Energy Efficiency

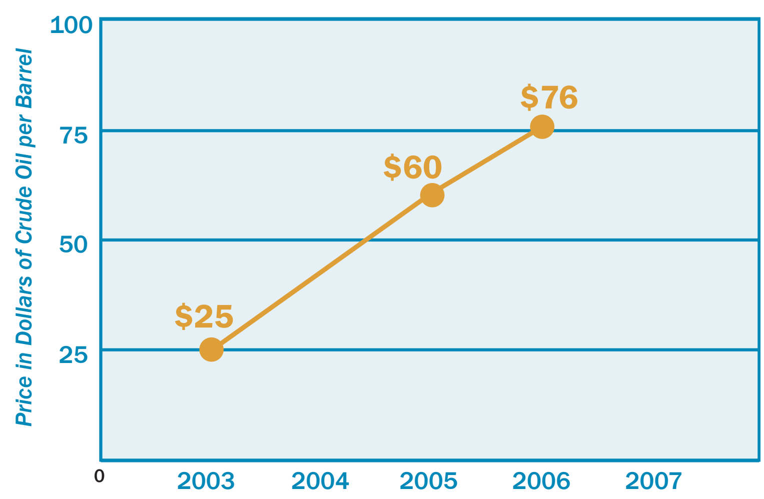
Impacts to Road & Bridge Funding

November 2007

America's transportation systems are facing a funding crisis. Much of the infrastructure upon which our country depends is in serious disrepair. Much of our highway and bridge network was built more than 50 years ago — paid for by a national transportation trust fund that hasn't kept pace with inflation and infrastructure capacity demands. Investment requirements to cover operating and maintenance costs and to make capital improvements that would maintain current conditions and performance are 40% greater than available project revenues. And while the revenue available, based on gas taxes, increases as vehicle miles traveled increases, it should be noted that for the first time ever, vehicle miles traveled declined nationally in 2007. Also, Pennsylvania has more structurally deficient bridges compared to most other states — further illustrating the serious nature of this funding crisis.

GAS TAX CHALLENGES

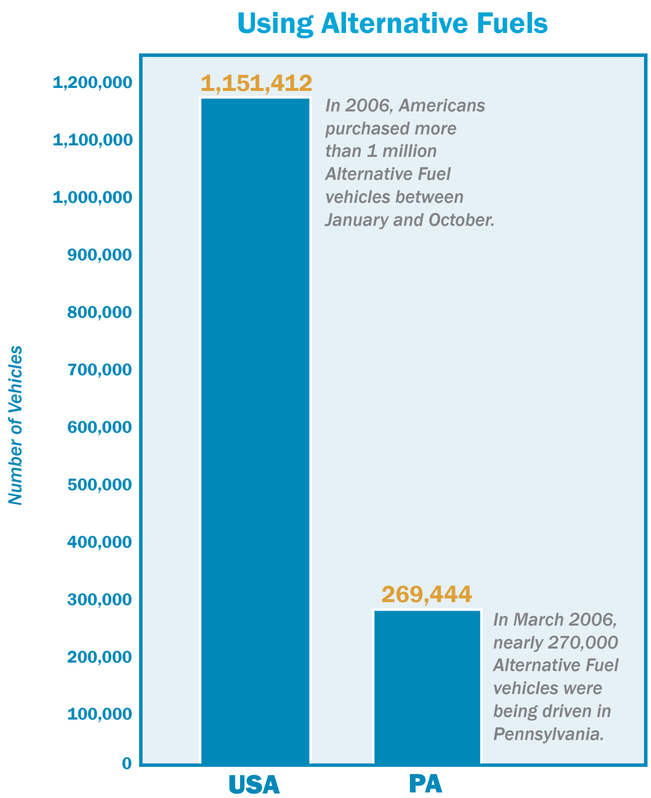
Oil Prices Increase



From 2003 to 2005, the price of crude oil had more than doubled and was still higher in 2006.

Instituting an increase in the gasoline tax is one way to generate funding needed to address the funding short fall our transportation systems are facing. Because gas taxes are not adjusted for inflation, revenues generated are quickly outpaced by growing construction costs and public demands for transportation improvements. At a time when gas prices have reached all-time highs, increasing the gas tax is not popular among most transportation users and elected officials.

CHANGING ENERGY POLICIES



Our dependence on gas tax revenues creates concerns as our national energy policy is becoming less reliant on gas and more reliant on alternative energy by investing in hybrid vehicles and increasing fuel-efficiency standards. In fact, the U.S. Senate recently passed its version of an energy bill (S. 1419) that would raise the standard vehicle mileage requirements from 22 miles-per-gallon to 35 miles-per-gallon by the year 2020. While these goals to increase energy efficiency are imperative, the result will reduce gas tax revenues by 37% for the same vehicle miles traveled. Conversely, the development of user-based toll-road systems — which ensure equitable, long-term funding — is a viable solution to the transportation-funding crisis. Continued transportation under-funding will only pass the burden to future generations.

NEW FUNDING SOURCES NEEDED

At the end of the day, the lack of adequate existing transportation funding and a planned decrease in future revenues due to energy policies, dictate that a new investment strategy is necessary. This strategy must be energy neutral, reliable, inflation sensitive and structured to rebuild public trust. Now is the time for a strategy to ensure compatibility with energy policies so that our under-investment doesn't burden our safety, mobility, or future economic stability. Act 44 and its provisions to toll I-80 are a significant step towards ensuring a sound infrastructure now and into the future.

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