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TROC Proposes Multibillion-Dollar Overhaul of How PA Funds Transportation

Pennsylvania's Transportation Revenue Options Commission has drafted a multibillion-dollar menu of potential new funding sources designed to replace the state's flailing gas tax and reverse a three-decade history of underfunding the transportation needs in the Lehigh Valley and statewide.

The plan delivered to Gov. Tom Wolf uses a combination of vehicle fees, road user fees and highway tolling, as well as ridesharing and package delivery fees to raise as much as an additional \$11.5 billion a year, as early as year five of a phased plan.

The proposal was crafted after Wolf appointed a commission of transportation and finance professionals from across the state, including LVPC Executive Director Becky Bradley and Senator Patrick Browne locally, to close the \$9.3 billion gap in how much Pennsylvania needs to fund transportation annually, and what it actually spends.

The full report can be found at <https://www.penndot.gov/about-us/funding/Pages/TROC-Report.aspx>

"The best part about the funding proposal is that it offers a wide variety of options and a wide variety of ways to package them," said Bradley, who represented the Lehigh Valley and the state's urban metropolitan planning organizations on the TROC. "We know the gas tax isn't sustainable, and we know we need to invest more than we are. This addresses both of those issues if the State Legislature agrees."

Pennsylvania has one of the nation's largest transportation networks, with more than 40,000 miles of highways and 25,000 bridges. It spends \$8.8 billion a year to maintain the system, but it should be spending more than \$18 billion, according to Pennsylvania Department of Transportation (PennDOT) estimates. As a result, the state has more than 2,500 bridges rated in poor conditions, roads projects have been canceled due to budget cuts and its transit system is underfunded.

That story is echoed in the Lehigh Valley, where the \$2.5 billion, 25-year Long-Range Transportation Plan includes more than \$4 billion worth of needed projects that can't be funded under the current system.

Underpinning all of that is the fact that 78% of all state transportation funding comes from an increasingly unreliable gas tax. Pennsylvania's tax of 58.7 cents on gas and 75.2 cents on diesel is second only to California, but still falls well short. With the arrival of vehicles running on alternative fuels such as electricity, hydrogen fuel cells and compressed natural gas, gasoline use is going down, while events such as the COVID-19 crisis have had a dramatic impact on travel.

On top of that, the federal gas tax that helps fund nearly 80% of all transportation funding at the state level, has not increased since 1993.

“The gas tax was once a fair and sustainable way to pay for roads and bridges, but today it’s antiquated and inadequate,” said Brian Hare, PennDOT Program Center Director. “

All that opened the door to considering a new transportation funding recipe and the TROC spent five months coming up with full buffet.

“I wholeheartedly thank the members of TROC for their hard work and engagement,” said PennDOT Secretary Yassmin Gramian, who serves as TROC chair. “Throughout this process, we have had thoughtful and productive discussions, and we are now presenting the governor and the General Assembly with a host of well-researched options for consideration.”

Options in the 40-page report delivered July 30 include:

- Mileage-based user fee – This would be an 8.1-cent tax per mile traveled by motorists. It’s a concept being considered by more than a dozen states, as well as being considered by federal officials. In this proposal, it has the potential to raise the most money – as much as \$9 billion a year – but could also take the longest to implement. It’s not projected to happen before year five. In the early years, an additional fee would be put on electric vehicles that don’t have to pay gas taxes.
- Tolling – Installing tolls of select highways or lanes, such as carpool lanes, could raise as much as \$2.7 billion a year, until a mileage-based user fee could be implemented.
- Vehicle fees – This could raise more than \$2 billion a year through additional fees on car and aircraft registration, electric cars, vehicle leases or rentals, ride-sharing and package delivery.
- Taxes – Taxes on vehicles sales, jet fuel and gas could be raising nearly \$1 billion annually by year five. A key element would be that any remaining gas tax – if it was not replaced entirely by other fees -- would adjust with inflation, preventing it from being outdated.

The goods delivery fee of \$1 per package is a particularly intriguing option for the Lehigh Valley. This region has become one of the nation’s fastest-growing corridors for goods movement, largely based on its location within a single trucker’s shift of 100 million potential consumers. The result is national companies like Walmart, Amazon and FedEx are now moving packages through the Lehigh Valley on their way to businesses and front porches across the East Coast.

“The more we all order online, the more delivery vehicles there are on our roads,” Bradley said. “Putting a fee on package delivery to cover that impact is a good option and generates revenue for infrastructure immediately.”

Now back in Gov. Wolf’s court, most of the measures proposed in the TROC report will need legislative approval. Over the next five months, Wolf’s administration is expected to work to gain legislative support for the proposal, or at least some parts of it. That will not be easy.

Earlier this year PennDOT's proposal to toll several high-traffic bridges to generate new revenue was met with opposition from several Pennsylvania Legislative leaders who say another tax is not the solution to the state's transportation problems.

The TROC's report recommends the proposal be part of Wolf's February 2022 budget presentation. That means a lot of work selling the proposal in the coming months.

"On behalf of the entire Commission," Gramian wrote, "I strongly urge Pennsylvania's policymakers to consider and then act on this proposal as a necessity of bold leadership and responsible stewardship."