APPLICATION TO THE FEDERAL HIGHWAY ADMINISTRATION
FOR TOLLING INTERSTATE 80
under the
INTERSTATE SYSTEM RECONSTRUCTION
AND REHABILITATION PILOT PROGRAM

AMENDED PHASE I

Keystone Shortway
Zehnder H. Confair Memorial Highway

July 17, 2008

Pennsylvania Turnpike Commission

Pennsylvania Department of Transportation
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July 17, 2008

B. Renee Sigel, Division Administrator
Federal Highway Administration
228 Walnut Street Room 558
Harrisburg, PA 17101-1720

Dear Ms. Sigel:

This transmittal letter is being submitted along with an amended copy of the joint application of the Pennsylvania Turnpike Commission (PTC) and the Pennsylvania Department of Transportation (PennDOT) to toll Interstate 80 (I-80) under the Interstate System Reconstruction and Rehabilitation Pilot Program (ISRRPP). The amended application incorporates additional information and clarifications requested by the Federal Highway Administration (FHWA) in its memorandum dated December 12, 2007.

Since our original application was submitted last October, our two organizations have made substantial progress in implementing the provisions of Pennsylvania Act 44 of 2007 (Act 44) authorized by the Pennsylvania General Assembly and signed into law by Governor Rendell last summer. We have executed a formal lease agreement for I-80, refined the proposed reconstruction and rehabilitation plan, and held a series of public meetings along the I-80 corridor. We have also reviewed various methods of toll collection and intend to develop a state-of-the-art open road tolling system using the latest tolling technology.

In reviewing the comments submitted by USDOT Secretary Peters as part of the National Surface Transportation Policy and Revenue Study Commission report, we were gratified to see that our application appears to be consistent with the Administration’s position on a number of important transportation policy issues. In particular, tolling I-80 under Act 44 draws upon the pricing mechanism of tolls to generate new revenues to supplement existing state and federal resources, and ensures that all I-80 toll revenues are used for highway purposes.
Since the inception of the ISRRPP nearly a decade ago, no state has received approval from USDOT to convert an Interstate highway to a toll facility to fund its reconstruction costs. The Pennsylvania proposal, unlike others, already has in place the necessary state enabling legislation and an executed Lease and Funding Agreement between PennDOT and the PTC. We have identified a specific list of reconstruction and rehabilitation projects to be implemented over the first decade, and provided much greater detail on our implementation plan, with a targeted toll conversion date of July, 2010. We have convened dozens of public outreach meetings along the I-80 corridor and throughout the state, and outlined in considerable detail our scoping analysis for the environmental process, to be completed in Phase 2.

This amended application is being submitted at this time at the specific request of Governor Rendell. As set forth in the Governor’s October 15, 2007 letter to Secretary Peters and his recent follow-up correspondence, he supports this project and has requested a prompt, favorable decision from USDOT. We originally had planned to await completion of the last of the meetings with the nine affected Metropolitan and Rural Planning Organizations in August, as directed in FHWA’s December 12, 2007 correspondence. However, we are reassured by FHWA Administrator Ray’s June 17, 2008 letter to us that USDOT can begin conducting a merit-based review of our amended application, even before completion of these meetings next month.

To assist your evaluation of our amended application, we have summarized in the attachment to this letter our point-by-point response to the questions posed in the December FHWA memorandum. A more detailed treatment of the issues relating to the application is contained in the body of the application.

Accordingly, we believe the information contained in this document and appendices, to be supplemented by August 15, 2008 with our report on the pending MPO/RPO consultations, should provide USDOT with sufficient information to grant an unconditional Phase 1 provisional approval under the ISRRPP. We respectfully ask that you await receipt of such supplemental information and have the entirety of our application before you prior to making a decision concerning our request for provisional approval. We stand ready to meet with you should you have any further questions.

Sincerely,

Allen D. Biehler, P.E., Secretary
Pennsylvania Department of Transportation

Joseph O. Brimmeier, CEO
Pennsylvania Turnpike Commission

Attachment: PTC/PennDOT Response to FHWA December 12, 2007 Memorandum
Attachment: PTC/PennDOT Response to FHWA December 12, 2007 Memorandum

1. The application does not sufficiently describe the planned reconstruction and rehabilitation project. The application does mention that the State needs $136 million per year in order to meet projected needs and that the Pennsylvania Turnpike Commission (PTC) intends to use $1.1 billion in revenue bonds to fund improvements. The application should detail the specific improvements that are planned. The application should also address the estimated cost of these improvements along with the proposed schedule for rehabilitation and reconstruction.

RESPONSE: 'Since submitting our application last October, the Study Team (consisting of officials from PennDOT, PTC and McCormick Taylor) has completed much more detailed preliminary engineering work and received valuable input from staff at the six PennDOT districts through which I-80 runs. As a result, we have been able to produce a more detailed description of the scope of work and timetable for completion. The amended application shows the complete reconstruction of the entire length of I-80 over the term of the Lease and Funding Agreement (Lease), with approximately $2.5 billion of improvements planned for the first decade (commencing with the conversion to a tolled facility). These improvements, listed in Appendix D (appendices are attached to the amended application), show estimated construction costs to address the reconstruction and rehabilitation needs of I-80 and include important interchange projects necessary to promote the safety of the traveling public.

2. Section 6.9 of the Lease and Funding Agreement requires the establishment of an operating standard providing that the PTC will maintain the "physical characteristics" of the facility at a level comparable to the quality of such characteristics as of the conversion date. How does this reconcile with the required reconstruction and rehabilitation requirements of the ISRRPP?

RESPONSE: The Lease in Section 6.9 provides that the operating standards should be the greater of: (a) standards used on I-80 as of the conversion date; (b) the operating and maintenance standards established for the existing Turnpike as of conversion; or (c) the standards used to maintain the Commonwealth's other Interstate highways as of conversion. The standards must be in compliance with all applicable federal, state and local laws, statutes and regulations. This provision relates to the ongoing operation and maintenance of the facility, and does not pertain to the substantial investment in reconstructing and rehabilitating I-80 that is described in item 1 above. This tripartite test should ensure that the highway is maintained at an appropriate level upon conversion to a toll facility and over the entire term of the Lease (50 years).

3. What do sections 6.10(d) and 9.16 of the Lease and Funding Agreement mean that the Capital Improvement Program will only include those projects required by the FHWA as a condition to conversion? It is not FHWA’s role to establish the necessary level of improvements. Instead, our role is to assess proposed improvements and make a determination as to whether such proposed improvements comply with relevant statutory
requirements. The ISRRPP is intended to enable the State to conduct needed reconstruction and rehabilitation that could not otherwise be accomplished without the collection of tolls. The application must demonstrate that the facility needs or will need reconstruction or rehabilitation in order to qualify for tolling under this pilot program. As a result, we will need to see a proposed capital improvement schedule with a substantially greater degree of specificity than has been provided in order to move forward with our review of the application.

RESPONSE: The statement in Section 6.10(d) of the Lease was intended to reflect the provision in FHWA procedures that "the earliest that tolls may be imposed on a pilot project is the date of award of a contract for the physical construction to reconstruct or rehabilitate a significant portion of the proposed toll facility." We were advised by FHWA officials that they would determine what constitutes a "significant portion." A substantial amount of reconstruction will take place on the facility in years to come, but the specific amount of reconstruction needed to convert the facility to a toll road must be determined in cooperation with FHWA.

As noted above, our application sets forth a major, long-term reconstruction and rehabilitation plan averaging $250 million per year over the first ten years of the Lease after conversion, and a continuing level of investment adjusted for inflation over the remaining years of the Lease, exclusive of ongoing operating and routine maintenance expenses. This level of investment represents over three times PennDOT's historic spending level in real (2008) dollars in recent years for capital projects on I-80. We believe the plan addresses the immediate and long-term reconstruction and rehabilitation needs of I-80 and demonstrates the robust and substantial level of improvements contemplated by the ISRRPP authorizing statute. It will also allow for the total reconstruction of all 311 miles of I-80 over the life of the Lease.

4. Please provide a copy of the September 2007 “State of Interstate 80” report published by the Pennsylvania Department of Transportation (PennDOT) that is referred to in the application;

RESPONSE: A copy of this report was furnished to FHWA in January, 2008. As discussed at our January 9, 2008 meeting, the Study Team in recent months has conducted a thorough examination of the existing conditions of the roadway and bridges along the entire length of I-80. The details of our findings are presented in the body of the amended application and in Appendices A-C.

5. The application must present evidence of direct consultation with all affected MPOs regarding the project. Such consultation must include a discussion of the placement and amount of tolls on the facility.

RESPONSE: Attached to the application is a list of the meetings held thus far with the general public including MPOs and RPOs to discuss the project in general [Appendix K], as well as current and upcoming consultations with MPOs and RPOs specifically dealing with the proposed toll rates and potential toll collection locations [Appendix L]. Discussions last winter and this spring included the general criteria that will be used in determining locations, as well as the
anticipated toll rates per mile. With the refinement of additional traffic studies by the PTC’s traffic consultant, we are in the process of holding follow-up meetings with MPOs, RPOs and public officials to review potential tolling locations within the boundaries of each of the planning organizations. These meetings should be completed by early-August, and we anticipate submitting an addendum to this application shortly thereafter describing the results of those sessions. Additional meetings will be held as part of the environmental clearance process that will be documented in the Phase 2 application.

6. Without a more definitive analysis of the current' and future needs' and the proposed improvements, it is not possible to determine compliance with this requirement. We are aware that in recent years PennDOT has transferred Interstate Maintenance (IM) funds to other Federal-aid programs, rescinded IM funds, and currently maintains a large balance of unobligated IM funds. Please provide the rationale for these transfers, rescissions, and this unobligated balance, along with the detailed needs on 1-80.

- Specifically, in 2003 one transfer of $75 million was made, and in 2002, two transfers totaling $180 million were made to other Program categories.
- In response to FHWA's June 20, 2007 rescission notice (N 4510.647), PennDOT's rescission was made up almost entirely of IM funds. That total rescission amount was $38,922,796.00. Of that amount, $38,609,946.57 in IM funds were rescinded, which represents over 99% of the State's total rescission.
- PennDOT's current unobligated balance of IM funds is over $310 million.

RESPONSE: As you know, Congress apportions contract authority among the states in over a dozen separate program categories. It also imposes an annual obligation limitation that prevents any state from spending the full amount of program funds authorized by Congress, resulting in excess (unobligated) balances within the various program categories. To meet the priority safety and reconstruction needs of its overall system, a state may elect to transfer some of these excess balances to other, more flexible program categories with ready-to-go projects. PennDOT is responsible for approximately 40,000 miles of highways, including 1,285 miles of Interstate. In 2002, $90 million of Interstate Maintenance funds were transferred to National Highway System funds in order to advance PennDOT's priorities. This was also the case for the $75 million of Interstate Maintenance funds that were transferred to National Highway System funds in 2003.

The 2007 rescission of $38.6 million did not involve Interstate Maintenance funds but rather Interstate Construction funds. The Interstate Construction funds are only eligible for one project, the Interstate 95-Turnpike Interchange, but that project is not ready to proceed. FHWA encourages states to rescind the old categories of funds that are no longer authorized by Congress, such as Interstate Construction funds.

As of June 30, 2008, Pennsylvania's unobligated balance of Interstate Maintenance funds was $142.6 million. This includes Pennsylvania's 2008 Interstate Maintenance apportionment of $213.8 million. As previously discussed, the obligation limitation results in unobligated balances of program funds.
7. Please submit the proposed or contemplated project schedule and finance plan for reconstruction and rehabilitation of 1-80.

RESPONSE: Attached as Appendices F and H is an updated version of the PTC’s financial model for the conversion of 1-80 to a toll facility. The financial model assumes that approximately $2.5 billion of capital improvements will be made to 1-80 over the first 10-year period following conversion, exclusive of the costs of the tolling conversion and annual operation and maintenance expenditures. These improvements will be funded with a combination of current 1-80 toll revenues and the proceeds of several series of 1-80 toll revenue bonds, with the first issuance anticipated to be in 2009.

8. Please submit the projected toll revenues as well as the toll implementation schedule.

Although 1-80 tolling will operate on an "open road" basis as contrasted to the closed system on the existing Turnpike, the PTC anticipates that the effective toll rates on 1-80 will be comparable. By 2010, (the estimated year in which conversion to a toll road would occur), the rate per mile would be approximately 8 cents for passenger vehicles and approximately 30 cents for five-axle vehicles. The financial model assumes annual increases of 3 percent per year thereafter, although for administrative reasons, the PTC may elect to implement increases every several years in larger nominal amounts. These projections may need to be updated once Wilbur Smith Associates' traffic and revenue forecasts are completed. The PTC plans to begin collecting tolls at the same time at each of the up to ten legislatively-authorized toll collection points, based on the anticipated scheduling of improvements along each segment of 1-80. Projected annual toll revenues are shown in Appendix H.

9. Please provide further details explaining how the toll implementation plan takes into account the interests of local, regional, and interstate travelers.

RESPONSE: The PTC has engaged the firms of GSP Consulting and Wilbur Smith Associates (WSA) to assess the impact tolls might have on local, regional and interstate travelers and the impact on economic development along the 1-80 corridor. Among the issues being researched are employment trends along the 1-80 corridor, potential traffic diversions, and the effect of tolling on business sectors such as the trucking, distribution, and tourism industries. The results will be submitted to FHWA as part of the Phase 2 application process in connection with NEPA requirements.

Detailed traffic modeling by WSA shows that, under the Open Road Tolling concept proposed in our plan with no more than 10 toll collection points, over one-third of local passenger car trips would not be subject to a toll. The PTC is evaluating the operational, financial and legal feasibility of a passenger car EZPass incentive program to mitigate the economic effect on daily commuters. The PTC recognizes that an incentive program would lessen the impact on local daily users and reduce local diversions to alternate routes. The PTC anticipates making a final determination before the submission of the Phase 2 application.
More generally, the toll implementation plan and Act 44 should benefit travelers by helping ensure that substantial improvements are made to I-80 that could not readily be funded from existing revenue sources. Further details related to the importance of adequately maintaining I-80 are included in the amended application.

10. The lease agreement does not stipulate the amount of the annual lease payment however we have seen various figures in newspaper articles ranging up to $400 million. Please provide the amount of the payments and explain how the PTC can maintain the required lease payments and still meet the reconstruction and rehabilitation needs of I-80. Please provide the amount of the lease payments with the schedule and finance plan requested above.

RESPONSE: Section 8915.3(7) of Act 44 provides that the PTC will make payments under the Lease to PennDOT from the General Reserve Fund, and that such transfers will be a subordinate obligation of the PTC. The General Reserve Fund is the "bottom bucket" in the flow of funds of the Mainline trust indenture, receiving residual revenues after the payment of current operating costs, debt service and capital outlays. A similar provision will be incorporated into the I-80 trust indenture when it is drafted later this year. Effectively, subordinating rent to other operating costs will ensure that I-80 toll revenues are prioritized for non-Lease operating expenditures and capital requirements, before transferring Lease payments to PennDOT. Pro-forma financial projections indicate that I-80 should generate sufficient toll revenues to pay current maintenance, operating costs (before rent), capital outlays and debt service on I-80 toll revenue bonds, as well as funding annual lease rental obligations to PennDOT.

The PTC under Act 44 may use both Turnpike System and I-80 toll revenues to meet its payment obligations to PennDOT. It should be noted that sections 11.1 and 11.2 of the Lease prohibit any toll revenues derived from I-80 from being deposited into the Public Transportation Trust Fund for transit assistance. Act 44 specifies a schedule of annual payments from the PTC to PennDOT. The precise mix of revenues from the Turnpike System and I-80 to satisfy these payments will be determined each year, depending upon the relative financial performance of the two facilities, capital needs and other factors. Appendix G shows the current estimate of the annual portion of I-80 tolls used in connection with meeting Act 44 obligations, and Appendix H shows the projected allocation of the annual Lease payments derived from I-80 and the Mainline.

11. How can the PTC issue $610 million in bonds in 2009 for I-80 when section 12.1 of the lease agreement caps the PTC’s annual bond issuance for the entire Turnpike System at $600 million?

RESPONSE: There is no legislative ceiling on I-80 toll revenue-bonds or Turnpike toll revenue bonds. The $600 million annual cap you refer to applies only to the Turnpike Subordinate Guaranteed Bonds (also known as Turnpike Subordinate Guaranteed Bonds) issued pursuant to Section 9511.4 of Act 44. The financial model shows compliance with the $600 million per year cap on issuing Special Revenue Bonds.
12. Please reconcile the statement made in the application that the toll revenue will only be used for I-80 with section 9.5 of the lease agreement, which provides that toll revenues will be used for the entire Turnpike System.

RESPONSE: The language in Section 9.5 of the Lease making reference to payment of expenses of the Turnpike System from I-80 tolls was intended to refer to I-80 expenses only. Elsewhere, the Lease provides that the PTC and PennDOT will comply with any applicable federal requirements (Sections 9.24 and 11.6). The permitted uses of I-80 toll revenues also will be set forth in the section 129 toll agreement with FHWA to ensure compliance with the requirements of the ISRRPP. When the PTC and PennDOT executed the Lease in October, 2007, it was understood that various provisions, such as the reference in Section 9.5, likely would need to be modified in order to effectuate conversion, based on further forthcoming information.

13. Does section 9.5 of the lease agreement contemplate the use of I-80 toll revenues to pay debt that is not related to I-80 improvements and maintenance and operating expenses?

RESPONSE: I-80 toll revenues will be used only for eligible costs as set forth in section 1216(b). These consist of operating costs, including rental payments to PennDOT, direct capital outlays for I-80 improvements, debt service on I-80 toll revenue bonds used to fund capital improvements for I-80, and debt service on I-80 toll revenue bonds which fund rent (an eligible operating cost). PennDOT will apply the rental payments as described below in our response to question 14. See Appendix H for more information.

14. Please explain how the amounts of any payments from the PTC to PennDOT made using I-80 toll revenues were derived and are properly considered operating costs.

RESPONSE: The ISRRPP allows toll revenues to be used for debt service, return on investment, and operation and maintenance costs (including reconstruction costs) of the toll facility. The PTC will be required to make certain payments to PennDOT, the owner of I-80, in exchange for the right to manage, operate and maintain the facility and collect tolls over 50 years. The payments to PennDOT derived from I-80 revenues constitute rent under the Lease and represent a valid operating expense.

When the owner of a facility leases that asset to another party—either a public or private entity—it is common business practice to require the lessee to pay rent. Federal highway law (section 156 of Title 23, United States Code) encourages states to collect rental payments from operators of leased property. The federal share of those rental payments can be used only for activities authorized under Title 23. To ensure compliance with section 156, all rental payments received by PennDOT from the lease of I-80 will be deposited in the Pennsylvania Motor License Fund, which is restricted to highway and bridge purposes.

Section 1216(b) does not restrict how the recipients of rental payments or returns on investment use such proceeds. While returns on investment may be used by a private entity for any purpose
(e.g., dividends to shareholders), rental payments derived from a Federal-aid highway are governed by section 156 of Title 23 and will be used for Title 23 authorized purposes. Article 11 of the Lease prohibits PennDOT from depositing any rental payments derived from I-80 in the Public Transportation Trust Fund, from which PennDOT funds transit activities.
AMENDED APPLICATION TO THE FEDERAL HIGHWAY ADMINISTRATION
FOR TOLLING INTERSTATE 80
UNDER THE INTERSTATE SYSTEM RECONSTRUCTION
AND REHABILITATION PILOT PROGRAM

I. INTRODUCTION

A. Purpose of the Application

By this joint application, the Pennsylvania Turnpike Commission (PTC) and the Pennsylvania Department of Transportation (PennDOT) are requesting approval from the Federal Highway Administration (FHWA) to toll Interstate 80 (I-80) in Pennsylvania. This request is based on the authority provided by section 1216(b) of the 1998 Transportation Equity Act for the 21st Century (TEA-21). Section 1216(b) establishes the Interstate System Reconstruction and Rehabilitation Pilot Program (ISRRPP), allowing approved states to place tolls on Interstate routes that currently are not tolled. The Conference Report for TEA-21 specifically mentioned I-80 as a worthy candidate for the ISRRPP as set forth below:

The conferees understand that certain segments of the Interstate require substantial maintenance and rehabilitation funding above available resources, such as Interstate 80 in Pennsylvania (emphasis added).'

The PTC has been designated by the Pennsylvania General Assembly pursuant to Act 44 of 2007, P.L. 169 (Act 44) as the public authority responsible for operating the tolled facility, and recognizes the requirements of section 1216(b). Section 1216(b)(4) expressly requires that preference be given to a public toll agency for the operation of the facility to be tolled. With its nearly 70-year history as owner and operator of the more than 500-mile Pennsylvania Turnpike, the PTC is uniquely qualified to lead and implement the conversion of I-80. As further required by TEA-21, the tolling of I-80 will provide the necessary additional funding to reconstruct and rehabilitate the entire facility. Neither PennDOT moneys nor other sources of revenue are available to fully fund these critical improvements. Our in-depth condition analysis documenting I-80 needs and a corresponding capital renewal program identify the wide gap between required improvements and available funding.

In accordance with FHWA procedures, this application relates to Phase 1 of the application process. It is our understanding that the only additional information needed for a provisional Phase 1 approval is a summary of the meetings with the nine Metropolitan and Rural Planning Organizations along the I-80 corridor discussing the

level and location of tolls. These meetings are scheduled to be completed by early-August, and we expect to submit the related report to USDOT as an addendum to this application shortly thereafter. Other data required by section 1216(b), such as the NEPA process documentation, is not yet available and will be included in the Phase 2 application.

B. Pennsylvania Act 44

Policy Considerations.

1-80 is representative of many of the Interstate routes in Pennsylvania, and indeed, the nation generally. Originally built in the 1960's and early 1970's; it was financed with then-ample federal Highway Trust Fund revenues and state matching funds. Advancing age and heavier utilization have taken their toll on the Interstate System. The earliest completed portions are reaching the end of their physically-useful lives, and require complete reconstruction "from the ground up". This is the very position the PTC finds itself in with respect to the Mainline Turnpike, the first segments of which opened in the 1940's: The PTC is in the midst of a massive reconstruction program—$480 million per year—to completely reconstruct the Mainline roadway and bridges.

While the PTC has six decades of experience collecting sufficient distance-based tolls to fund the Mainline's operating and capital needs, the Commonwealth's Motor License Fund is heavily reliant on fuel-based excise tax collections. These revenues cannot be adjusted readily like tolls to meet growing needs.

A 2006 bipartisan state report had identified statewide transportation funding needs averaging $1.7 billion per year. Pennsylvania's General Assembly, in creating Act 44, recognized the important role that direct user-charges like tolls could play in meeting not only 1-80's reconstruction needs, but broader state transportation goals as well. The legislature considered various new approaches used by states involving both the public and private sector, and fashioned a unique "public-public" partnership between the PTC and PennDOT—Act 44.

Certain features of public-private partnerships (P3) were incorporated into the plan. For example, the mission of the PTC was effectively transformed from being a low-toll facility that operated on a breakeven basis, to a market-based revenue generator, drawing upon the pricing mechanism to extract the financial value consumers attached to the Turnpike. The PTC's historically moderately-leveraged balance sheet could rely more heavily upon long-term debt financing, as private concessionaires do, based on the PTC's expressed willingness to raise tolls to keep pace with inflation.

Another key feature of P3's that was specifically incorporated into Act 44 was the long-term operating concession model. Under private concessions of existing facilities (known

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2 2006 Pennsylvania Transportation Funding and Reform Commission Report
as brownfields), such as Chicago Skyway and Indiana Toll Road, the governmental owner enters into a long-term (75-99 year) lease of an existing facility. The governmental owner charges the concessionaire rent in return for the concessionaire's right to collect tolls and operate the facility over the lease term. Act 44 also was structured on a concession basis with a long-term lease, but using the PTC, a public agency, as the operator. This approach results in PennDOT as lessee receiving annual Lease payments from the PTC, as lessee.

By installing the PTC as the operator, the Pennsylvania legislature ensured that I-80 would remain under public management. As a governmental entity, the PTC will only increase tolls to the extent required to meet the actual needs of the Commonwealth. All revenues will be retained within Pennsylvania and used for transportation purposes. The PTC can take advantage of its governmental status to borrow for most purposes at a below-market tax-exempt rate. And the PTC will adopt a "fund-as-you-go" strategy, making annual installments rather than one upfront payment. This will allow it to spread out its bond issuance for Act 44 purposes over a 15-20 year period, cushioning the debt service impact.

Finally, Act 44 recognizes the more fundamental need to reduce reliance on gas taxes as indirect user fees and instead creates energy-neutral user fees directly tied to miles traveled. Vehicle miles traveled (VMT) has decreased nationally and in Pennsylvania due to higher gas prices and increased purchase of hybrid vehicles. Looking to the future as the recently passed CAFE (Corporate Average Fuel Economy) standards go into effect and the price of gas increases, it is likely VMT and gas consumption will further decline. Act 44, with a reliance on steadily increasing tolls, creates an inflation-sensitive finance plan that is consistent with national energy policies and motorist trends.

Act 44 Elements. Act 44 grants the PTC the option to convert I-80 to a toll road and assume legal, financial and operational responsibility at any time in the next three years. The three-year period during which the PTC may elect conversion to a toll facility (Conversion Period) may be extended unilaterally by the PTC for three additional one-year periods. Under Act 44, the PTC may give PennDOT notice of the PTC's intent to exercise its option to convert I-80 to a toll road at any time prior to the expiration of the Conversion Period. A 50-year Lease and Funding Agreement (Lease Agreement or Lease) between PennDOT and the PTC was executed by October 15, 2007, as required under Act 44. Many of the terms of Act 44 set forth below have been incorporated as covenants in the Lease Agreement.

Act 44 authorizes the PTC, with the cooperation of PennDOT, to apply to FHWA under one of its tolling pilot programs for the right to operate and toll I-80. Act 44 authorizes an open toll road system with no more than ten toll collection points. The PTC may contract with PennDOT for any portion of the maintenance, of I-80 at cost levels agreed to by both parties. Service plazas are not permitted in the right-of-way along I-80.

Act 44 sets forth certain requirements relating to the PTC's governance and accountability, including, but not limited to:
filing an annual financial plan of the PTC with the Secretary of the Budget for the Commonwealth by June 1 of each year;

- providing quarterly updates to the Chairman and Minority Chairman of the House and Senate Transportation Committees regarding the conversion of 1-80;

- conducting traffic studies to quantify diversion of traffic from 1-80 to other roadways as a result of the conversion; and

- providing for an audit by the Auditor General every four years.

Act 44 requires the PTC to make quarterly transfer payments to PennDOT commencing in FY 2008 derived from toll revenues of the existing Pennsylvania Turnpike System, and ultimately including rent payments from 1-80 as well. PennDOT will apply the 1-80 rents in accordance with the provisions of section 156 of Title 23 (United States Code), Act 44 and the Lease Agreement.

C. Application Submission and Meetings with U.S. DOT and FHWA

An Expression of Interest was submitted by the PTC and PennDOT to FHWA on August 17, 2007. The Expression of Interest provided FHWA with a description of the facility and the objectives for using tolls to assist FHWA in determining which federal program is best suited for the project.

Officials from the PTC and PennDOT met with U.S. DOT and FHWA officials including the Assistant Secretary for Transportation Policy on August 29, 2007, to brief them on the proposal and answer questions.

The FHWA responded to the Expression of Interest on September 26, 2007, advising that it had determined that the ISRRPP under section 1216(b) of TEA-21 is the program best suited to the PTC’s and PennDOT’s programmatic objectives.

The PTC and PennDOT jointly submitted an application under the ISRRPP to FHWA on October 13, 2007. FHWA reviewed the application and responded on December 12, 2007, stating that the application had been neither approved nor rejected, but that additional information was required in order for FHWA to complete its review. Representatives of the PTC and PennDOT met with FHWA officials in Harrisburg on January 9, 2008, to discuss the additional information that would be required. A subsequent meeting with FHWA officials occurred in Harrisburg on April 28, 2008 to discuss the form and extent of information proposed to be included in the amended application. This amended application, along with the transmittal letter and attachment, address the issues FHWA had identified requiring further clarification.
II. DESCRIPTION OF THE FACILITY

A. Location and Economic Importance of 1-80

1-80 is a transcontinental highway extending from New York to San Francisco across eleven states. Within Pennsylvania, 1-80 is a four-lane divided highway and includes 59 interchanges, three maintenance areas and 17 roadside rest areas/weigh stations. It runs 311 miles from the Ohio state line near Sharon to the Delaware Water Gap Toll Bridge over the Delaware River into New Jersey, generally paralleling the Mainline Pennsylvania Turnpike.

1-80 is the shortest route between the major metropolitan areas of Chicago and New York. It is a vital link from the Midwest to the population centers of the eastern United States for commercial and passenger traffic. Major north-south routes that connect with 1-80 in Pennsylvania are PA-60, I-79, US 219, US 15, I-81, I-476, I-380 and PA-33/US 209.
B. History of I-80

The idea of a toll highway on the I-80 corridor dates back to the original planning of the Pennsylvania Turnpike in the 1930's. The "Keystone Shortway" was first proposed in 1938 as a toll road along the future I-80 corridor. Following delays caused by World War II, the Pennsylvania Legislature authorized the Shortway Turnpike from Stroudsburg to Sharon in 1954. With the passage of the Federal Aid Highway Act of 1956, the FHWA designated the Shortway as Interstate 80 and federal and state funds were used to commence construction in 1960. Construction of the entire facility from New Jersey to Ohio was completed in 1970.

In addition to its designation as the "Keystone Shortway," I-80 is more formally known as the Zehnder H. Confair Memorial Highway, after the state senator who championed the highway.

Because of continual challenges in identifying sufficient resources to adequately maintain I-80, numerous administrations in Pennsylvania have explored the possibility of tolling: Governor Milton Shapp in the 1970's; Governor Richard Thornburgh in the 1980's when the Turnpike Organization, Extension and Toll Road Conversion Act (Act 61) was enacted; and Governor Tom Ridge in 1994 based on a draft report entitled "Feasibility of Implementing Tolls on Interstate Highways in Pennsylvania."

In March 1996, Governor Ridge specifically called for placing tolls on I-80 as part of a proposed financial plan to assist Pennsylvania in meeting its highway construction, reconstruction, and maintenance obligations. However, no state legislative action was adopted, in part because of a lack of federal enabling legislation authorizing tolling.

C. Traffic Volume and Composition

Today, the Pennsylvania portion of I-80 is a heavily-traveled corridor with a high percentage of commercial vehicles. Along most of its length, trucks--mostly larger tractor-trailers--comprise 25-46 percent of the vehicle count. The percentage of truck
Traffic is heaviest in the central and western segments of I-80. In connection with the future Phase 2 application, the PTC has retained the traffic consulting firm of Wilbur Smith Associates to develop a preliminary traffic and revenue projection. The initial forecasts are expected to be completed by Fall, 2008.

### Table 1: Interstate 80 Traffic Volume – 1982 - 2006

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<td>Trucks</td>
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<td>ADTT: 5,250</td>
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<tr>
<td></td>
<td>Trucks</td>
<td>5,250</td>
<td>6,300</td>
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<td>11,500</td>
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<td>21,594</td>
<td>26,354</td>
<td>30,133</td>
<td>28,551</td>
<td>94.8%</td>
</tr>
</tbody>
</table>

ADTT = Average Daily Truck Traffic; AADT = Average Annual Daily Traffic.
III. EXISTING OPERATIONAL AND FINANCIAL STATUS

A. Pennsylvania's Interstate System

PennDOT is responsible for operating and maintaining more than 40,000 miles of state-owned highways—the fifth-highest mileage of any state in the nation—including 1,285 miles of tax-supported Interstate highways on 22 separate routes. In September, 2007, PennDOT released a "State of the Interstate" report to identify needs and long term maintenance and reconstruction efforts on Pennsylvania's Interstate highways. This report identified an average required investment level of $1.07 billion per year for pavement and bridge needs on the entire statewide Interstate system. Available PennDOT resources (not taking into account Act 44) are estimated to be only $380 million per year, consisting of Interstate Maintenance federal-aid apportionments and state matching funds. This significant mismatch in needs versus funding results in a shortfall of more than $660 million per year for Pennsylvania's Interstate highway pavement and bridge needs.

B. State Resources Available for 1-80

In recent years, PennDOT has spent an average of $80 million per year in operating, maintaining and improving 1-80, comprised of approximately $50 to 60 million in capital improvements and $20 to 30 million in operating/maintenance expenditures (a capital vs. operating ratio of roughly 75 percent to 25 percent).

Over the last six months, PennDOT and the PTC in conjunction with the engineering firm of McCormick Taylor (the Study Team) analyzed the condition of 1-80 from Ohio to New Jersey, and determined the investment required for necessary reconstruction and rehabilitation of 1-80 from the ground up over the term of the Lease. This analysis, described in Section III. C. of this application, identified an average of $250 million per year needed to meet the required bridge and roadway rehabilitation and reconstruction efforts over the first ten years of the Lease, commencing with conversion, and a continuing level of investment of $200 million per year (2008 dollars) adjusted for inflation over the remaining years of the Lease.

The Study Team estimated that routine maintenance expenditures should be maintained at not less than $30 million per year, in real terms. This level would replicate the PTC spending per lane-mile on the existing Turnpike System. Although in recent years, PennDOT has allocated a relatively high level of re-investment in 1-80 ($60 million of pay-as-you-go capital spending per year), significant additional funding will be necessary to meet the highway's ongoing rehabilitation and reconstruction needs. In addition, other necessary functional improvements, such as addressing ramp geometric deficiencies, adding climbing lanes and installing ITS (Intelligent Transportation Systems) are more challenging to fund from existing PennDOT/Motor License Fund resources.
Fuel taxes are the primary revenue source for funding PennDOT’s highway and bridge improvements. Pennsylvania has the fourth highest fuel tax rate in the United States—31.2 cents per gallon—and it is considerably higher than those in neighboring Ohio and New Jersey. A significant increase in fuel taxes (perhaps 13 cents per gallon) would be required to meet Pennsylvania's highway and bridge needs and is, therefore, not considered a viable alternative to tolling. Recently passed congressional increases in CAFE standards coupled with rising gas prices suggest a downward trend in gas consumption. In Pennsylvania, gas consumption and vehicle miles traveled decreased last year, so any planned increase in gas tax would require an annual escalator to adjust for consumption reduction and construction inflation.

Because no viable funding streams beyond PennDOT’s current contribution levels exist, the significant funding gap can only be filled by the toll revenues described in this amended application.

C. Current Needs of I-80

I-80’s heavy volume of commercial traffic, hilly terrain, and challenging climatic conditions—with multiple freeze-and-thaw cycles over the course of the winter months—cause enormous wear and tear on the highway’s pavement and structures. Despite the improvements PennDOT has made to date, I-80 will continue to require significant investment to operate and maintain the highway in a condition adequate for the traveling public, and to meet its current and long-term rehabilitation and reconstruction needs.

The Study Team updated PennDOT’s "State of Interstate 80" Report by evaluating the entire 311 miles of I-80 to identify rehabilitation and reconstruction needs for the facility. Engineers have identified the age of all components of the facility and the most recent rehabilitation and reconstruction treatment that has been applied. Using this as a baseline, the Study Team has identified both the next pavement treatment required and the year or year range (if beyond the first decade) for roadway reconstruction. Current construction cost data inflated to year of expenditure was applied to estimate future financial needs.

As a result of this evaluation, the following general findings were made:

- 54% of the pavement is over 35 years old (original construction) and will require full depth reconstruction
- 92% of the bridges are original construction of which:
  - 16 are structurally deficient
  - 11 are substandard vertical clearance
  - 13 are fracture critical
  - 1.9 are weak link
  - 69 are functionally obsolete
- 63% of the interchanges have deficient elements
- I-80/I-99 Interstate connection is incomplete

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3 2006 Pennsylvania Transportation Funding and Reform Commission Report
- Additional ITS investments are needed for safety and incident management

A summary of the roadway rehabilitation and reconstruction needs is shown in Appendix A, I-80 Roadway Needs and First Decade Projects. This appendix details the age (milepost by milepost) of the existing roadway and the age of the pavement surface. It also identifies the year proposed for reconstruction or a range of years of the estimated total reconstruction. Appendix B-1, I-80 Bridge Needs and First Decade Projects details the bridges by milepost, need, and scope for the first decade. Appendix B-2, I-80 Bridge Long-Term Needs and Inventory, provides a general summary of the various bridges by type. Interchange projects and ramp improvements at rest areas and weigh stations are also noted for the first decade and included in Appendix C, I-80 Interchange and Ramp Needs and First Decade Projects.

Following the general findings based on the overall evaluation of I-80, the Study Team then developed guiding principles to structure both an initial reconstruction and rehabilitation program for the first ten years following conversion, and a longer-term rebuilding strategy for roadway, bridges, interchanges and other improvements over the following four decades of the Lease.

I. Pavement and substructure:

Needs and objectives:
- Maintain an International Roughness Index (IRI) of good to excellent (Less than 100)
- Maintain good skid resistance
- Eliminate rutting conditions
- Utilize asset management strategies to extend pavement life through preventative maintenance
- Totally reconstruct all original pavement within 30 years (likely at 50-60 year life of original construction); reconstruct sections previously rebuilt as age approaches 50-60 years;

Strategies and requirements:
- 5-7 miles (average) of total reconstruction per year.
- 5-7 miles (average) of I-4R per year to extend the life and rehabilitate the existing roadway not requiring total reconstruction
- 15 miles (average) of pavement preservation per year for ride quality
- Continual routine maintenance to extend pavement life.

2. Bridges:

Needs and objectives:
- Replace all original bridges carrying I-80 traffic
- Prioritize rehabilitation/replacement of structurally deficient, fracture critical or weak link I-80 bridges and those PennDOT overpass bridges with severely reduced vertical clearance.
Strategies and requirements:
- Continually replace all bridges currently classified as structurally deficient
- Replace all of the fracture critical bridges
- Continually address all weak link bridges
- Prioritize replacement of all PennDOT overpass bridges with less than 16-foot underclearance (which create safety and operational concerns)\(^4\)
- Continual preventative maintenance to extend asset life or address inspection findings
- Replace all functionally obsolete bridges.

3. Interchanges:

Needs and objectives:
- Complete I-80/I-99 High Speed Interchange (Bellefonte Interchange)
- Address deficient elements of existing interchanges

Strategies and requirements:
- Address interchanges with deficiencies creating safety or operational issues as individual projects, including the Bellefonte Interchange and the associated local I-80/Route 26 Intei-change
- Address additional interchanges and ramps as part of I-80 mainline roadway projects.

In addition, there are some areas along I-80 with subsurface drainage problems, such as parallel storm sewers that are not functioning properly. Several of these problems will need to be addressed during full depth reconstruction; others will be addressed in tandem with roadway rehabilitation projects.\(^4\)

Beyond safety, operational, and maintenance-type improvements, the Study Team has identified other capacity-related needs and necessary functional improvements, such as truck climbing lanes. The majority of the operational or capacity issues are not significant enough at this time to require listing in the 10-Year Capital Plan as individual projects.

Finally, PennDOT has in place some ITS technologies along the I-80 corridor and a statewide ITS program. However, there is a need for additional equipment that has been identified by PennDOT’s Regional Operations Plans (ROPs) in the region. It is expected that the PTC will invest in ITS projects to enhance safety and mobility along the corridor.

\(^4\) Although 16'-0” minimal vertical clearance is a national standard for highways, PennDOT policy sets forth a minimal of 16'-6” for all new or reconstructed structures to allow for overlays. The current PTC plan calls for adhering to the national standard.
IV. RECONSTRUCTION AND REHABILITATION PROGRAM

A. Program Objectives

The PTC has developed a substantial and robust 10-Year Capital Plan to address the current needs described above, as well as ongoing life cycle needs over the next 50 years (the 50-Year Capital Plan). In general, the guiding principles in developing the 50-Year Capital Plan include the following:

1. General Principles

   - Use PennDOT’s Twelve-Year Program projects and existing evaluation of I-80 as a basis.
   - Coordinate closely with PennDOT in taking into account the pending I-80 projects that are included in its current 2007-2010 program.
   - Note and review any project-related comments from the public outreach meetings that have been held.
   - Include safety/operational improvements into the roadway or bridge projects when they are within limits of pavement restoration/reconstruction projects (e.g., lengthening of interchange ramps).
   - Combine bridge projects with roadway projects when appropriate.
   - Incorporate the completion of several projects that PennDOT already has started, such as the I-99 Interchanges, the replacement of the Susquehanna River Bridge and the Exit 308 Interchange.
   - Include individual safety and/or operational projects where there is considerable need.
   - Include in each project, the costs for pre-construction, construction management/inspection and additional costs to maintain two lanes of traffic in each direction during times of peak traffic volume.

2. Roadway. The following asset management principles follow PennDOT’s pavement policy:

   - Entirely reconstruct the roadway at approximately 50-60 years of age. Sequence total reconstruction of all pavement not rebuilt by PennDOT within expected available annual revenues and to assure that all original pavement is totally reconstructed by the third decade of the Lease.

   - Maintain a good to excellent IRI (Less than 100)

   - Schedule projects based on life cycle criteria which include at least a resurfacing of bituminous surfaces at approximately 10-year intervals. The concrete roadways that have been rebuilt and are sound will receive a resurfacing or "diamond grinding" at approximately 25-year intervals.
Depending on the roadway type, condition and point in the cycle, some of the resurfacing projects will be basic pavement preservation projects and some will be more extensive I-4R (Interstate reconstruction, resurfacing, rehabilitation and restoration) projects.

- Apply preventive maintenance application at the appropriate times to extend pavement life.

3. Bridges.

- Establish the following general priority order for capital renewal of bridges:
  
  (1) Structurally deficient: superstructure, deck or substructure, or culverts in poor conditions;
  (2) Scour issues;
  (3) PennDOT bridges over I-80 with seriously deficient underclearances, approximately 15 feet or less, which are currently creating operational and safety concerns, and are vulnerable to being damaged by overheight vehicles. The remaining overpass bridges with vertical clearances less than 16 feet will be replaced by the end of the term of the Lease;
  (4) Fracture critical and fatigue susceptible;
  (5) Weak link bridges/culverts (load capacity is within 10% of legal loads);
  (6) Functionally obsolete due to severe obsolescence which warrants replacement or rehabilitation.

- Prioritize bridges with more than one issue or where the deficiency is very severe.

- Budget for widening or replacing of bridges carrying I-80 if needed to: (1) allow two lanes in each direction during construction, (2) address narrow shoulders, or (3) accommodate ramp lengthening.

- Incorporate necessary bridge work into I-4R and roadway reconstruction projects (e.g. leaking joints, substructure rehabilitation, cleaning) to extend the bridge life.

- Establish an annual bridge maintenance budget that will support required bridge maintenance across the entire length of I-80.

B. Initial 10-Year Capital Plan.

Utilizing the above principles and working in close coordination with PennDOT District offices, the Study Team has developed an initial 10-Year Capital Plan for reconstructing and rehabilitating I-80. The 10-Year Capital Plan should be considered draft in nature, as
it will be refined as more detailed studies and designs are completed. However, it is indicative of the scope, type and aggregate cost of projects that will be prioritized in the first decade after conversion to address I-80's reconstruction and rehabilitation needs.

Appendix D: 1-80 Capital Plan – First Decade contains the initial 10-Year Capital Plan and details a project-by-project description. Appendix E: 1-80 Capital Plan – First Decade – Mapping consists of a series of maps showing the projects along 1-80 in approximately 30-mile segments. This capital plan is expected to fulfill the entire list of identified needs over ten years. The program will consist of an average of $250 million per year of capital improvements over ten years, for a total of approximately $2.5 billion. This investment program will be sustained over the term of the Lease. In 2008 dollars, the proposed spending level is over three times the level of capital improvement funding that PennDOT historically has made available for 1-80 and ensures that the current reconstruction and rehabilitation needs of I-80 are addressed substantially faster than PennDOT could provide with its current resources.

Highlights of the initial 10-Year Capital Plan include the following:

- **The** basic principles of the rehabilitation and reconstruction program are consistent with PennDOT’s and the PTC’s Pavement and Bridge Management Principles.
- 50 miles of total roadway reconstruction, 55 miles of I-4R and 152 miles of pavement preservation, totaling 257 miles of roadway work.
- Replacement of approximately 25 percent (≈760,000 square feet) of the original bridges, with the remaining original bridges requiring replacement over the term of the Lease.
- Rehabilitation or replacement of: 16 structurally deficient bridges (all currently identified); all PennDOT overpass bridges with less than 15-foot vertical clearance; 11 fracture critical bridges with the remaining two under project development; 19 weak-link bridges; and eight functionally obsolete bridges;
- Reconstruction of 11 interchanges, and the addition of two I-99 interchanges (one high speed Interstate-to-Interstate connection and one local interchange).
- Modifications to an additional 15 interchanges and 36 ramps to correct geometric deficiencies, in tandem with adjacent roadway projects.
- Contribute $45 million to complete the Susquehanna River Bridge replacement project in Columbia County, a major river crossing of I-80.
- $4 million per year of ITS investments.

The following pie chart illustrates the level of spending by various categories, including the roadway and bridge programs, as well as interchanges and ITS, within the first decade.
The following two pie charts illustrate how the capital improvement funding is expected to be apportioned among the Roadway Work and Bridge Work programs, which represent 84% of proposed capital spending within the first decade:
A more detailed description of the scope of work for each element of the 10-Year Capital Plan is summarized below:

**Reconstruction** – Remove and reconstruct the complete pavement structure (to and including subgrade stabilization), replace the existing stormwater drainage pipes, update guide rail and concrete barrier installations, replace or widen the existing bridges to maintain two-lanes of traffic during construction, include additional bridge reconstruction or replacement as warranted within the project limits, reconstruct the acceleration and deceleration ramps, add truck climbing lanes where warranted, and address safety improvement in specific high-risk locations.

**I-4R Projects.** – Build upon the existing pavement structure and consist of overlaying the existing roadway surface with a 3½"-depth or greater bituminous material, updating guide rail and concrete barrier installations, making minor drainage improvements and adjustments to accommodate the additional depth of the overlay, performing bridge rehabilitations and making improvements to the acceleration and deceleration ramps, and other minor safety improvements within the project limits.

**Pavement Preservation** – Routine maintenance to the existing pavement. On concrete roadways the work consists of limited concrete patching, rehabilitation of the pavement joints, and diamond grinding of the concrete surface to improve the quality of the ride. On bituminous surfaced roadways the improvements consist of removing a portion of the existing surface and overlaying it with a comparable depth of bituminous material to maintain the roadway and improve the ride.
Structurally Deficient Bridges – Bridge replacement, deck replacement, superstructure and/or substructure repairs in order to resolve the existing deficiencies related to the condition of the bridge.

Overhead/Vertical Clearances – Replacement of PennDOT bridges over I-80 with substandard vertical clearance to eliminate existing vertical clearance problems.

Fracture Critical Bridges – Either a bridge replacement or superstructure replacement to address the issue of non-redundant supporting elements.

Weak-Link Bridges – Bridge replacement, superstructure replacement and/or culvert lining to address those bridges with an Operating Rating less than or equal to 110% of the legal load limit.

Functionally Obsolete Bridges – Replacement or rehabilitation as warranted due to severe deficiencies in bridge geometry, underclearance, roadway alignment and/or waterway adequacy.

The following reconstruction project is presented to illustrate a typical reconstruction project contained within the 10-Year Capital Plan, including the location of the project, work to be done and associated cost (year-of-expenditure dollars). (See Appendix E Sheet 9 of 10 for a map showing the location of these improvements.)

The project is from milepost 272 to 276 (approximate) in Carbon County and is scheduled for reconstruction in Year 5. The pavement is currently 43 years old and the bituminous pavement surface is 3 years old. The total project is 8.4 segment miles (a segment mile is one lane in each direction). The project costs include the following items:

Table 2: 1-80 First Decade Improvements: Mileposts 272-276
Sample Project Costs

<table>
<thead>
<tr>
<th>Work Item</th>
<th>Cost ($ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roadway reconstruction: 8.4 segment miles x $5.1 million/seg.mile</td>
<td>42.8</td>
</tr>
<tr>
<td>Replace 2 Fracture Critical Bridges at Exit 273 (TR 940)</td>
<td>27.9</td>
</tr>
<tr>
<td>Additional Bridge Replacements within project limits</td>
<td>3.2</td>
</tr>
<tr>
<td>Widen 1 bridge to maintain 2 lanes in each direction during construction</td>
<td>1.1</td>
</tr>
<tr>
<td>Extend deficient eastbound ramps at Exit 273 (TR 940) and Exit 274 (TR 534)</td>
<td>1.9</td>
</tr>
<tr>
<td>Total 2007 Costs</td>
<td>$ 76.9</td>
</tr>
<tr>
<td>2015 Costs (4% annual inflation)</td>
<td>105.4</td>
</tr>
<tr>
<td>+ 12% Design</td>
<td>12.6</td>
</tr>
<tr>
<td>+ 10% Construction Management/Inspection</td>
<td>10.5</td>
</tr>
<tr>
<td><strong>Total Estimated Project Cost</strong></td>
<td><strong>$128.5</strong></td>
</tr>
</tbody>
</table>
C. Long-Range Plan for 1-80

Beyond identifying improvements over the initial ten years, the Study Team analyzed 1-80 rehabilitation life cycle needs over the remaining term of the Lease. More than 50 percent of the pavement on 1-80 is over 35 years old; therefore, it will be important to continue to reconstruct and rehabilitate the pavement to address all of the segments that have not previously been completely rebuilt. Based upon a sustained capital funding level of $200 million per year (2008 dollars) inflated annually, the PTC should have sufficient funds to rebuild the balance of 1-80's pavement (not previously reconstructed by PennDOT) by the third decade of the Lease.

Thereafter, the PTC would continue its rehabilitation and reconstruction program, to ensure that all pavement and bridges will be reconstructed by the end of the 50-year term of the Lease. During the last 20 years of the Lease, the PTC would replace or rehabilitate pavement and bridges that had been reconstructed by PennDOT within the past 10 to 15 years. The PTC plans to continue to utilize pavement and bridge preservation strategies to ensure that all new construction that is undertaken in the initial ten years after conversion be adequately maintained to extend its facility life as long as possible. The PTC expects that its proposed 50-year program of "ground up" restoration will achieve the following milestones:

- Reconstruct 12.4 segment miles of pavement per year, with the result that all pavement not previously reconstructed by PennDOT will be completed by the third decade of the Lease.

  Replace all original bridges and remove all substandard overhead vertical clearance bridges within the fifty year Lease term.

- Rehabilitate all structurally deficient, weak-link, fracture critical, functionally obsolete or substandard underclearance bridges by the end of the Lease.

In summary, the 50-Year Capital Plan prepared by the PTC would:

**Overall**
- More than triple the historical level of PennDOT’s capital investment.
- Construct projects in a manner that eliminates long, single lanes of traffic in construction zones for extended periods.

**For Roadways**
- Generally meet the pavement management cycles and strategies as defined in PennDOT’s and the PTC’s Pavement and Bridge Management Principles.
- Address the roadway sections with a current ride quality of "poor" or "fair" by the third year after conversion.
Complete reconstruction of all the original sections of I-80 by the third decade of the Lease.

Maintain a good/excellent ride quality on the entire length of the roadway.

For Bridges

- Replace all original bridges carrying I-80 traffic over the life of the Lease.
- Address the entire current backlog of structurally deficient bridges.
- Address the four PennDOT overpass bridges with the lowest underclearance in the first decade, including those with a vertical clearance less than 15'2"; replace the 11 remaining overhead bridges with a vertical underclearance less than 16'0" by the end of the Lease.
- Replace 11 out of 13 fracture critical bridges by the end of the first decade and the two remaining fracture critical bridges by the end of the third decade of the Lease.
- Address 19 out of 20 weak link bridges/culverts by the end of the first decade and the last one by the end of the third decade of the Lease.
- Implement a sound bridge maintenance budget and program.

Other Improvements

- Complete in the first three years the important I-99 Interchange projects and the Susquehanna River Bridge project.
- Enhance the ITS/Incident Management infrastructure and coordination.
- Undertake eleven individual safety and operational improvement projects and incorporate other safety and operation improvements (e.g., ramp lengthening) systematically with ongoing roadway/bridge projects.

The 50-Year Capital Plan fully identifies and addresses the rehabilitation and reconstruction needs of I-80 that could not be funded through existing resources. In addition, the plan has been developed to create a steady investment level each year to address the long term reconstruction and rehabilitation needs of I-80.
V. TOLL CONVERSION IMPLEMENTATION PLAN

A. Funding Level

Based upon current estimates, the initial 10-Year Capital Plan will entail spending in excess of $3.4 billion compared to likely available programmed spending of $800 million by PennDOT. This program would consist of $2.5 billion for rehabilitation and reconstruction of roadway and bridges, as well as ongoing operating and maintenance costs of approximately $930 million. In addition, the PTC anticipates investing approximately $220 million in dedicated maintenance facilities, new signage and equipment, an open road tolling system and project management. The PTC, as the operator of I-80, intends to use toll revenues and proceeds of bonds supported by I-80 toll revenues to increase the average historic level of capital expenditure on I-80, from approximately $60 million per year presently, to $200 million (2008 dollars) per year, inflated annually (representing $250 million in year-of-expenditure dollars over the first decade).

B. Timing and Phasing

It is expected that the project list identified in Appendix D as occurring in Year 0 (the year prior to the Conversion Date) along with installation of the toll collection facilities will constitute the initial construction activities. The PTC plans to initiate multiple projects prior to the collection of tolls. Any of the projects listed within Years 1, 2 or 3 can be accelerated to accomplish this objective. It is anticipated that a decision regarding which projects will be constructed starting in Year 0 will be made during the Phase 2 application process.

The first projects will be geared towards reconstruction and rehabilitation of roadway or bridges on I-80 that have been identified as a high priority through coordination with PennDOT. The toll collection facilities will be built in advance and remain non-operational until a portion of the construction program has commenced. In this way, it will be evident to motorists that the tolls are funding improvements to the facility, consistent with the ISRRPP guidance from FHWA. These activities will be funded from the proceeds of the initial series of I-80 toll revenue bonds, which PTC expects to issue in 2009. It is the intent of the PTC to initiate construction activities so that tolls can be collected commencing in the third quarter of 2010. Interest due on the bonds during the construction period will be capitalized from bond proceeds.

C. Toll and Implementation Plan

The PTC, an autonomous public agency separate and independent from PennDOT, will be the toll operator/collector for I-80 as set forth in Act 44.
**Toll Collection Approach** - The PTC investigated and considered three different toll collection methodologies:

1. Installing overhead gantries for electronic toll collection using express EZ-Pass lanes, as well as offering conventional manned cash lane toll booths for non-EZ-Pass customers;
2. Installing overhead gantries for electronic collection using express EZ-Pass lanes, but with fully automated cash lanes as an alternative; or
3. Exclusively initiating Open Road Tolling (ORT), with overhead gantries for electronic collection using express EZ-Pass, supplemented by Video Tolling which would capture video images of non-EZ-Pass customers' license plates and billing them directly.

Under any of the three scenarios, the PTC would install up to ten toll collection points along I-80 (as set forth in Act 44) and associated building and infrastructure necessary to support the facilities.

Based on preliminary revenue studies, construction cost estimates and environmental evaluation, the PTC favors installation of a state-of-the-art open road tolling (ORT) facility using the latest toll collection technology. ORT involves 100 percent automatic collection of tolls through "reading" of vehicles at highway speeds with electronic devices mounted on gantries spanning I-80 at approximately 30-mile intervals, supplemented by photographic license plate recognition. This technique is presently employed or being installed on Highway 407 in Toronto, Denver E-470 and Dallas North Tollway, and is gaining increased acceptance among both operators and consumers both domestically and overseas.

There are a number of advantages the PTC gains by using ORT as opposed to a cash-based system. The PTC minimizes the capital investment associated with building toll collection plazas and gates, and avoids the need for manual staffing of the toll facilities, minimizing operating costs. The small "footprint" of ORT gantries allows much greater flexibility in the siting of the collection points along the I-80 corridor locations. As a result, ORT does not face the topographical constraints associated with locating large toll plazas. ORT minimizes environmental impacts and enables the PTC to better manage traffic diversion and revenue control issues. ORT also enhances motorist convenience as well as safety by eliminating the need to slow or stop at physical toll barriers.

Finally, an ORT approach allows the PTC to easily update and modify its tolling strategies based on market considerations. For example, at some future date, the PTC might conclude that congestion pricing is needed to meet potential capacity expansion on the more congested eastern end of the I-80 corridor. (Note: any capacity expansion would only occur in coordination with the New Jersey Department of Transportation and the Delaware River Joint Toll Bridge Commission (DRJTBC), which own and operate adjoining facilities.)
**PTC Credentials as an Operator** - Section 1216(b) states that preference should be given to a qualified public toll agency to operate and maintain the converted Interstate facilities. The PTC fulfills this statutory mandate. The PTC was created in 1937 and is responsible for the management and operation of the 514-mile Turnpike system. Its extensive experience in managing toll roads and its solid credit ratings make the PTC an ideal operator of I-80. By employing the PTC as the operator of I-80, PennDOT will receive a reasonable rent in exchange for the right to collect tolls, just as it would if a private entity were the operator.

**Operation and Maintenance** - The PTC will implement the operations and maintenance standards anticipated to maintain I-80 at a level of quality at least comparable to the greater of: (a) I-80's condition at conversion; (b) the performance conditions established for the existing Turnpike at conversion; or (c) the standards used by PennDOT for other Interstate highways within the Commonwealth at conversion. The PTC and PennDOT have reached conceptual agreement for initially outsourcing routine maintenance activities to District PennDOT units for the western portion of I-80.

Regarding operations, the PTC works constantly to minimize the frequency of traffic incidents, and to address them promptly and safely when they do occur. The PTC maintains a 24-hour a day, 365 days a year Operation Center that monitors all Turnpike activities and is the focal point for all Turnpike construction and incident management activities. In addition, the PTC has implemented Unified Incident Command focusing on combining the knowledge, abilities, and resources of all responding agencies in the most effective manner. The intent of the PTC is to implement these techniques along the entire length of I-80. For maintaining roadways and bridges on the existing Turnpike System, the PTC utilizes a number of systems, surveys, and management processes, including:

- Annual automated pavement testing for IRI measurement, rutting and friction.
- Rock slope and embankment condition surveys.
- A pavement surface quality committee that focuses on actions to ensure ride quality.
- The use of the Service Order Management System (SOMS) that includes maintenance planning, prioritization, work order execution, scheduling, and production monitoring.
- PTC Bridge Log, which is similar to PennDOT's Bridge Management System.
- PTC Bridge Inspection Electronic Data Collectors that support a bridge inspection program consistent with federal requirements.

The Turnpike's high level standards for maintaining the Turnpike roadway and bridges include bridge preservation and replacement, systematic roadway reconstruction, and close coordination between the roadway and bridge programs. Foremost, however, is the safety and security of the traveling public. These same standards will be implemented on I-80 following its conversion to a tolled facility.
Outsourcing of Services - While 1216(b) expressly gives preference to public toll agencies for operating and maintaining toll roads under the pilot program, the PTC historically has outsourced various services on the existing Turnpike system. For example, the PTC’s EZ-Pass electronic tolling system, introduced in 2000, is provided and managed by an outside vendor. The PTC has utilized design-build procurement for the complex Butler Valley and Bedford County bridge projects. And in October, 2006, the PTC entered into a 30-year concession for the lease and operation of its 18 service areas with HMSHost Corporation.

As concerns I-80, Act 44 authorizes the PTC to contract with PennDOT to perform maintenance services along I-80. As noted above under Operations and Maintenance, the PTC and PennDOT have made a preliminary determination that maintenance activities for two-thirds of I-80 will at the outset be contracted out to PennDOT. The PTC will consider other opportunities for outsourcing services to public and private sector providers where such arrangements are deemed beneficial and cost-effective.

D. Traffic and Revenue Study on I-80

Wilbur Smith Associates (WSA) is conducting a Level 1 Traffic and Revenue Study of I-80 that is expected to be completed by Fall, 2008. Based on WSA’s completion of preliminary traffic projections, the PTC has identified alternative potential toll gantry locations along each approximately 30-mile segment of I-80. At least two possible locations were studied for each highway segment, along with their estimated revenue yield and traffic diversion impacts. In July and August, 2008, the PTC has scheduled a series of meetings with each of the MPOs and RPOs along the corridor to discuss the proposed tolling rates and locations. Following public input, WSA will undertake a Level 2 Investment Grade Study to be completed prior to issuance of I-80 toll revenue bonds in 2009. The traffic and revenue study will identify specific locations for toll facilities, potential diversion routes, and traffic impacts based on expected use and any special requirements for traffic along the I-80 corridor.

E. Traffic Impact on Other Highways

WSA will identify diversion routes and expected traffic volume increases on nearby roads resulting from the tolling of I-80. In addition, WSA also will identify potential diversion routes and traffic volume increases resulting from the increase of tolls on the existing Turnpike system. It is expected that the toll rates will be approximately equal when comparing per mile charges for I-80 and the Turnpike. Therefore, it is expected that some diversion of traffic back to the Turnpike will occur as a result of tolling I-80. This effect will be identified within the final traffic and revenue study, which will be included as part of the Phase 2 application process.
F. Environmental Scoping Analysis

The I-80 Implementation Plan has been developed with the intention of minimizing any potentially adverse environmental impacts. The majority of the proposed rehabilitation and reconstruction projects listed in Appendix D will be situated within the existing roadway dimensions of I-80, or will be immediately adjacent to the roadway. Along most of its length, I-80 has a fairly wide right-of-way and median strip, capable of accommodating any needed staging areas for construction. And, unlike the existing Turnpike, I-80 will not have to construct toll facilities at interchange ramps. Instead, up to ten toll collection points would be located within the 31.1 mile long I-80 right-of-way. For these reasons, the PTC does not presently anticipate the need for additional land acquisition, except for possibly new, dedicated maintenance facilities. The PTC is currently investigating expanding existing PennDOT maintenance facilities and the possibility of co-locating new facilities with existing rest areas along I-80 to minimize land acquisition and environmental impacts. It is anticipated that in total, the direct environmental impact of construction will be limited.

The effect of this undertaking on the natural, cultural and socioeconomic environment will be assessed in accordance with the National Environmental Policy Act (NEPA), the Council on Environmental Quality and FHWA implementing regulations for NEPA (40 CFR 1500-1508 and 23 CFR 771, respectively), and all other applicable state and federal regulations pertaining to transportation projects. It is anticipated that, beyond the initial NEPA document for the toll conversion, additional environmental evaluation documents for independent improvement and rehabilitation projects will be identified as priorities are set and funds become available.

At this early stage in the process, a detailed assessment of environmental impacts is not possible. However, the proposed plan is developed enough to identify the key environmental issues that would need to be addressed, and the methodology for evaluating these key issues.

As part of the initial scoping for the project, the Pennsylvania Spatial Data Access (PASDA) database was used to prepare preliminary environmental mapping for the toll conversion project. As toll facility locations and improvements are identified for consideration, this mapping will be used to identify potential environmental impacts. Where multiple options are available, this data will be used to assist in determining the option that provides the best transportation improvement while minimizing the effects on the environment. Once toll collection locations are identified and specific reconstruction and rehabilitation projects are initiated, more detailed field work will be conducted to pinpoint the actual impacts.

As part of the analyses for the toll conversion, the traffic engineers will be assessing possible diversion routes that might be used by those who seek to avoid paying tolls. Where possible diversion routes are identified in the traffic analysis, the environmental effects on sensitive resources associated with or adjacent to the diversion route will be
evaluated. These sensitive resources may include schools, churches, historic sites, residential areas, parks, and other resources that could be affected by increases in traffic.

The anticipated environmental effects on various resources, as set forth in federal guidance on the ISRRPP, are summarized below:

- **Current or planned land uses** – As stated above, construction of toll facilities and initial reconstruction and rehabilitation projects would be almost exclusively within existing I-80 limited access right-of-way (ROW) or immediately adjacent to the ROW and then contained within all future limited access ROW. As a result, current and planned land uses would be largely unaffected. Current and planned land uses will be taken into account in locating toll facilities to minimize effects.

- **Historic, cultural, natural or recreational resources** – Because of construction activities being concentrated in, or immediately adjacent to, existing ROW areas, the effects on historic, cultural, natural, and recreational resources is anticipated in most cases to be minimal. Effects would be limited to those resources within the existing I-80 ROW or immediately adjacent to the ROW. Where important features/resources exist either within the ROW or immediately adjacent, these resources will be taken into account when locating the toll facilities and undertaking other reconstruction and rehabilitation projects.

Where improvements will be implemented in proximity to historic sites determined to be eligible for listing on the National Register of Historic Places, effect determinations will be made in accordance with Section 106 of the National Historic Preservation Act and coordinated with the Pennsylvania Historic Preservation Office/Pennsylvania Historical and Museum Commission, and the Advisory Council on Historic Preservation.

There are streams that cross the existing I-80 ROW or run parallel to I-80, and wetlands exist in association with many of these streams. As a result, it is anticipated that some streams and wetlands will be impacted. Stream impacts will generally involve extension of existing culverts; new impacts to streams not already affected in some capacity by the existing Interstate are not anticipated. It is expected that a joint Chapter 105/Section 404 permit will be needed for the toll conversion project. An NPDES permit is also likely to be needed and will be coordinated with the Pennsylvania Department of Environmental Protection and the County Conservation Districts.

Coordination will be undertaken early in project development to identify potential federal and state threatened and endangered species impacts. Where federal or state-threatened or endangered species may be an issue, appropriate field studies will be conducted, and toll facility location and other improvements will be planned so as to minimize any impacts and ensure compliance with Section 7 of the Endangered Species Act as well as applicable state laws.
- **Economic or community resources** – Economic and community impacts were identified as key concerns at all the public meetings conducted to date. Realizing the importance of these concerns, the PTC has engaged GSP Consulting working in tandem with WSA to conduct a thorough economic impact analysis. By understanding the impacts that tolling will have along the corridor, the Study Team can help the communities organize and prepare for this change. Implementing tolls on a previously non-tolled Interstate will have an economic impact on those traveling the road and paying the tolls and on businesses and residents in surrounding communities. However, not having adequate funds to maintain I-80 and more generally improve the Commonwealth’s transportation infrastructure as a whole also would have an economic impact both on those who travel and live along I-80 as well as those throughout the Commonwealth and in surrounding states that use Pennsylvania’s transportation network to ship goods throughout the nation. The economic impact analysis will explore and define these issues and opportunities in connection with Phase 2 and the NEPA process.

1-80 will operate as an open toll road, with a maximum of ten toll facilities situated along the roadway’s 311 route miles. There are a total of 59 interchanges along I-80; therefore, this equates to an average of one toll facility for every six existing interchanges, and means that local trips between some interchanges will be non-tolled. Based upon preliminary studies, WSA has estimated that one-third of daily passenger trips will not pay a toll because they will not pass through a toll gantry while traveling on I-80. An ORT system, using a combination of EZ-Pass and electronic video tolling is the preferred toll collection method.

The additional $2.5 billion investment in I-80 over the next decade will provide long term economic benefits. Such a significant infrastructure investment will also result in thousands of additional engineering and construction related jobs.

Act 44 bans the construction of service plazas on the facility, consistent with federal law. This protects existing local commercial outlets at interchanges adjacent to I-80 from undue competition.

The long term positive economic impact of a reliable, safe and efficient Interstate route will be evaluated. A visible and sustainable commitment to long term reconstruction, rehabilitation, maintenance, and improvement of I-80 with a predictable toll rate structure is designed to retain existing business in Pennsylvania, and ultimately attract businesses to locate in the state. Economic impact analysis will focus on three broad topics as follows:

**I-80 Economic Corridor.** To better define the impact and opportunities on businesses and residents, an economic impact analysis is being developed by GSP Consulting, in consultation with stakeholders such as state, regional and county economic organizations. The analysis includes researching the economic effects of Act 44 (including tolling) both generally and upon various sectors of the economy, and identifying potential mitigation measures to off-set those effects.
where reasonably feasible. It is anticipated that the results of the economic analysis will be made available for review by the second round of public meetings, to be held following Phase 1 approval.

The economic impact analysis is focusing on the overall impact of tolling 1-80 on residents and businesses along the corridor. As part of the analysis, the historic and current economic conditions along 1-80 are being studied; in addition, annual revenue by industry type are being reviewed, and what percentage of residents living along the corridor will be paying a toll for their daily commute will be determined. This information will help to inform the development of reasonable mitigation strategies to alleviate adverse economic effects that may occur as a result of the tolling.

1-80 Freight and Goods Movement Corridor. As a subset of the economic impact analysis, the freight sector also is being analyzed. This includes an analysis of the trucking industry to determine what type of impact the tolls will have on the trucking and distribution industry in Pennsylvania and any spin off supporting industry impacts in terms of direct and secondary jobs that could be affected. The study will also identify opportunities to improve or enhance freight flow along the 1-80 corridor.

As part of the freight sector analysis, the Longer Combination Vehicle (LCV) concept is being studied. Currently, LCVs are permitted along 1-80 from Chicago to near the Ohio/Pennsylvania border and along 1-90 through New York and Massachusetts and on 1-87 in New York. Federal legislative action would be required to allow LCVs to travel within Pennsylvania. Allowing LCVs on 1-80 can further bridge the gap between the eastern seaboard and the western ports and it also may help to attract more businesses and industries to employment centers such as the Dubois-Jefferson County Airport Foreign Trade Zone (FTZ). The consultants will coordinate closely with these local plans to identify additional opportunities to enhance operations relative to freight movements.

1-80 Technology Corridor. The Study Team has learned that there is a great interest in making a technological investment along the 1-80 corridor by installing a fiber optic trunk line linking various economic, academic and business sectors. Under current state law, it is unclear whether commercial lines may be installed along limited access highway right-of-way. As part of the economic impact analysis, the PTC’s economic consultants will study the legal and financial feasibility of a fiber optic trunk line or other technology investments, including partnering opportunities, to help determine the overall economic advantage such measures could bring to the region.

Currently there is a project entitled "Wall Street West Project", which involves laying a 110 mile fiber optic cable from Lower Manhattan, New York to East Stroudsburg, Pennsylvania. This project has two components: economic development and workforce development. The economic development
component's goal is to extend synchronous fiber optic connectivity between Northeast Pennsylvania and New York City. A fiber optic line along the I-80 corridor could tie into the Wall Street West Project's East Stroudsburg terminus.

In the Pittsburgh metro area there is a supercomputing gigapop that involves the Pittsburgh Super Computing Center and the Three Rivers Optical Exchange. These two entities encompass major research universities. There is another supercomputing gigapop in the Philadelphia metro area, which is comprised of all the major research universities and scientific centers in the area. The two supercomputing centers could be connected with a private, pristine link through the installation of a fiber optic link along I-80.

Many colleges and universities are clustered along the I-80 corridor. Pennsylvania State University at University Park has built a fiber optic backbone from State College to the Pittsburgh gigapop mentioned above. A connection from the I-80 fiber optic line to Penn State's line would complete the Pittsburgh gigapop connection to the I-80 backbone.

- **Interests of local, regional and interstate travelers** – The trucking industry is the fourth largest employer in Pennsylvania. One out of every 11 workers in Pennsylvania is employed in the trucking industry. In 2000, 12 percent of all state roadway traffic was trucks. Along most of I-80, trucks comprise 25-46 percent of the vehicle count. The average annual daily traffic along I-80, including both cars and trucks ranges between 24,000 and 50,000 vehicles. These statistics confirm I-80's importance as an essential route for the movement of goods and people across Pennsylvania. Based on 2005 data, approximately 25,000 jobs along the I-80 corridor were tied to warehousing and transportation.

Feedback provided during the November 2007 public meetings indicated that people living along I-80 use it frequently for both short and long distance traveling. Local residents use I-80 for various reasons, including travel to work, doctor offices visits, shopping, and school.

Regional travelers use I-80 for travel all across the northern Pennsylvania tier. The northern tier has many popular destinations including Pennsylvania's PA Wilds and recreational skiing. In addition, the eastern portion of I-80 provides a direct route for those people commuting to New Jersey and New York. Therefore, the condition of I-80 is considered vital to the people and businesses using the roadway.

Based on the thorough evaluation of I-80's condition, it is clear that there is a significant need for the rehabilitation and reconstruction of both roadway and bridges. If these improvements are not completed, the condition of I-80 will deteriorate and it will affect local, regional and interstate travel. The 10-Year Capital Plan developed for I-80 stages the rehabilitation and reconstruction activities on I-80 so that these construction activities do not overwhelm the
region. In addition, the designs will allow two lanes of peak-hour travel in each direction for Maintenance and Protection of Traffic (MPT) during construction, avoiding delays caused by single lane travel through construction zones. The long-range capital plan also includes additional operational improvements to facilitate movement of people and goods along I-80.

- **Safety and livability** — Safety and operations improvements such as lengthening of acceleration/deceleration lanes at specific interchanges, replacement of deficient bridges, and other similar operational features are planned as part of the reconstruction and rehabilitation projects. Additional safety and improvement projects will be planned for future years and funded with toll revenues.

To support the PTC’s Incident Management program on the existing Turnpike, the PTC has executed contracts with local emergency response agencies - fire and emergency medical. Such agencies receive an annual stipend and are paid for each call to which they are dispatched. Emergency responders are dispatched through the PTC's central Operation Center which monitors all activities on the Turnpike. This arrangement ensures prompt response to incidents and provides much needed funding for local emergency services. It is intended that a similar arrangement be established for local emergency responders along the I-80 corridor.

As described above, the conversion of I-80 to a toll road and the types of operational improvements being explored as part of the initial toll conversion project would not increase, to any substantial degree, the footprint or ROW of the existing Interstate.

- **Ambient light, noise and air quality levels** — Assuming that the toll facilities are constructed as ORT, the toll conversion will not significantly change traffic speeds and, as a result, noise and air quality impacts are not anticipated to be a substantial issue. Some need for lighting of the toll facilities may be required. Where these facilities are sited near communities, efforts will be made to minimize the intrusion. Berms and landscaping may also be used where appropriate.

- **Sensitive receptors** — In evaluating and determining where to locate toll facilities, sensitive receptors in close proximity to I-80 such as homes, churches, schools; hospitals, libraries, historic sites, parks/recreational facilities, etc., will be taken into account. Where possible, efforts will be made to locate the toll gantries where effects on sensitive receptors will be minimal.

- **Minority and Low-income populations** — Because I-80 will be operated as an open toll road with a limited number of toll facilities, many local trips will not be tolled (an average of one plaza for every 6 interchanges). As part of the more detailed project analysis, minority and low-income populations in the vicinity of I-80 will be identified. The PTC will take into consideration the effect of toll
facilities on minority and low-income populations as toll collection locations are identified.

G. Financial Plan

1. Overview
The PTC has developed a plan of finance for 1-80 that supports the complete reconstruction of the facility over the next 50 years, as well as payment of its annual operating and maintenance expenses. As noted above, the statutory provisions for the ISRRPP state that preference should be given to public toll road operators with demonstrated capability in managing interstate highways, and for that reason, PTC staff will manage 1-80's operations. However, it is contemplated that the highway will be financed by PTC as a separate credit, legally and financially distinct from the existing Mainline Turnpike system. Toll revenues collected on 1-80 will not be commingled with the balance of the PTC's revenues, nor will they be applied to pay any system expenses of the Mainline, or debt service on Mainline toll revenue bonds.

The PTC and its professional advisors have performed preliminary financial modeling, assuming the same level of service and toll rate structure as is being used on the current Turnpike system. Based on the PTC's scheduled 25% Mainline toll increase in FY2009, the initial toll rate for 1-80 upon conversion to a tolled facility (estimated to be the third quarter of 2010) and the corresponding rate for the Mainline would be approximately eight cents per mile for passenger vehicles. The rate for a five-axle commercial vehicle would be 30 cents per mile.

As described above under "Toll and Implementation Plan," the PTC contemplates using up to ten Open Road Tolling gantries spanning the highway at approximately 30-mile intervals across the length of 1-80 within Pennsylvania. There typically will be five or six interchanges between each tolling location. As a result, many of the shorter vehicle trips using local interchanges will remain untolled, and the financial model reflects this trip pattern.

The current financial model contemplates tolls escalating at 3% per year on the Mainline starting in 2010, but the actual toll levels may be lower or higher than this estimate, as needed. A similar 3% annual rate adjustment on 1-80 is anticipated to be sufficient to pay operating and maintenance expenses plus support the full reconstruction of 1-80 over its entire length by 2057. As has historically been the case over the last six decades, the PTC intends to charge the lowest possible tolls consistent with meeting its financial, legal and operational requirements.

Appendices F, G and H illustrate various aspects of the plan of finance for funding the 1-80 reconstruction program and meeting 1-80's annual operating requirements over the next half-century. Appendix F: 1-80 Capital Expenditures and Toll Road Conversion Costs, shows proposed capital expenditures on 1-80 year-by-year over the term of the Lease.
Appendix G: Sources of Funding for Act 44 Transfers shows the average share of total Act 44 cash payments over the term of the Lease anticipated to be made from 1-80 tolls (24%) vs. Mainline Turnpike tolls (76%). And Appendix H: 1-80 Toll Revenues – Uses of Funds shows the average portion of 1-80 toll receipts over the term of the Lease expected to be used to pay 1-80 operating and capital costs and reserves (70%) vs. rental payments to PennDOT (30%).

It should be acknowledged that these long-range projections are necessarily preliminary and conceptual. They are based on various assumptions that the PTC considers reasonable concerning traffic growth, toll adjustments, operating costs, construction inflation, interest rates and other factors. For instance, the model assumes 3% toll increases each year; as a practical matter, the PTC may elect to make larger nominal adjustments every second or third year, averaging 3% per annum. The current traffic projections for 1-80 are preliminary, based on WSA’s Level 1 analytic work to date, and will be refined in their investment grade traffic report in coming months. Nonetheless, this conceptual plan reflects the PTC’s proposed strategy for financing the complete reconstruction of 1-80, paying routine operating and maintenance items, and fulfilling a portion of the funding obligations under Act 44 over the 50-year term of the Lease.

2. Compliance with Federal and State Tolling Provisions
The PTC’s tolling policy will take into account the federal and state limitations regarding the use of 1-80 toll revenues. Consistent with federal statutory requirements for the ISRRPP, all toll revenues derived from 1-80 will be used exclusively for expenses attributable to 1-80. These consist of debt service, pay-as-you-go capital improvements, and operating and maintenance costs of 1-80, including the lease rentals payable by the PTC as lessee to PennDOT as lessor. Although the ISRRPP statute permits toll revenues to be used to pay a return on investment in addition to operations, maintenance and debt service costs, PTC, as a public agency investor in 1-80, does not require this return.

Under Act 44, that portion of operating expenses representing annual lease payments to PennDOT is subordinated to other operating and capital requirements. These payments to PennDOT derived from 1-80 revenues constitute rent under the Lease and represent a valid operating expense, as they would for any leasehold tenant. The Lease Agreement provides that PennDOT limit the use of rent it derives from 1-80 toll revenues (and proceeds of bonds payable from such revenues or Motor License Fund revenues) to highway and bridge purposes. All such moneys are to be deposited in the Motor License Fund, and none of it may be deposited in the Commonwealth’s Public Transportation Trust Fund for transit purposes. This provision ensures that the rental income PennDOT receives from 1-80 will be used exclusively for Title 23 purposes, in compliance with Title 23, section 156 (relating to sale and lease income). Section 156 of Title 23 encourages states to collect rental payments from operators of leased property, but stipulates that lessors such as PennDOT may only use the federal share of this rental income for purposes eligible under Title 23.
It is anticipated that the Section 129 Agreement by and among FHWA, PennDOT and the PTC will contain similar provisions regarding the application of rent received by PennDOT exclusively for Title 23 purposes.

3. Capital Expenditures on 1-80
Most governmental issuers prepare five-to-ten year capital plans, recognizing the high degree of uncertainty in forecasting the out-years. For example, the PTC uses a 10-year Capital Plan for its Mainline system investment planning, and annually refreshes its projections based on the latest information. It is contemplated that the financial model for 1-80 similarly will be updated every year.

Appendix F—1-80 Capital Expenditures and Toll Road Conversion Costs lists proposed capital expenditures on 1-80 over the next 50 years. It shows the two sources (bond proceeds and current revenues) that would be used to fund year-of-expenditure capital outlays sustained in "real" (2008) dollars at $200 million per year, assuming four percent annual construction inflation.

Over the first ten years (FY2009-2018), the PTC plans to invest approximately $2.5 billion dollars in reconstructing 1-80. (This figure does not include I-80’s annual operating expenses, estimated at $90 million/year in 2008 dollars.) Of this amount, approximately $2.1 billion would be debt financed (Column D), and $400 million would be pay-as-you-go funded (Column G). In addition, the PTC would fund $223 million of one-time conversion costs for dedicated maintenance facilities, vehicle fleet, toll equipment, etc. (Column B). Indicative projects that would be undertaken are listed in Appendix D (1-80 Capital Plan—First Decade). The specific phasing of individual capital projects will be affected by various project management considerations, and cannot be predicted with certainty.

This same level of reconstruction investment is proposed to be maintained over the term of the Lease. Over 50 years, the PTC would fund $21.6 billion of long-term improvements with bond proceeds, and $8.8 billion of improvements with current revenues. This allocation between debt financing and pay-as-you-go for capital purposes (71%-29%) is similar to the Mainline (65%-35%). It should be noted that the model assumes that every three years the PTC will issue a series of 35-year toll revenue bonds. To continue this strategy, it would be necessary for the General Assembly by the year 2022 to authorize PTC’s issuance of 1-80 toll revenue bonds extending beyond 2057, or develop an alternative funding strategy.
Table 3: Funding Strategy for 1-80 Reconstruction Costs under Act 44*
(Nominal $ in millions)

<table>
<thead>
<tr>
<th>Period</th>
<th>Debt-Financed</th>
<th>Pay-As-You-Go</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2009-2018</td>
<td>$ 2,086</td>
<td>$ 411</td>
<td>$ 2,497</td>
</tr>
<tr>
<td>FY 2019-2057</td>
<td>$ 19,485</td>
<td>$ 8,351</td>
<td>$ 27,836</td>
</tr>
<tr>
<td>Total over Term of Lease</td>
<td>$ 21,571</td>
<td>$ 8,762</td>
<td>$ 30,333*</td>
</tr>
</tbody>
</table>

* Capital spending is based on $200 million per year in 2008 dollars, escalated at 4% per annum. First five years are debt financed; thereafter $140 million/year is debt-financed and $60 million/year is pay-as-you-go. Totals exclude $222.7 million in one-time tolling conversion costs.

4. Determination of I-80-Funded Annual Rent

The PTC has several sources available to it to satisfy its annual funding obligations under Act 44:

- Current revenues of the Mainline Turnpike;
- Proceeds of Subordinate Mainline toll revenue bonds ("Mainline Monetization Bonds");
- Proceeds of Guaranteed Subordinate toll revenue bonds ("Motor License Fund, Bonds" or, as defined in Act 44 "Special Revenue Bonds");
- Current revenues of 1-80, payable as rent;
- Proceeds of Subordinate 1-80 toll revenue bonds, payable as rent ("I-80 Monetization Bonds")

The funding strategy for meeting Act 44 payments funded from these various Mainline and 1-80 sources will vary from year-to-year, depending upon traffic levels, spending requirements and numerous other factors. Each year, as the PTC updates its financial projections, it will determine the respective contributions from the two tolled facilities. For example, for FY2008, the PTC funded the $750,000,000 due under Act 44 entirely from Mainline borrowings and/or current Mainline revenues, as no 1-80 toll revenues are being generated.

Under the current financial model, it is anticipated that, over the 50-year term of the Lease, 1-80 will fund about one-quarter of the cash payments due under Act 44, and that the Mainline will fund about three-quarters. (See Appendix G--Sources of Funding for Act 44 Transfers). The table below summarizes these figures.
Table 4: Sources of Funding for Act 44 Transfers — Mainline vs. 1-80  
($ in millions)

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
<th>% of Total*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1-80 Cash Contributions</strong>:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Revenues</td>
<td>$10,911</td>
<td></td>
</tr>
<tr>
<td>Monetization Bond Proceeds</td>
<td>5,670</td>
<td></td>
</tr>
<tr>
<td><strong>Total 1-80 Sources</strong></td>
<td>$16,581</td>
<td>24.4%</td>
</tr>
<tr>
<td><strong>Mainline Cash Contributions</strong>:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Revenues</td>
<td>$38,112*</td>
<td></td>
</tr>
<tr>
<td>Gtd. Subordinate (Motor License Fund) Bond Proceeds</td>
<td>5,000</td>
<td></td>
</tr>
<tr>
<td>Monetization Bond Proceeds</td>
<td>8,128</td>
<td></td>
</tr>
<tr>
<td><strong>Total Mainline Sources</strong></td>
<td>51,240</td>
<td>75.6%</td>
</tr>
<tr>
<td><strong>Total Cash Payments under Act 44</strong></td>
<td>$67,821</td>
<td>100.0%</td>
</tr>
<tr>
<td>1-80 Cost Savings</td>
<td>15,553</td>
<td></td>
</tr>
<tr>
<td><strong>Grand Total—Act 44 Financial Assistance</strong></td>
<td>$83,374</td>
<td></td>
</tr>
</tbody>
</table>

* Does not include legislatively-stipulated "1-80 Cost Savings," which are an expense reduction to DOT resulting from removing 1-80 from the Motor License Fund, rather than a cash payment of rent.

5. Long-Term Cash Flow Projection for 1-80

Appendix H—1-80 Toll Revenues: Annual Use of Funds shows a pro-forma cash flow projection of annual 1-80 toll revenues and how they are anticipated to be applied through 2057. It differs from Appendix G in that it deals with 1-80 only, and shows the debt service (principal and interest payments) on bonds payable from 1-80 toll revenues, not the use of the bond proceeds. In this way, it presents a clearer picture of how tolls paid by 1-80 users are applied each year to purposes such as maintenance, rent, capital-related debt service, etc. It arrays the cost elements in order of priority as they would be structured under a future 1-80 trust indenture. Toll revenues are first applied to meet ongoing operating and maintenance costs, next pay capital-related debt service, then fund pay-as-you-go 1-80 capital outlays, with Act 44 payment obligations being subordinated. Approximately 60% of tolls are used for non-lease operating expenditures, capital-related debt service and pay-as-you-go improvements, and approximately 30% are used for rent (direct cash transfers or debt service on "Monetization Bonds" used to pay rent.) The balance (10%) represents projected residuals and reserves that could be used for other 1-80 purposes, such as capacity expansion.

Table 5: Projected Use of 1-80 Toll Revenues over 50-Year Term of Act 44 ($ in millions)

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>For O &amp; M, Pay-as-You-Go &amp; Capital Debt Service</td>
<td>$46,268</td>
<td>59.7%</td>
</tr>
<tr>
<td>For Act 44 Cash Transfers and Monetization Debt Service</td>
<td>23,401</td>
<td>30.2%</td>
</tr>
<tr>
<td>Cumulative Ending Balance (Available for other 1-80 Projects)</td>
<td>7,846</td>
<td>10.1%</td>
</tr>
<tr>
<td><strong>Total 1-80 Toll Revenues</strong></td>
<td>$77,515</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
The financial model demonstrates that the PTC should be able to meet 1-80 operating requirements, including rent payments, while funding a complete reconstruction of the facility over the life of the Lease.

H. Consultation Strategy with Metropolitan and Rural Planning Organizations

The 1-80 corridor starting from the Ohio border traverses the counties (proceeding west to east) of Mercer, Venango, Butler, Clarion, Jefferson, Clearfield, Centre, Clinton, Union, Northumberland, Montour, Columbia, Luzerne, Carbon and Monroe. There are five metropolitan areas within or close to 1-80. The five affected Metropolitan Planning Organizations (MPOs) are the Shenango Valley MPO in Mercer County, the Southwestern Pennsylvania Commission for Butler County, the Centre Region MPO in Centre County, the SEDA-Council of Governments for Clinton, Union, Northumberland, Montour, and Columbia Counties, and the Scranton/Wilkes Barre MPO in Luzerne County. All other counties are within the jurisdiction of Rural Planning Organizations (RPOs). These include the Northwest RPO for Venango and Clarion Counties, the North Central RPO for Jefferson and Clearfield Counties, the SEDA COG RPO for Clinton, Union, Northumberland, Montour and Columbia Counties, and the Northeastern Pennsylvania Alliance RPO for Carbon and Monroe Counties.
In the process of enacting Act 44, there were extensive discussions throughout the Commonwealth, including legislative hearings, regarding the best mechanism for funding Pennsylvania's transportation infrastructure. Shortly after Act 44 was signed into law, the PTC initiated studies on the I-80 toll conversion project which were presented to the leaders of the MPOs and RPOs at a statewide coordination meeting hosted by PennDOT on October 3, 2007 in Altoona. This PTC presentation enabled representatives of the PTC and PennDOT to jointly continue discussions with planning organizations that adjoin or cross the I-80 corridor to share preliminary information related to the conversion of I-80 to a toll facility. A similar briefing was then presented at each of the nine affected MPOs and RPOs, including the general criteria that would be used in determining the locations, as well as the anticipated toll rates per mile. A copy of the PowerPoint presentation is attached as Appendix I.

As described in the Public Outreach section below, the PTC and PennDOT intend to continue to proactively involve all project stakeholders in the efforts to convert I-80 to a toll road, including the nine MPOs and RPOs. Meetings have been scheduled for July and August, 2008 to discuss potential toll gantry locations, the toll pricing schedule, traffic diversion information and the capital plan detailing the proposed roadway and bridge rehabilitation and reconstruction work. A list of dates and locations is included as Appendix L.

I. Public Outreach

The PTC and PennDOT recognize that a proactive public outreach program is a critical component of the project development process for the I-80 toll conversion project. As a partner with PennDOT and new neighbor to the I-80 corridor communities, the PTC looks forward to building relationships with local stakeholders, including residents, public officials, community leaders, businesses, MPOs/RPOs, resource agencies, motorists, the trucking industry, the general public, emergency service providers and others. As a result, the PTC and PennDOT have developed a Public Outreach Plan that provides many opportunities for the public and other stakeholders to become involved as plans are developed to convert I-80 to a toll road.

The PTC and PennDOT officials have heard the concerns of the communities since the passage of Act 44 and are fully committed to meeting with the communities and continuing the dialogue as the conversion project progresses. By reaching out with public surveys and meetings, a meaningful dialogue with, among others, motorists, residents, businesses and MPOs/RPOs along the corridor can be established, and concerns can be addressed.

PennDOT and the PTC have held more than 50 public outreach meetings with residents and business owners, local officials, and representatives of economic development organizations along the I-80 corridor. The list of public outreach meetings attended by the PTC representatives is attached as Appendix K. The PTC held public meetings during November, 2007 in Grove City, DuBois, Clarion, Clearfield, Bellefonte, Milton, White
Haven, East Stroudsburg and Bloomsburg. A public officials briefing took place prior to each public meeting. An executive summary of comments from these meetings is attached as Appendix J. In addition, the PTC maintains an Advisory Committee that includes state legislators and welcomes one-to-one coordination meetings as requested.

The public involvement tools and techniques that are currently being used, or will be initiated by the PTC include, but are not limited to:

- A Project website (www.paturnpike.com/I-80) which provides information and an opportunity for visitors to comment (32,800 "unique" visitors and more than 1,000,000 "hits" to date)
- Informational meetings with local newspapers and television stations in communities adjoining the I-80 corridor
- Quarterly reports to the chairs of the Pennsylvania House and Senate Transportation Committees as required by Act 44 (three reports have been issued to date)
- Filing of Annual Financial Plan with the Secretary of Budget
- Legislative briefings with State Senators and Representatives whose districts adjoin I-80
- Public meetings – at key locations along the corridor – to provide information and solicit input (first round was held in November 2007 with a second round slated following Phase 1 approval)
- Rest Area Information Stations
- County/Municipal Information Stations and Television/radio appearances
- Legislative Advisory Committee – consists of federal and State House and Senate members whose districts are adjacent to or crossed by I-80 (one meeting held to date)
- I-80 Speakers Panel – speakers can be requested by visiting the project website
- Newsletters
- Community events
- Press releases
- Fact sheets – for distribution and posting on the project website
- Frequently Asked Questions and 'Answers – for distribution or posting on the project website

As part of the public outreach efforts, documentation has been and will continue to be prepared identifying how the plan for converting I-80 to a toll facility has taken into account the interests of local, regional and interstate travelers. The PTC and PennDOT’s goal is to help communities understand and manage this fundamental change in how users pay for maintaining and improving the Commonwealth’s transportation facilities, and how Commonwealth transportation funding is being secured for the long term.
J. Timetable

The following is a list of the actual dates and target dates of the key milestones involved in tolling 1-80:

- Act 44 signed into law: July 18, 2007
- Expression of Interest submitted: August 17, 2007
- Phase I Application submitted: October 13, 2007
- Lease and Funding Agreement executed: October 14, 2007
- Community Meetings along 1-80 Corridor: November, 2007
- Announce Capital Plan for 1-80: July 14, 2008
- Consultations with MPO/RPOs on Tolling: July 15-August 4, 2008
- Receipt of Phase I Approval from USDOT: Fall, 2008
- Final design of toll plazas and other improvements for toll conversion: August 2009
- NEPA Requirements and Phase 2 Approval: Summer 2009
- Issuance of I-80 toll revenue bonds: Summer 2009
- Construction and toll collection begins: August 2009-July 2010
VI. SUMMARY

This amended application presents the Commonwealth of Pennsylvania's innovative plan for reconstructing and rehabilitating 1-80 and executing the legislative intent of Act 44 in addressing Pennsylvania's critical unfunded transportation needs. As one of Pennsylvania's two statewide east-west Interstates, a properly maintained 1-80 is vital to the economy of the Commonwealth. Tolling 1-80 will enable the Commonwealth to more than triple the current level of capital investment in the facility supportable from existing resources.

The plan to toll 1-80 was enacted by the state legislature and approved by the Governor as a public-public partnership to be carried out by the PTC in cooperation with PennDOT. Act 44 draws upon the best features of private enterprise (new revenue streams, market-based pricing, innovative financing) and public enterprise (continuing governmental stewardship, tax-exempt cost of capital, balancing of financial and transportation policy considerations). The proposal moves transportation funding away from the traditional solution of increasing fuel taxes and seeks to establish a direct pricing system where users are treated as customers who can make informed decisions regarding their use of the facility. The purpose of the tolls is not to divert those customers to other facilities but to reinvest the toll revenues to provide a high quality product that the customer will see as an exceptional value.

The PTC—the nation's first statewide tolling agency, and one of its largest—will operate the facility efficiently and make the needed investments to fully reconstruct and rehabilitate 1-80 over the term of the Lease. The PTC will undertake the project in cooperation with PennDOT and FHWA, with ongoing input from local, regional and interstate travelers and other stakeholders.

Converting 1-80 to a tolled facility under the ISRRPP will:

- Provide a sizeable and robust capital program by increasing annual funding for the facility during the first ten years from approximately $60 million today to an average of $250 million.
- Fund a necessary rehabilitation and reconstruction program that ensures over the 50-year Lease term that all original roadway and bridges will be reconstructed from the ground up.
- Generate a continuing inflation-adjustable revenue source for the facility for five decades.
- Offer a high quality, safe facility that meets the needs of travelers and commerce.
- Implement a state of the art open road tolling facility that meets current tolling needs and provides flexibility for future needs such as congestion pricing.

In summary, we believe this application for tolling and reconstructing I-80 meets all the selection criteria for approval under the ISRRPP. I-80 has large, well-documented reconstruction needs that cannot be met from existing funding sources. Pennsylvania is committed to the plan, as evidenced by the General Assembly having enacted the necessary enabling legislation and PennDOT and the PTC having executed a lease agreement for the facility. The project was specifically referenced by Congress in the conference report for TEA-21 establishing the program. We believe we have satisfied all of the relevant statutory criteria and guidelines. The final step needed in order to implement the program is receiving designation from USDOT as one of the pilot projects under the ISRRPP.

PTC and PennDOT look forward to partnering with USDOT on this important initiative.

APPENDICIES

A  1-80 Roadway Needs and First Decade Projects
B-1 1-80 Bridge Needs and First Decade Projects
B-2 1-80 Bridge Long-Term Needs and Inventory
C 1-80 Interchange and Ramp Needs and First Decade Projects
D 1-80 Capital Plan – First Decade
E 1-80 Capital Plan – First Decade – Mapping
F 1-80 Capital Expenditures and Toll Road Conversion Costs
G Estimated Sources of Funding for Act 44 Transfers
H 1-80 Toll Revenues: Annual Use of Funds
I Sample PowerPoint Used at MPO/RPO Meetings
J Public Meeting Executive Summary
K 1-80 Public Outreach Meetings
L Summer 2008 MPO/RPO consultations