

Testimony

Robert E. Latham, Executive Vice President, Associated PA Constructors
on behalf of

The Transportation Construction Industries (TCI)

The Transportation Funding Reform Commission

September 18, 2006

Mr. Secretary, thank you for the opportunity to offer solutions to Pennsylvania's transportation infrastructure crisis. I am Bob Latham, and I represent the Transportation Construction Industry Political Action Committee. TCI-PAC is the unified voice of the transportation construction industries in Pennsylvania. Our members include contractors, suppliers, equipment dealers and consultants who work in the highway construction industry in Pennsylvania, and who provide 70,000 jobs throughout the Commonwealth.

I want to begin by congratulating the TFRC for defining Pennsylvania's transportation funding crisis so thoroughly, as you did in the report released in August. Defining the problem is hard work. Coming up with solutions is exponentially more difficult.

I want to focus my remarks on what our members know best, which is bridges and highways. I will defer to others to speak about mass transit, except to make these brief points. First, TCI-PAC acknowledges that mass transit is an essential component of a transportation infrastructure system. And second, mass transit and bridge and highway projects should not be made to compete for the same scarce resources. That is what occurred last year, Mr. Secretary, when \$412 million in federal highway money was "flexed" to subsidize mass transit budgets across the state. These funds only temporarily satisfied the needs of transit. Repeating this action will exacerbate the funding issues surrounding our road and bridge programs, where there is already a \$1 billion annual shortfall. For these reasons, we urge the state not to repeat that move again this year.

You have posed a series of questions that I will attempt to answer from the perspective of TCI-PAC, and I will offer some additional comments as well.

I will start with the easiest question, which happens to be your fifth and final question: Is it acceptable to do nothing about Pennsylvania's transportation infrastructure crisis?

No. The vitality of our state's economy depends on a sound transportation infrastructure. Without a safe and smooth highway system of adequate capacity, Pennsylvania cannot compete with other states for jobs and economic growth. This is particularly important in rural Pennsylvania, where jobs are most needed, and our transportation infrastructure is in most need of repair and expansion.

The maintenance and improvement of our transportation infrastructure is really no different from caring for our homes. Avoiding a small repair will lead to a larger repair

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in the future. Not attending to what needs to be done today will likely cost more tomorrow. In our industry, failing to perform pavement improvements in a timely manner could add as much as 500% to the costs of repairs.

As for the reform options, we agree that we need to take a longer-term view. The 100-year bridge is feasible, as is improved durability for our roadways. This will require changes in the way we do business with PennDOT. We stand ready to work with you to define and implement these changes and to build public support.

In general, we support the exploration of public/private partnerships – for transit lines, as well as for highways. However, we need to protect the competitive bidding process to assure that Pennsylvania contractors, suppliers and consultants will be on equal footing with firms from outside the state. This should include the entire continuum of highway projects, from design through construction, and design/build projects.

We urge you to be cautious in exploring the sale of assets such as the Pennsylvania Turnpike. Our major concern is with placing the proceeds in the General Fund and using them to fund operations or shortfalls in other programs. This may be viewed by some as good politics but, it is bad public policy. The billions of dollars that could be raised from the sale of a highway asset **MUST BE** earmarked for improving highways and bridges. We support the idea of putting the proceeds from the sale of assets into a trust fund, with restrictions regarding the expenditure of principal to highway purposes only.

We only need to look at the experience of Chicago in leasing the Skyway Bridge and the proposal of Ohio gubernatorial candidate Ken Blackwell to see how tempting it is to sell government assets and not reinvest in infrastructure. Chicago took \$1.8 billion and spent it on general fund items. Mr. Blackwell proposes to sell the Ohio Turnpike and use the proceeds for everything but transportation infrastructure.

We support the idea of “right-sizing,” as long as “right-sizing” is defined as providing for the appropriate capacity to meet the needs of motorists in the future. This approach will extend the useful life of our bridge and highway projects and will save money over the long term. It is better to do fewer projects sized properly than a larger number of projects that will quickly become obsolete.

You have asked which investment scenario we prefer. Mr. Secretary, it probably won't surprise you to learn that we support the plan that would preserve the existing system as quickly as possible and improve the capacity to relieve the congestion that stifles our prosperity and diminishes our quality of life. That would be the \$1.5 billion scenario.

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While the state's population grew by just 4 percent from 1993 to 2000, vehicle travel grew by 24 percent during that same time. We have a 50-year-old Interstate Highway System that has served us well, but was not designed to accommodate today's traffic volumes. The sooner we improve our highway capacity, the better off we'll be.

Mr. Secretary, I took the easiest question first, so it's only fitting that I save the toughest question for last. The question is, how would we solve the funding crisis?

Like everyone else who has testified or who will testify, I wish I could tell you we have a silver bullet. We do not. Increasing the gas tax would be a significant political challenge, and that still would not be enough. You have identified numerous other potential funding sources, all of which deserve exploration, and none of which we would rule out. We strongly believe that any type of highway-use or motor vehicle-related fees should be earmarked for highway uses.

Regarding specific recommendations for funding we continue to support legislation introduced by Chairman Keith McCall. This legislation would provide \$650 million for public transit through use of the Real Estate Transfer Tax. It would also provide some \$400 million in additional funds for PennDOT by lifting the cap on the Oil Company Franchise Tax. Although local roads are not the Commission's focus, Mr. McCall's legislation would provide an additional \$100 million for local funding – which, I might add, provides immediate property tax relief.

We recommend that to reach level C in Public Transit Funding, local tax enabling legislation should be enacted so that transit in Pennsylvania may become more in line with other states where the lion's share of transit funding is local or regional.

To reach level C in highway and bridge funding, take the State Police out of the Motor License Fund, thus freeing up \$550 million for roads and bridges. Increase the current sales tax to offset the deficit to the General Fund that such a move would create. Use, as the Commission's report states, "prudent" bonding but, only if coupled with new dedicated revenue sources to pay off the bonds and use public, private partnership arrangements to reach the \$1.5 billion level.

We somehow have to muster the political courage and foresight to address this crisis. The bottom line is that this is not about us but about the future we create for the next generation.

I would be happy to answer any questions.