

ACT 44 BACKGROUNDER

October 30, 2009



Act 44 was passed by the Pennsylvania legislature in July 2007, establishing for the first time ever an inflation sensitive, long-term funding stream to address Pennsylvania's transportation funding crisis. Based on traffic and revenue forecasts, the Act provides minimum payments to PennDOT of \$83.3 billion over a 50-year period for transportation maintenance and improvements in Pennsylvania by:

- Converting I-80 to a tolled facility,
- Increasing existing Mainline Turnpike Tolls, and
- Issuing Monetization Bonds based on future toll revenues.

Progress Report

Since July 2007, the Pennsylvania Turnpike Commission (PTC) has provided the Pennsylvania Department of Transportation (PennDOT) with more than \$2 billion in new transportation funding for projects all over the state. The PTC and PennDOT have accomplished the following major activities:

July 2007	Pennsylvania General Assembly enacts Act 44; authorizes PennDOT and PTC to seek FHWA approval to convert I-80 to a toll facility in order to reconstruct, operate and maintain the highway.
August 2007	PennDOT & PTC submit Expression of Interest to FHWA describing I-80 proposal and request advice as to which toll pilot program to apply under. PTC commences making quarterly payments to PennDOT from Mainline Turnpike system toll revenues.
September 2007	FHWA recommends Interstate System Reconstruction and Rehabilitation Pilot Program created under TEA-21.
October 2007	PennDOT and PTC negotiate and execute 50-year lease of I-80. Application submitted to FHWA.
November 2007	Eight public meetings held along I-80 corridor to present toll conversion plan, as well as several dozen other meetings in following months with local chambers of commerce, legislators, regional planning organizations, community groups, etc.
December 2007	FHWA responds with 14 questions concerning application's reconstruction program, tolling policy and plan of finance.
July 2008	PennDOT and PTC submit amended application, containing detailed construction plans, potential toll locations and updated financial plan. Meetings held with regional planning organizations along the I-80 corridor as required under tolling pilot program.
September 2008	FHWA sends memo citing inability to advance the application due to insufficient information concerning the level of rents payable from tolls and other questions.
October 2009	PTC submits response to September 2008 questions.

Tolling I-80 & Act 44 Key Points

Tolling I-80:

- Increases capital spending on I-80 from PennDOT's current average of \$60 million per year to \$250 million average in first 10 years.
- Dedicated funding for I-80 ensures total reconstruction of 311-mile system including 59 interchanges and 431 bridges and widening of bridges and shoulders to allow two lanes of traffic each direction during construction.
- Allows PennDOT to redirect \$60 million/year in construction and \$20 million/year in maintenance currently used on I-80 to other interstate roadway; fills portion of PennDOT's estimated \$600 million/year interstate funding gap.
- Provides revenues for I-80 and improvement to potential diversion routes.
- Reduces diversion from Turnpike to I-80 by east-west traffic across state seeking to avoid tolls.
- State-of-the-art Open Road Tolling (ORT) system is customer-friendly, good for environment.
- E-ZPass incentive for passenger cars (more than 50 miles on average) reduces diversions, ensures that an estimated 70% of all passenger cars won't pay tolls.

Act 44:

- \$83.3 billion in new funding over 50 year lease; \$2.05 billion already generated.
- Supplemental highway/bridge funds for PennDOT -- \$1.2 billion so far, \$46.3 billion over 50 year lease.
- Dedicated increase in funding stream for mass transit from Turnpike Mainline -- \$850 million so far, \$37 billion over 50 year lease.
- So far, funds have been used by 73 transit agencies for operating costs and new capital investments and by PennDOT to improve over 1,000 miles of roads statewide and replace 80 bridges.
- Sustained new funding supplements ARRA* to ensure job creation/retention is not lost.
- All new revenues are mileage-based -- reduces reliance on gas tax; a virtual "VMT-based carbon tax".
- Over 45% of Pennsylvania's Interstate system will be self-funded from tolls.

*American Recovery and Reinvestment Act

What Happens if I-80 is Not Tolled?

I-80:

- No dedicated funding source for I-80 reconstruction/maintenance.
 - Diversions from the Turnpike to I-80 will increase – further stressing conditions on the aging facility and on routes connecting the two roads.
 - I-80 will “compete” for funding with other interstate highways in Pennsylvania – PennDOT estimates a \$600 million per year shortfall in available funds to maintain its interstate system.
 - PennDOT will still be responsible for maintenance and reconstruction of I-80 from current Motor License Fund revenue sources – no savings realized from removing it from PA’s interstate system budget.
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Act 44:

- Total funding drops by nearly \$60 billion over the next 47 years.
- PennDOT annual construction spending drops from over \$2 billion in FY2010 to approximately \$1.5 billion in FY2011.
- Job creation/retention benefits started with ARRA will be reduced.
- Starting in FY2011, funding drops from \$900 million per year (increasing 2.5% annually) to a flat \$450 million per year.
- Transit funding is capped at \$250 million per year – which supports operating costs but no capital investments.
- Highway funding is capped at \$200 million per year.
- Diversions from the Turnpike to I-80 using connecting state and interstate roads will increase, as tolls rise annually on the Turnpike, adversely affecting Turnpike revenues.

Visit our website: www.paturnpike.com/I80

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