

Act 89 of 2013: The Benefits and Need for Transportation Funding

Chairman Rafferty and Transportation Committee Members,

Good morning, and thank you for inviting me to testify today on behalf of the PA Turnpike Commission about the benefits of Act 89 of 2013, the state's landmark transportation-funding law. Not only was Act 89 a major step forward for the Commonwealth of Pennsylvania, it was a significant piece of legislation for the PA Turnpike — and therefore our customers and stakeholders — for several reasons:

- Most importantly, it modified the supplemental funding that the PA Turnpike provides to the Pennsylvania Department of Transportation (PennDOT) under Act 44 of 2007.
- It allowed the PA Turnpike, upon completing requisite safety studies, to move to a 70-MPH speed limit across most of our 552-mile system.
- It took a hard stance on toll cheats, making fare evasion a criminal penalty for the first time with fines and possible jail time for intentional violators.
- It provided a new funding stream enabling the PA Turnpike to advance the Mon/Fayette Expressway and the Southern Beltway in southwestern PA

Now, I'd like to take a moment to expand on a few of the significant changes enabled by Act 89.

Mon/Fayette Expressway & Southern Beltway

Act 89 allocated additional Oil Company Franchise Tax funding to accelerate progress on the Southern Beltway in Washington and Allegheny counties near the Pittsburgh International Airport and the Mon/Fayette Expressway in southern Allegheny County. Development of these new tollways, as you may recall, was delegated to the PA Turnpike by the General Assembly via Act 61 of 1985.

Over the last five fiscal years, the PA Turnpike received a total of \$545 million for Act 61 projects because of the Act 89 surge. Without new funding, the PA Turnpike anticipated allocations of about \$305 million during that time. That means \$240 million more was made available by Act 89 to fast-track progress.

As you are aware, construction is well under way on the \$800 million Southern Beltway segment between U.S. Route 22 and Interstate 79. We believe the Act 89 funding will be sufficient to complete this 13-mile project in its entirety by 2020.

Act 89 also enabled the PA Turnpike to restart engineering-design on the Mon/Fayette Expressway segment from Route 51 to I-376 which had been halted due to funding constraints in 2009.

After undertaking a rightsizing of the expressway's footprint and eliminating the Pittsburgh leg, the PA Turnpike will soon begin right-of-way acquisition for the eight-mile Turnpike 43 stretch from Jefferson Hills to Duquesne.

Construction work on the Jefferson Hills to Duquesne project will likely begin in 2021 with an estimated completion in 2026. The \$900 million project is the southern portion of the larger, 14-mile tollway that will eventually extend to Interstate 376 near Monroeville.

As is the case with the Southern Beltway, development of the Mon/Fayette Expressway was assigned to the PA Turnpike by the General Assembly via Act 61 of 1985

Act 44 Sunsetting

Arguably, one of the most important actions to emerge from Act 89 — at least from the PA Turnpike’s perspective — is what’s commonly referred to as a sunsetting of the Commission’s fiscal obligation under Act 44 of 2007.

Since 2009, the PA Turnpike has increased tolls annually to make good on a funding obligation required by Act 44. Under that law, the Commission has delivered \$6.1 billion in toll-backed funding to PennDOT in 11 years. This funding not only benefits Pennsylvania but also interstate commerce that originates, passes through or terminates in our Commonwealth.

Five years from now, Act 89 will drastically reduce the PA Turnpike's funding requirement. Starting July 2022, our payments will drop from \$450 million to \$50 million per year until our Act-44 obligation expires in 2057.

While it is positive that the PA Turnpike receives relief from Act 44 obligations, Act 89 does not completely release the Commission — or our customers — from managing the costs of Act 44. In fact, toll rates will continue to be increased annually for the foreseeable future due to the Turnpike’s existing and estimated future debt.

In FY19, the PA Turnpike forecasts about \$6.5 billion of outstanding Act 44 debt with related debt service estimated at about \$359 million for the current fiscal year.

Need for Transportation Funding

While much of the PA Turnpike’s funding obligation is relieved five years from now, the Commission will continue to serve as a partner in transportation infrastructure development in the Commonwealth as we have since our first stretch of toll highway opened in 1940.

In the ensuing decades, lawmakers have called upon the PA Turnpike numerous times to support improved mobility and economic opportunities in Pennsylvania. Since the passage of Act 89, a primary partner has been our transit agencies, which now hold the largest allocations of the Act 44 payments.

Recently, the PA Turnpike has entered into interagency agreements with the Southeast PA Transit Authority (SEPTA) and the Port Authority of Allegheny County (PAAC). The goal of these coalitions will be to conduct studies to outline a vision for regional mobility that may include increased capacity, enhanced service, modernized connections, sustainable investment and options for operations and system expansion to support continued growth in our two largest metro areas.

The PA Turnpike Commission is a key stakeholder because most of our traffic and revenue originates from these population centers. And these cities rely on our roads for safe and efficient access to help drive their economies.

So, it’s important we have a seat at the table when it comes to discussing a vision regarding the safety, mobility and economy of these cities. It’s part of a reciprocal, decades-long relationship we have shared and will continue to share moving forward.

At the completion of the study in 2019, a report of the findings will be shared with the Port Authority and SEPTA Boards, the Pennsylvania Turnpike Commissioners and ultimately Transportation Committee leadership, among others.

Thanks again for inviting me to testify today. I’d be happy to take questions now if there are any.

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