



The beat goes on at the Turnpike Commission

Summary: In early January, the Pennsylvania Turnpike Commission (PTC) raised tolls on the entire roadway system for the 15th consecutive year. The annual increases will continue for the foreseeable future as the commission grapples with the enormous debt accumulated as a result of Act 44 of 2007.

Background

Act 44 of 2007 called for tolling Interstate 80 and using the proceeds to fund repairs to highways and bridges and to provide funding for mass transit around the state, particularly the hugely expensive systems in Pittsburgh and Philadelphia (*Policy Brief, Vol. 7, No. 59*). The plan was for the Pennsylvania Department of Transportation (PennDOT) to transfer ownership of I-80 to the PTC, which would collect tolls on the road and then hand the money over to PennDOT.

Even before the federal government could accept or reject the plan, the PTC technically had ownership of I-80 in Pennsylvania. And under requirements of Act 44, the PTC was required to begin payments to PennDOT. The first three required annual payments, beginning in 2008, were \$750 million, \$850 million and \$900 million.

But after the federal government denied the request to toll I-80, the Turnpike Commission was still obligated to make the payments. Under Act 44, after three payments, the amount dropped to \$450 million per year through 2057.

Act 89 of 2013 changed the payment requirement from \$450 million annually to \$50 million beginning in 2022 (last July) and will remain at that level until 2057. Furthermore, the money can no longer be borrowed; but must come from toll revenues.

And, according to a 2022 Performance Audit by the state Auditor General, the recipients of PTC funds were modified by Act 89 to support “transit capital, operating, multi-modal and other non-highway programs,” implying that the road and bridge repair component was removed from the equation.

Debt

The Turnpike Commission was forced to borrow against their toll revenues to make those PennDOT payments. When Act 44 was passed in 2007, the PTC had \$2.5 billion in total bonds outstanding with \$1.66 billion in mainline bonds (tolls). The PTC's net position (assets over liabilities) in 2007 was a positive \$1.76 billion.

The debt climbed quickly.

Note that for the PTC the fiscal year begins June 1 and concludes the following May 31. For fiscal year end (FYE) 2013, the mainline debt level had risen to \$7.65 billion with total debt, adding oil franchise and motor license debts, at \$8.88 billion, an increase of 360 percent and 255 percent, respectively, from 2007.

In the Turnpike Commission's latest Annual Comprehensive Financial Report (ACFR) ending May 31, 2022, the mainline debt stood at \$15.1 billion and overall debt was \$17.2 billion. The financial net position has fallen to *negative* \$7.74 billion, a decrease of \$9.5 billion in 15 years. The 2022 performance audit noted the PTC has paid PennDOT a total of \$7.95 billion as required by Act 44 and subsequently Act 89. Once the final required payments are made in 2057 the PTC will have paid PennDOT \$9.65 billion—unless of course the law changes again before 2057.

Based on the number of vehicles using the turnpike system, the mainline debt currently amounts to \$75.41 per vehicle. Debt service payments alone for FYE 2022 were \$786.9 million which, on a per vehicle basis, comes to \$3.93.

Again, according to the performance audit, the PTC plans to increase tolls each year through 2057 in order to meet Act 44/89 obligations. All of the increases since 2009 have exceeded the rate of inflation with the exception of the most recent (January 2023). That had more to do with the high inflation rate than any break on toll increases.

Traffic counts

The performance audit did express concerns that traffic levels will start to decline as tolls continue to increase. The audit noted that traffic levels had been basically stagnant prior to FYE 2019. In FYE 2012 there were a total of 192.83 million vehicles of all classes using the entire system. By FYE 2019 that number was just 213.29 million—an increase of just 10.6 percent over seven years. Then the pandemic dropped that count to a low point of 169.6 million in FYE 2021 before bobbing back up to 200.10 million in FYE 2022.

The PTC divides vehicle by classes: class 1 passenger vehicles and class 2-9 commercial vehicles, for which tolls are higher. In FYE 2012 there were 167.97 million passenger vehicles using the system (87.1 percent) paying \$455.13 million and accounting for 57.1 percent of \$797.78 million in total gross fare revenues. In FYE 2022 the number of passenger vehicles was just 165.13 million, a decrease of 1.7 percent over the decade. It

also represented 82.5 percent of all vehicles using the system. They paid \$819.78 million of \$1.57 billion in gross toll revenues (52.2 percent of total). Thus, fewer passenger cars paid 80 percent more in tolls than a decade ago.

For commercial classes there were 24.86 million vehicles using the system in FYE 2012, paying \$342.65 million. They represented just 12.9 percent of all vehicles and paid 42.9 percent of the tolls. A decade later the number of commercial vehicles using the system has increased to 34.96 million (up 40 percent)—the highest amount since 2012. They also paid 118.7 percent more in tolls than in 2012 (\$749.24 million) as their share of toll revenues increased to 47.8 percent.

Based on exit data from PTC reports, thus far through FYE 2023 (June – November) the projected level for the current fiscal year for all class of vehicles is 203.98 million—an increase of just 2 percent over the previous year, but still the lowest total since FYE 2015 (197.5 million) and 4.4 percent lower than the peak of FYE 2019.

Class 1 vehicles will still inch closer to the pre-pandemic count of 181.94 million in FYE 2019 and should reach 168.02 million in FYE 2023, up 1.5 percent over the previous year, while commercial traffic should hit a new high of 35.97 million—4 percent higher than last year.

It may be a few more years before passenger traffic levels top the pre-pandemic 2019 level, especially considering the continued toll increases. Commercial traffic has the benefit of passing along at least a portion of, if not the full higher costs of transportation onto their customers. And as noted in the performance audit, every annual toll increase is a burden for Pennsylvania consumers (and consumers in other states) because of the additional costs being passed through onto the price of goods.

Conclusion and recommendations

Based on the comments in the performance audit, it is believed that the Turnpike Commission will be able to make its debt payments over the next 20 years. But that relies on the assumption of continued growth in traffic volume and consistent toll increases. However, as the audit noted, the PTC for the last few years had been delaying some capital projects to improve the system and instead has focused more on protection projects that concern safety. The audit states that, going forward, it will continue to be a challenge for the PTC to engage in capital projects and simultaneously pay off the debt incurred from Acts 44 and 89.

The PTC is working to collect unpaid tolls, as of FYE 2022 totaling \$104.96 million, with other states and agencies. The new toll hikes accompanied a new law that will suspend Pennsylvania registrations for anyone with unpaid tolls of over \$250 or with four or more overdue toll-by-plate invoices. But \$104 million is just a small drop in the PTC's debt bucket.

The state Legislature created this mess and should take steps to remedy the situation. First, get control of mass-transit costs. Enact a law that eliminates the right of those workers to strike and incentivize the agencies to adjust operations to fit the new post-pandemic realities of lower ridership (*Policy Brief, Vol. 23, No. 1*). While this won't recover money already spent, it will lower costs and suppress the need for ever more state money for expensive transit agencies. Perhaps then the state could allocate some of the money that would have gone to those agencies to be redirected to the PTC to help with debt.

Additionally, a registration fee should be added for electric and hybrid vehicles that are skirting the state's gas tax which pays for road and bridge repairs. The new fee could be split between PennDOT and the Turnpike Commission. PennDOT can use the money for road and bridge repairs and the remainder can help retire PTC debt.

These may be relatively small steps initially but would grow in importance over time. They are needed to help the Pennsylvania Turnpike Commission get back to its mission of providing transportation on its system rather than bankrolling other agencies.

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