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Pa. Turnpike struggles continue

By Colin McNickle

Awash in rising debt because of dubious public policies and struggling to overcome the financial effects of the continuing coronavirus pandemic, the Pennsylvania Turnpike Commission (PTC) could find its very ability to operate in jeopardy, finds an analysis by the Allegheny Institute for Public Policy.

“The PTC has been placed in an awkward position in having to borrow against toll revenue to meet an obligation to fund mass transit and PennDOT’s road and bridge projects,” reminds Frank Gamrat, executive director of the Pittsburgh think tank. “The inescapable results are annual toll increases on the turnpike system.

“This strategy has plunged the PTC deeply into debt. The pandemic has already added to the funding difficulties and is expected to hamper toll revenues for quite a few years more,” the Ph.D. economist says (in *Policy Brief Vol. 21, No. 2*).

The commission’s fiscal throes are well documented. It has increased tolls annually since 2009 to satisfy a funding requirement under Act 44 of 2007. The PTC’s annual commitment is for \$450 million with \$250 million going toward public transit and the remainder for road and bridge repair.

Act 44’s original intent was for the PTC to lease Interstate 80 from PennDOT depending upon federal approval (*Policy Brief, Vol. 7, No. 59*) at a price of \$900 million per year in 2010.

But once the federal government denied the request to toll I-80, the payments from the PTC to PennDOT remained, although lowered to \$450 million through 2057, leaving the commission no alternative than to use existing toll revenue from the turnpike.

Even though the payments were reduced, the PTC’s plan was to float bonds against toll revenues and pay the debt service with toll increases which were to continue annually until 2050.

Act 89 of 2013 amends the earlier requirement so that the \$450 million payment will end in fiscal 2022. It also specifies that \$30 million of the \$450 million is to come from current PTC revenues with the remainder to be funded through bond issues. Beginning with fiscal 2023 that payment falls to \$50 million, which is to be paid from current revenues.

But all that borrowing has resulted in deterioration of the Turnpike Commission's financial position as the debt has climbed rapidly.

"The latest CAFR (Comprehensive Annual Financial Report) shows that for fiscal 2020, which ended May 31, 2020, total outstanding debt is now approaching \$15 billion (\$14.96 billion) with 90 percent (\$13.43 billion) comprised of mainline debt," the think tank scholar notes.

And the PTC has been running a negative net position for the last 11 years. "At some point this will affect the commission's ability to borrow—either through a higher interest rate or even at all," Gamrat warns.

Indeed, the Turnpike Commission has been paring costs. There's a hiring freeze for both management and union positions. A transition to electronic toll collection has led to a 500-employee reduction. Capital spending has been slashed by 25 percent.

And it appears the PTC is stepping away from completing unfinished portions of the Mon/Fayette Expressway and Southern Beltway projects, at least for now.

The Allegheny Institute long has questioned the former project and recommends it should be dropped altogether.

Colin McNickle is communications and marketing director at the Allegheny Institute for Public Policy (cmcnickle@alleghenyinstitute.org).

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Allegheny Institute for Public Policy
305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234
Phone (412) 440-0079
E-mail: aipp@alleghenyinstitute.org
Website: www.alleghenyinstitute.org
Twitter: [AlleghenyInsti1](https://twitter.com/AlleghenyInsti1)