



TESTIMONY TO PENNSYLVANIA HOUSE OF REPRESENTATIVE COMMITTEE ON TRANSPORTATION

**RINA CUTLER – DEPUTY MAYOR, TRANSPORTATION AND UTILITIES
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Good morning, Chairman Markosek and Chairman Geist and members of the Transportation Committee. My name is Rina Cutler and I serve as the City of Philadelphia's Deputy Mayor for Transportation & Public Utilities, City of Philadelphia.

The Philadelphia region's challenges are enormous. Much our interstate system – especially the structures – is reaching its useful life and needs to be reconstructed. 32 percent of the City's 193 bridges are structurally deficient. Our expansive transit system needs continued capital investment. Many of our most critical freeways are becoming increasingly congested with "rush hour" type congestion spanning more hours each day. What we are facing is not necessarily unique, but how we respond could place our region and the entire state at a competitive disadvantage with regions across the nation and around the globe. Our global economy demands that we compete at higher and higher levels. The economic competitiveness of the Philadelphia region is at risk. That will put additional strain on State revenue in the future as well.

We can choose to take a head-in-the-sand approach and pass these challenges along to others – the next Administration or even the next generation – or we can choose to develop a plan that places our state and region on a firm foundation for economic growth. This will not be inexpensive, this sale will not come easy and this will not occur overnight. We must make investments in our roads, in our transit systems, in our airports, in our water systems, in our ports and in pretty

much all our infrastructure. At times this may seem too daunting to deal with, but our thinking must be both reasonable and realistic. The region's economy is critically dependent on an efficient, well maintained infrastructure system. We are fortunate to have transportation infrastructure in place across the state, but many facilities are old and in poor condition.

As the committee considers financing options, I respectfully request that you give consideration to the following issues:

- addressing high cost – high impact projects, like I-95
- supporting a first class transit system for the region
- addressing the transportation revenue challenge

Addressing high cost – high impact projects

The interstate system is the backbone of national commerce and the economic life blood of the region. Large portions of the system are reaching the end their life expectancy. I-95 through Philadelphia is the perfect the example. This highway connects commuters to jobs, businesses to the region and freight arriving at the Port of Philadelphia from South America, Europe and Australia to the rest of the North America. It carries in excess of 180,000 cars a day. I-95 is a roadway of significance to the region, commonwealth and nation. The Commonwealth and our Federal partners must ensure that I-95 does not fail. We simply cannot afford a failure.

From the rebuilding of ramps to the San Francisco Bay Bridge following an oil tanker fire to the emergency reconstruction that followed the Minneapolis bridge collapse to the March 2008 repairs to I-95, state Departments of Transportation reliably spring into action and produce impressive results in response to

emergencies. In each case state DOTs were permitted by federal agencies, financed by state and federal taxes and cooperated with local agencies to deliver results. The cooperation is laudable, but rebuilding a national transportation network emergency by emergency is not a serious strategy or responsible use of taxpayer dollars.

Estimates of the cost due to lost person-hours and added vehicle miles traveled because of the three day I-95 closure in the Spring of 2008 pushed \$60 million. By contrast the replacement of the South Street Bridge will cost about \$68 million. A strategy to finance what will be a multi-billion dollar reconstruction of I-95 is required and needs to be incorporated into any transportation funding proposal.

Portions of interstates like I-95 through Philadelphia define their own investment category. These category definers demand engineering solutions and funding streams that are designed to support facilities of national, state and regional importance. Traditional regional apportionments of highway dollars conceived of decades ago will by definition fail to meet the scope of interstate reconstruction. Wise investment requires a stream of funding sufficiently large and timed over a multi-decade period so that the reconstruction can be planned and delivered in a measured and sustained way. This true not only for I-95, but for the entire interstate system.

We, as transportation leaders cannot continue to avoid this problem. Until that plan happens, we must move forward on individual sections so as to not let either the structure nor the momentum deteriorate. Legislation to make public private partnership (3Ps) and design-build contracting are logical, if modest, first steps to address the financial challenges posed by high impact projects. However, 3Ps and

design-builds are far from a complete solution. The fact is that the purported efficiencies of 3Ps and design-build are always dependent on substantial public investment and government commitment to projects. Without a commitment to public financing, there will be no market for 3P deals.

Transportation is an economic development issue. In an era when we need to create long term job growth, large scale infrastructure projects are one of the most significant catalysts for growth. The economic opportunity of creating tens of thousands of jobs over the next 20 years, while rebuilding an aging interstate and improving neighborhood livability should be a clarion call for all policy makers.

Supporting Transit

The passage of Act 44 in 2007 breathed new life into SEPTA. The Pennsylvania Public Transportation Trust Fund combining of state funds into a single pool has provided SEPTA with the breathing room to focus on customer service and engage in thoughtful planning for capital investments. SEPTA ridership is 320 million people annually. The Commonwealth must support converting the planning for capital investments into actual investments. In the absence of tolling Interstate-80, we must work together to continue to support SEPTA's and other public transit agencies planned capital investments in rolling stock, station improvements and fare payment systems. The City strongly supports a dedicated funding source for mass transit and welcomes the discussion on indentifying sources of revenue. From the City's perspective there is no greater economic development tool than a first class transit system. These investments are critical to all of Southeastern Pennsylvania, Philadelphia and ultimately the Commonwealth. Moving people from home to work within the five county region is a must have. The City strongly opposes any proposal to increase the local match for transit. For example, a 25

percent local match would require Philadelphia to contribute an additional \$74M to SEPTA, increasing our contribution by over 110%. In the current budget environment, this would likely lead to significant reductions in transit service as Philadelphia and other counties and municipalities would not be able to produce the required contributions to close this large of a gap.

Addressing the transportation revenue challenge

Chairman Geist, while I do not agree with all the proposals you recently set out, I admire your resolve to seriously advance the dialogue about transportation funding and spending and I applaud both Chairman Markosek and your willingness to hold these joint hearings. That is the type of leadership Pennsylvanians are looking for during this tough economic times. Transportation can and should be a non-partisan issue. There is much work to be done.

The City supports investigating new models of service delivery, including a pilot program to contract out highway maintenance. However, I feel compelled to offer two notes of caution on this proposal. First, there is not strong evidence nationally to support the contention that contracting out highway maintenance work saves substantial dollars in the long term or improves service. After-the-fact reviews cast doubt on the savings claims made for maintenance outsourcing. Audits contain a variety of perspectives on performance but also raise concerns about oversight, management, payments for services, diminished competition, loss of time and resources, and inadequate needs assessments.¹ Second, broad implementation of this program requires the internal capabilities and resources to adequately monitor contractor work. While this would appear straightforward, it requires a level of

¹ Washington State Department of Transportation (January 2004) "Review of Highway Maintenance "Outsourcing" accessed: June 3, 2010 <http://www.wsdot.wa.gov/publications/folio/HwyMaintOutsource.pdf>

sophistication to structure contracts in a way that ensures that the public is properly served and the public interest is adequately protected.

The City supports of raising the millage and adjusting the ceiling on the Oil Company Franchise tax. The rate has been at the ceiling since 2006 and now is the time to generate revenue to fund transportation investments, create jobs, and ensure safe roads, bridges and transit. The City believes that the Motor License Fund (MLF) should be invested in transportation infrastructure and services. However, a commitment to stable funding for state police should be made in conjunction with changes to the distribution of MLF funding. The City also supports a three year extension of Turnpike payments to PennDOT to ensure that the state can continue to advance the planned level of transportation investment, create jobs, and ensure safe roads, bridges and transit. Perhaps it is time to merge these two similar mission organizations.

I would like to speak for a moment about the urgent need for an increase in revenue now. Even if a decision was made regarding a policy on tolling some or all of the Federal Interstate system, it would take some time for funding, approval and implementation to occur. I worry that the revenue enhancements currently under serious consideration only tinker at the margins of the real revenue needed to maintain our transportation system. The Pennsylvania Transportation Funding and Reform Commission estimated in 2006 that the commonwealth should be investing an additional \$1 billion with a heavy focus on system preservation and targeted capital investments. Our current highway and transit systems are gifts given to us and paid for by previous generations. We have an undeniable responsibility to pass these assets on to future generations in good condition.

In the short term, I believe the only way to generate sufficient revenue is through an increase in the gas tax and I am asking you to play a leadership role in making that happen. In the next two to five years with the passage of a Federal transportation funding authorization, tolling could become realistic source of revenue. Interstate and freeway tolling show promise as a significant revenue source for transportation. I believe tolling needs to be fair and equitable across the Commonwealth with discussions on who should operate it, where it should be located and what community mitigation should involve. From a transportation policy perspective, I believe tolling of existing roads should be done on a network basis, where all interstate and freeway facilities are tolled. The basis of toll rates should be:

- cost to maintain and rebuild road
- time of day pricing to manage congestion and
- cost of air and water pollution mitigation related to the roadway's use.

Another mid-term tool to address our transportation funding crisis is for the state to provide broad authorization for local taxing authority for transportation. Across the United States, voters from rural areas to the nation's largest cities have voted to tax themselves to support investment in public transportation and highways.

Pennsylvania voters and municipalities deserve the same chance.

In the next 10 to 15 years, the potential for user based fees such as vehicle miles traveled tax is both realistic and sensible. But we have a problem now that demands a solution now.

Thank you for allowing me to testify before you today. I look forward to working with the State and Federal Government to craft a solution to this problem. The time is now. I would be happy to answer any questions you may have.