



Chair Ward, Chairman Sabatina and Transportation Committee members, I want to thank you for the opportunity to be here to answer your questions and to provide my perspective on the Pennsylvania Turnpike. I am proud to have served the Pennsylvania Turnpike Commission (PTC) and the 588,000 customers we serve – each day – since 2010, and I am excited for the opportunity to serve yet another term. I also want to thank Governor Tom Wolf for nominating me for what would be my third term at the PTC.

I am confident in the team we have in place at the PTC. The executive leadership and the entire workforce continue to deliver on our core mission: to operate a safe, reliable, customer-valued toll road system that supports national mobility and commerce. Our 552-mile system plays a critical role in our statewide and national economies in moving people and goods and creating jobs.

I simply cannot say enough about our professional staff at the PTC; I have been consistently impressed with their commitment to customers and this organization. Our team is developing innovative solutions to meet the changing needs and demands of our customers, either through investments in tolling technologies, connected and autonomous vehicles, a systemwide fiber-optic network as well as innovative ways to communicate with responders and customers. I am happy to answer questions you might have regarding these initiatives, and we have provided background materials for your consideration.

I am compelled, however, to focus my comments today on our agency's financial position and the challenges we are confronting as we continue to comply with Act 44 and Act 89. These statutes have had an enormous impact on our customers, our operations and on our 10-year capital plan to rebuild our aging system.

Act 44

As you are aware, in 2007, the PA Legislature enacted Act 44, requiring our agency to make quarterly payments to PennDOT totaling \$450 million per year for transit operations across the Commonwealth. Right now, the total value of our Act 44 payments to PennDOT is \$6.8 billion. And, our agency's total outstanding debt today is \$14 billion.

Let me provide some context for those numbers: The Commonwealth's total general obligation debt currently stands at \$12.5 billion. To make it plain: Our agency is carrying more total debt than the entire Commonwealth of Pennsylvania. Again, for context, please consider that our agency's annual revenue is \$1.4 billion. The Commonwealth's FY 2019-20 General Fund budget is \$34.1 billion.

In addition, consider that our annual operating spending totals approximately \$432 million – and I will revisit that number because we have been diligent and, frankly, very successful at managing our expenses. Still, our total operating budget is \$432 million. Our annual capital spending totals approximately \$552 million a year. Against that backdrop, consider that our annual debt service is \$749 million. Again, to make it plain: Our agency is paying more in debt service than we are to operate our system. And we are paying more in debt service than we're investing in capital spending to rebuild and widen our system each year. This is just not sustainable.



Now, what does this mean for customers? First, tolls have gone up every year since 2009. We have approved a 2020 toll increase that will take effect in January. Next year, more than half of all revenue will go to pay debt service. What's more, the Act 44 Financial Plan assumes toll increases through 2044...at least. Our customers are making an extraordinary investment in transit operations across the state, and they need relief from ongoing Act 44 burdens.

As I mentioned, these payments have had an enormous impact on our agency's operating expenses and capital budget. I am proud of the fact that our team continues to identify efficiencies and save money. For the 2019 fiscal year, we are projecting that operating expenses will be approximately \$40 million under budget. In addition, our growth in expenses over FY 2018 is projected to be less than 1 percent. Beyond our operating budget, our treasury team has been effective in lowering our debt service costs by taking advantage of refinancing opportunities which have lowered our debt service by an estimated \$42 million annually. We are good stewards of our customers' toll dollars.

We have been compelled to reduce our 10-year capital plan by \$1 billion — or almost 20 percent — as a result of our mounting debt. Now, let me be clear: We continue to make the necessary capital investments to ensure safe travel across our system. However, our system is now 79 years old. We simply cannot afford to fall any further behind.

Finally, there is an impact in communities across our system. We cannot seriously consider any potential expansion projects, including new access points. Our system drives regional economies. More access points translate to new opportunities for communities served by our system. We help business create new jobs and new opportunities.

Now, you are all aware of some of the ongoing projects across our system and we can provide updates on them today or through the Chair's office. However, we are limited in our ability to make significant investments to add new connections and new capacity — and that has had an impact.

Act 89

I would like to turn to Act 89 of 2013. Under this statute, PTC payments to PennDOT for transit will be reduced to \$50 million, and \$400 million will be provided from the state's General Fund.

I want to make it clear that this "sunsetting" — to begin in FY 2022 — is critical if we are to remain fiscally sound as an organization. Already, our toll rates are among the highest when compared to toll agencies in neighboring states.

The sunsetting will eventually enable the PTC to be in a position where annual toll-rate increases more closely reflect the U.S. annual inflation rate while also enabling the PTC to make critical investments in new interchanges and other important projects to power economic growth across the state.

Even with this welcome relief, we will be responsible for making some payments until June 2057 and paying down the debt already incurred throughout that period. In other words, Act 89 does not eliminate our debt or funding obligation. In fact, we project that tolls will need to be increased by 5 percent every year until 2025 at least and 3 percent annually thereafter through at least 2044 as a result of this escalating debt.

Formal Written Testimony
PA Turnpike Commissioner William K. Lieberman
Nov. 19, 2019



As you can see, the Act 44 sunseting spelled out in Act 89 of 2013 is critical not only for the Turnpike's financial well-being, but also for the safety and mobility of Commonwealth residents and the economic vitality of connected Turnpike communities.

Thank you again for considering my testimony and for your ongoing work to improve the safety and efficiency of the Commonwealth's ground transportation systems.

—William K. Lieberman

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