \$50 million.

21 DEPUTY SECRETARY FAUVER: Yeah.

22 REPRESENTATIVE GREINER: And it grew a little
23 bit from the prior, you know, session to this session.
24 So you can understand, when Members come to me and say,
25 Representative Greiner, you know, why can't we pull

1 X amount of dollars out of this when we're only utilizing
2 this much, I mean, how do I explain to them that, no, you
3 can't do this, or yeah, you can do this, because I need to
4 figure, I need to have an answer to that.

5 DEPUTY SECRETARY FAUVER: So the majority of the
6 money in the State Infrastructure Bank, the initial seed
7 money that went into the State Infrastructure Bank, came
8 from the restricted portion of the Motor License Fund that
9 was for highways and bridges, and it has been maintained in
10 that category.

11 There was some General Fund money that I know
12 went into a rail freight assistance, a rail freight
13 infrastructure bank, and there was some money from the PTAF
14 fund, the Public Transportation Assistance Fund that was
15 passed into law in 1991, that was put into the transit
16 account. But there's a transit amount that's pretty small
17 in there.

18 Most of it is highway. Most of it was highway
19 seed funded, and then it has been lent out to projects.
20 And you'll see, we haven't put new money in for a long
21 time. What amounts to, it's a revolving loan fund, so it
22 has people pay back their loans, then it becomes available
23 to be lent out to others.

24 REPRESENTATIVE GREINER: I was just kind of going
25 to follow up then, because with the act that just passed,

1 you know, we increased the liquid fuels allocation to the
2 municipalities. And I guess a thought process is, if we
3 have done that, is it absolutely necessary that we have,
4 you know, the size dollars we do here at the State for
5 these types of projects since we have made an effort to
6 help out our municipalities.

7 DEPUTY SECRETARY FAUVER: Yep. So where I would
8 comment on that is, this Infrastructure Bank is a tool, and
9 we have been encouraging more and more municipalities to
10 consider using it, especially as it relates to multimodal
11 funds.

12 In the Fiscal Code that passed with the budget
13 this past year, the Legislature gave the opportunity for
14 waivers to be issued to municipalities on their local match
15 for multimodal projects, which reduces the overall
16 available funds to do projects. So instead of it being
17 70 percent funded, it could be a hundred percent State
18 funded, but there's still no more money available from the
19 State to do a project, so the project may become smaller or
20 whatever to get the project done.

21 We have been encouraging municipalities to look
22 hard -- or even developers, because private development
23 interests can apply for these Infrastructure Bank funds --
24 to look hard at the Infrastructure Bank as a way that they
25 can cash-flow bridge their local match required funds as

1 well.

2 REPRESENTATIVE GREINER: Like I said, I think
3 this is a great opportunity. And I was a township
4 supervisor, so I understand that, and I appreciate the
5 clarification.

6 SECRETARY RICHARDS: Yes.

7 REPRESENTATIVE GREINER: But I do just want to
8 reiterate that, you know, we're making decisions here, and
9 we have to try to get the most accurate information. And
10 it can be frustrating at times, so, you know, what's
11 restricted, what's not restricted, what is commitments, do
12 we have verbals to try to make the decisions that we need
13 to do. So thank you.

14 Thank you, Mr. Chairman.

15 MAJORITY CHAIRMAN SAYLOR: Very good.

16 I have follow-up questions, and then I have told
17 the Member that he could have one question. It's
18 Representative Dunbar.

19 REPRESENTATIVE DUNBAR: And I promise you this
20 will be very brief, and I apologize for dipping in again.

21 But as we were discussing, I had this one
22 thought, and Representative Sonney pretty much went to it.
23 But do you -- or any of these funds -- do you have like a
24 long-term budget, like greater than 1 year? Like 3, 4,
25 5 years out? Okay; yes.

1 And it does show a drawdown on the fund balance?

2 Yes.

3 And can we get a copy of that?

4 DEPUTY SECRETARY FAUVER: You have it.

5 REPRESENTATIVE DUNBAR: Okay. Thank you.

6 DEPUTY SECRETARY FAUVER: It's this pile.

7 REPRESENTATIVE DUNBAR: Thank you.

8 DEPUTY SECRETARY FAUVER: And I'll---

9 SECRETARY RICHARDS: And we can further -- yeah.

10 We can further---

11 So this is, you know, and the question was asked,
12 you know, so it's looking 3 to 5 years in the past, and
13 that's what this takes you to.

14 REPRESENTATIVE DUNBAR: Great.

15 And I think, not to get on my soapbox, but I
16 think that's one of the big things around here; we never
17 look further than a year ahead, and I think this will help
18 all the Members understand where exactly you are planning
19 on going with these fund balances.

20 DEPUTY SECRETARY FAUVER: So, like, there's
21 county shared ride. So we talk a lot in transit about the
22 bigger fixed-route systems, but you can look in here at
23 county shared-ride operations.

24 For example, there is a project in here for
25 Cumberland County. It's run by *rabbittransit* now but to be

1 invested in in Carlisle for vehicle storage, to get
2 vehicles out of the winter, and to deal with bus wash so
3 that vehicles can get the salt cleaned off of them so
4 they're not rusting apart, because that's one of the
5 problems we have.

6 REPRESENTATIVE DUNBAR: But there is one big
7 macro view.

8 DEPUTY SECRETARY FAUVER: Yes.

9 REPRESENTATIVE DUNBAR: That's all. Thank you.

10 DEPUTY SECRETARY FAUVER: Sure.

11 MAJORITY CHAIRMAN SAYLOR: Very good.

12 Lee James at this time. Representative James.

13 REPRESENTATIVE JAMES: Thank you, Mr. Chairman.

14 This will be the first question of the next
15 2 ½-hour session.

16 DEPUTY SECRETARY FAUVER: Great.

17 REPRESENTATIVE JAMES: I would ask you -- he
18 checks his watch.

19 DEPUTY SECRETARY FAUVER: Can we order pizza?

20 REPRESENTATIVE JAMES: I would ask you to please
21 expand just a bit more on the question which Representative
22 Helm asked in the Highway Beautification Fund, and I'm
23 referring to the September memo to our Transportation
24 Committee Chairmen and women which said that failure to
25 maintain an effective program of surveillance and

1 enforcement of outdoor advertising and junkyard laws could
2 result in losing up to 17 percent of the Federal grant.

3 Could you give me -- and you did a good job on
4 the outdoor advertising, okay?

5 SECRETARY RICHARDS: Mm-hmm.

6 REPRESENTATIVE JAMES: Could you give me a little
7 bit more perspective on the junkyard laws. Where does
8 personal or private responsibility end and public
9 obligation to fix these problems begin?

10 SECRETARY RICHARDS: Right.

11 I'm going to have our chief counsel's office,
12 they'll be able to describe it better than I'll be able to
13 describe it within the next few minutes. But obviously the
14 junkyard laws, littering, and, you know, all different
15 levels of that, from, you know, littering on the side of
16 our highways to abandoned vehicles and other issues that we
17 have to deal with in our right-of-ways, it's a big matter
18 that we deal with, and we are federally required to take
19 care of that out of this fund.

20 But I am going to ask for our chief counsel to
21 give you that information. It will be much more helpful
22 than in the next few minutes, after sitting here for
23 2 ½ hours, going through that Highway Beautification Fund.

24 REPRESENTATIVE JAMES: That would be great.

25 Thank you.

1 Thank you, Mr. Chairman.

2 SECRETARY RICHARDS: And we'll make that
3 available to the entire Committee, of course.

4 MAJORITY CHAIRMAN SAYLOR: Thank you.

5 Representative Quinn, for a quick question.

6 REPRESENTATIVE QUINN: Okay. Maybe I shouldn't
7 have said "quick."

8 So I'm not going to ask -- stop; stop.

9 Respectfully, Mr. Chairman.

10 (Laughing.)

11 REPRESENTATIVE QUINN: We have had conversations
12 before, and I'm forgetting if it was the Transportation
13 Committee, this Committee, but I think it was both, in
14 which you have provided graphs indicating the tremendous
15 pressure on the Motor License Fund because of the State
16 Police.

17 This is not the topic of this hearing. Are those
18 conversations ongoing and are we looking towards solutions
19 internally or must you have legislation to address it?

20 SECRETARY RICHARDS: Moving forward on the
21 State Police issue?

22 REPRESENTATIVE QUINN: Yes.

23 SECRETARY RICHARDS: We see how the Fiscal Code
24 is now, and we're planning accordingly for the 10-year
25 drop-down to get to the \$500 million cap, and we are

1 planning on those numbers. We are not waiting for any
2 further action on that.

3 REPRESENTATIVE QUINN: Thank you. That was
4 quick.

5 MAJORITY CHAIRMAN SAYLOR: Very good.

6 At this point, I'll recognize Representative
7 Markosek.

8 MINORITY CHAIRMAN MARKOSEK: Thank you, Chairman.

9 Yeah; just to kind of help close things up here
10 today.

11 Thank you, first of all. And in my opening
12 remarks I forgot to mention that I myself was a board
13 member of a big transit organization here in Pennsylvania,
14 the Port Authority, about 20 years ago. A lot of stuff has
15 changed since then, but it was a great experience.

16 I think it would be interesting for some of the
17 Members, you know, I'm sitting here thinking, first of all,
18 I mean, the Chairman and I have been around here a long
19 time, and a lot of the Members here, sitting here, have
20 really not, have only been here maybe 8 or 10 years in some
21 cases and don't know the history of some of our
22 transportation.

23 In my tenure here, we did a transportation
24 revenue package about once every 5 or 6 years, you know,
25 and that was a fuel tax. And, you know, we would get that

1 done, and it would last us, and then when it was time for
2 another one -- and it didn't matter who was Governor. It
3 didn't matter what party was Governor or what parties were
4 -- transportation was always something that everybody kind
5 of agreed to. It was never a unanimous vote, but we were
6 able to fund transportation in general that way.

7 And then back when I became the Chairman, we
8 were due for another one. I think it had been about 7 or
9 8 years since we had one of those votes, and our
10 transportation system was really hurting. And at the time,
11 Governor Rendell said he didn't want to do any taxes,
12 interestingly enough, so we came up with Act 44 at the
13 time. And as imperfect as it looks now from this
14 perspective, at the time, it gave us a tool to raise money
15 for transportation, particularly for transit, which we,
16 again, have constitutional issues with using fuel taxes to
17 fund.

18 So we were able to get Act 44 passed, and had it
19 been totally completed, it would have helped fund a lot
20 more of our transportation needs, because we did have a
21 tolling in that. That bill asked for the tolling of
22 Interstate 80, as we know.

23 And, you know, I think the Members have to
24 understand, the interstate system in the United States was
25 built under President Eisenhower. And I'm sure our

1 engineering friends here in the room and at PennDOT,
2 et cetera, will tell you that the shelf life of roads,
3 those kinds of things, let's say 50 years. Well, we're way
4 beyond that even with our whole interstate system in the
5 United States of America, I mean to rebuild that entire
6 system. But part of the deal was that the Feds would build
7 the system and States would maintain it. And when it was
8 relatively new, and maintenance costs were less. Well,
9 it's geriatric now, and the maintenance costs are a lot
10 more.

11 So, you know, looking forward, you know, like I
12 said, we have a lot more newer Members here. I want those
13 Members to not only understand what our current problems
14 are but what's going to face them in their careers here.
15 If they're here as long as I am, I'll be gone, but there's
16 going to be some serious issues, because PennDOT, in my
17 opinion, is going to have a very hard time maintaining just
18 the interstates in our Commonwealth without additional
19 funds somewhere.

20 You look at I-95 as probably the quintessential
21 example of an interstate. It's essentially a bridge. It's
22 an elevated system that has had problems in the past and
23 will be very expensive to replace, and we cannot afford,
24 the whole southeast region cannot afford to not have a
25 viable I-95.

1 So we're looking at all these problems as we go
2 forward. And, you know, Act 89, as I mentioned before,
3 we're halfway through the shelf life of it now. So another
4 3 or 4 years, another couple of terms of the House here, if
5 Members are running for reelection and get elected a couple
6 more times, they're going to be faced with doing something
7 again relative to revenue for transportation -- serious
8 revenue for transportation. And it's not going to be easy,
9 and folks are going to have to bite the bullet. It's as
10 simple as that.

11 Now, we do a lot of machinations around here not
12 to do that, and I think that's -- I don't want to get off
13 things here. As Chairman of the Appropriations Committee,
14 I can tell you that I think we could have done a little
15 better with the budget relative to that. But at some point
16 in time, we're going to have to bite the bullet and get
17 real revenue into this Commonwealth and raise new revenue,
18 not just for transportation but all the other things we do.

19 So, you know, I'll get off my soapbox here. But,
20 you know, I do have quite a résumé with transportation.
21 It, you know, was one of the highlights of my career to be
22 Chairman, and I certainly appreciate everything that you do
23 and the work that you do. And as long as I'm around here,
24 you have a friend in transportation, that's for sure. So I
25 hope I can convince some of or the rest of my colleagues to

1 be the same way.

2 So thank you for your input. This was very good,
3 and I'm glad you came by.

4 SECRETARY RICHARDS: Thank you.

5 MAJORITY CHAIRMAN SAYLOR: Thank you.

6 Madam Secretary, I want to thank you for coming
7 today. As a former Chairman of the York County MPO, and I
8 decided I was getting too busy, so we turned it over to a
9 wise man from York County, Grove, to make sure all my
10 highways are improved. (Clearing throat.)

11 SECRETARY RICHARDS: How's he doing? Is he doing
12 okay?

13 MAJORITY CHAIRMAN SAYLOR: Ah, well, he could do
14 a little better. But, you know, I do understand.

15 I think one of the things that has brought some
16 concern to Members across the General Assembly that I have
17 heard has been in the multimodal area somewhat, where
18 Members are being turned down for multimodal projects and
19 they see this pot of money sitting over here. So I think
20 it would be good if, one, when projects are turned down,
21 particularly to Members of the Legislature, that when their
22 projects are turned down in their district, that there is
23 an explanation given.

24 You know, I know there is only so much money
25 there, but I do think sometimes and wonder, well, how did

1 you choose this project over this project. And so, you
2 know, those kinds of things I think go a whole way to help
3 educate Members of the General Assembly and having that
4 list of projects.

5 The other question I think Members want to know
6 is, well, if I apply and I am turned down this year, does
7 that mean my project stays on the list for 2 years from now
8 or 3 years from now, and so I think those are some clarity
9 of things as well that probably needs to be clarified.

10 And then I think the locals do feel the same way.
11 I think local townships who apply a lot of times in
12 boroughs and cities wonder, well, I applied once, and I
13 have had this with a municipality with some other grants,
14 where they applied and they thought, well, it just keeps
15 going until they find money for it. So I think some more
16 clarity there helps, because, again, it's really about
17 education.

18 I'm finding people in today's world, because of
19 the Internet, have become more confused, and where we
20 thought the Internet would clarify everything and everybody
21 would be so transparent, it hasn't, from what I found out.

22 But I want to thank you today. I will tell you,
23 as we get into the February hearings, I will have great
24 concern, because I know in my district and probably
25 elsewhere across this State, I have heard from people about

1 delays in these bridge replacements, which you have really
2 worked hard to try and save money for this State.

3 But the DEP, and I have had several bridge
4 delays, as much as 6 months to a year, and I know that
5 affects cost. And it also affects, particularly our school
6 districts. Projects that are scheduled, you know, it
7 affects our school districts and the safety of our students
8 when DEP is not following through and getting these permits
9 approved quickly.

10 I blame the Federal Government and EPA on certain
11 things, for highway projects, but I do think DEP has to
12 live up to work more cooperatively with you.

13 I think PennDOT has had an outstanding record in
14 protecting our environment. I'm not saying there aren't
15 things that have happened one way or another. But I have
16 got to be honest with you, I haven't heard in years where
17 PennDOT has violated any of our laws, intentionally or
18 otherwise. And I think our Secretary of DEP needs to find
19 out why his staff and his employees are not working with
20 you to help improve our projects, because the longer they
21 delay them, the higher the cost.

22 And again, I want to thank you for all you are
23 doing to try and improve our highways. And I agree with
24 Chairman Markosek, when I look at the numbers, I worry that
25 maybe it's time for me to retire before the next

1 transportation bill, because that is going to be a
2 quandary.

3 SECRETARY RICHARDS: Yes.

4 MAJORITY CHAIRMAN SAYLOR: You know, when you
5 hear people talk about the fact that we have the highest
6 gas tax in the State, the question is, do we raise it
7 higher or do we go to raise registration? And you have got
8 to raise registration pretty high to bring in the same
9 amount of money you bring in from a gas tax. So those are
10 things that taxpayers and Members have got to decide in the
11 future.

12 And I know that we will want to address in the
13 February hearing, just to kind of put it on your radar, the
14 debt at the Turnpike because of Act 44. The toll
15 increases, we're hearing a lot about that. And also the
16 fact, because our General Fund in the year 2022 is
17 scheduled to take money out of our General Fund and put it
18 elsewhere into the highways because of the borrowing,
19 probably there will be some questions on that as well.

20 Madam Secretary, thank you so much.

21 Toby, thank you. I don't know if you're going to
22 get a raise or not, because, you know, after all the
23 compliments today, you might want to put that request in.

24 DEPUTY SECRETARY FAUVER: I count on my wife.

25 (Laughing.)

1 MAJORITY CHAIRMAN SAYLOR: Thank you very much.

2 SECRETARY RICHARDS: Well, thank you. And we do,
3 we seriously mean it when we're happy to sit down with you
4 individually to go over these impacts, and I look forward
5 to that conversation in February.

6 I will end just by saying, I am also very
7 concerned with everything that you just mentioned, Chairman
8 Saylor, and we have to work together to solve those
9 challenges. They're definitely not going to solve
10 themselves.

11 MAJORITY CHAIRMAN SAYLOR: Thank you.

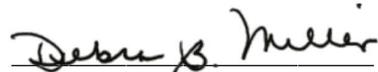
12 SECRETARY RICHARDS: Thanks.

13 MAJORITY CHAIRMAN SAYLOR: The meeting is
14 adjourned.

15

16 (At 11:45 a.m., the public hearing adjourned.)

1 I hereby certify that the foregoing proceedings
2 are a true and accurate transcription produced from audio
3 on the said proceedings and that this is a correct
4 transcript of the same.

5
6
7 

8 Debra B. Miller

9 Transcriptionist

10 dbmreporting@msn.com