



An update from

Senator **WAYNE D. FONTANA**

Transportation Funding Plan

—Act 89 of 2013

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■ Why was it necessary?

Pennsylvania ranks 35th of out 50 for infrastructure and transportation conditions.

Pennsylvania leads the nation with 6,500 structurally deficient bridges and nearly 40% of our major roadways are rated as poor or mediocre. Studies showed that without action on transportation needs, the annual funding gap would have more than doubled to \$7.2 billion by 2020.

Poor road conditions coupled with traffic congestion cost motorists in the state more than \$9 billion a year due to vehicle wear and tear related to poor road conditions, vehicle crashes, and fuel costs related to congestion delays.

In Pittsburgh alone, wear and tear and congestion cost commuters more than \$800 per year.

Countless businesses and their employees rely on our transit system to travel to and from work. The interruption of this service would have a detrimental impact on our workers and their employers.

Nearly 50% of all downtown Pittsburgh workers rely on transit.



■ Why Act 89?

- ◆ Act 89 will allow us to repair unsafe roads and aging bridges, undertake construction projects in congested areas and dramatically improve our mass transit system.
- ◆ Decades of underinvestment and an outdated revenue structure left our transportation system in dire straits. This new funding structure takes a more commonsense and responsible approach to the way we pay for road and bridge projects.
- ◆ Prior to Act 89, an outdated funding formula created a serious shortfall in the system's ability to maintain safe and reliable roads and bridges.
- ◆ Under the old funding system, rather than allow revenues to self-adjust with inflation to keep up with costs, artificial caps on gas taxes paid by oil companies were imposed.
- ◆ Act 89 invests \$2.3 billion in improving our deteriorating transportation infrastructure.
- ◆ Act 89 will lead to the creation of more than 50,000 family-sustaining jobs in multiple employment sectors.
- ◆ Act 89 will prevent the layoff of 12,000 private sector jobs.
- ◆ Act 89 will allow desperately needed construction projects to advance in our community. Numerous projects within the 42nd Senatorial District will now move forward.



■ Initial Concerns vs. The Cost of Inaction

Much has been reported about potential negative effects the new funding plan will have on consumers. While the gradual phase-out of the cap on wholesale gasoline may initially be met with apprehension, the bottom line is that the price of inaction would have proven too costly.

Act 89 eliminated the 12-cents liquid fuels flat tax that is paid by motorists at the pump. This consumer levy was to be replaced by the Oil Company Franchise Tax, which taxes oil companies on the wholesale price of gas.

Over the next five years, the state will also gradually remove the existing artificial cap (\$1.25/gallon) on the Oil Company Franchise Tax. **That cap had been in place since 1983 with no adjustment.**

It is difficult in this pricing climate to say how much of the tax change will show up at different gas locations because individual companies make decisions about how to price gas.

By year five of the plan, it's estimated that the average driver can expect to pay about \$2.50 more a week. To put this into perspective, poor road conditions coupled with traffic congestion cost motorists in the Pittsburgh area more than \$800 per year.

Additionally, Act 89 stands to represent a cost savings to taxpayers of \$1 billion over the next decade. The law requires PennDOT to implement these administrative cost-savings and efficiencies.

All vehicle registration fee increases beginning in 2015 will be tied to the rate of inflation to maintain an adequate transportation funding source.