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COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES
JUDICIARY COMMITTEE

In re: House Bill 2329, Amending Title 42
(Turnpike Revenue)

Stenographic record of hearing held in
Room 140, Main Capitol, Harrisburg,
Pennsylvania

Wednesday, August 12, 1992, 1:00 p.m.

HON. THOMAS R. CALTAGIRONE, CHAIRMAN

MEMBERS OF COMMITTEE

Hon. Kevin Blaum
Hon. Gerard Kosinski
Hon. Karen Ritter

Also Present:

Paul Dunkelberger, Research Analyst
Galina Milohov, Research Analyst
Katherine Em Manucci, Secretary

Reported by:
Emily R. Clark, RPR

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1 **CHAIRMAN CALTAGIRONE:** This is the House
2 Judiciary Committee. We're going to be holding a hearing
3 today on House Bill 2329, and we would like to get started
4 with Robert Kassoway, the Executive Director of the House
5 Finance Committee.

6 Bob, if you would like to read your remarks?
7 It's understandable that Representative Trello couldn't be
8 with us today and you're going to read his testimony.

9 **MR. KASSOWAY:** Thank you. Representative Trello
10 did send his regrets that he couldn't be here this afternoon
11 due to an important ceremony that required his attendance in
12 his district, but he has requested that I read his prepared
13 remarks in his place.

14 Good afternoon, Mr. Chairman and members of the
15 Judiciary Committee. I want to take this opportunity to
16 thank the Chairman and the members of this Committee for the
17 opportunity that you have afforded me to provide this forum
18 to discuss House Bill 2329.

19 Over the years I have had many opportunities to
20 travel the Pennsylvania Turnpike, especially between
21 Pittsburgh and Harrisburg. Of course, during many of these
22 trips I had occasion to observe Pennsylvania's finest
23 patrolling the turnpike. However, it was only relatively
24 recently that it was brought to my attention that the entire
25 cost of the state police patrols of the Turnpike are borne

1 by the Turnpike system. That includes the salaries, vehicle
2 expenses and maintenance as well as gasoline consumption.
3 Additionally, the turnpike system has provided a number of
4 other benefits to the state police. These include the
5 purchase of an airplane for their usage, call boxes placed
6 on the turnpike system, insurance coverage and fuel
7 management at the turnpike maintenance sheds.

8 The annual cost to the turnpike system for the
9 state police patrols approaches 16 million dollars
10 annually. It seems to me to only be fair that the turnpike
11 system should get to share in some of the revenues generated
12 from the fines attributed to the traffic citations issued
13 along the turnpike. Thus is the intent of House Bill 2329.
14 House Bill 2329 would take the revenues that are generated
15 from the fines and split them 50/50 between the turnpike and
16 the municipality of origin of the violation. Approximately
17 two to three million dollars would be generated for the
18 turnpike to help offset the cost incurred by the system for
19 the state police patrols.

20 This small gesture seems to me to be appropriate
21 public policy on target to benefit the user of the system
22 where the fines are generated and instituting some degree of
23 fairness at the same time.

24 Thank you for this opportunity, and I urge your
25 favorable consideration of this legislation.

1 **CHAIRMAN CALTAGIRONE:** Thank you, Bob.

2 Any questions?

3 (No audible response.)

4 **MR. KASSOWAY:** Thank you.

5 **CHAIRMAN CALTAGIRONE:** We'll next move to Mr.
6 Parker Williams, who is Deputy Secretary for Administration,
7 Pennsylvania Department of Transportation.

8 Bob, if you and the other gentlemen would like
9 to come up, you could sit there, also.

10 **MR. WILLIAMS:** Good afternoon. Thank you, Mr.
11 Chairman, and thanks to you and the members of the Judiciary
12 Committee for giving us the opportunity to provide PennDOT's
13 perspective on House Bill 2329.

14 Joining me today on my right are Bob Mustin, our
15 director of the legislative office, who you know from
16 PennDOT, and on my left is Mike Carroll, his legislative
17 assistant.

18 First of all, I would like to emphasize the
19 common interests of the Turnpike Commission and the
20 Department of Transportation. Over the past five years,
21 these two organizations have worked together, as never
22 before, to improve the movement of people and goods and to
23 help provide for the continuing economic development of
24 Pennsylvania.

25 Given this partnership with the Turnpike,

1 PennDOT is certainly sympathetic to their desire for
2 additional revenues to meet their needs. Nevertheless,
3 PennDOT believes that neither the Turnpike nor PennDOT
4 benefit from a policy of eroding the other's revenue base.

5 More than a decade ago, the General Assembly
6 began to consider turnpike expansion legislation.
7 Recognizing that PennDOT would continue to have unmet
8 highway construction needs, Act 61 of 1985 set up a
9 mechanism in which the Turnpike and PennDOT would use their
10 own resources to complement each other's road construction
11 efforts for the benefit of all Pennsylvanians. In the
12 spirit of partnership fostered by Governor Casey and
13 Turnpike Commission Chairman and Secretary of PennDOT Howard
14 Yerusalem, the two organizations have worked together on the
15 design and coordination of the turnpike expansion projects
16 embodied Act 61. In addition to cooperative efforts on
17 major projects such as the Beaver Valley Expressway and the
18 Amos K. Hutchinson Bypass, PennDOT built a \$55 million piece
19 of the Mon-Fayette Expressway. This action permitted the
20 transfer to the turnpike of a 10-mile section of this
21 important economic development highway, the first new
22 section of the turnpike in 33 years.

23 Let me re-emphasize that it has been PennDOT's
24 understanding that the overall policy of the General
25 Assembly has been to have the Turnpike and PennDOT use their

1 own resources to complement each other's road construction
2 efforts, liquid fuels taxes being PennDOT's primary source
3 of revenue, and tolls the major source of revenue for the
4 Turnpike. We believe that this is good policy for the
5 citizens of the Commonwealth.

6 Act 26, passed into law in August of last year,
7 marked the first time state revenues were specifically
8 earmarked for the turnpike in order to complete the turnpike
9 expansion program. PennDOT also benefitted greatly from Act
10 26, the first increase in liquid fuels tax revenues since
11 1983, as did local governments who were also provided a
12 much-needed increase in their highway program funds.

13 After passage of Act 26, the Turnpike identified
14 a major area of concern with the legislation. Act 26, as
15 written, left turnpike revenue in the Motor License Fund
16 until needed by the Turnpike for construction of the
17 turnpike expansion projects. The Turnpike proposed and was
18 granted in Act 31 of 1992, authority to receive monthly
19 transfers of the Turnpike-designated Act 26 funds. As a
20 result of the change, the Turnpike will be able to earn
21 interest on revenues received prior to the funds being
22 needed to pay project costs. For the Motor License Fund,
23 this will mean a loss of an estimated \$35 million in
24 interest revenue we had hoped to use to supplement our
25 highway maintenance program, a program which benefits all 67

1 Pennsylvania counties.

2 This brings me to the current issue of the
3 proposal in House Bill 2329 to divert a portion of motor
4 vehicle fines from the Motor License Fund to the Turnpike.
5 PennDOT is opposed to this proposal because it takes a
6 revenue source specifically designated to PennDOT and
7 diverts it to the Turnpike, funds which we need to maintain
8 the state's 41,000 mile highway system.

9 As background allow me to provide some data on
10 the status of the Motor License Fund. Since fiscal year
11 1986-87, and without the Act 26 revenue increase enacted
12 last year, there has been no growth in the total of funds
13 available to PennDOT from state, federal, and other
14 sources. Even with the Act 26 monies that are earmarked for
15 PennDOT programs, the average annual growth rate over the
16 seven-year period from fiscal year 1986-87 to the current
17 fiscal year is less than two percent, substantially less
18 than the general inflation rate since 1987 of 4.2 percent.
19 By contrast, the Turnpike reports operating revenues from
20 1987 to 1992 which have grown by an average annual rate of
21 almost 10 percent.

22 It must be recognized that over 90 percent of
23 Motor License funds available to PennDOT go for highway and
24 bridge maintenance and construction programs. Any reduction
25 in revenues available would certainly have a negative

1 impact, particularly on the highway maintenance program,
2 where, unlike construction, project commitments do not
3 extend well into the future. The negative impact on highway
4 maintenance would be felt by all 67 counties due to the
5 distribution formula required by law.

6 According to estimates provided by the Turnpike,
7 House Bill 2329 will yield \$6.5 million in vehicle code
8 fines which would be diverted from PennDOT. This diversion
9 is especially troubling because fine revenues are already
10 capped by Act 64 of 1987 which provides funds for the
11 judicial computer system. Through fiscal year 1991-92,
12 about \$17 million has already been transferred for this
13 purpose. Certainly we are not questioning the merits of Act
14 64. We are only concerned that further erosion of Motor
15 License Fund revenues will impair our ability to meet our
16 extensive highway maintenance needs.

17 Earlier I stated that PennDOT is sympathetic to
18 the Turnpike's desire for additional revenues to satisfy
19 unmet needs. I outlined the impact their proposal would
20 have on our maintenance program.

21 Turning to construction, we also have unmet
22 needs. The State Transportation Commission every two years
23 holds public hearings across the state on the 12-year
24 transportation program. It is important to note that after
25 all of the requests for needed highway and bridge

1 improvements were added up for the last update in 1990, we
2 are unable to fund \$6 billion of the \$28 billion in
3 requests.

4 I would like to conclude with the following
5 points. First, the citizens of the Commonwealth will
6 benefit most from a relationship in which the Turnpike and
7 PennDOT are partners that utilize their respective sources
8 of designated revenues to compliment each other's efforts.
9 Therefore, neither the Turnpike nor PennDOT will benefit in
10 the long run from looking at each other's revenues to
11 satisfy unmet needs.

12 Second, although PennDOT's financial health is
13 stable as a result of the revenue increase provided to us by
14 the General Assembly's passage of Act 26, we must continue
15 to practice careful and innovative financial planning to
16 meet the needs of the future. It should also be noted that
17 while the Turnpike has the independence to set tolls to
18 improve its revenue stream, PennDOT is dependent upon your
19 decisions as legislators to make revenue enhancements.

20 And third, any further erosion of Motor License
21 Fund revenues should be viewed in light of PennDOT's
22 extensive highway and bridge responsibilities and the
23 earlier cited less than inflation growth rate in funds
24 available the meet those needs.

25 In conclusion, I urge you to reject this

1 proposal.

2 Thank you, Mr. Chairman, for the opportunity to
3 present this testimony.

4 CHAIRMAN CALTAGIRONE: Thank you.

5 Questions?

6 (No audible response.)

7 REPRESENTATIVE KOSINSKI: I have a comment. The
8 comment I have is basically why do we even need the state
9 police doing any patrolling on the Turnpike? Why don't we
10 just have ten civilians in civilian cars drive up and down
11 flashing their lights on and off? That seems to be the most
12 effective way to stop speeding.

13 CHAIRMAN CALTAGIRONE: We'll next hear from the
14 other side. If you would like to come up and have a seat
15 and we'll get your testimony. If you would like to
16 introduce yourself for the record and then however you want
17 to lead off.

18 MS. VORAS: Good afternoon, Mr. Chairman and
19 members of the Committee and staff. My name is Elizabeth
20 Voras. I'm strategic planner for the Pennsylvania Turnpike
21 Commission, and I'm representing today our executive
22 director, Mr. John L. Sokol. We thank you for the
23 opportunity to speak before you today on an issue that we
24 feel is important to the overall financial health of the
25 Pennsylvania Turnpike Commission.

1 With me here today to my left is Mr. J.D.
2 Fogarty, our Deputy Executive Director of Finance and
3 Administration, and Mr. Jeffrey Garrett, representing
4 Michael Baker, Jr., the Turnpike's consulting engineer.
5 They each will be addressing specific issues relating to the
6 operation of the Pennsylvania Turnpike.

7 As you know, on June 27th, 1992, House Bill 2329
8 was referred to the House Judiciary Committee. This piece
9 of legislation, introduced by Representative Fred Trello,
10 amends Title 42, the Judiciary Code, to change the
11 disposition of fines collected by Pennsylvania State Police
12 on the Pennsylvania Turnpike. Under present law, 50 percent
13 of these monies go to municipalities and the remaining 50
14 percent goes to Motor License Fund. This bill would amend
15 current law by stating that 50 percent of the fine money
16 from citations written on the Pennsylvania Turnpike System
17 by the state police shall be paid to the Pennsylvania
18 Turnpike Commission.

19 To better understand the nature of our current
20 operations, it is relative to bring you up-to-date on the
21 activities of our organization. For many years the
22 Pennsylvania Turnpike Commission was a conservative
23 organization committed to preserving the existing
24 alignment. We developed and honed our skills in fare
25 collection and concentrated on rehabilitating and replacing

1 our existing system. We, relied on a fairly small staff,
2 with consultant help.

3 However, in 1985, the legislature passed Act 61,
4 the Turnpike Expansion Act, realizing that the highway needs
5 of the Commonwealth exceeded the resources available. In
6 this way the Pennsylvania legislature introduced the concept
7 that growth must be toll subsidized. Thus began our
8 partnership with PennDOT, as Mr. Williams referred to, for
9 the economic development for the Commonwealth.

10 Some of the projects in the Act were historical
11 in nature. Things that we had to do, like Lehigh Tunnel,
12 six- lane widening and interchange upgrades. However, most
13 of the projects in Act 61 were expansion projects on new
14 alignments. For example, the Beaver Valley Expressway,
15 which is 16.5 miles long, and cost \$240 million. It's to
16 open fall of 1992; the Amos K. Hutchinson Bypass, 13.2 miles
17 at \$270 million, to open fall of 1993; the Mon-Fayette
18 Expressway, first phase of which was opened in October of
19 1990 and at a cost of \$55 million; and the additional 68
20 miles which were estimated to be \$1.7 billion. The next
21 portion is to open in fall of 1993. Two more sections the
22 Mon-Fayette Expressway are moving to construction in
23 1994-95, which is Chaddville-I-68 and I-70 North into
24 Pittsburgh.

25 Another project in Act 61 was the I-95

1 Interchange with Pennsylvania Turnpike. It's estimated that
2 will cost \$550 million, and it's to go under construction in
3 several years.

4 Route 219 was also in Act 61, to be the major
5 north-south corridor connecting Canada and the Southern
6 states to take advantage of the free trade agreement.

7 In 1991, the legislature also passed Act 26,
8 which authorized additional expansion projects on the
9 Pennsylvania Turnpike. One of those is the Southern
10 Beltway, which is to connect the Mon-Fayette Expressway to
11 the new Bigfield terminal. That's estimated to be 28 miles
12 long at a cost of \$500 to \$800 million. We're in the
13 process of preparing an environmental impact statement and
14 preliminary design for that project now.

15 The point that I'm trying to make here is that
16 all of these things have caused the turnpike to change
17 rapidly. It's an exciting time to be with the Pennsylvania
18 Turnpike Commission. We realized when we took on Act 61
19 that we had insufficient staff to carry out these expansion
20 projects. We needed more right-of-way specialists, more
21 geologists, more utility relocation technicians, more
22 environmental scientists, and in fact, we're anticipating
23 that the needs of staff would go up from 35 to 40 percent,
24 before Act 61 and after Act 61.

25 In order to house these staff, we added an east

1 and a west regional office on the Turnpike system. We're
2 planning a rehabilitation and addition to our existing
3 building in Highspire to accommodate the additional staffing
4 needs. In the meantime, we refurbished our headquarters to
5 more efficiently use the existing space that we have.

6 We've had to add new skills in light of ice tea
7 and what's been happening with that. We've had to increase
8 our understanding of federal and state environmental
9 regulations and transportation regulations.

10 It's a new world, one that we hadn't been
11 participating in before. All of these changes that we've
12 undergone have cost us money, money that we are willing to
13 spend for the overall good of the Commonwealth of
14 Pennsylvania. At this point in time we're trying to
15 maximize our revenues and minimize our costs at a time when
16 the recessionary trend has hit us hard.

17 For these reasons, all of these reasons, the
18 Pennsylvania Turnpike Commissioners authorized the staff to
19 pursue this House Bill. That's why we're here today.

20 The tolls for the expansion projects are set at
21 approximately 9 cents per mile for optimum income. From an
22 elasticity viewpoint it was felt that that was the highest
23 that we could go and not have people not use the roads for
24 that reason. However, those tolls pay the operation of
25 maintenance costs of our expansion projects but they do not

1 begin to cover the deficit that we have on the bonds that we
2 floated for Amos K. Hutchinson alone -- that's estimated to
3 be \$16 million a year -- and all the expansion projects are
4 like this.

5 So we had to increase the tolls on the main line
6 to cover the expansion projects. We had a 30 percent
7 increase in 1987, another 30 percent in 1991.

8 The average rate right now on the existing
9 system is 4 cents per mile, while in some sections it's as
10 high as 7 cents per mile. This increase supported a \$1.0
11 billion bond issue.

12 We're seeking federal funds in any way that we
13 can. The Mon-Fayette pilot project was designated so by a
14 federal surface transportation act, and then Governor Casey
15 chose it and that was at a 35 percent participation rate.
16 We're currently seeking to increase that federal
17 participation rate to 50 percent as allowed under the new
18 surface transportation act at the federal level. And
19 although eligible, PennDOT was reluctant to redirect funds
20 from the currently allocated projects that they had on their
21 books for this project. It looks like right now we have
22 about \$21 million dedicated directly to the Mon-Fayette
23 Expressway from the federal government.

24 I-95, which I talked about earlier, is eligible
25 for 90 percent federal funds, and we're seeking to change

1 congressional legislation at this moment as we speak so that
2 we can continue to collect tolls on I-95 as it intersects
3 with the Turnpike Commission.

4 As Mr. Williams referenced, part of the oil
5 franchise tax passed in 1991 was to come to the Pennsylvania
6 Turnpike Commission, gives us 14 percent of the new 55
7 mils. That was enacted by the legislature. That amounts to
8 about 35 to 38 million dollars per year.

9 The amount that he gave you for interest
10 confused me a little bit. I don't know over what time frame
11 he was talking, but that's a lot more than we're
12 anticipating it's going to be. Did he say five years?
13 Okay.

14 We're even looking at privatization everywhere
15 that we can, you know, to maximize our revenues and cut down
16 on our costs.

17 What this brings me to is why we're here today.
18 We began our relationship with Troop T in the State Police
19 back in 1940 when the Turnpike was opened. The enabling
20 legislation that was written for the turnpike mandated that
21 we had to have a police force. Didn't say that we had to
22 have Troop T, but it was felt at that time that that would
23 have been the easiest route to take. And so the Turnpike
24 Commission wrote to the governor at that time and asked that
25 part of the state police be dedicated to the Turnpike

1 Commission.

2 In addition to the routine patrol that they do,
3 daily responsibilities of Troop T include teller bus
4 escorts, MCSAP inspections, construction projects
5 enforcement, line painting details, call box calls, fare
6 evasion, employee theft. They participate in our safety
7 break program. They do DUI and seatbelt checks; drug
8 interdiction; oversize truck escorts. We're very happy with
9 the job that Troop T is doing for us. We feel that they're
10 very innovative.

11 We feel we have a reputation of being one of the
12 safest highways in the country, and we feel that we owe a
13 lot of that to Troop T. They have a good reputation and it
14 shines on us.

15 The cost of having Troop T is approximately, for
16 1991-92 it was \$16.1 million for 217 troopers. We've since
17 added to that number five additional troopers for the Beaver
18 Valley Expressway which is coming on line.

19 The impact that this House bill would have on
20 the Pennsylvania Turnpike Commission, I have some figures
21 there in the testimony of how many citations were written in
22 1991. A third of them, approximately, were for commercial
23 traffic, two-thirds of them were for passenger traffic. We
24 took the average fine that it was felt was fair for each of
25 those, and we come up at about \$5 million of fine money

1 generated, of which 50 percent of it would be, \$2.5 million
2 would be the impact to the Turnpike Commission. Although in
3 the scheme of things that may seem like a small number,
4 fiscal realities have dictated that we must explore all
5 avenues that exist.

6 As you can see, the role of the Pennsylvania
7 Turnpike Commission in the Commonwealth's transportation
8 system is expanding rapidly. We've been able to accomplish
9 what was asked of us in record time and under budget.
10 Passage of House Bill 2329 would help allow us to continue
11 to aggressively pursue our expansion program, thereby
12 increasing economic development opportunities around the
13 Commonwealth.

14 I would now ask you allow the rest of our panel
15 to present their testimony, and then we'll entertain
16 questions.

17 MR. FOGARTY: Thank you, Chairman and members of
18 the Committee. I would like to follow up on Liz's
19 testimony. I apologize for not having anything formally
20 done. I was told I didn't have to. I apologize for that.

21 In following up on the impact of some of Liz's
22 testimony, the Turnpike Commission is now over a billion
23 dollars in debt. We have done subsequent refinancing to try
24 to reduce that debt. It has grown from in 1989 from \$27
25 million a year to \$87 million a year.

1 The projects that we have out there as we
2 complete the Amos K. Hutchinson, as we complete the Beaver
3 Valley Expressway, we're mandated to have toll collectors,
4 additional toll collectors, additional maintenance people,
5 maintenance equipment, additional costs, utilities and those
6 type of things that are going to increase our operating
7 budgets substantially. We have to look for ways to
8 subsidize that budget.

9 The call box system, we spent \$8 million to get
10 that done. Now we have a constant program of going out and
11 testing to make sure all the call boxes work. Fixing them,
12 it's an increased cost to us that was not expected as we did
13 these budgets five years ago.

14 Such projects as the Amos K. Hutchinson, they
15 will never be able to pay for themselves. Thus, we have to
16 draw from the toll receipts that we get on the main line to
17 subsidize our debt service and our operating budget. We
18 have to keep the main line in top condition. Those costs
19 have risen in the last five years from \$56 million a year to
20 last year we've committed \$87 million a year to maintaining
21 that road.

22 Approximately 47 percent of our revenues come
23 from commercial vehicles. Last year we were well over one
24 million vehicles down. That reflects the economy and the
25 recession and so we're trying to react to that as well.

1 As far as the state police costs go, we are in a
2 situation that they account for almost 12 percent of our
3 budget. We can control none of those costs. We can't
4 control the costs of their fringe benefits, we can't control
5 the cost of their salaries, we can't control the cost of
6 their overhead and we can't control the mileage rate that
7 they charge us for using their cars. So we are in a
8 situation that basically they dictate to us what their costs
9 are going to be and we can't react one way or another.

10 These costs, the \$17 million that we will,
11 almost \$17 million, that we will pay the state police in
12 this fiscal year does not include the supplies, the office
13 equipment, does not include the airplane costs, does not
14 include the postage that we pay to send the citations out.
15 It does not include any of those costs from a day-to-day
16 basis.

17 Nor does that \$17 million pay for the overtime
18 that we incur in all the construction areas to make sure
19 that there is a state policeman there at night or during
20 heavy traffic situations to make sure that the safety of the
21 patrons is there.

22 The tickets that we issue fund the CAT fund, the
23 EMS fund and the judiciary fund for the municipalities,
24 also. It will be one of the concepts that if we were to
25 gain this money, that we would add additional officers to

1 our state police complement which would, in turn, increase
2 the number of tickets written, increase the amount of
3 revenues that go into those funds.

4 I thank you for allowing me that testimony.

5 MR. GARRETT: Mr. Chairman, members of the
6 Committee, I would like to thank you for allowing us to be
7 here this afternoon. While Mrs. Voras and Mr. Fogarty have
8 given you an overview of the turnpike system, and
9 particularly the large expansion program that's underway, I
10 would like to focus a little bit more on the mainline system
11 itself.

12 The information I presented to you is the one
13 entitled Maintenance and Operating Expenses for the
14 Pennsylvania Turnpike, if you care to follow along with the
15 outline.

16 Just a little bit of background information. We
17 have in place at the Turnpike Commission what they call the
18 trust indenture, which is a formal agreement between the
19 trustee and the Commission, which defines the duties and
20 responsibilities in order to protect the interests of the
21 bondholders for the debt service that we undertake.

22 The current indenture was updated in 1986 after
23 a long period of time, and it's been supplemented since then
24 in regard to the Act 61 that was undertaken at that time,
25 the Turnpike Reorganization and Extension Act.

1 The indenture itself very specifically describes
2 the funds and the flow of funds. There is an order in which
3 the money must flow that we take in, and they are briefly
4 outlined there for you. As you can see, the revenue fund,
5 of course, is where all the toll receipts go. We have the
6 operating account, which is basically the budget for
7 operating expenses. There is a debt service fund for which
8 we have to set aside monies to pay the bonds that we've
9 undertaken.

10 One of the more important funds that we have and
11 I would get back to later is what we call the reserve
12 maintenance fund, the RMF, which is for the maintenance and
13 repair of the system in an amount each year as recommended
14 by the consulting engineer based on our annual inspection.
15 Typical uses that we use for this fund are resurfacing,
16 bridge replacements, rehabilitations, interchange
17 expansions, service plaza improvements, tunnel
18 rehabilitation, and purchase of maintenance equipment.

19 There are other reserve funds that we must set
20 aside such as self-insurance, we are self-insured for a lot
21 of things. We have a general reserve fund which is similar
22 to the RMF but is more discretionary in its use. The
23 construction fund itself is the one in which we funnel the
24 money that we use then to actually pay the costs of
25 constructing the expansion projects.

1 One of the very important sections of the
2 indenture is that it imposes covenants upon us that we must
3 put in place or a toll structure such that the revenues are
4 sufficient to meet our obligations and allow for a coverage
5 factor after all those obligations have been met.

6 We as the consulting engineer at Michael Baker
7 play a role working very closely with the Commission staff
8 to see that the obligations of the indenture are met. Some
9 of the responsibilities that we do, as you can see there,
10 are that we approve all the plans and specifications for
11 projects undertaken by the Commission, we provide
12 construction overview, we approve the investments, along
13 with the insurance consultant we recommend insurance
14 coverages, in conjunction with the traffic engineer, we
15 recommend tolls in line with the revenue and estimated
16 expenses.

17 One of the more important things we do is every
18 year we perform an annual inspection of the entire system,
19 prepare an annual report with recommendations regarding
20 specific repairs and improvements to be made to the system
21 and the amount to be set aside for that. That is the
22 reserve maintenance fund, the RMF that I referred to
23 previously.

24 One of attachments that I have is attachment
25 number 1 that provides a ten-year summary of the expenses of

1 the Reserve Maintenance Fund. And without getting into too
2 many numbers, if you will look at the third column from the
3 right there, it shows you a history of the past ten years of
4 the expenses that we had out of the Reserve Maintenance
5 Fund. Going back in fiscal year 1983, we spent about \$37
6 million. In the fiscal year just recently completed, fiscal
7 year 1992, we spent about \$90 million in the RMF.

8 So you can see in that ten-year period how our
9 expenses for the system have grown. And this is due
10 primarily to the age of the system, which is a good portion
11 of it is over fifty-years-old, and also because of the way
12 in which we undertake our work in the maintenance protection
13 of traffic that we do with many of our projects, we maintain
14 four lanes of traffic for the convenience and the premium
15 that the traveler pays, in our resurfacing and bridge
16 projects. But that comes with a cost in order to do that.

17 Some of the significant improvements that we
18 have made to the system in recent years, and they're still
19 ongoing, many of these are for safety and other
20 considerations. One of them is what we call SNAP, that's
21 the nap alert pattern, where you may have noticed in certain
22 sections if you drift off the main line onto the shoulder,
23 it's grooved and there's a detectable sound that you hear.
24 We have tried to identify those areas where we've had high
25 incidents of accidents, and we're going to institute this on

1 a system-wide basis now.

2 We will be putting in the high concrete median
3 guard throughout the system over a period of time. This
4 reduces headlight glare from oncoming vehicles.

5 We have a systematic approach to eliminating
6 crossovers to eliminate unauthorized U-turns on the main
7 lines and to avoid accidents.

8 The call box system I think has been touched on
9 many times, and we accelerated the implementation of that
10 program at a cost of about \$8 million.

11 In many of our busier interchanges we have
12 installed tandem toll booths as an approach, a cost
13 effective approach, to increase the throughput of the
14 patrons through the interchanges.

15 We are in the midst of a major service plaza
16 expansion. We have rehabilitated the buildings and we have
17 an ongoing program to expand the parking areas. This whole
18 program will cost about \$50 million, of which our share will
19 be about \$30 million.

20 We will very shortly be undergoing a total
21 replacement of our communications system, which we think is
22 important to everybody, at a cost of about \$12 million.

23 Projected RMF expenses are shown on some of the
24 other attachments that I have. Attachment number 2 briefly
25 gives you the current fiscal year and the next two, a very

1 short-term approach. And I will just point to the second
2 column from the right that shows the projected expenditures
3 for that succeeding three years. As I indicated, the fiscal
4 year that just was completed we spent about \$90 million, and
5 we project for each of the next three years that we will be
6 spending about \$125 million a year for each of those years.

7 So as you can see, we will actually be spending
8 more than we will be transferring into that fund during that
9 period of time. But we feel it's very important in order to
10 continue the repair and maintenance that's necessary for the
11 system.

12 Attachment number 3 is simply a further
13 breakdown, and I won't go into a lot of detail of the
14 numbers that you see on attachment 2. In other words, you
15 can see at the bottom the totals for each year, and I've
16 provided for you a breakdown of the major types of work that
17 we do in each of those years which are basically
18 resurfacing, bridge rehabilitation, service plaza work,
19 interchanges, maintenance equipment, tunnels and others,
20 which total the total amount of money that we referred to.

21 Our goal on resurfacing is to attempt to
22 resurface 10 percent of our system every year, which is
23 about 50 miles. As you can see with the numbers that are
24 shown there, we're going to come very close to that goal.
25 We're trying very hard to maintain that in line with

1 maintaining traffic.

2 I've also shown there the number of bridges that
3 we are either going to be replacing or rehabilitating over
4 the next couple of years, but I can tell you we have over a
5 hundred bridges on the program right now.

6 Beyond the next three years with the bond
7 refinancing we just did, I can tell you to the year about
8 2000 our proposed transfers to the RMF over that period of
9 time are going to average probably \$85 to \$90 million. It
10 will not accelerate very much, but we feel that it's
11 sufficient in order to maintain the system in the proper
12 manner that it needs to be.

13 So I think what we've tried to tell you today is
14 that it's a very large system. Our system is growing. The
15 existing system has a great number of needs which we are
16 attempting to do with the revenue that we have available,
17 but we have a very large amount of constraints on the
18 system. So we hope that you will consider our request.
19 Thank you.

20 CHAIRMAN CALTAGIRONE: Thank you.

21 Questions?

22 (No audible response.)

23 CHAIRMAN CALTAGIRONE: I want to ask you a
24 couple questions.

25 I know this is kind of awkward to have two

1 different areas of state government squabbling over limited
2 funds, which both feel are absolutely critical to their
3 operations, and having served on the House Appropriations
4 Committee for a number of years and seeing how we have a
5 diminishing pot of revenue statewide, there are definitely
6 needs that PennDOT has and are going unmet. Almost every
7 one of our districts that have projects, liquid fuel tax
8 money that our locals need for their maintenance of the
9 roads that we help supply in addition to the needs that you
10 have on the turnpike.

11 Is there any other method or way that could be
12 addressed to raise additional revenue, from your perspective
13 from the turnpike? Other than dipping into the proposed
14 funds? Have you looked over your fiscal basket to see
15 exactly what else there might be that you could pick out?

16 I'm curious, because, you know, this is
17 difficult when you have two agencies of government providing
18 services and looking to protect additional finance on
19 roadways and projects. I'm just curious if there are other
20 mechanisms that might be available that we haven't even
21 looked at.

22 MR. FOGARTY: Mr. Chairman, I think you hit on
23 it, and that's services. There is a way that we have looked
24 at, that we would have to cut services on the turnpike.
25 That would be by reducing the complement of state police; by

1 perhaps reducing our bare pavement policy that we have
2 during the winter to make sure that we not only plow but
3 salt and we have a clear road for our patrons to travel
4 during the snowstorms. There are some drastic steps that we
5 could take to do that.

6 The other alternative we have is, of course,
7 raising tolls, and I don't think that that's as popular as
8 we would want to believe. And we just went through one, we
9 would not like to do it.

10 We have gone in, we have cut budgets. We have
11 gone in and we have done refundings to the tune that we just
12 completed one last night that will save the Commission \$14
13 million in debt service. But we have to anticipate that in
14 our lack of volume on the commercial traffic.

15 I don't think that we would be here today if we
16 weren't reacting to the fact that our commercial traffic is
17 down, yet we have the same fixed costs. And that's part of
18 the reason why we're here. And if the traffic came back up
19 I don't think this would be a very relative issue.

20 CHAIRMAN CALTAGIRONE: Let me ask you this, just
21 as a possibility. Since the commercial traffic, which is
22 basically the truck traffic, that goes through Pennsylvania,
23 is there anything that's being done to try to promote truck
24 traffic to come on to the Pennsylvania Turnpike? As an
25 example, rest stops and/or, and I'm just throwing this out

1 for a thought, you have an awful lot of area, a lot of land
2 along the turnpike. Possibly be developed for overnight
3 accommodations, let's say, for truckers, where the Turnpike
4 Commission can certainly make some additional revenue by
5 leasing land for building purposes for that? And advertise
6 this nationwide that Pennsylvania is one of the states that
7 really knows how to accommodate the truckers when they need
8 to pull over and get into a safe comfortable place where
9 they can sleep overnight and get a decent meal the next
10 morning. I'm just throwing some thoughts out to you.

11 MS. VORAS: They're all very relevant, because
12 we have, in fact, recently started, we have a marketing
13 department and just recently started a business development
14 group within that marketing department that is exploring all
15 kinds of ideas like that. In fact, they did a survey,
16 handed out surveys to commercial traffic at the toll plazas
17 about starting we're calling it a mega truck plaza is what
18 we call it, asking them, listing all kinds of services,
19 showers, hair cuts, restaurants, overnight accommodations,
20 what would you want? So we have done those things. We are
21 exploring it.

22 The only glitch in that whole thing is that
23 you've got municipalities that have business people who now
24 have truck stops and restaurants and, you know, then it
25 would be taking business away. So we're trying to work that

1 out. We're trying to pick a site that would not take away
2 from existing businesses in the Commonwealth. But we are
3 pursuing accommodations.

4 The plaza things that he was talking about,
5 we're trying to expand parking anywhere that we can, because
6 one of the main complaints the truckers give us is that they
7 can't turn their rigs around, you know, in our parking
8 lots. We're trying to expand the parking lots wherever it's
9 feasible for us to do so.

10 But that business development group is
11 exploring, you know, all kinds of ideas like that for the
12 commercial, to get the commercial. We've gone to truck
13 shows, we've been setting up at the actual, you know, PMTA
14 and ATA sponsored truck shows, a booth advertising the
15 Pennsylvania Turnpike and showing them how they can get a
16 charge account. We have been trying to get those that left
17 us back, because a lot of them have left. A lot of our
18 major accounts have left us, our charge accounts.

19 CHAIRMAN CALTAGIRONE: Is there a potential that
20 you're going to have any of that revenue enhancements that
21 you could get from those activities? Positive potential?

22 MS. VORAS: Mostly it would be getting back the
23 revenue that we're losing, we're trying to go to those
24 people that have said we don't want an account anymore at
25 the Turnpike, and we're trying to entice them back on. So

1 it would be more to get us back to a breakeven as opposed to
2 go over. Because as Mr. Fogarty mentioned, we've lost a lot
3 of commercial traffic and, in fact, if you look, PennDOT has
4 a report that shows almost the direct relationship between
5 us losing traffic and them gaining it up on Interstate 80
6 and the various very routes getting to Interstate 80. They
7 did that compilation of traffic.

8 MR. GARRETT: We've even gone to the point of
9 working with the various trucking firms, and what they've
10 told us is that when we raised the tolls again last year,
11 that they said it just cost us too much to do business and
12 we're going to seek an alternate route.

13 What we tried to do is go to them and show them
14 maybe you might be saving the toll by going this alternate
15 route, but really, the cost of time is very important to
16 you, also, and the condition of the road. And actually
17 compared the various routes that they would take to get to
18 certain locations, and find that even with the toll in
19 place, that if you can save time and have other amenities
20 and the quality of the road available to you, in the long
21 run it may be a cost advantage to come back to the Turnpike,
22 and have them look at that in different light.

23 I think we've been getting some early acceptance
24 of what we've been trying to show them. So I think I can
25 corroborate what Liz is saying. We've been working very

1 hard individually with the trucking companies to try and
2 listen to them, listen to what they're telling us and trying
3 to address the concerns that they have.

4 MR. FOGARTY: Another problem we have, Chairman,
5 and the situation is kind of ironic, is that the truckers
6 are somewhat reluctant to pull into the service plazas
7 because there are several agencies out there that do their
8 inspections while they're parked in the plaza. The PUC, the
9 Department of Revenue, in some cases even the state police
10 will inspect their trucks while they're there. So they try
11 to get off, and this is another reason why we are losing
12 revenues from the commercial side. Although we're taking
13 the unsafe vehicles off and we only want this to be a safe
14 road, it is a deterrent for those truckers because they're
15 going to get stopped for one thing and hold them up. Even
16 if they have a safe truck, they're going to be delayed.
17 That has caused some problems for us.

18 MS. VORAS: They're a captive audience while
19 they're up there, once they're on the turnpike they're a
20 captive audience.

21 MR. FOGARTY: Another point that you had alluded
22 to as far as the land we own, we have a land use committee.
23 We meet regularly. We have addressed those parcels along
24 the road that have a potential for development and we are
25 addressing those issues and we have, you know, we're just

1 walking before we run. But I think we have a potential for
2 earnings there.

3 As far as the truckers go, we have 800 charge
4 customers on the road. These are truckers that we insist
5 that they post surety bonds for that would be representative
6 of three months of their tolls. In some cases it's much as
7 much as \$250,000 to \$300,000. They're having some trouble
8 getting the surety, and we are looking into the potential
9 that we would self-insure those truckers to make it
10 advantageous for them. And so we are looking into that as a
11 potential moneymaker for us as well as something more easily
12 for the trucking companies to deal with.

13 CHAIRMAN CALTAGIRONE: Okay. Thank you. Thank
14 you for your testimony.

15 We'll adjourn the hearing.

16 (Whereupon, the hearing was concluded at
17 1:50 p.m.)

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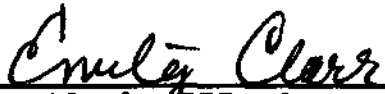
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I hereby certify that the proceedings and evidence are contained fully and accurately in the notes taken by me on the within proceedings, and that this copy is a correct transcript of the same.



Emily Clark, RPR, CP, CM
Court Reporter-Notary Public