Ohio Turnpike and Infrastructure Commission

Ferzan M. Ahmed, P.E.
Executive Director

April 9, 2019

The Honorable Dave Greenspan, Chairman
Finance Subcommittee on Transportation
Ohio House of Representatives

Dear Chairman Greenspan, Ranking Member Skindell and Members,

On behalf of the Ohio Turnpike and Infrastructure Commission, I am honored to testify before the House Finance Subcommittee of Transportation. My testimony today will provide a brief summary of our operations and a more detailed overview of our efforts to modernize our Toll Collection System (TCS).

The Commission adopted a Strategic Plan on Dec. 18, 2017 to upgrade the Turnpike’s TCS, which is approaching the end of its useful life. In adopting the Strategic Plan, the Commission also considered a survey showing that 89 percent of 14,000 Ohio Turnpike Customers support the removal of toll gates.

Operation of the new Toll Collection System is anticipated for deployment by 2022. In order to fully implement the Strategic Plan, the Commission is seeking legislative amendments to its authorizing statute, Chapter 5537 of the Ohio Revised Code. These changes are necessary to protect the confidentiality of every Ohio Turnpike traveler and to authorize the Commission to recover unpaid tolls.

Due to the technical nature of my testimony, I will be using the attached PowerPoint presentation because it is the best format to fully explain how our planned TCS modernization will operate and more importantly, how it will benefit our customers.

Additionally, the Commission requests updates to its authorizing statute to modernize its operations consistent with those of other state agencies. These proposed changes are included in the attached summary document.

We appreciate your support of our efforts to better serve our customers and provide the safest, most convenient route along the northern corridor of Ohio while safeguarding the Commission’s ability to effectively and efficiently collect tolls as its primary source of revenue.

Sincerely,

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Executive Director

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Serving the nation – The James W. Shocknessy Ohio Turnpike
HISTORY

• The Turnpike is a 241-mile-long modern, limited-access highway across northern Ohio, connecting communities from Pennsylvania to Indiana.

• A ten-member commission has overseen the operations of the Turnpike since 1955.

• The Commission is currently chaired by Mayor Jerry Hruby of Brecksville.

• The Commission determines toll rates, collects revenues, controls disbursements and has title to all assets, except for title to real estate, which the Commission purchases in the name of the State of Ohio.

• As we enter our 64th year of operation, we are fiscally sound.

• Our employees do an outstanding job of maintaining our infrastructure and taking care of our customers and communities.
REVENUE

- The Ohio Turnpike does not receive federal gas tax or money from the General Revenue Fund. The Commission’s main source of revenue is from tolls.

- Toll revenue makes up 89 percent of the Commission’s revenue.

- 66 percent of toll revenue is currently collected through electronic toll collection, or E-ZPass. (For commercial vehicles alone, E-ZPass toll revenue is 85 percent).

- Current toll rates reflect the Commission’s ongoing commitment to remain fiscally sound, while providing a high level of service.

- The next largest category of revenue is from the sale of concessions at our 14 Service Plazas, followed by investments and various fee permits and state motor fuel tax (5 cents/gallon sold at Turnpike Service Plazas).
**EXPENDITURES**

The Commission’s Master Trust Agreement with its bond holders governs the flow of funds related to our expenditures. It creates a hierarchy for expenditures, which is:

- Operating expenses
- Debt service
- Capital investments

In 2019, the Commission projects:

- Only 3.6 percent of expenditures will be spent on administration and insurance;
- 12.3 percent is allocated for roadway and facility maintenance;
- 16.1 percent for the operation of the toll and service plazas;
- and 4.8 percent for traffic control, safety, highway patrol and communications.

The Commission currently has about $2.0 billion in debt. Of that, approximately $1.5 billion is for ODOT Infrastructure Projects off the Turnpike.

- The debt service on those bonds will require 36.5 percent of the Commission’s 2019 expenditures budget, leaving 27.5 percent available for capital projects.

Our current system of toll collection was implemented in 2009, and it’s now approaching the end of its useful life. As we fulfill the needs of today, we are also preparing for future needs, including a plan to modernize our toll collection system.
Currently, in the Governor’s Operating Budget, we have a single amendment to ORC 5537.17 which simply seeks to correct the deadline for audit reporting until after the end of our fiscal year, which operates on a calendar basis. It also clarifies the fiscal audit process by reconciling the statute with the long-standing practices defined by our Master Trust Agreement with bondholders, dating back to the Commission’s inception.

It’s important to mention that we are currently in the process of submitting additional amendments to the Administration for their review and consideration. The amendments are related to the Commission’s Strategic Plan to modernize our Toll Collection System. I would like to spend some time discussing this important project, which will insure the Commission’s ability to effectively and efficiently collect tolls as its main source of revenue.
To start, we need to review how our current Toll Collection System works. We employ two types of payment options on the Ohio Turnpike, 1) Electronic Toll Collection using E-ZPass and 2) direct payment at the toll booth using cash or a credit card.

Since 2009, Ohio Turnpike customers have enjoyed the convenience of E-ZPass. This type of electronic toll collection is used on most tolled facilities throughout the world. 66% of the Commission’s toll revenue is collected using E-ZPass. A customer simply drives through the lane, where a valid E-ZPass transponder is detected by radio frequency and the gate opens. This happens on both entrance to and exit from the toll facility.
For a cash-paying or credit card customer, the driver must pull up to the booth and take a ticket from a machine. Once the ticket is retrieved from the machine, the gate opens and the customer begins his or her trip.

Upon exit, the customers pulls up to a gated toll booth and either presents the ticket to a toll collector or to one our automated payment machines (at less busy toll plazas). The customer provides his or her payment, the gate opens, and the customer proceeds to their off-turnpike destination.
As I stated earlier, our current toll collection system has reached the end of its useful life. As time has gone on since the E-ZPass system was implemented 10 years ago, spare parts are becoming increasingly difficult to find. In addition, there is a growing need for new technology in terms of our ability to read transponders from other systems and to be able to have backup systems in place should there be a real-time disaster from unforeseen events.

These reasons have led us to consider replacing our Toll Collection System.
Our customers have been asking for improved service and convenience. The modernization of our toll collection system is the result of a strategic plan that was adopted by the Commission in December 2017. The strategic plan included a survey under which 14,000 of our customers were asked if they supported the removal of toll gates. 89% supported that plan.
An important emphasis of our research focused on the makeup of our customer base.

- A license plate survey was conducted at 12 of our tolling locations. Results show that depending on the interchange and time of collection:
  - About 37 percent to 51 percent of cash-paying cars are from outside Ohio
  - About 65 percent to 73 percent of cash-paying trucks are from outside Ohio
Goals for a modern Toll Collection System

- Quality customer service and value;
- Ease of travel;
- Ease of payment;
- Customer satisfaction and safety.

The plan:

- Is responsive to customer preference;
- Is financially responsible, and;
- Will maintain the Ohio Turnpike’s credit ratings, and
- Will maintain the ability to fund capital improvements, operations and debt service.
The current Turnpike system consists of 31 gated interchanges.
HIGHLIGHTS OF MODERNIZATION

1. All entry gates will be removed.

2. E-ZPass exit gates will be removed. Cameras will be installed to read license plates, so non-paying customers can be billed.

3. Gates will remain for cash/credit card exit lanes.

4. Construct four new plazas providing:
   - Highway speed travel lanes for customers using E-ZPass
   - Staffed toll lanes for cash- or credit-paying customers.

The plazas will be located at:
   - Westgate Interchange – western border with Indiana
   - Milepost 49 – west of Toledo
   - Milepost 211 – west of Youngstown
   - Eastgate Interchange – eastern border with Pennsylvania

5. Remove low-volume, high-cost toll plazas while maintaining access to the Turnpike. We have identified 9 such toll plazas:
   - Four between Indiana & Toledo
   - Five between Warren & Pennsylvania
Since we will be eliminating the gates in E-ZPass exit lanes, there is the potential for customers without a valid E-ZPass to travel through an E-ZPass-only exit lane. The Commission will use cameras to identify these customers by reading license plates. These customers will be billed for unpaid tolls.
Due to the use of this technology, the Commission is preparing to seek specific legislative amendments. There are two reasons for this. Firstly, using cameras to identify customers will increase the amount of personal data collected by the Commission. Secondly, the Commission will need the authority to work with the BMV to require a vehicle owner to pay their delinquent tolls before they can register their vehicle. A summary of the proposed legislative changes is included in the submitted testimony.

The proposed legislation will accomplish the following goals:

- Maintain all personally identifiable information as confidential;
- Specify that liability for an unpaid toll belongs to both the owner of the vehicle as well as the driver;
- Ensure due process to resolve any customer complaints; and
- Authorize the Commission to recover unpaid tolls by working with the BMV to hold vehicle registrations.

**TCS Operation:**

**5537.36 – Confidentiality.**

- This new proposed section of 5537 serves to protect the interest of travelers and their privacy.
- Authorizes the Commission to have the statutory authority to protect the personal identifiable information of Turnpike customers.
5537.16 Bylaws and rules - disposal of fines.
• Places liability on the necessary parties for the payment of tolls, fees, and fines from either the driver of the vehicle or the registered owner of the vehicle.

5537.041 – Notice of unpaid toll process.
• This new proposed section of 5537 identifies a process the Commission may use to recover tolls and costs by:
  o Providing the operator or registered owner of the vehicle notice that they have an outstanding toll due.
  o Allowing individuals the ability to contest tolls, fees, fines, and administrative costs.
  o Providing the information of toll evasion to the registrar of motor vehicles.

1901.20 Criminal and traffic jurisdiction.
• Allows a full and constitutional process for disputing tolls and fees.
• Allows the municipal court to oversee the final appeal of a hearing officer who determines liability for an individual who has given notice of an unpaid toll.

4503.10 Application for registration or renewal – transmission of fees- inspection of certificates.
• Allows the Commission to send the BMV a list of individuals with excessive missed toll payment(s), the registered owner of the vehicle will be required to pay their unpaid tolls and fees before they can complete their vehicle registration.

4501.06 Public safety – highway purpose fund.
• Reconciles processing fee collected under new proposed RC 5537.041 to proper state treasury fund.
The capital implementation cost in 2017 dollars for this plan is currently estimated to be $190-220 million.

This new state-of-the-art system will replace an antiquated system and save the Commission approximately $257 million over 30 years.
Construction is currently anticipated to begin in the 4th quarter of 2019 and conclude in the 4th quarter of 2021, subject to Commission approval of the contracts to design, acquire and build the necessary infrastructure.

Operation of the new Toll Collection System is anticipated to begin in early 2022.
Additionally, unrelated to the Strategic Plan, the Commission has submitted for consideration updates to its authorizing statute. The goal of these amendments is to modernize its operations and reconcile certain government functions.

**Modernizing the Statute:**

**5537.02 Ohio Turnpike and infrastructure commission.**
- Reconciles governmental functions with immunity already afforded under RC 2744.

**5537.07 Bidding process for contracts exceeding $50,000.**
- Enables the Commission to use the short form public notice available under ORC 7.16.
- Updates the authority for the Commission to execute design-build projects through bids that provide the greatest value to the Commission based upon qualification, pricing, and performance considerations.
- Authorizes the Commission to execute contracts based on competitive proposals when strict competitive bidding is inadequate due to the nature of the procurement.
- Updates the bond requirements for general goods and services contracts.

**5537.13 Contracts - bids - tolls - sinking fund - lien of the pledge.**
- Allows the Commission authority to rapidly address issues pertinent to the function of the Turnpike.
- Enables the Commission to use the short form public notice available under ORC 7.16.
5537.13 Contracts - bids - tolls - sinking fund - lien of the pledge.

- Allows the Commission the authority to perform emergency contracting to rapidly address issues pertinent to the function of the Turnpike similar to the Ohio Department of Transportation under RC 5517.021.
- Enables the Commission to use the short form public notice available under ORC 7.16.
- Need to add need & benefits of each. For example, in 5537.07, updating the bond requirements for general goods and service contracts is advantageous in promoting more competitive bidders and creating more opportunities for small, minority and disadvantaged businesses.
Thank You!