

Written Testimony of PA Turnpike Commission Before PA Senate Transportation Committee

June 16, 2015

Chairman Rafferty, Chairman Wozniak and Transportation Committee members, we are pleased to provide an update on the Pennsylvania Turnpike Commission (PTC) and the different initiatives our agency continues to pursue to offer safe, efficient travel for our customers. I am joined by Chief Executive Officer Mark Compton and Chief Operating Officer Craig Shuey, and we are grateful for the opportunity to provide this written testimony.

This year marks the 75th anniversary our agency has been operating. Obviously, we have grown significantly over the past decades; our mission statement – adopted just last year – reflects both our long history and our shared vision for the future. Our mission is to operate a safe, reliable customer-valued toll-road system that supports national mobility and commerce.

Safety has always been this agency's top priority. We remain very much aware of the fact that our customers pay a premium to use our system, and we strive daily to ensure that they see a return for their toll dollars.

As you know, the PTC has been asked to do more to support mobility both on our system and with PennDOT — and by extension dozens and dozens of agencies across Pennsylvania. We continue to meet our financial obligations to the Commonwealth under Act 44 of 2007 and Act 89 of 2013. We are working diligently to modernize our system and operate more efficiently. We are making significant investments in rebuilding and widening our system and creating new capacity for the Commonwealth. Here are our updates regarding the key initiatives under way at the PTC today:

Advisory Committee

We continue to work with the Advisory Committee that Commissioners formed in 2013 in wake of the action taken by the Office of Attorney General. To date, the PTC has enacted most recommendations the Advisory Committee made, and we are happy to report that we expect to adopt all recommendations by year's end.

The three-member Advisory Committee and senior PTC staff have been meeting on a quarterly basis, and their terms are set to expire in January, 2016. But the Advisory Committee will carry on thanks to a new action taken at the May 6 Commission meeting. The action requires the CEO to reconvene the panel on a three-year cycle to review policies and reoccurring audits to ensure that the Commission continues to meet our obligations in holding the public's trust.

Clearly, we value the input and guidance offered by the three Advisory Committee members. We have provided a full copy of their report for your review. As a quick summary, in October, 2014 the Advisory Committee made a series of 10 recommendations that included:

- strengthening ethics training for our employees and vendors;
- adding an independent professional to review major bid projects;
- enhancing the agency's transparency; and
- encouraging periodic, independent oversight of policies and operations.

As a result of these recommendations and new policies for procurement of professional services, our agency has attracted record numbers of bids for services; and we continue to award bids to new business partners each year.

All PTC staff members have undergone ethics training relating to the Commission's Code of Conduct and our Business Conduct Guidelines. In addition, the PTC's Compliance Department recently

launched similar ethics training sessions with our external business partners; that program is expected to be completed by the end of the summer.

Upon being named PTC Chairman in January, my first official action was a revision to the commission's Code of Conduct to be consistent with Governor Tom Wolf's Executive Order No. 2015-01 regarding the acceptance of gifts. I did this because consistency is a vital component to ensure transparency, and I applaud the Governor's stance on the gift ban. My fellow commissioners and I want to ensure that all Turnpike employees, from top to bottom, follow the same policy.

Employee Safety

Virtually every decision we make is guided to some extent by our concern for the safety of our customers and employees. In the past three years, two of our colleagues have been killed in work zones. In both cases, speed and distraction were factors. As a result, the Commission has recently ramped up our Orange Squeeze initiative. Orange Squeeze was created in 2012 as a joint operation with the Pennsylvania State Police. Troopers set up work zone speed enforcement details, running radar from inside orange Turnpike maintenance trucks to flag speeding motorists. Drivers don't know that the worker is in fact a state trooper.

In addition, we have recently launched an aggressive education and advertising campaign so that motorists understand the consequence of speeding and unsafe driving: People get killed. This campaign includes television and radio commercials, billboards and a strong push through our website to drive focus on safety. One television ad features actual Turnpike employees who, one after another, tell drivers that they are a mom, a dad, a coach — that if they are hit by a car, they will die. Our colleagues implore the viewers to slow down: a very simple, direct and compelling message.

As part of the Orange Squeeze campaign, we're also reminding people that motorists who are cited in a work zone travelling 11 mph or more over the speed limit could face around \$200 in fines plus a 15-day suspension of their license. In addition, we are working with the members of this committee as well as your Senate and House colleagues on legislation that would allow for a photo-enforcement system to catch work zone speeders. Our hope is that we can send a bill to the Governor's desk as soon as possible. We have a responsibility to our employees and to our private sector partners who work on our system to do everything that we can to ensure their safety.

Acts 44 & 89

As you are aware, in 2007, the legislature enacted Act 44, requiring our agency to make quarterly payments to PennDOT for road and bridge projects and mass-transit operations across the Commonwealth. Since 2007, the PTC has made 32 quarterly payments totaling \$4.75 billion.

As a result of Act 89 of 2013, our annual payments to PennDOT will be reduced from the current \$450 million a year to \$50 million a year beginning in June, 2023. We welcome this relief. Still, under current law, we will be responsible to make payments until June, 2057. While Act 89 does provide long-term financial relief, it does not eliminate our debt or funding obligation.

Before 2007, the Turnpike had total outstanding debt of \$2.7 billion including toll, oil franchise tax and registration-fee revenue bonds. Today, that number has grown to approximately \$10.3 billion of which \$5.2 billion is related to Act 44. What's more, by 2022, the Turnpike expects to issue an additional \$4.5 billion to support our 10-Year Capital Program and \$3 billion to provide funding for Act 44 payments. I want to be clear that the Commission must continue to increase tolls annually for the foreseeable future to meet our funding obligations. At the moment, our traffic and revenue forecasts predict annual toll increases of three to six percent will be required until 2044. These potential increases are estimates only based on traffic projections.

We are confident that we can continue to moderate toll increases through increased efficiencies; but our revenue forecasts make it clear that we have no choice but to increase tolls as we move forward. Therefore, we hope the legislature might consider additional revisions to Act 44 and Act 89 to further ease the PTC's funding obligations and lessen the need for future toll increases and the Commonwealth's reliance on toll payers to fund ground transportation statewide.

To provide additional context regarding how Act 44 has impacted our agency and customers, if we assume that the Commission would not be required to make Act 44 payments beginning in 2017, we would not expect to see a change in future toll increases before 2020 at the earliest. This should provide some sense of the impact our current outstanding debt will have on customers.

Capital Plan

As mentioned earlier, our agency is 75 years old, and that is a great milestone. But it means that we have to completely rebuild many portions of our 550-mile system from the ground up. We are in the midst of a major capital plan to rebuild and expand the Turnpike, investing more than \$600 million a year in road and bridge improvements; today, we have more than \$1.7 billion worth of active construction projects under way across our system.

In addition to the improved safety and mobility for travelers, our reconstruction projects also benefit our state's economy. Over a five-year period, the PA Turnpike's capital plan will generate \$8.3 billion in total economic output, \$236 million in local and state tax revenues and 95,000 full and part-time jobs for the Commonwealth.

The total reconstruction program has been in place for the last 15 years. Our production over that time has been averaging 7.6 miles of Turnpike reconstructed per year. We have approximately 450 miles of roadway that must be completely rebuilt from the ground up and widened from four lanes to six. With 114 miles completed to date, that leaves 336 miles to be reconstructed. At the current production, it will take almost 45 years to complete the total reconstruction. At this rate it will mean that even the youngest pavement could be as old as 100 years old — well beyond its useful life — before it gets replaced.

Initially, reconstruction projects were averaging \$10 million per mile. Over the years, the projects have become more complex, now averaging more than \$15 million per mile — much higher in urban areas. For example, the Turnpike's milepost 242 to 245 reconstruction project — just now getting under way in York County — is being widened at a cost of more than \$25 million per mile.

Reconstruction costs will continue to increase, even in this low-bid environment. With the enhancement of the capital plan in 2011, we are accelerating the design of reconstruction projects; our goal at this funding level is to be somewhere around 13 miles per year. Based on this funding, we could reduce the time to complete total reconstruction to 26 years from the original pace of 45 years.

Even with this boosted spending level, we are racing against the clock due to the age of our system, working to stay ahead of pavement deterioration to provide a fit roadway for the future. Therefore, it is critical to mention that the PTC may be compelled to defer some projects in our 10-year capital plan in an attempt to moderate future toll increases; I have asked our chief engineer to compile a list of projects that could be delayed if it becomes necessary to cut annual capital spending.

For your consideration, we have provided members a breakdown of ongoing construction projects, a summary of the capital plan work done to date and a map showing completed, in-progress, and future projects statewide. These essential improvements are made possible only due to incremental toll increases, to the PTC's continued strong bond rating which allows us to borrow money cost-effectively and to our ongoing efforts to operate as efficiently as possible so that we can invest as much as possible back into our system.

All Electronic Tolling

The Commission, like many toll agencies across the country, continues our plans to move towards an All Electronic Tolling, or AET system. However, based on concerns that I and Governor Tom Wolf have raised, we are doing so in a controlled, judicious manner as we fully evaluate the implications for our customers, employees and operating systems. We will be closely reviewing the readiness of the technology, payment and enforcement concerns, employee impacts and conversion costs to ensure all possible scenarios are considered prior to advancement of this new tolling structure. The current timeline for forward movement on this project is as follows:

- **January 2016** – Delaware River Bridge AET Conversion
- **Summer 2016** – Beaver Valley Expressway AET Conversion

Throughout the implementation of these first two study areas, we will utilize a variety of evaluation tools to better understand the program before significant and unalterable decisions are made about future conversions, including the remaining western extensions and the mainline conversion. **During these first two deployments, there will be no layoffs of any current employees.**

A new electronic tolling point in Bucks County will become the PTC's first AET facility next year. In early 2016, we will open the Delaware River Bridge electronic tolling point, comprised of twin overhead gantries for westbound motorists only.

Cash will not be accepted at the tolling point, which will replace the existing Delaware River Bridge mainline toll plaza at milepost 359. Customers coming into PA from N.J. will pay a flat toll via E-ZPass — currently used by about 80 percent of drivers here — or with a new "Toll-By-Plate" system. The Toll-By-Plate system will use cameras mounted on the overhead gantries to capture an image of the license plate. Toll invoices will subsequently be mailed to the vehicle's registered owner. E-ZPass will continue to be the most affordable way to travel.

This is an important project for the Commission and the region and a necessary first step in building a long-awaited, direct connection between the PA Turnpike and I-95. When complete, it will facilitate an unbroken I-95 from Florida to Maine — a major step forward for national mobility. The I-95 Link is also significant because, along with the conversion of the Beaver Valley Expressway, it will allow the PTC to gain insight regarding the performance of AET technology and business rules and provide more time to educate customers about this significant change.

Expansion Projects

The PTC's three unfinished Mon/Fayette and Southern Beltway projects have been dormant for about five years due to lack of funding. As a result of new funding provided by Act 89, work is now under way to advance these three projects:

- the Southern Beltway from U.S. Route 22 to I-79;
- the Southern Beltway from I-79 to the Mon/Fayette Expressway; and
- the Mon/Fayette Expressway from PA Route 51 to I-376.

For the first time, a viable financial plan has been developed that funds these projects through completion without the need for additional funding sources.

The U.S. Route 22 to I-79 project is the first to advance to construction. This project will start at the southern end of the existing Southern Beltway that runs from the main entrance of Pittsburgh International Airport to U.S. Route 22 near Bulger in Washington County. The \$14 million bridges that will carry the Southern Beltway over Route 22 are now being constructed by Mosites Construction Co. The remainder of the 13-mile U.S. Route 22 to I-79 project will be bid in six sections beginning in 2016. Completion is anticipated by 2019-2020 and will ease congestion on I-79, the Parkway West, U.S. Route 22 and PA Route 50. The total cost of this project is \$670 million.

The Southern Beltway project from I-79 to the Mon/Fayette Expressway has been dormant since the Environmental Impact Statement (EIS) was approved in May 2009. The route established in the EIS is 13 miles through northern Washington County, connecting I-79 near McDonald with the Mon/Fayette Expressway near Finleyville. The project has been divided into six design sections; the next step is to perform pre-final and final design. Design will be followed by construction. The project is estimated to cost \$816 million. Dates for the construction phase have not been established.

Design of the Mon/Fayette project from PA Route 51 to I-376 was started in 2004 and suspended in 2009 due to lack of funding. The design effort is being restarted and the project is being amended to eliminate the 10-mile leg along the north shore of the Monongahela River from East Pittsburgh to the I-376 interchange at Bates Street. This \$2 billion leg was eliminated because it required many residential and business displacements, had numerous environmental impacts and was unaffordable given available funding.

The amended project will connect PA 51 in Jefferson Hills with the Parkway East (I-376) in Monroeville. This 14-mile expressway follows the alignment in the Environmental Impact Statement approved in 2004. The Turnpike is currently getting design and environmental firms under contract to pick up the design where it was suspended and to perform the environmental evaluations required to allow the project to proceed to construction.

Significant cost reduction ideas are being incorporated into the amended design, such as reducing the median to 26 feet, incorporating AET and realigning the Monongahela River crossing at Duquesne to reduce the span and cost of the river crossing. The total cost of this project is \$1.75 billion.

75th Anniversary

As you know, the Pennsylvania Turnpike reaches a significant milestone in a few months when our historic toll road turns 75 years old. Known as America's First Superhighway, the original, 160-mile highway opened to traffic just after midnight on Oct. 1, 1940. When it first opened, the Turnpike ran from Middlesex, near Carlisle, to Irwin near Pittsburgh. It broke new ground as the nation's first limited-access, four-lane highway with no stoplights, stop signs or cross traffic — cutting three hours off the trip from Harrisburg to Pittsburgh.

The PA Turnpike forever changed the way America traveled. Indeed, the engineering concepts developed on the Turnpike were the foundation for a national transportation network that would touch the lives of every American: The Interstate Highway System. But the law that created our interstate system was signed more than 16 years after the PA Turnpike opened.

Originally, the Turnpike was made up of 11 interchanges, 10 service plazas and four maintenance facilities. Today, the Turnpike has more than tripled in length and oversees 68 fare-collection facilities, 17 service plazas and 27 maintenance facilities across the state. In 1941, 2.7 million vehicles traveled our Turnpike. Last year, nearly 194 million vehicles traveled the toll road; to put it another way, the PA Turnpike today sees about as much traffic in an average work week as it did in our first full year.

As chairman, I am proud of the rich history of the PTC and the impact we have made here in our home state and beyond. But I am even prouder that our legacy of innovation in the ground-transportation industry lives on through the unprecedented investment in our highway, our continued commitment to innovation — including an award-winning smartphone app — and our steady focus on how customers will travel tomorrow's Turnpike.

Naturally, the topics addressed are only a few of the opportunities and challenges that the Commission is managing; my fellow Commissioners and I are committed to ushering in a new era of safety and efficiency at the Turnpike Commission; I also know that CEO Mark Compton and COO Craig Shuey are similarly focused on preparing the Turnpike for our next 75 years.

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