February 5, 2025 **Policy Brief: Volume 25, Number 5**

Some improvement at the Turnpike Commission?

Introduction: In 2007 the Pennsylvania Legislature passed Act 44 authorizing the tolling of Interstate 80 by the Pennsylvania Turnpike Commission (PTC) with the proceeds to be sent to the Pennsylvania Department of Transportation (PennDOT). The expected revenues were to be used for repairs to highways and bridges along with funding for mass-transit agencies around the state, particularly the expensive systems in Pittsburgh and Philadelphia.

When the federal government vetoed this scheme, the Legislature kept the PTC on the hook for payments to PennDOT—payments that have caused the PTC's debt levels to rise, resulting in annual increases to tolls paid by users of the Turnpike system.

PTC debt

After the PTC failed to get the new revenue stream from tolling Interstate 80, it was forced to borrow against future toll revenue on its system. As a result, the agency quickly incurred a massive amount of debt. Beginning in 2008, the first three annual payments made by PTC to PennDOT were $750 million, $850 million and $900 million before the payments were lowered to $450 million in recognition that the federal government had denied permission for the I-80 tolling plan. It was lowered once more to $50 million in 2023 with the caveat that the payment cannot come from issued debt, a result of Act 89 of 2013. It will remain at that level until 2057.

All data in this *Policy Brief* come from the PTC's annual comprehensive financial reports (ACFR) and the amounts are for the fiscal year, which runs from June 1 of one year to May 31 of the next year.

Note that from 2008 through 2010, PTC had toll revenue ranging from $599 million to $693 million, which was not enough to cover those first payments, so debt was issued to satisfy the requirement. While toll revenues eventually surpassed $1 billion in 2016 and came in at $1.61 billion in 2024, the damage has already been done as the PTC took on large amounts of debt to meet its obligations under Act 44.

In 2007, prior to the passage of Act 44, the PTC had $1.66 billion in mainline debt (issued against toll revenues) and $2.48 billion in bonds outstanding from all sources (tolls, the oil franchise tax and the motor license fee). By 2017 mainline debt increased to $11.44

billion—a nearly six-fold increase. The most recent ACFR for fiscal year 2024 shows mainline debt climbed to $15.46 billion—an increase of 35 percent and over 2017's level. The overall outstanding debt of $17.43 billion in 2024 is 39 percent higher than 2017's $12.57 billion.

Toll increases

As a result of this constant borrowing to provide money to PennDOT for transportation projects and subsidies for mass-transit systems, the PTC has been raising tolls since 2009 and plans on doing so through 2057. From 1956—the Turnpike was opened in 1940—until 2009 there were just five toll increases: 1969, 1978, 1987, 1991 and 2004. In 2004 the average cost per mile for a passenger vehicle on the system was just 5.9 cents. It rose by 34 percent to 7.9 cents in 2009 (cash only).

The current cash rate for a passenger vehicle is 30.8 cents per mile but just 15.3 cents per mile through the EZ Pass system. Cash toll collections have been phased out since the 2020 pandemic. But the rate does apply to "toll by plate" motorists that aren't subscribed to EZ Pass and receive a bill through the mail.

Traffic counts

One concern with the series of toll increases is the decrease in motorists using the Turnpike. When Act 44 was passed in 2007, the total number of vehicles using the system that fiscal year was 185.4 million—160.1 million passenger vehicles and 25.3 million commercial vehicles. By pre-pandemic 2019, the total number of vehicles had risen by 15 percent to 213.2 million. It was a very small increase over the 13-year period.

But more importantly, the composition of traffic changed. The number of passenger vehicles increased by just 13.6 percent to 181.9 million while the number of commercial vehicles increased by 23.8 percent to 31.3 million. Perhaps passenger vehicles found alternative routes to avoid the costly hikes while commercial vehicles were simply able to pass along the rising expense to customers—thus an unintended result of Act 44 was to increase the cost of goods transported via the Turnpike to consumers in Pennsylvania and other states.

Data for 2024 show post-pandemic total traffic levels have yet to return to the 2019 levels standing at 209.1 million—down 2 percent from the pre-COVID level. This decline was led by the fall in passenger traffic of nearly 5 percent to 173.2 million. Commercial vehicles climbed 14.5 percent to 35.9 million, adding more credence to the argument that commercial vehicles can pass along rising transportation costs to their customers. While passenger vehicles, owing to their much larger numbers, pay a higher percentage of toll revenues, 52.3 percent, down from 57 percent 10 years earlier, commercial vehicles pay more in tolls. In 2024, the average commercial vehicle paid $23.11 per transaction while the average passenger vehicle paid $5.34.

Marginal improvement

In 2023, the PTC showed an increase in its net position for the first time since Act 44 was passed. And it did so again in 2024. The net position improved from -$7.7 billion in 2022 to -$7.3 billion in 2024. Again, that's marginal but an improvement, nonetheless. This is a direct result of the payments being lowered from $450 million to $50 million with the additional benefit of no borrowing to make that new payment.

With the increase in traffic from 2022 through 2024, the mainline debt per vehicle (all classes) has fallen from $75.41 to $73.92. Again, there is only marginal improvement that is likely the result of the increase in traffic levels. However, the debt service per vehicle has risen from $3.93 to $4.23 during that time.

Conclusion

The financial improvements have been marginal. But they have happened and are hopefully the beginning of a turnaround to improve the finances of the Turnpike Commission.

However, despite this slight improvement at the PTC, the overall picture for Pennsylvania's transportation system is bleak.

Since the passage of the debt-ballooning Act 44 of 2007—where a large portion of the proceeds were used to prop up mass-transit systems across Pennsylvania—not much focus has been on reducing the costs of the outrageously expensive systems—in particular, Pittsburgh's and Philadelphia's. The governor's proposed budget for fiscal 2026 once again asks for even more revenue for public transportation. This is the wrong prescription.

The Legislature needs to eliminate the right of transit workers to strike. While that won't help with the enormous legacy costs these agencies are currently saddled with, it will help contain costs going forward and lessen the need for more revenue. Until costs come under control, more revenue must be a non-starter. Otherwise, it is very possible that another scheme like Act 44 could be forced upon the taxpayers, and Turnpike users, of Pennsylvania.

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