

Report to the Urban Land Institute on the Financing  
of the  
Mon/Fayette and Southern Beltway Toll Roads

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## **Executive Summary**

### **Pennsylvania Turnpike System**

The Pennsylvania Turnpike Commission (PTC) was created in 1937. A five-person board appointed by the Governor and approved by the Senate governs the Commission. One of the members is the Secretary of Transportation. The current system of toll roads maintained and operated by the PTC includes: the 357 mile Turnpike Mainline running across the state from east to west; the 110-mile Northeast Extension on the east side of the state; the 16 mile James E. Ross Highway (Beaver Valley Expressway) on the west side of the state; the mile Amos K. Hutchison Bypass near Greensburg; and two unconnected sections of the Mon/Fayette Expressway totaling 35 miles.

### **Mon/Fayette Expressway and Southern Beltway Toll Roads**

Act 61 of the Pennsylvania Legislature in 1985 directed the PTC to construct the Mon/Fayette Expressway and several other projects, including the James E. Ross Highway (completed in 1992 for \$240 million) and the Amos K. Hutchison Bypass (completed in 1993 for \$271 million). The completed portions of the Mon/Fayette Expressway opened in stages from 1995 to 2002 and cost \$933 million. Two projects are under construction: the Findlay Connector between the Pittsburgh Airport and Route 22, the first segment of the Southern Beltway (\$181 million to date); and a third 15 mile segment of the Mon/Fayette Expressway (\$108 million to date) near Brownsville. The PTC estimates that \$3.5 billion is needed to complete the Mon/Fayette Expressway and Southern Beltway Toll Roads, the costliest segment of which is the Route 51 to I-376 connection from Clairton to Pittsburgh and Monroeville at \$2.4 billion.

The issuance in January 2006 of a Record of Decision (ROC) by the FHWA for the Mon/Fayette Expressway Toll Road segments from Clairton to Pittsburgh and Monroeville cleared the way for the PTC to commit \$250 million for final engineering and right-of-way acquisition. However, the PTC has not identified funds for future construction.

### **State Financing of the Mon/Fayette Expressway and Southern Beltway Toll Roads**

The PTC has three sources of funds: toll revenue, which is solely dedicated to the maintenance and operation of the existing toll roads; the Oil Company Franchise Tax; and Vehicle Registration Fees. The latter two are the primary sources of design and construction funding for the Mon/Fayette Expressway and Southern Beltway Toll Roads. Act 26 of 1991 and Act 3 of 1997 of the state legislature directed a portion of the Oil Franchise Tax (Act 26) and the Vehicle Registration Fee (Act 3) to be used by the PTC for this purpose. These two allocations provide \$66 million annually to pay for revenue

bonds that have funded the Mon/Fayette Expressway and Southern Beltway Toll Roads to date and approximately \$18-20 million in additional Oil Company Franchise Tax funds. For the next 25+ years, no state bonding capacity remains for the \$3.5 billion needed to complete the system.

This year, State House Bill 2468 allocates \$675,000 to three segments of the Mon/Fayette Expressway and Southern Beltway Toll Roads for minor construction items.

In the 2001, the PTC submitted a financing plan to the Southwestern Pennsylvania Commission (SPC) that included \$1.4 billion in projected state legislated funds from the General Revenue. Discussions with state legislators indicates that such state funding is not programmed or likely in the near or long term for the \$3.5 billion now estimated in 2006.

This large unfunded shortfall must also be measured against current statewide and regional needs for other critical transportation projects, including the Governor's State Highway and Bridge Reconstruction Program for 2006-2007 of \$1.9 billion and the SPC Transportation Improvement Program (TIP) for 2005-2008 of \$1.6 billion, neither program projects construction funding for the Mon/Fayette Expressway and Southern Beltway Toll Roads.

### **Federal Financing of the Mon/Fayette Expressway and Southern Beltway Toll Roads**

Federal financing of the Mon/Fayette Expressway and Southern Beltway Toll Roads has been minimal and limited to non-construction related "earmarks" from three appropriation bills: \$24 million from ISTEA (1991); \$25.0 million from TEA-21; and \$6.7 million from SAFETEA-LU (2005-2009). A \$7 million grant was received from the Federal Highway Administration (FHWA) in 1999 from the General High-Priority Corridor Funds. Discussion with federal highway officials and federal legislators indicates that future Federal sums of any significance beyond that already expended are going to be very difficult to procure.

In addition, because of the problems associated with the Big Dig in Boston, there is now increased scrutiny of federal funding for highway construction projects of \$1 billion or more. In 2000 a FHWA Major Projects office was created to review and approve the financing plans of all such mega-projects that use federal funds for construction. According to the guidelines " . . . financial plans will not be accepted if they include a state or local revenue source requiring future legislative action." As noted above, the 2001 financing plan included \$1.4 in future state legislated funds. The Mon/Fayette Expressway and Southern Beltway Toll Roads financing plan therefore has not been submitted for approval to FHWA.

## **Privatization**

Recent discussions in Harrisburg and newspaper articles have introduced the concept of privatization of public highways as a source of revenue to the state and as a means to finance new highway construction. Privatization is a relatively new financing model internationally whereby private investment companies purchase or lease existing toll roads and bridges and free access public highways from government entities. The private group then operates the toll facilities or converts the free roads into toll roads to finance the purchase and to operate and maintain the facilities. At this point, privatization has not been proposed for the construction of new facilities such as the uncompleted sections of the Mon/Fayette Expressway and Southern Beltway Toll Roads.

## **Summary**

There is an unfunded shortfall of \$3.5 billion to complete the Mon/Fayette Expressway and Southern Beltway Toll Roads. The bonding capacity of the PTC for construction of the Mon/Fayette Expressway and Southern Beltway Toll Roads has been largely tapped out for the sections already built. No other source of significant funding exists at the state or federal level except for the small earmarks listed above, which since 1991 have totaled \$61 million, nor does privatization appear to offer a viable alternative.

## **I. Purpose and Methodology**

CONSAD Research Corporation was engaged to assist the Urban Land Institute to examine and bring increased transparency to the funding for the Mon/Fayette Toll Road, with respect to the final and most costly proposed segment, the link between Route PA 51 and the City of Pittsburgh. This report will review the history of the Turnpike, the Mon/Fayette and Southern Beltway Toll Roads, funding mechanisms, and describe the current situation.

CONSAD conducted this study through Internet literature searches, as well as interviews in- person, by telephone, or by e-mail of responsible individuals or organizations. Every effort was made to use authoritative source documents that could be easily located and accessed, rather than relying upon secondary accounts.

Interviews were held with representatives of the following organizations:

- Federal Highway Administration, Major Projects Office
- Governors' Commission on Transportation
- Office of U.S. Congressman Mike Doyle
- Office of State Representative Rick Geist
- Office of U.S. Congressman Tim Murphy
- Office of U.S. Congressman John Murtha
- Office of U.S. Senator Rick Santorum
- Office of U.S. Senator Arlen Specter
- Office of State Senator Barry Stout
- Pennsylvania Department of Transportation
- Pennsylvania Turnpike Commission
- Southwestern Pennsylvania Commission
- U.S. Senate Subcommittee on Transportation and Infrastructure

## **II. Pennsylvania Turnpike Commission**

The Pennsylvania Turnpike Commission (PTC), created in 1937, had an initial mission of building a 160-mile road from Middlesex, west of Harrisburg, to Irwin. The road used the tunnels and some right-of-way intended for a railroad started in the 1880's and later abandoned.

“Since bankers were skeptical of supporting the unproven nature of a toll superhighway, the project wound up being financed by a loan from the New Deal's Reconstruction Finance Corporation for almost \$41 million at 3.75 percent. The WPA would also provide another \$29 million in grants”<sup>1</sup>

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<sup>1</sup> *The History of the Pennsylvania Turnpike*, <http://www.paturnpike.com/geninfo/history/history.aspx>

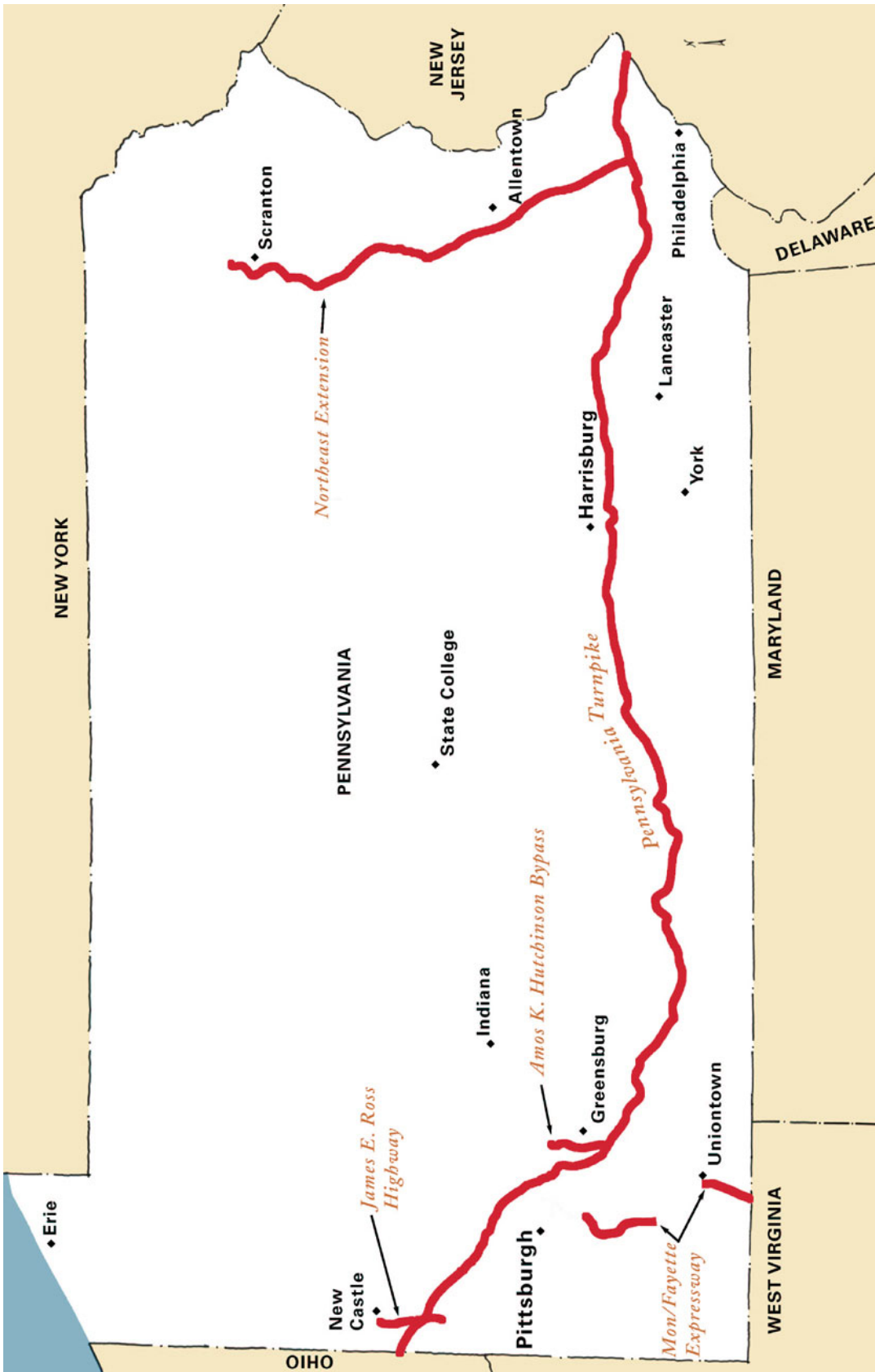


Figure 1: Pennsylvania Turnpike System

The Commission is composed of five members, one of whom is the Secretary of Transportation. Any vacancy, other than the Secretary, is filled by appointment of the Governor with the advice and consent of two-thirds of the Pennsylvania Senate. Current members of the Commission are:

- Mitchell Rubin, Chairman
- Timothy Carson, Vice Chairman
- J. William Lincoln, Secretary/Treasurer
- Pasquale T. Deon Sr., Commissioner
- Allen D. Biehler, Commissioner<sup>2</sup>

The Commission has three principal revenue streams. The first revenue source is the tolls and other revenues associated with the operation of the turnpike system, which is presently dedicated to maintenance and upgrades of the system; the second is the Oil Company Franchise Tax; and the third is the allocation directed to the PTC from vehicle registrations. Portions of the latter two sources are dedicated to the construction of the Mon/Fayette and Southern Beltway toll roads and are largely tapped out.

“The Pennsylvania Turnpike System was constructed and opened to traffic in sections. The original Turnpike Mainline segment between Irwin and Carlisle, Exits 7 through 16, was opened in 1940. Ten years later the 100-mile section between Carlisle and King of Prussia, Exits 16 through 24, was completed and opened. After 1950, construction of new segments occurred at more frequent intervals with the Turnpike Mainline segment in service as of May 1956”<sup>3</sup>

“The present Pennsylvania Turnpike System is composed of a 357-mile Turnpike Mainline traversing the southern portion of Pennsylvania from east to west and a 110-mile north-south section identified as the Northeast Extension. A north-south connection known as the [James E. Ross Highway] Beaver Valley Expressway is approximately 16 miles in length and intersects the Turnpike Mainline in the southwest portion of the Commonwealth. The Amos K. Hutchinson Bypass is approximately 13 miles in length and adjoins the Turnpike Mainline near the New Stanton Interchange.”<sup>4</sup>

A list of PTC system-wide completed construction projects is attached (Appendix 1).

### **III. Mon/Fayette and Southern Beltway Toll Road Background**

The PTC describes the system as follows: “The Mon/Fayette Expressway system under construction by the Pennsylvania Turnpike Commission consists of four independent, stand-alone segments. The projects, as described by the PTC, in order from south to north are:

- I-68 to PA 43,

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<sup>2</sup> Official Statement Registration Fee Revenue Refunding Bonds, Pennsylvania Turnpike Commission, August 11, 2005; page 42

<sup>3</sup> Official Statement Registration Fee Revenue Refunding Bonds, Pennsylvania Turnpike Commission, August 11, 2005; page 44

<sup>4</sup> Official Statement Registration Fee Revenue Refunding Bonds, Pennsylvania Turnpike Commission, August 11, 2005; page 43



- Uniontown to Brownsville,
- I-70 to PA 51,
- PA 51 to I-376.

In addition to the four segments for which the PTC has construction responsibility, the road has two portions constructed by the Pennsylvania Department of Transportation: the California segment of PA 43 and the PA 43 Chadville demonstration project. The segment from I-68 to the Pennsylvania border is being constructed by the West Virginia Department of Transportation. “Existing expressways at the southern end of the California Toll Road (Pa. Route 88) and at the northern end of the Chadville project (U.S. Route 119) also would serve as parts of the Mon/Fayette Expressway ...”

“The Southern Beltway consists of three independent projects that also would address local needs and work together as a circumferential highway south and west of the Pittsburgh urban core.”<sup>5</sup> These segments are described by the PTC as:

- I-79 to Mon/Fayette,
- US 22 to I-79,
- PA60 to US 22. (Findlay Connector)

The Findlay Connector is nearing completion.

Act 61<sup>6</sup> of the Pennsylvania legislature, signed into law on September 30, 1985, identified the Mon/Fayette Toll Road and other major projects and directed the Turnpike Commission to construct those projects. Included were the James E. Ross Highway (Beaver Valley Expressway), started in October 1989 and completed November 1992 at a cost of \$240 million; and the Amos K. Hutchinson Bypass which began construction in August, 1990 and was completed December 1993 at a cost of \$271 million.

### **Timeline for Mon/Fayette and Southern Beltway Toll Road Construction**

Initial construction by the PTC in June 1988 was to complete the remaining PA 43/88 segments near California, PA begun by the Pennsylvania Department of Transportation (PENNDOT). These were completed in October 1990.

It was apparent that the PTC would not be able to complete the Act 61 projects without additional financial assistance. Act 26<sup>7</sup> of 1991 directed the PTC to construct the

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<sup>5</sup> Pennsylvania Turnpike Commission, <http://www.paturnpike.com/monfaysb/overview.html>; March 23, 2006;

<sup>6</sup> Act 61, Senate Bill 441, <http://www.legis.state.pa.us/WU01/LI/LI/CL/ACT/19850.HTM>

<sup>7</sup> Act 26, House Bill 840; <http://www.legis.state.pa.us/WU01/LI/LI/CL/ACT/19910.HTM>



Figure 2: Schematic Map of the Mon/Fayette and Southern Beltway Toll Roads

Southern Beltway and provided the Pennsylvania Turnpike Commission (PTC) with funds from the *Oil Company Franchise Tax for Highway Maintenance and Construction*: 14 percent of a 55 mill increase in the tax. At that time, the tax generated approximately \$40 million per year for the PTC.

Farther south, construction on a four-mile, non-tolled PA 43 Expressway began in 1991 by the Pennsylvania Department of Transportation (PENNDOT) and opened in November 1992 as the Chadville Demonstration Project funded by the Federal government under provisions of the “Surface Transportation and Uniform Relocation Assistance Act of 1987”.<sup>8 9</sup> A Federal earmark of \$2 million was received to assist in the completion under provisions of ISTEA.

The next section of roadway to be initiated was the ‘Mason-Dixon Link’ that began at the state border and connected with the PA 43 Chadville Demonstration Project. Work began on this 8-mile portion in November 1994 and was completed in March 2000 at a cost of \$132 million. The southern-most portion of the Mon/Fayette was now completed in Pennsylvania, awaiting the West Virginia connection to I-68.

Again came the realization that funds were needed to continue construction. “Act 3<sup>10</sup> of 1997 provided the Commission with an additional \$28 million per year from vehicle registration revenues. These revenue streams were established to assist the Commission in designing, constructing, and operating new toll roads outlined in amendments to Act 211<sup>11</sup> enacted by the General Assembly in 1985”.<sup>12</sup>

The I-76 to PA 51 portion of the road was completed in two segments: the 4-mile I-70 to Coyle Curtain Road begun in June 1997 and completed in May, 2001 for \$90 million, and the 13-mile Coyle Curtain to PA 51 section which was begun in September 1997 and opened to traffic April 12, 2002, at a cost of \$604 million.

The Southern Beltway design and environmental studies for the PA 60 to US 22 segment, also known as the Findlay Connector, were also in progress at that time. “The Turnpike received environmental clearance (Record of Decision) from the Federal Highway Administration for the Findlay Connector on May 11, 1998.”<sup>13</sup> Construction, which began in 2002, will be completed in 2006 at an estimated cost of \$277 million. The remaining two segments are still in study and design stages with right-of-way acquisition and construction to be initiated during the next three years.

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<sup>8</sup> PTC website Mon/Fayette & Southern Beltway Projects Overview; <http://www.paturnpike.com/MonFaySB/overview.html>; April 22, 2006

<sup>9</sup> Selected Provisions Of The Surface Transportation And Uniform Relocation Assistance Act Of 1987 (Public Law 100–17) <http://www.house.gov/transportation/highway/compilations/STURA87.PDF>; April 21, 2006

<sup>10</sup> Act 3, House Bill 67, <http://www.legis.state.pa.us/WU01/LI/LI/CL/ACT/19970.HTM>

<sup>11</sup> Pennsylvania Turnpike Commission Act, 1937

<sup>12</sup> Pennsylvania Auditor General, <http://www.auditorgen.state.pa.us/archives/Performance/Turnpike5-1-03.pdf>; March 23, 2006

<sup>13</sup> PTC website, <http://www.paturnpike.com/monfaysb/60to22/60to22.htm>, April 24, 2006

The PA 51 to I-376 portion of the Mon/Fayette received its final environmental clearance from the FWHA with the issuance of a Record of Decision in January 2006, allowing the PTC to proceed with final design and right-of-way acquisition.

In March of this year construction began on the first of two phases in the 15-mile Uniontown to Brownsville segment of the Mon/Fayette.

### Summary of Expenditures

Through March 2006 the PTC has spent over \$1.1 billion toward the completion of the Mon/Fayette and Southern Beltway Toll Roads.

**Table 1: Mon/Fayette & Southern Beltway Toll Road Expenditures Through 3-16-06**

<b>Mon/Fayette Toll Road</b>	
West Virginia to Uniontown	\$156,813,274
Uniontown to Brownsville	\$108,789,598
I-70 to PA Route 51	\$616,715,720
PA Route 51 to I-376	\$51,911,124
Mon/Fayette General	\$29,906,947
<b>Total through 3-16-06</b>	<b>\$964,136,663</b>
 <b>Southern Beltway Toll Road</b>	
PA 60 to US 22	\$181,634,285
US 22 to I-79	\$8,523,019
I-79 to Mon/Fayette	\$11,389,691
Southern Beltway General	\$15,066,949
<b>Total through 3-16-06</b>	<b>\$216,613,944</b>
 <b>Total Expenditures, both roads</b>	 <b>\$1,182,448,555</b>

Note: Additional details are found in Appendix 2.

### Summary of Funding To Date

The PTC website reports that "...nearly \$61 million in Federal funds have been earmarked<sup>14</sup>" for the road. This includes the most recent additions \$6.7 million earmarked under the SAFETEA-LU legislation:

- \$4.0 million for the Uniontown to Brownsville section of the Mon/Fayette,
- \$0.3 million for U.S. 22 to I-79 Section of Southern Beltway,
- \$1.2 million for U.S. 22 to I-79 Section of Southern Beltway, and
- \$1.2 million for the I-79 to Mon/Fayette Section of Southern Beltway<sup>15</sup>.

The principal Federal funds in previous years were:

- ISTEA (1991): \$23.8 million

<sup>14</sup> April 2, 2006; <http://www.paturnpike.com/monfaysb/overview.html>

<sup>15</sup> Public Law 109-59 109th Congress; April 1, 2006; [http://frwebgate.access.gpo.gov/cgi-in/getdoc.cgi?dbname=109\\_cong\\_public\\_laws&docid=f:publ059.109](http://frwebgate.access.gpo.gov/cgi-in/getdoc.cgi?dbname=109_cong_public_laws&docid=f:publ059.109)

- TEA-21 (1998): \$25.0 million
- FHWA (1999): \$7.0 million in general high-priority corridor funds<sup>16</sup>

Current communication with the PTC indicates, "...projections show revenues totaling approximately \$1.9 billion by year 2009 and existing commitments of \$1.882 billion. There has been some bond refinancing in 2003 and 2005 and the Oil Franchise Tax [revenue] has increased from \$41.2 million in 2003 to an anticipated \$54.7 million in 2005 ... The average wholesale price of gasoline is at the maximum of \$1.25 per gallon [for taxation] so if volume remains the same, the income should stay at about \$57 million. The amount varies from year to year depending on the average wholesale price of gas per gallon and the amount of fuel sold in Pennsylvania. Current average price of [wholesale] gasoline is \$1.61 per gallon. Also, interest on bond proceeds has added to existing revenues. With interest rates heading up recently that component should also increase."<sup>17</sup>

#### **IV. Federal Restrictions on Major Highway Projects**

The FHWA Major Projects office was created to provide Federal oversight and guidance to Federally funded highway projects of more than \$1 billion. "Finance Plans have been required for Major Projects since the enactment of TEA-21. FHWA issued Financial Plan Guidance in May 2000 implementing the TEA-21 requirements... Finance Plans for Major Projects shall continue to be developed by the STA [State Transportation Agency] and submitted to the FHWA Division Office. The Division will approve finance plans prior to authorization of Federal-aid funds for construction."<sup>18</sup>

The PTC has not requested approval of its financial plans from FHWA apparently because all earmarked Federal funds received to date have been used for other functions such as planning and design. "The PTC is not required to submit a financial plan to the FHWA for formal approval until they request Federal funds for construction."<sup>19</sup> The financial plan has only been formally submitted to the Southwestern Pennsylvania Commission as an informational component of its long-range plan.

In addition, the existing PTC financial plan includes over \$1.4 billion in projected but unappropriated legislative funds for the Toll Roads. However, according to FHWA guidance: "Generally financial plans will not be accepted if they include a State or local revenue source requiring future legislative action."<sup>20</sup>

<sup>16</sup> AA Roads Website, <http://www.aaroads.com/high-priority/corr31.html>, April 24, 2006; referencing *Pennsylvania Turnpike Traveler*

<sup>17</sup> Personal Communication, Phillip Ouellet, PTC to Alex Botkin CONSAD, March 29, and April 26, 2006

<sup>18</sup> Issuance of Interim Major Project Guidance, January 27, 2006;

<http://www.fhwa.dot.gov/programadmin/mega/012706.cfm>

<sup>19</sup> Personal Communication, Tony Mento, FHWA/PA to Alex Botkin, CONSAD April 24, 2006

<sup>20</sup> FHWA Financial Plan Guidance; May 23, 2000, <http://www.fhwa.dot.gov/programadmin/mega/fplans.htm>

## V. Public-Private Partnerships and Privatization

The PTC has received donations of land for the construction of the Findlay Connector portion of the Southern Beltway, and it expects to receive additional land during the construction of the last section of the Mon/Fayette. Another partnership avenue being explored by the state legislature is privatization.

Privatization, an option to provide road construction and maintenance funds through the private sector, has been explored by a number of communities. “The recent \$1.83 billion lease of the Chicago Skyway has government officials across the country examining the potential benefits of selling or leasing their own toll roads and bridges.”<sup>21</sup> New York State is examining the issue in depth with a recent symposium and a Transportation Development Partnership Bill proposed by Governor Pataki<sup>22</sup>

Pennsylvania has likewise been exploring the issue. A PA House Select Committee on Toll Roads headed by Rep. Rick Geist, spent 20 months examining the operation and establishment of toll roads in other states.<sup>23</sup> Philadelphia organizations are eager for this opportunity. The CEO Council for Growth, a group committed to the Philadelphia region's economic growth, released a study “*Thinking Outside the Box: Addressing Greater Philadelphia's Transportation Investment Needs through Public-Private Partnerships*” which concluded that the state could expedite projects and shift risk to private entities by forming public-private partnerships.<sup>24</sup> Geist, according to the Pittsburgh Business Times, has prepared draft enabling legislation.

Newspapers have also reported on a visit to the Turnpike Commission by the Macquarie Group, a major participant in the privatization of governmental assets. “Macquarie made an informal presentation to turnpike commission staff about a month ago, explaining lease agreements it has reached in other states to operate toll roads. The company did not make an offer for the expressway during the meeting, only saying it is interested in a deal, [Sen. Barry] Stout said.”<sup>25</sup>

According to D.J. Gribbin, a senior representative for Macquarie and briefly a former FHWA chief counsel, investors such as pension funds seek sustainable, performing assets that meet their future needs for stable returns. Highways represent one such asset.<sup>26</sup>

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<sup>21</sup> Reason Foundation, *Should States Sell Toll Roads?*,  
[http://www.reason.org/news/toll\\_roads\\_060205.shtml](http://www.reason.org/news/toll_roads_060205.shtml)

<sup>22</sup> New York State, Department of Transportation; Transportation Development Partnership web site;  
<http://www.dot.state.ny.us/partnerships/index.html>

<sup>23</sup> *Study touts toll roads to ease congestion*, Pittsburgh Post-Gazette, J. Grata, March 01, 2006;  
<http://www.post-gazette.com/pg/06060/662757-147.stm>

<sup>24</sup> *New ideas address old woes*, Pittsburgh Business Times, Athena Merritt, March 13, 2006;  
<http://www.bizjournals.com/pittsburgh/stories/2006/03/13/daily4.html>

<sup>25</sup> *Turnpike must solicit bids to privatize road*, TRIBUNE-REVIEW, Jim Ritchie, Friday, March 3, 2006;  
[http://www.pittsburghlive.com/x/tribune-review/trib/regional/s\\_429465.html](http://www.pittsburghlive.com/x/tribune-review/trib/regional/s_429465.html)

<sup>26</sup> Personal Communication, DJ Gribbin, Macquarie Group to Wilbur Steger, CONSAD; April 3, 2006

## VI. 2001 Plans to Complete the System

The Southwestern Pennsylvania Commission (SPC) is the metropolitan planning organization (MPO) for our region. As regional planners, the organization is responsible for transportation planning and coordination functions for Southwestern Pennsylvania. “SPC serves as the regional forum for public decision-making and is responsible for facilitating a coordinated, cooperative, and comprehensive planning process. Other local officials, including the region’s federal and state legislators, also provide input both to PENNDOT and to SPC.”<sup>27</sup>

The formal submission to the SPC in 2001 by the Turnpike Commission<sup>28</sup> presented available funding of \$1.528 billion with “Potential Future Funding Sources” of \$2.446 billion needed to complete the Mon/Fayette and Southern Beltway for a total of \$3.974 billion to construct the toll roads.

**Table 2: 2001 Potential Future Funding for Mon/Fayette and Southern Beltway (millions)**

Public/Private Partnership	\$100
PTC Bonding & Refinancing	\$460
Federal Funds	\$458
State Legislated Funds with Bonding	\$1,428
<b>Financing Needed to Complete (2001)</b>	<b>\$2,446</b>

The details of the financial plan adopted by the SPC in its 2030 Transportation and Development Plan are shown in Appendix 3. This plan remains the official public record. Conversations with SPC<sup>29</sup> and PTC indicate that a new financial plan and projections are in the works.

The assumptions embedded in the 2001 financial plan of the PTC have failed to materialize. Of the \$60 million in 2003 Federal Highway Act earmark funds described in the plan, the PTC received only \$6.7 million, and not until 2005. From the \$30 million in National Corridor or High Priority Funds; the Mon/Fayette and Southern Beltway Toll Roads received \$0. Moreover, the state “Legislated Funds with Bond” projected for 2004, at \$463 million, has not materialized.

## VII. 2006 Status of the Mon/Fayette and Southern Beltway Financial Plans

According to the PTC, there are \$3.5 billion dollars in estimated construction and related costs for which funding has not been secured. This includes:

- two segments of the Southern Beltway,
- the second phase of the Uniontown to Brownsville segment, and
- the PA 51 to I-376 Pittsburgh connection.

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<sup>27</sup> SPC, Chapter 11 Financing, Transportation and Development Plan for Southwestern Pennsylvania, [http://www.spcregion.org/trans\\_lrp.shtml](http://www.spcregion.org/trans_lrp.shtml), page 248

<sup>28</sup> Letter and attachments, Alexander Jansen, PTC to James Hassinger, SPC; November 26, 2001

<sup>29</sup> Personal communication, Chuck DiPietero, SPC; February 17, 2006

In the 2005 Consolidated Annual Financial Report (CAFR) of the Turnpike Commission, it was stated that the total cost to complete the roads would be \$4.3 billion, a modest increase from the \$ 4.2 billion estimate of the previous year. However, the 2006 estimated total cost to complete the Mon/Fayette and Southern Beltway Toll Roads is now \$5.4 billion. (See Table 4, below) The increase of \$1.1 billion dollars is attributed to rises in construction material costs and roadway design changes.

The FHWA price trends database<sup>30</sup> shows huge increases in the cost of highway construction materials. The price index for the third quarter of 2005 stood at an index of 209.2 compared with 139.8 for the third quarter of 2004. The year 1987 has an index value of 100.

**Table 3: 2001 Plan and 2006 Status**

<b>Total Cost To Complete the Mon/Fayette and the Southern Beltway Toll Roads</b>			
	(Amounts in billions)		
	<b>2001</b>	<b>(1)</b>	<b>2006</b>
<b>Spent to date</b>	--		1.182 (2)
<b>Financial Resources in hand</b>	1.528	(5a)	0.663 (3)
<b>Financing Needed to Complete</b>	2.446	(5)	3.562 (4)
M/F PA 51- I-376			2.409 (4a)
SB I-79 to M/F			0.447 (4b)
SB US 22 to I-79			0.336 (4c)
M/F Brownsville-Uniontown P.2			0.370 (4d)
<b>Total Cost to Complete</b>	<b>\$3.974</b>	<b>(5)</b>	<b>\$5.407</b>

Notes:

- 1) Original year of costs given to SPC for 2030 Plan.
- 2) Appendix 2
- 3) Appendix 4, Capital plan and PTC Communication 4/19/06
- 4) Sum of a, b, c & d, and PTC Communication 4/20/06
- 5) SPC 2030 Transportation and Development Plan adopted July 31, 2003.
- 5a) In hand includes amounts spent to date.
- 6) Table 3 is not directly comparable with Table 4 due to timing differences.

The current PTC 10-Year Capital Plan for the Mon/Fayette and Southern toll roads shows spending through 2012 amounting to \$748 million, and nothing for the last three years of the plan 2013-'15. The spending plan shown below does not mean that the toll roads will be complete in 2012, but rather no funds are available to continue construction.

<sup>30</sup> Price Trends for Federal-Aid Highway Construction, FHWA , Third Quarter 2005;  
<http://www.fhwa.dot.gov/programadmin/pt2005q3.pdf>



**Table 4: PTC 10-Year Capital Plan (thousands)**

'05 - 06	'06 - 07	'07 - 08	'08 - 09	'09 - 10	'10 - 11	'11 - 12	Total
\$195,299	\$221,815	\$189,900	\$123,290	\$17,140	\$995	\$40	\$748,479

Note: See Appendix 4 for construction segment details

## **VIII. Shortfall**

Despite the best efforts of the PTC Treasury to use the bonding power of the Oil Franchise Tax and the Registration Fee revenue, a huge shortfall in funding exists. The anticipated funding streams in the 2001 financial plan submitted to SPC have largely failed to materialize. CONSAD contacted a number of legislative staffers at State and Federal levels who, despite their desire and interest, could not find any credible, medium or long-term, viable scenarios for the future that could meet the increased multi-billion-dollar requirement.

### **State Resources**

The “Potential Future Funding” described by the PTC in the 2001 SPC long-range plan includes more than \$1.4 billion in “Legislated Funds” from the state. “Legislated funds” are assumed to be appropriated from the General Fund. The planned \$463 million in 2004 for the PTC has not been received. A House legislative staff member indicates that those funds are not in consideration by the legislature at the present.<sup>31</sup>

Representative Rick Geist, Chairman of the PA House Transportation Committee, was quoted in a Post-Gazette article as saying, “The bottom line is that existing public funding is insufficient to meet the growing needs of Pennsylvania's transportation infrastructure. We need to take a serious look at revenue-generating alternatives, like tolling, in order to maintain and expand [our] highway system. We're just not going to be able to raise any more revenue at the pump.”<sup>32</sup> Thus no additional bonding revenue can be anticipated from that source.

A Transportation Funding and Reform Commission<sup>33</sup> was established by Governor Rendell in February, 2005. It is reviewing the problems of the entire state and not focusing on the Mon/Fayette Toll Road, according to commission member Jim Roddey<sup>34</sup>.

PA House Bill 2468, recently passed by the Appropriations Committee, has \$675,000 in minor earmarks for the Toll Roads.

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<sup>31</sup> Personal Communication, Eric Bugaile to Wilbur Steger; April 6, 2003

<sup>32</sup> J. Grata, *Study touts toll roads to ease congestion*, Pittsburgh Post-Gazette, March 01, 2006; <http://www.post-gazette.com/pg/06060/662757-147.stm>

<sup>33</sup> Executive order, <ftp://ftp.dot.state.pa.us/public/Bureaus/CommissCommitt/ExecutiveOrder20051.pdf>

<sup>34</sup> Personal Communication, James Roddey to Wilbur Steger; March, 2006

**Table 5: House Bill 2468 of 2006**

I-79 Road Construction, I-79 to Mon/Fayette Section of Southern Beltway, City of Pittsburgh	\$300,000.00
US 22 Road Construction, US 22 to I-79 Section of Southern Beltway, City of Pittsburgh	\$75,000.00
Road Construction, US 22 to I-79 Section of Southern Beltway, City of Pittsburgh	\$300,000.00

Source: House Bill 2468, Bill Information; May 7, 2006 <http://www.legis.state.pa.us/>

The bill, when completed, will be presented to the Governor for signing. Individual items in the bill may be deleted to meet the final budget for 2006-2007.

### **Federal Resources**

According to legislative staff for Congressman Murtha, his appropriations (line-item) were \$10 million in FY 2003-2005, and \$4 million 2007 under SAFETEA-LU, showing support for the entire project. Future sums are going to be more difficult to procure.<sup>35</sup>

Interviews with legislative aides for Senators Specter<sup>36</sup> and Santorum<sup>37</sup> acknowledge the need for funds and said that the senators would do their earmarking "best" for the Mon/Fayette. But they also said that everywhere one looked, whether for maintenance, upgrading or new transportation infrastructure, there was much competition, from almost every one of PA's 67 counties.

Senate Subcommittee on Transportation and Infrastructure staffer James O'Keeffe<sup>38</sup> pointed to SAFETEA-LU provisions for infrastructure bonding as being a more reliable avenue for funds. Earmarking, in his view, would be restricted to smaller amounts in any reasonable future projection.

### **Impact of funding the Mon/Fayette and Southern Beltway Toll Road shortfall on other state funded transportation and economic development projects**

In 2004, Citizens for Pennsylvania's Future (PennFuture) undertook an analysis of the alternate uses of the funds to be expended on the Mon/Fayette. The report came to the conclusion that there were many other roads and bridges throughout the state in need of maintenance and repair and projects that were languishing for lack of funding.<sup>39</sup> Locally, the report identified:

PENNDOT District 10 (Armstrong, Butler, Indiana) \$0.311 billion  
PENNDOT District 11 (Allegheny, Beaver, Lawrence) \$1.159 billion  
PENNDOT District 12 (Fayette, Greene, Washington) \$0.603 billion

<sup>35</sup> Personal Communication Brad Clemenson to Wilbur Steger, April 4, 2006.

<sup>36</sup> Personal Communication Matthew Kelly to Wilbur Steger, April 3, 2006.

<sup>37</sup> Personal Communication Santorum staff to Wilbur Steger, April 3, 2006

<sup>38</sup> Personal Communication James O'Keeffe to Wilbur Steger, March 30, 2006

<sup>39</sup> *An Examination of Alternate Uses for Expenditures Related to Expansion of the Pennsylvania Turnpike*, Brunot Consulting, June 2004; Citizens for Pennsylvania's Future, <http://www.pennfuture.org/mf/brunot0604.pdf>

The \$3.4 billion aggregate shortfall of the current Mon/Fayette Toll Road represents a huge presence looming over the Commonwealth's financial resources. The magnitude of this requirement is perhaps best understood by comparing it to other regional and state needs and resources:

- Governor's proposed '06-07 State Highway Bridge Construction/Reconstruction - \$1.908 billion<sup>40</sup>
- SPC 2005-2008 Transportation Improvement Program Total<sup>41</sup> \$1.584 billion
- Commonwealth "Rainy Day" Fund balance \$0.334 billion<sup>42</sup>
- SPC Estimate of Secretary of Transportation's SWPA "Spike funds" for 2005-2008 \$0.0104 billion<sup>43</sup>

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<sup>40</sup> Department of Transportation, [http://www.budget.state.pa.us/budget/lib/budget/2006-2007/exec\\_budget/Transportation.pdf](http://www.budget.state.pa.us/budget/lib/budget/2006-2007/exec_budget/Transportation.pdf); page E40.8

<sup>41</sup> <http://www.spcregion.org/pdf/TIP2005-8/Ap1%20Financial%20Plan.pdf>

<sup>42</sup> [http://www.budget.state.pa.us/budget/lib/budget/2006-2007/bib/2006\\_07\\_Budget\\_In\\_\\_Brief.pdf](http://www.budget.state.pa.us/budget/lib/budget/2006-2007/bib/2006_07_Budget_In__Brief.pdf)

<sup>43</sup> SPC Transportation Improvement Program 2005-2008; <http://www.spcregion.org/pdf/TIP2005-8/Ap1%20Financial%20Plan.pdf>

## **Appendix 1**

Chronology of System Expansion Projects Undertaken by the Pennsylvania Turnpike Commission – Comprehensive Annual Financial Report 2005;  
<http://www.paturnpike.com/geninfo/comprehensivereport.aspx>

## Pennsylvania Turnpike Commission

### Chronology, Turnpike Construction

<b>Turnpike Section</b>	<b>Length (Miles)</b>	<b>Construction Cost (Millions)</b>	<b>Bill Signed</b>	<b>Ground- breaking</b>	<b>Open to Traffic</b>
Original Turnpike: Carlisle-Irwin	160	\$ 76	May 21, 1937	Oct. 27, 1938	Oct. 1, 1940
Philadelphia Extension: Carlisle-Valley Forge	100	87	May 16, 1940	Sept. 28, 1948	Nov. 20, 1950
Western Extension: Irwin-Ohio Line	67	77.5	June 11, 1941	Oct. 24, 1949	Dec. 26, 1951
Delaware River Extension: Valley Forge-Delaware River	33	65	May 23, 1951	Nov.20,1952	Nov. 17, 1954
Delaware River Bridge	1.5	Not available	May 23, 1951	June 22, 1954	May 23, 1956
Northeastern Extension: East/West Turnpike to Scranton	110	233	Sept. 27, 1951	Mar. 25, 1954	Nov. 7, 1957
<b>Mon/Fayette Expressway - California Interchange</b>	6	7	Sept. 1985	June 9, 1988	Oct. 12, 1990
Beaver Valley Expressway	16	240	Sept. 1985	Oct. 20, 1989	Nov. 20, 1992
Mid-County Interchange	--	80	Sept. 1985	Dec. 20, 1989	Dec. 15, 1992
Amos K. Hutchinson Bypass	13	271	Sept. 1985	Aug.20, 1990	Dec. 9, 1993
Keyser Avenue Interchange	--	47	Sept. 1985	Not available	Feb. 1, 1995
<b>Mon/Fayette Expressway – Mason-Dixon Link</b>	8	132	Sept. 1985	Nov. 1, 1994	Mar. 1,2000
<b>Mon/Fayette Expressway – 1-70 to Coyle Curtain Road</b>	4	90	Sept. 1985	June 19, 1997	May 11,2001
<b>Mon/Fayette Expressway – Coyle Curtain Road to SR51</b>	13	604	Sept. 1985	Sept. 1997	Apr. 12, 2002

Source: Pennsylvania Turnpike Commission, CAFR 2005

## **Appendix 2**

Mon/Fayette & Southern Beltway Fiscal Year Expenditures

Personal Communication, Phillip Ouellet PTC to Alex Botkin CONSAD, March 27, 2006

**Mon/Fayette Expressway and Southern Beltway**

**Fiscal Year Expenditures**

27-Mar-06

Project	Cost through 6/1/2000	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Total to Date
Mon/Fayette Expressway							Up to 3-13-06	
West Virginia to Uniontown	\$132,860,228	\$22,351,296	\$1,290,386	-\$219,577	-\$39,055	\$481,909	\$88,087	\$156,813,274
Uniontown to Brownsville	\$8,203,956	\$1,451,165	\$4,524,256	\$7,969,878	\$18,106,534	\$35,787,410	\$32,746,399	\$108,789,598
I-70 to PA Route 51	\$373,745,008	\$145,457,253	\$74,169,899	\$16,005,989	\$2,591,024	\$1,025,716	\$3,720,831	\$616,715,720
PA Route 51 to I-376	\$25,012,581	-\$9,761,678	\$3,438,910	\$3,186,742	\$2,304,135	\$6,485,812	\$21,244,623	\$51,911,124
Mon/Fayette General	\$22,343,008	\$1,677,708	\$1,330,499	\$1,373,168	\$1,324,459	\$769,861	\$1,088,245	\$29,906,947
Southern Beltway								
PA 60 to US 22	\$6,613,256	\$4,921,239	\$8,601,710	\$11,551,878	\$26,481,545	\$74,212,393	\$49,252,265	\$181,634,285
US 22 to I-79	\$2,594,532	\$1,392,167	\$1,193,274	\$1,306,180	\$841,430	\$675,271	\$520,165	\$8,523,019
I-79 to Mon/Fayette	\$4,636,860	\$1,821,435	\$1,048,186	\$1,135,747	\$1,096,139	\$938,228	\$713,097	\$11,389,691
Southern Beltway General	\$9,383,614	\$945,959	\$1,109,199	\$1,115,245	\$913,956	\$940,530	\$658,446	\$15,066,949
Non-specific labor charges	\$320,247	\$0	\$0	\$283,022	\$348,547	\$413,790	\$332,342	\$1,697,947
Total	\$585,713,289	\$170,256,542	\$96,706,319	\$43,708,272	\$53,968,713	\$121,730,920	\$110,364,500	\$1,182,448,555

### **Appendix 3**

Pennsylvania Turnpike Commission Financial Plan for the Mon/Fayette and Southern  
Beltway Toll Roads

2030 Transportation and Development Plan for Southwestern Pennsylvania  
Chapter 11 - Financing, Tables 37 and 38  
Southwestern Pennsylvania Commission



**Table 37: Identified funding sources for the Mon/Fayette Expressway and Southern Beltway Transportation Project, as of January 2003**

Available Funding	(millions)
A. Special Federal Funds (1991-2003)	\$54
B. West Virginia Reimbursement (1991-2001)	\$4
C. Oil Franchise Tax Accrual (1991-2001)	\$255
D. Oil Franchise Tax Accrual @\$5.2 million/year (2002-2022)	\$104
E. Oil Franchise Revenue Bonds (1998-2028)	\$525
F. Registration Fee Revenue (1997-2001)	\$123
G. Registration Fee Revenue 40 Year Bonds (2001-2041)	\$463
<b>Total Available</b>	<b>\$1,528</b>

**Table 37: Potential Future Funding Sources for the Mon/Fayette Expressway and Southern Beltway Transportation Project**

	(millions)
H. Public/Private Partnerships (2000-2020)	\$100
I. Refinancing Oil Franchise Tax Bonds (2013)	\$260
J. Refinancing Registration Fee Revenue Bonds (2021)	\$200
K. Federal Highway Act TEA 21	
a) National Corridor or High Priority Funds 2 years @ \$4 million	\$8
L. Federal Highway Act (2003-2007) Earmarked Funds	\$60
a) National Corridor or High Priority Funds 5 years @ \$6 million	\$30
M. Federal Highway Act (2008-2012) Earmarked Funds	\$70
a) National Corridor or High Priority Funds 5 years @ \$7 million	\$35
N. Federal Highway Act (2013-2017) Earmarked Funds	\$80
a) National Corridor or High Priority Funds 5 years @ \$8 million	\$40
O. Federal Highway Act (2018-2022) Earmarked Funds	\$90
a) National Corridor or High Priority Funds 5 years @ \$7 million	\$45
P. State Legislated funds with Bonding (2004)	\$463
Q. State Legislated funds with Bonding (2012)	\$463
R. State Legislated funds with Bonding (2020)	\$502
<b>Total Needed to Complete All Projects</b>	<b>\$2,446</b>
<b>Total Available and Potential Funding</b>	<b>\$3,974</b>
Total Available and Potential Funding for Projects Outside SPC Region	\$153
Total Available and Potential Funding in SPC Region	\$3,821

## **Appendix 4**

Pennsylvania Turnpike Commission – 10 Year Capital Plan

Personal Communication Phil Ouellet, PTC to Alex Botkin, CONSAD, March 13, 2006



**Pennsylvania Turnpike Commission  
10 YEAR CAPITAL PLANNING PROCESS  
PRIORITIZED LISTING OF FINAL COPY FOR FISCAL YEAR 2005-2006  
FOR THE INDEPENDENTLY FUNDED PROGRAM, ALL TYPES , ALL PHASES (in \$000)**

Program Priority	Change Num.	PROJECT NUMBER	PROJECT TITLE		1st Year 2005 - 2006	Priority A (years 2 - 4)			Priority B (years 5 -7)			Priority C (years 8 -10)			TOTAL FUNDING NEEDED
						2006 - 2007	2007 - 2008	2008 - 2009	2009 - 2010	2010 - 2011	2011 - 2012	2012 - 2013	2013 - 2014	2014 - 2015	
0		M000.00HH025	Internal Labor not charged to a specific project		360	360	360	360	360	360	0	0	0	0	2160
			Study		360	360	360	360	360	0	0	0	0	0	
			Design		0	0	0	0	0	0	0	0	0	0	
			Right of Way		0	0	0	0	0	0	0	0	0	0	
			Utility		0	0	0	0	0	0	0	0	0	0	
2			Const.		0	0	0	0	0	0	0	0	0	0	200
			Inspect		0	0	0	0	0	0	0	0	0	0	
	2		M000.00HH001	Mon Fayette Expressway - West Virginia to Uniontown	40	40	40	40	40	0	0	0	0	0	
					0	0	0	0	0	0	0	0	0	0	
			Study		0	0	0	0	0	0	0	0	0	0	
3			Design		0	0	0	0	0	0	0	0	0	0	260700
			Right of Way		0	0	0	0	0	0	0	0	0	0	
			Utility		0	0	0	0	0	0	0	0	0	0	
			Const.		40	40	40	40	40	0	0	0	0	0	
			Inspect		0	0	0	0	0	0	0	0	0	0	
4		M015.30HH001	Mon/Fayette Expressway - Uniontown to Brownsville ,		69700	83000	73000	35000	0	0	0	0	0	0	5410
			Study		100	0	0	0	0	0	0	0	0	0	
			Design		12000	11000	4000	2000	0	0	0	0	0	0	
			Right of Way		3000	1000	1000	0	0	0	0	0	0	0	
			Utility		4600	5000	2000	2000	0	0	0	0	0	0	
5			Const.		45000	59000	59000	26000	0	0	0	0	0	0	253659
			Inspect		5000	7000	7000	5000	0	0	0	0	0	0	
	4		M035.30HH001	Mon/Fayette Expressway - I - 70 to PA - 51	2800	2300	100	90	40	40	40	0	0	0	
			Study		0	0	0	0	0	0	0	0	0	0	
			Design		0	0	0	0	0	0	0	0	0	0	
5			Right of Way		0	0	0	0	0	0	0	0	0	0	253659
			Utility		0	0	0	0	0	0	0	0	0	0	
			Const.		2600	2270	100	90	40	40	40	0	0	0	
			Inspect		200	30	0	0	0	0	0	0	0	0	
	5		M052.50HH001	Mon/Fayette Expressway - PA 51 to Pittsburgh	46794	71865	79000	56000	0	0	0	0	0	0	
			Study		0	0	0	0	0	0	0	0	0	0	253659
			Design		45794	43865	39000	27000	0	0	0	0	0	0	
			Right of Way		0	28000	40000	29000	0	0	0	0	0	0	
			Utility		1000	0	0	0	0	0	0	0	0	0	
			Const.		0	0	0	0	0	0	0	0	0	0	
			Inspect		0	0	0	0	0	0	0	0	0	0	253659
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**Pennsylvania Turnpike Commission  
10 YEAR CAPITAL PLANNING PROCESS  
PRIORITIZED LISTING OF FINAL COPY FOR FISCAL YEAR 2005-2006  
FOR THE INDEPENDENTLY FUNDED PROGRAM, ALL TYPES, ALL PHASES (in \$000)**

Program Priority	Change Num.	PROJECT NUMBER	PROJECT TITLE		1st Year 2005 - 2006	Priority A (years 2 - 4)			Priority B (years 5 -7)			Priority C (years 8 -10)			TOTAL FUNDING NEEDED																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
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## **Abbreviations**

CAFR	Consolidated Annual Financial Report
FHWA	Federal Highway Administration
ISTEA	Intermodal Surface Transportation Efficiency Act
MPO	Metropolitan Planning Organization
PENNDOT	Pennsylvania Department of Transportation
PTC	Pennsylvania Turnpike Commission
SAFETEA-LU	Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users
SPC	Southwestern Pennsylvania Commission
STA	State Transportation Agency
TEA-21	Transportation Equity Act for the 21st Century
TIP	Transportation Improvement Program