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## Senate of Pennsylvania

November 18, 2009

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Honorable Ray LaHood, Secretary  
United States Department of Transportation  
1200 New Jersey Ave., SE  
8th Floor West, I-10  
Washington, DC 20590

Dear Secretary LaHood:

We write as members of the Pennsylvania Senate to strongly oppose the conversion of Interstate 80 into a toll road. We are deeply concerned about the significant economic consequences such a conversion will have on our state's businesses and residents as well as the considerable amount of debt the Pennsylvania Turnpike Commission will incur if this proposal is approved.

Economic development along Interstate 80 has occurred under the assumption that it would remain a toll-free road. Alternatively, businesses along the mainline Turnpike or along tolled roads in other states certainly factored these additional costs into their business models when locating in those areas. To illustrate the devastating effect tolling will have on economic development along the Interstate 80 corridor, consider First Quality Enterprises, a manufacturing company located in Clinton County. It is the largest employer in Clinton County and estimates that the tolling of Interstate 80 will increase its costs by nearly \$2 million annually just to ship outgoing freight. Additionally, Weis Markets is a Central Pennsylvania company with its major distribution center and fifty-seven stores located along Interstate 80. The company has indicated that tolling will double its current operating costs, likely making further expansion or investment in those areas cost prohibitive. It is truly unfortunate that these adverse consequences were not thoroughly considered prior to the swift enactment of Act 44.

Also consider the adverse effect tolling will have on all sectors of the economy including agriculture and health care. For instance, dairy farmers are bound by prices set by the federal government so passing increased production costs onto consumers is not an option. As one Lycoming County dairy farmer opined, "It (tolling) will kill the agriculture business in the state of PA." Geisinger Health System based in Montour County studied the effects of tolling I-80 and determined that while tolling would have a significant effect on its patients, employees and business associates, the greatest effect would be to its operational costs which will increase by \$4 million annually. Geisinger's study also concluded that these additional costs "will offer no direct improvement to the Geisinger core mission of the delivery of quality healthcare to those we serve." At a time when the nation is focused on the debate over healthcare reform, it would be counterproductive to increase Geisinger's operational costs by \$4 million annually when President Barack Obama recently stated, "We have long known that some places, like the Intermountain Healthcare in Utah or the Geisinger Health System in rural Pennsylvania, offer high quality at costs below average."

The method by which House Bill 1590 (Act 44) was passed and is now being implemented undermines the process envisioned by the Interstate System Reconstruction and Rehabilitation Pilot Program (ISRRPP). That program specifically requires that a proposed tolling plan take into account "the interests of local, regional, and interstate travelers." In the application resubmitted to the Federal Highway Administration on July 17, 2008, the Turnpike Commission cited "extensive discussions throughout the Commonwealth, *including legislative hearings*" which took place during the process of enacting Act 44. It should be noted that prior to the passage of Act 44, no legislative hearings were held specifically on the subject of converting Interstate 80 to a toll road. However, since its enactment the Turnpike Commission has waged a publicly funded advertising campaign that has failed to generate public support for its proposal as evidenced by a poll conducted by Quinnipiac University which found that 63% of Pennsylvanians oppose the tolling plan.

In its resubmitted application, the Turnpike Commission and the Pennsylvania Department of Transportation (PennDOT) justified the need for tolling on Interstate 80 by asserting that it is necessary to fund approximately \$30.5 billion in capital improvement projects on that roadway over the next 50 years. They also assert that these improvements will be funded "with a combination of current I-80 toll revenues and the proceeds of several series of I-80 toll revenue bonds." This "combination" translates into \$21.6 billion which will be financed through new debt obligations. By relying on debt to finance the bulk of capital improvement projects on Interstate 80, it seems clear that this project does not meet the standard established by the ISRRPP which requires a showing that tolling "is the most efficient and economical way to advance the project."

Further, a 2005 study commissioned by PennDOT concluded that tolling on Interstate 80 should not be pursued. A major factor taken into consideration in reaching that conclusion was the improved quality of the roadway in recent years. Starting in the 1980's, PennDOT initiated a \$1.1 billion program to methodically reconstruct the entire 311 miles of Interstate 80. These reconstruction efforts were completed shortly after the study was released in 2005. As PennDOT then concluded, the improvements allowed the Department to place the interstate on "a far more manageable preservation cycle." Currently, PennDOT appropriates approximately \$80 million annually for the maintenance and repair of Interstate 80 of which 75% is dedicated to capital improvement projects. It is unclear what factors if any have changed so significantly since 2005 to require a 300% increase in funding for the reconstruction or rehabilitation of Interstate 80.

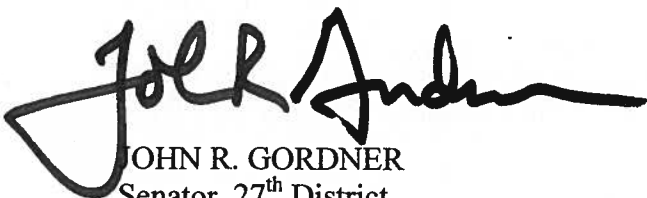
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When rejecting the July 17, 2008 resubmitted application, the previous Associate Administrator for Infrastructure, King Gee, relied upon Section 1216(b)(5)(A) of TEA-21 which provides that use of toll revenue generated under an ISRRPP project must be limited to (1) debt service, (2) reasonable return on investment for a private entity financing the project, and (3) the costs necessary for the improvement and proper operation and maintenance of the facility. While Mr. Gee indicated that FHWA considers "a lease payment to be an operating cost for purposes of the Federally prescribed permitted use of toll revenues," Act 44 predetermined the payments required "based on considerations largely unrelated to the true costs of a leasehold interest in I-80." As indicia of the lack of a fair market valuation of the leasehold, the Department noted the lack of an "arm's-length transaction" as well as the absence of a competitive bid process to establish the basis for the lease payment. To justify the value of the lease payments, the Turnpike Commission and PennDOT recently submitted a "Financial Valuation of Proposed Rentals for Interstate 80" prepared by the Provident Capital Advisors. It is unclear how a fully executed lease can be termed a "proposed rental" for purposes of the analysis by Provident and it is far more troubling that this analysis was conducted by an entity that prior to June 30, 2009 was known as the "Provident Healthcare Coalition." We have enclosed a copy of the "Certificate of Amendment" submitted to Georgia's Secretary of State to effectuate the corporate name change. It is alarming that the Turnpike Commission and PennDOT employed a firm with so little experience to analyze the value of a lease that will produce \$68 billion in cash payments over the next fifty years.

We respectfully request that the Department take these concerns into consideration when analyzing the application resubmitted by the Turnpike Commission and PennDOT. We also request that the Department consider several factors when evaluating the financial model presented by the Turnpike Commission including: statements by the Turnpike Commission that over 70% of motorists travelling on Interstate 80 will not pay tolls due to the newly announced policy that double-axle vehicles will only be tolled at the second gantry; assumptions that traffic will increase by 2.5% annually on Interstate 80 while the Federal Highway Administration reports that 35 billion fewer miles were driven nationwide over the past year; and the accumulation of approximately \$40 billion in debt the Turnpike Commission will issue over the next 50 years if this proposal is approved.

In summary, this proposal will have a devastating effect on the quality of life for those who rely upon Interstate 80. Further, if the Turnpike Commission issues the debt projected in its financial model, it is unclear how it will be able to operate when debt service payments exceed \$2 billion annually at the end of the lease. A long-term transportation funding plan based on the accumulation of such exorbitant debt is fiscally irresponsible and unsustainable. We ask that you carefully consider these issues when reviewing the application before you. If you have any questions or require additional information, please do not hesitate to contact us.

Very truly yours,



JOHN R. GORDNER  
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Northumberland and Snyder Counties



MARY JO WHITE  
Senator, 21<sup>st</sup> District  
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Venango and Warren Counties

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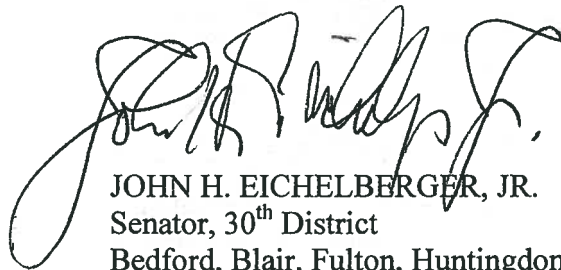
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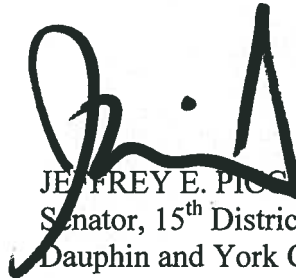
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