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Turnpike toll hikes roll on

Summary: The Pennsylvania Turnpike Commission (PTC) raised tolls on system users again. The financial requirements of Act 44 of 2007 compels the PTC to send money to PennDOT to help fund mass transit and road and bridge projects across the commonwealth. The result has been a ballooning debt load for the PTC and a shift in traffic composition.

Once again, the Pennsylvania Turnpike Commission (PTC) has raised tolls on system users. It was a small consolation that the increase was just 5 percent instead of 6 percent, which was the annual increase from 2016 to 2021. Indeed, there have been annual toll increases since 2009 and, unfortunately, they will likely continue into the foreseeable future as the PTC grapples with an enormous amount of debt built up over the past 14 years. For regular commercial users of the turnpike, toll increases have added more and more to their already climbing transportation costs that must be covered at least in part by higher freight charges to shippers and, eventually, their customers.

Since the toll increase in 2009, the average toll per mile has risen for cash users, class 1 passenger vehicles only, from 7.9 cents to 26.5 cents in 2021—an increase of 235 percent. For those using the PTC's EZ Pass system the jump was less dramatic, rising from 7.9 cents to 13.1 cents (66 percent).

The build-up of this massive debt load is largely the result of a legislative directive under Act 44 of 2007 which attempted to find money to shore up transportation funding issues with public transportation and road and bridge work. In several previous *Policy Briefs*, most recently in *Vol. 21, No. 2*, it was noted that when Act 44 was passed the PTC had $2.5 billion in total bonds outstanding with $1.66 billion in mainline bonds (67 percent of total). According to the latest Comprehensive Annual Financial Report (CAFR, for years ending May 31, 2021 and 2020) the amount of mainline debt outstanding at the PTC was $14.31 billion as of May 31, 2021. This represents an increase of over 760 percent since the passage of Act 44 of 2007. Total outstanding debt for the PTC stood at $15.80 billion with mainline debt comprising 90.5 percent.

Act 44 called for tolling Interstate 80 with the revenue to be used for public transportation and road and bridge work around the commonwealth. The PTC was charged with the tolling and was required to pay $900 million to PennDOT per year under the original plan. Once the federal government denied the plan to toll Interstate 80, those payments were reduced to

$450 million per year with no provision other than PTC tolls to generate the funds. Act 89 of 2013 lowers that obligation to $50 million beginning with fiscal 2022-23 (this July) and continues until 2057. Act 89 also stipulates that this money is to be paid from current revenues and not more borrowing.

Over the last decade, fiscal 2012 to fiscal 2021, mainline debt increased 110 percent after rising 311 percent between 2007 and 2012 ($1.66 billion to $6.82 billion). Note that two other revenue sources are used by the PTC to issue debt. Of those, the debt retired by the oil franchise tax rose just 41 percent while the debt paid from motor license revenue fell by 20 percent. Thus, the debt problem faced by the PTC is driven almost entirely by Act 44 of 2007.

In the last ten fiscal years the mainline debt per vehicle has jumped from $35.35 in 2012 to $84.38 in 2021—a rise of 139 percent. Of course, some of that was attributed to the drop in traffic due to the pandemic.

The fiscal year for the PTC runs from June 1 of one year to May 31 of the next year. Fiscal 2021 ran from June 1, 2020, to May 31, 2021, and missed the hardest hit pandemic lockdown months of March through May 2020. It did cover the remainder of 2020 in which traffic was still constrained by the pandemic.

In fiscal 2018 (June 2017-May 2018), there were 173.84 million vehicles (class 1 passenger and classes 2-9 commercial) using the system. The count dropped 7.16 percent in fiscal 2019 (161.40 million) and another 12.21 percent in fiscal 2020 before bouncing up 3.29 percent in fiscal 2021 (146.35 million).

The positive news for the PTC is that from June through September 2021 (fiscal 2022) traffic levels have exceeded the same months in fiscal 2018 (70.59 million vs. 70.50 million). Of course, that is the most recent data available and before the latest variant of the virus peaked. But a positive development none-the-less.

While the totals above are for all classes of vehicles the mix of these vehicles has changed over the last few years, perhaps a result of the increasing tolls. Commercial operators can pass along the cost of travel to their customers.

In fiscal 2012 passenger vehicles comprised 87.11 percent of the vehicles using the turnpike with commercial vehicles the remaining 12.89 percent. A decade later that percentage has shifted with passenger vehicles making up 81.20 percent and commercial the remaining 18.80 percent. While a six percent swing may not seem like much, it points to a shift in usage. Does this imply more passenger vehicles are taking to non-tolled roads? If so that puts more wear and tear on local roads. And the growth in heavy truck usage of the turnpike causes significantly more wear on roadways.

The vehicle usage change is also seen in the composition of revenues. Ten years ago, passenger vehicles accounted for 57.05 percent of the turnpike's toll revenues. In fiscal 2021 it has fallen to 48.49 percent. Passenger vehicles are more responsive to the increase in tolls and are perhaps choosing alternative routes.

As a response to the pandemic the PTC went to an all-electronic fare collection system. The result was a reduction of 510 employees (85 percent) in the fare-collection function leaving just 91. The criticism of this change is the amount of toll revenues being lost as some drivers, mostly out-of-state, skip out on paying. A news report from fall 2021 notes that 11 million out of 170 million turnpike rides skip out on the fares—about 6.5 percent—costing an estimated $104 million since the switch to all electronic tolling and bill-by-plate. In fiscal 2021 net fares amounted to $1.19 billion, thus a loss of $104 million is about 9 percent of collected fares.

While this is a problem that needs to be addressed, surely there was a substantial offset with the reduction in compensation from the cutback in toll collectors, not just wages, but also benefits and legacy costs.

The PTC was put into an awkward financial position with the passage of Act 44 of 2007. Federal law was clear that tolling an interstate and spending the money elsewhere was not allowed (*Policy Brief Vol. 7, No. 59*) and yet that was the path the Legislature and governor at the time took.

No serious consideration was given to reducing costs or improving efficiencies in the way transportation is provided. Many *Policy Briefs* have documented the expensive Port Authority of Allegheny County which receives a large allocation of state funding, yet nothing has been done in that area to reducing the system's outlandish compensation packages. We have recommended eliminating prevailing wages to reduce costs of rebuilding state-owned roads and bridges. There has been no response and seemingly no interest even in discussing it.

And now, nearly 15 years after the failed attempt to fix transportation funding through Act 44, the commonwealth is back again with the same problem. The latest proposed solutions are to tax vehicles on a per-mile-driven basis and tolling interstate bridges to fund their replacement. Yet, there's still no discussion of costs and efficiencies. What happened to the money from the big jump in fuel taxes from Act 89? Here we go again. Apparently, there will never be enough.

Frank Gamrat, Ph.D., Executive Director

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