



January 9, 2023

APC respectfully requests that action on SB 35 and SB 121 be delayed until a more comprehensive review of Pennsylvania's transportation funding needs and approaches can take place.

Pennsylvania policymakers made the conscious decision to rely heavily on the Liquid Fuels Tax (gas tax) to fund highway and bridge projects and maintenance. Approximately 78 percent of PennDOT's highway and bridge funding comes from federal and state gas tax revenue versus an average of about 40 percent in neighboring states. A good portion of our fuel tax revenue is shared with local governments to fund local roads and bridges. PA residents enjoy lower registration and license fees than other states. So, the cost to access the system is low and those who drive more pay more.

Gas tax revenue continues to shrink. This is largely due to fuel economy improvements and the transition to alternative fuels and electric vehicles which reduces gasoline and diesel consumption, and, therefore, revenue from the gas tax. According to the American Petroleum Institute, Pennsylvania average daily gasoline sales between 2003 and 2021 have decreased significantly.

- 2003 – 2006 Average Daily Sales 163 million gallons
- 2010 – 2013 Average Daily Sales 126 million gallons
- 2017-2021 Average Daily Sales (Omitting 2020) 114 million gallons

Inflation is also eroding the buying power of our gas tax. PennDOT estimates that it will annually lose \$325 million in projects and capital improvements due to loss of buying power due to inflation.

The 2023 automatic adjustment to the Oil Company Franchise tax provided for in Act 89 of 2013 (3.5 cents per gallon equivalent) would raise about \$210 million and offset some of the revenue loss caused by reduced consumption and loss of buying power. This additional revenue would also help Pennsylvania match federal infrastructure discretionary grant funds. Local governments would receive about \$40 million of those funds.

An empirical analysis by the Washington, DC - based Transportation Investment Advocacy Center found that on average, only one-third of an increase—or decrease—in state gasoline tax rates is passed through to consumers in the retail price. This suggests that reverting the Average Wholesale Price to \$2.99 per gallon, as SB 35 directs, might lower the price of gasoline to consumers by perhaps one cent per gallon. It is more likely consumers will see no savings.

In fact, state gas taxes are just one component of a complex pricing scheme that includes consideration of the price of crude oil and other geographic specific factors. In 2014, when Act 89 took effect, increasing the wholesale-price based Oil Company Franchise Tax, the price of fuel at the pump actually decreased. Today, by traveling around the Harrisburg area, one can observe pump price variations of as much as 30 cents per gallon from stations collecting the same gas tax rate.

SB 121 would reduce the diversion of Motor License Fund Revenues to the PA State Police by \$250 million beginning in FY 2023-24, and \$50 million per year for several years to zero. While this is a start, APC supports an immediate end to the total \$500 million in gas tax revenue being diverted for non-highway capital spending. Immediately eliminating the total diversion of highway user fees to the General Fund would put the Commonwealth in a stronger position to match federal discretionary funds available from the 2021 Infrastructure Investment and Jobs Act. Vital public safety operations from the PA State Police can still be fully funded using COVID Relief and Inflation Reduction Act funds.

A 2021 poll revealed 61% of respondents support this initiative, while 22% oppose it and 15% are undecided. Other poll findings show that:

- 16% of respondents believe the condition of Pennsylvania's roads, bridges and highways is good, while 82 percent believe they are only fair or poor.
- 26% believe road conditions have improved in recent years, 27% believe they have declined, and 42% believe they are about the same.
- 39% believe there is definitely or probably adequate funding for highways and bridges, while 43% believe there is probably or definitely not enough.
- 74% believe drivers of conventional and electric vehicles should pay the same user fees.
- 71% believe lawmakers in Harrisburg and Washington should make sure highways and bridges are adequately funded.

Again, APC respectfully requests that action on SB 35 and SB 121 be delayed in favor of a comprehensive review of Pennsylvania's transportation funding needs and solutions.

Respectfully submitted,



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Executive Vice President

The Associated Pennsylvania Constructors (APC) is a trade association that unites more than 400 members, including prime and subcontractors, consulting engineers, material suppliers, manufacturers and others with an interest in Pennsylvania's road and bridge construction industry. The association has been serving the industry for nearly 100 years and represents the majority of actively bidding contractors in the Commonwealth's \$2.5 billion highway construction industry.