

# Executive Summary

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This report examines the consequences of implementing tolls on Interstate 80 (I-80) as proposed by Act 44. It critically evaluates arguments for tolling I-80 in light of economic theory and evidence and presents data on the various costs that will result, and who will bear those costs.

Some proponents assert that tolls are necessary so that vehicles using I-80 will pay their fair share of the costs of maintaining this important highway. Using data on highway taxes and vehicle miles traveled on Interstate 80, this report demonstrates that users of Interstate 80 already pay more than the amount that PennDOT spends each year to maintain Interstate 80. In 2006, trucks paid a total of more than \$90 million in taxes and user fees and cars paid more than \$40 million in gasoline taxes for the miles they traveled on I-80.

Tolls will negatively affect many firms and workers living in the Interstate 80 corridor. Approximately 75,000 people work for an employer that depends on I-80 for shipping inputs, shipping outputs, or as an important source of customers. Several industries that have an important presence along I-80 will bear substantial costs if tolls are implemented. To estimate the size of reductions in sales and product prices that are likely to result from tolls, this report uses estimates of elasticity of supply and demand and transportation costs for firms in the manufactured housing, long distance trucking, and warehouse industries. Data from case studies provide examples of how high the costs of tolls would be for specific firms.

Although the biggest effects of tolls will be on firms along the I-80 corridor and their employees, firms and consumers in other parts of the state will also bear higher costs if the Turnpike Commission implements tolls. Estimates of how much tolls will add to costs for residents of the Pittsburgh and Philadelphia metro areas are calculated from data on tons of goods shipped to each city from regions of the US accessible to I-80.

In addition to the costs that those who depend on Interstate 80 will bear, residents of many communities near I-80 and along US 422 and 22 in Central Pennsylvania will experience greater congestion, noise, air pollution, and accidents on state and local highways parallel to the Interstate due to diversion of vehicles in response to tolls. Estimates of likely diversion imply that this will result in an average of at least two to four additional deaths and between one and two hundred additional injuries from traffic accidents each year.

Besides all of the other costs associated with tolls on I-80, the Turnpike commission has already incurred considerable debt and plans to incur additional debt of between \$37 and \$54 billion as they borrow to finance other highway improvements and mass transit using anticipated toll revenues. Reapplying for permission to impose tolls will enable them to continue to borrow hundreds of millions of dollars each year for several more years before they can collect any revenue from tolls on I-80.

Since users of Interstate 80 already pay the costs of maintaining the highway through fuel and other road use taxes, there is no good reason why they should pay an additional tax via tolls. Moreover, tolls will impose a large burden on firms in some of the least prosperous counties in Pennsylvania while encouraging many trucks and cars to use alternate routes that are less safe and efficient. A more efficient and equitable way to pay for fixing roads and bridges throughout the state, such as increasing fuel taxes, would require motorists in all parts of the state to share in the cost.