

Governor Edward G. Rendell
Address to the Special Session of the General Assembly
May 4, 2010

(As prepared for delivery)

Let me begin today by thanking our legislative leaders: Lt. Governor Scarnati, Senators Mellow and Pileggi, and Representatives Eachus, McCall, and Smith for their cooperation in convening this 40th Special Session of the Legislature.

In our last Special Session in 2007, you deliberated on the critical energy issues confronting the Commonwealth. The great work of that Special Session produced the terrific renewable energy investment and conservation bills that in large measure, together with our Alternative Energy Portfolio Standards, are responsible for Pennsylvania being among the three highest producing states when it comes to new green jobs, making us a real contender in the green economy just behind Texas and California.

And in 2005, I convened a Special Session to pass legislation to provide property tax relief for homeowners across the state. Due to our collective efforts in that Special Session, this is the third consecutive year that school property tax payments will be cut by nearly a billion dollars and again this year nearly 125,000 seniors will have their school property taxes eliminated and another 235,000 senior's school property tax bills will be cut by at least 50 percent.

When challenged by crisis, we have repeatedly shown Pennsylvanians that we share a determination to work together, across party lines, to do the people's business.

There is no shortage of issues that require your attention in these difficult economic times, including the Fiscal Year 2010-2011 state budget. But I call you together today in this Special Session to alert our citizens, and each of you, to the crisis which mandates that we set aside sufficient time and attention to address our transportation infrastructure needs.

In 2007, you may recall that I proposed to meet our pressing transportation capital needs by taxing the profits of oil companies – a tax that I still believe is long overdue. In my view, those who generate the greatest oil profits in Pennsylvania – the big oil companies that are raking in billions of dollars in profit each year – should pay their fair share of the tax burden instead of asking the driving public to foot the bill for them. At the same time, to raise sufficient revenue for our transportation systems, I also proposed leasing the Pennsylvania Turnpike via a public-private partnership. As you know, we received a bid in excess of \$12 billion for the Turnpike which would have would have generated roughly \$1 billion a year for transportation improvements. Neither of these proposals was adopted by this body.

Instead, your answer was to enact Act 44, which offered a responsible solution to our problem -- assuming the federal government would approve the plan you proposed for leasing I-80 and permitting tolls on that interstate highway. I signed

Act 44 on July 18, 2007, because I believed that it represented an innovative and effective solution for our transportation challenges, and since then I have worked with the Turnpike Commission to persuade the federal government to approve the I-80 tolling plan.

But, a month ago, the federal Department of Transportation rejected the tolling plan. Like many in this room, I do not agree with this decision. I believe the application met the letter of the law in every way. Worse, the rejection of this plan means that we have lost \$60 billion that would have been available to meet the crushing costs of our bridge, highway and transit capital improvements over the next 46 years.

And while I know some legislators and guests in this room view the federal rejection of the leasing of I-80 as a victory, let me be clear: the rejection of the I-80 tolling plan, which relied heavily on tolls to be paid by out-of-state drivers, means that Pennsylvanians will pay more to solve this problem.

Here's why: nearly half of the vehicles on I-80 are out-of-state drivers crossing the Commonwealth and putting enormous wear and tear on the road each year. These non-residents purposely avoid the Pennsylvania Turnpike and the New York Thruway where there are tolls, and as a result, Pennsylvanians spend nearly \$100 million a year to pay for the interstate travel needs of truckers and other out-of-state travelers.

In fact, the I-80 tolling plan would have placed the toll booths 60 miles apart to ensure that those who paid tolls were long distance travelers who put the most wear and tear on the road, rather than local commuters who travel only one or two exits to visit family members, shop, go to work, or go to school.

We spend an average of \$80 million a year to maintain and repair I-80. Under the tolling plan, as much as \$250 million would have been spent annually to operate and fully reconstruct I-80. Unless we find a way to fill the hole in Act 44, we will obviously not be able to even keep up with the \$80 million level of expenditure on I-80.

There is no benefit to second guessing the wisdom of the Act 44 strategy and nothing is gained by pointing fingers or blaming someone for the rejection of the application. It's simply a waste of time to do so, and time is not our ally on this issue. We must focus on solving the transportation funding crisis, and we must act now.

I have not called this Special Session to repeal Act 44. That bill not only allowed Turnpike tolls to increase and provide for the lease of I-80, it also modernized the ways we fund road and transit improvements, and those elements of the Act continue to serve us well. What we need to do, at a minimum, is fully fund Act 44.

In 2006, the Transportation Funding and Reform Commission's estimate of the annual shortfall in funding for our transportation system, even at a mid-level, was

\$1.7 billion a year. We were able to reach agreement on a strategy that generated nearly a billion dollars a year in new public funds for the capital needs of the system.

Over its first ten years, Act 44 would have provided, on average, \$532 million a year in new funds for highway and bridge improvements and \$414 million a year in new funds for transit system capital and operating subsidies. Beginning this year, the annual allocation was to grow 2.5 percent and would do so each and every year.

The inability to lease I-80 means that over the next half a century, we will have nearly a half a billion a year less to spend on the capital of our transportation needs.

As a practical matter, here's what that means: We have 10,000 miles of roads that need to be repaved and we won't be able to afford to do so. Out of those 10,000 miles of road, 7,000 miles are already in "poor" condition and urgently need our attention. Think about this. We have so many roads that need repair that if you lined them up they would stretch across the entire continental United States three times.

The state of our bridges is equally dire. There are 5,646 structurally deficient bridges statewide. That's more than the total number of structurally deficient bridges from Virginia to Maine combined. In fact, the number of structurally deficient bridges in Pennsylvania exceeds the number of state-owned bridges in 24 states.

This level of disrepair is true despite the historic levels of funding that we have provided for bridge repair over the last five years. When I became Governor in 2003, we were spending \$259 million a year to repair our bridges. We increased our annual expenditure on bridges to \$750 million. Additionally, as you know, in 2008, you and I agreed to begin a prudent bond-financed Accelerated Bridge Program to begin repairs on an additional 1,145 structurally deficient bridges over the next three years.

Together, we front-loaded the expenditures of nearly a billion dollars a year to undertake these repairs. Yet, because of the advanced age of so many of our bridges, nearly 300 become structurally deficient each year. Even at our current accelerated rate of repair, it would take 50 years to eliminate the backlog.

Just yesterday, the Transportation Advisory Committee released updated numbers showing that the Pennsylvania transportation infrastructure funding gap is \$3 billion per year to keep our roads and bridges in a state of good repair. This \$3 billion assumes the loss of I-80 tolling revenues.

On the transit side, the Transportation Advisory Committee now estimates that in the next fiscal year, transit systems will be short \$484 million for needed capital

assistance. This figure also assumes the loss of I-80 tolling funds and it means to do the job adequately they need nearly a half a billion dollars more per year.

In our mid-size and small cities, our 36 local transit authorities are struggling. Some still have outdated buses that need constant repair and consume too much fuel. And all of these transit systems fail to meet the local needs because their fleets are simply too small and their local operating revenues are too weak to support expansion.

In the large urban areas, new rail and subway cars are urgently needed to ensure rider safety. These systems rely on ancient substations, bridges and rail lines that in some cases are literally on the brink of collapse.

If we cannot operate reliable, affordable transit systems in Pennsylvania, more of our citizens will be forced to drive their cars to get to work. Rush hour in cities and suburbs alike is already a misery of clogged roads that force commuters to spend 38 extra hours a year in their cars wasting 71 million gallons of gas.

If you ask residents what they want in a transportation system, they will say, "Reliable and affordable transit so I can get out of congestion hell."

This all means that when we factor in the gap created by the federal rejection of the I-80 tolling application what was a \$1.7 billion shortfall in 2006 is now a \$3.5 billion shortfall today.

So what do we do? I believe we have four options.

The first option is to find a way to plug that half a billion dollar hole for this year and perhaps next year too, and put off addressing the long-term problem. This approach would give the next governor time to consider the issue and engage with the Legislature on a comprehensive solution.

To give you an example of such a short term fix, given our low level of debt per household and our excellent debt rating, the Commonwealth could borrow a billion dollars to fund the two year Act 44 hole. Doing this would increase our debt service payments by \$80 million for the next two decades, but it would certainly provide the minimal level of funding and some breathing room.

If you choose to focus on just a short-term fix, despite the fact that I believe it is shortsighted, I will sign your bills into law and hope that the next legislature and governor have the will to address the long term problems before us.

The second option is to solve the entire Act 44 funding problem so that over the next 46 years, the capital improvements envisioned in Act 44 would occur. This would mean you enact new revenues sufficient to fill the entire Act 44 funding gap for the next 46 years. I don't believe this is the best answer because, as the Transportation Advisory Commission report makes clear, this level of funding is far

less than we need. However, I would still sign this legislation into law more enthusiastically than the short term fix.

The third option is for us to work together to put sufficient revenues on the table now, to fully repair and improve our transportation system at the level that is truly needed. I believe this is the right course to take. This approach will require courage, but in my mind, it's the only solution that will have a lasting legacy for generations to come.

Given our many spirited differences in the past, it should come as no surprise to anyone in this chamber that I have no interest in waiting. I favor the third option; that is, acting now to address the long-term transportation challenges that confront us, both because it will make Pennsylvania more competitive, and because doing so will put tens of thousands of Pennsylvanians to work in good-paying jobs, both at construction sites and in our factories.

Let me share with you some stunning statistics. Last October, at the height of the fall construction season, we surveyed our Stimulus-related highway contractors and the companies that supply these contractors. Here's what we found.

On top of the 6,445 Pennsylvanians working on construction sites to repair our roads and bridges, there were 2,256 additional people at work in our factories making the asphalt, steel and concrete to fill our Stimulus orders.

We purchased 4,300 more tons of steel, pushing our steel purchase up 43 percent in just ten months, in 2009, compared to what we purchased in all of 2008. And what's important here is that 50 percent of the steel purchased was made in Pennsylvania.

We purchased 400,000 more cubic yards of concrete, representing a 40 percent increase in ten months compared to the amount we purchased in all of 2008. And 95 percent of this concrete is made in Pennsylvania.

And we purchased 3.2 million tons of asphalt, increasing our state asphalt purchase by nearly 50 percent in these ten months compared to all of 2008. Every bit of that asphalt is made right here in Pennsylvania.

Investing in our infrastructure is a win-win for the Commonwealth. If we don't address the loss of the I-80 funds, we, in essence, lose 12,500 good paying jobs for our citizens. But if we choose the third option on top of these 12,500 jobs, tens of thousands of additional jobs will be created.

As I said, taking the third option will increase the competitiveness of our state. A state with less congestion, highly functioning transit systems and well maintained roads is a state that is positioned to attract business and private investment. Businesses want to locate in states where they can move their goods to market efficiently and safely. And there is no dispute that building a quality workforce is intimately connected to the quality of the transportation system.

Finally, the third option ensures that we will maintain a fully functioning and well-maintained transportation system, so that those who follow us will not be faced with the same problems in the years to come.

Just as our parents and their parents paid the cost of building our roads, bridges and transit systems, we should foot the bill to keep them in good working order for ourselves, our children, and for our children's children.

Other states are taking this approach already. In Illinois, the Legislature recently enacted enabling legislation for a set of taxes and fees that are dedicated to pay for a \$31 billion infrastructure plan, which will address Illinois' transportation systems as well as other critical state infrastructure needs.

The final decision about the choices we make to address our transportation needs is clearly not mine alone. As I said, I will sign legislation to fund any of the options I've described, or any effective alternative that you may propose, provided that, at a minimum, it fills the Act 44 funding gap for fiscal year 2010 and 2011

I said at the outset that there are four options before us. The fourth, of course, is for this Special Session to conclude with you taking no action. That would be totally unacceptable to me and a disaster for our state. It would cripple our transportation network, making us less competitive, diminish the quality of life of our citizens and imperil public safety.

We cannot turn our back on this challenge. We must meet it head on and to do so I believe that all ideas should be put on the table. House Transportation Committee Chair Markosek and Minority Chair Geist and Senate Transportation Committee Chair Rafferty and Minority Chair Stout all think that public-private partnerships, or P3's, are worth exploring, and so do I.

They can be included as part of any long-term strategy, but we all recognize that the public-private investment model cannot produce funds immediately or fill the entire funding gap we face over the next three years. I think P3s are a "must do" approach, and nearly all of us agree on that point. I hope P3 legislation will be an outcome of this Special Session.

Similarly, we could decide to toll I-80 or I-95 and seek federal approval on the premise that we will meet their requirement that all the funds generated by the tolls remain on those roads for improvements. But we should remember that this approach likely means a two-year delay before any revenues would be available for repair and maintenance of either road. Even with that delay, it is an approach worth considering because in the long term, it would free up Motor License Funds to be used on the other 9,700 miles of roads and thousands of bridges that require our attention.

When it comes to the task before us of immediately filling the revenue gap, one of the most obvious options is a gas tax increase. We currently have the thirteenth-

highest gas tax in the nation. Part of our gas tax is collected on the average wholesale price of gas sold to distributors; this is known as the Oil Company Franchise tax. In 1981, the Legislature capped this tax on the wholesale value of gas at \$1.25 per gallon. Today, the wholesale value of gas is \$2.12 per gallon. And many of you were here in 1997 when Governor Ridge increased the rate of this tax raising \$196 million in new revenues without lifting this cap.

Senator Stout has called for uncapping that tax, an action that would generate \$900 million annually. It would also result in a 14-cent price per gallon increase at the pump. If, instead, you set the rate midway between the wholesale price and the market price, let's say at \$1.80 per gallon, an additional \$500 million would be available for our transportation improvement needs and the price at the pump would climb by nine cents. It makes sense to consider this option.

The other element of the gas tax is the flat tax at the pump which is 12 cents per gallon. The last time this tax was increased was in 1983. You could index that tax to inflation, which would essentially translate into a four-cent increase per gallon at the pump, and generate \$260 million a year. That's slightly more than half of the \$472 million Act 44 funding hole.

Some of you know that I co-chair, with Governor Schwarzenegger and Mayor Bloomberg, a national organization called Building American's Future. Frank Luntz, a prominent Republican pollster, conducted a poll for us, and the most startling finding is that of all the infrastructure concerns that Americans have -- and they have many -- congestion tops the list.

And when it comes to the gas tax, he found that six in ten Americans, Republicans and Democrats alike, believe that the federal gas tax is automatically increased each year.

There are two reasons that taking note of this belief is important. First and foremost, the fact is that the federal tax hasn't been raised since 1993. And second, the survey proves that Americans expect annual gas tax increases to pay for the costs of maintaining our transportation systems.

So if you choose to increase the gas tax, I believe the public will understand the need to do so. But let me be clear, there are other options that can reduce the level of a gas tax increase, or eliminate the need for a gas tax increase entirely.

The last time the Pennsylvania driver's license fee was raised was in 2003. For every dollar the fee is increased, the Commonwealth generates \$2.4 million. Similarly, vehicle registration fees, currently set at \$36 annually for cars, were last increased in 1997. Every dollar increase in this fee generates \$8 million.

The last time truck registration fees were increased was also 1997; updating these fees for all classes of trucks would generate \$83 million annually. In fact, by updating all vehicle-related fees consistent with inflation, Pennsylvania would generate \$327 million annually.

Citizens understand that fees and tolls must be updated to keep pace with inflation. When the turnpike raised its tolls by 42 percent to keep pace with inflation in 2003, I received a few dozen letters. Contrast that against the hundreds of letters I received when we proposed the elimination of black fly spraying. I am convinced that citizens want the government to deliver and if it does they are willing to pay the appropriate tax, fee or toll for services they truly value.

Our estimates also indicate that nearly \$100 million a year could be generated by further deploying technology to crack down on reckless or uninsured drivers.

Since the federal decision on I-80, some legislators and others have suggested that we could simply turn to the Turnpike to solve this gap. As I have said, every option should be on the table. But remember that Act 44 already provides for regular turnpike toll increases. So relying solely on the Turnpike to fill the gap will force immediate and unacceptably higher toll increases on that interstate. Once that happens fewer and fewer drivers will use the Turnpike to cross the state or even for local travel.

Right now, 40 percent of all Turnpike trips occur between the toll booths in the four southeastern suburban counties. Raising the tolls will force more suburban drivers onto local roads. If that happens, it will exacerbate the traffic congestion already plaguing the southeastern region of our state. And of course truckers will find alternative routes as well, putting more and more pressure on smaller cross-state highways and local roads. It would be a classic example of the law of diminishing returns, and I urge you to consider carefully the consequences of such an action.

There are some who say this is all just a Philadelphia problem. This is simply not the case.

In Sullivan County, on Route 87, the seventy-eight year old bridge over Lick Run near Forkville is traveled by 1,000 vehicles a day.

That bridge is structurally deficient and now, due to Marcellus drilling, there are significantly more trucks crossing that bridge every day. At some point soon, if we can't repair that bridge, we will either have to restrict traffic or shut it down entirely, forcing local travelers to go at least 28 miles out of their way.

Route 3002, near Lake Wallenpaupack, has sections where the shoulders are gone and it's known as a "rough ride." Rich Haldaman already gets up early to start his bus route for the School District, but lately he's had to get out earlier because the condition of the road is so deteriorated that he needs to drive slowly to avoid damage to his vehicle and keep the children safe. And like so many roads up there, it's so potholed the locals said, "I wouldn't even call them potholes, they are giant holes!"

In Pittsburgh, local residents know the problems with the Butler Street Bridge all too well. Emergency detours had to be put into place for repair to the floor beams

last year. It's bad enough that it is the only way to get to the Zoo, but this structurally deficient bridge is also crossed by 13,000 vehicles every single day, and at least a thousand of these vehicles are heavy trucks.

Getting to the Conemaugh Hospital in Cambria County could get a lot more difficult if the Route 403 Cherry Run Bridge has to be closed and that could happen. The bridge is in need of repair, or, at a minimum, it may need to be weight-restricted. Closing this bridge will require a 10-mile detour, which according to Johnstown Police Chief Foust, will cause a "major headache for police and emergency responders because the area around the hospital is already congested with heavy local traffic and traffic from Johnstown High."

In Delaware County, the Media to Elwyn Regional Rail Line carries suburban train riders across a bridge built in 1895 that is 925 feet long and more than 100 feet high. That bridge now has several cracks and erosion on its girders. It will cost \$57 million to replace this bridge and it simply must be done. If not, rail traffic will have to be cut back, forcing many of the 10,000 regular riders into their cars, resulting in even more congestion on Delaware County's roadways.

I could go on and on, but you know the conditions are bad in your area. You know that our mass transit systems need repairs and new fleets. You know this and so do your constituents. Without at least full funding of Act 44 these conditions are certain to get worse fast.

Republicans and Democrats alike, you have shown over and over again that you are willing to meet challenges head-on, by enacting smart legislation to improve the daily lives of our citizens. I believe that working together we can rise to the challenge once again.

What's more, in this case we have history on our side, dating all the way back to the earliest days of our Commonwealth. In 1791, Pennsylvania's very first Special Session of the Legislature was convened for the purpose of funding "internal improvements" – which is the old-fashioned way of saying infrastructure.

In calling for this special session, Governor Mifflin said, "the price of freight would diminish as a wagon might pass from city to city in two days instead of three; and a wagon and horse would make the passage with less injury. But the advantages in other respects -- not only to the proprietors and passengers, but to the state at-large -- are obvious. Indeed the measure would be of such utility in every point of view that it is earnestly hoped that its period of adoption is not remote."

The legislature rallied to Governor's Mifflin's call. As he predicted, inns and taverns opened, trading centers were created, and new communities were founded along the Philadelphia to Lancaster Turnpike which now holds the iconic status of being America's first superhighway.

This history reminds us that confronting the challenges we face, through decisive action, makes all the difference to the people we serve. I believe that same “can do” spirit still exists in Pennsylvania today.

We’ve done it repeatedly over the last eight years. And in doing so, we have dramatically improved our education system; we made investments in our private sector that are responsible in large part for our economy suffering less in this recession than any industrial state; we have become a world leader in green energy jobs and conservation; we have the best prescription drug program for our seniors in the nation; we are among a handful of states that offers health insurance to every child; and we created programs that are cited by Presidents and federal cabinet officials alike as models for the nation.

Working together, I am confident that we can ensure a better future for Pennsylvania and once again make history by giving our Commonwealth the most modern and efficient transportation network in the nation.

Thank you.

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