

Ohio General Assembly
House Finance and Appropriations Committee
Transportation and Justice Subcommittee

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RE: Potential Ohio Turnpike Commission Proposal Inclusion for the
State Budget

2-18-2009

Dear Subcommittee Members:

The Ohio Legislature Transportation Task Force once recommended the Ohio Department of Transportation create a 21st Century Transportation Priorities Task Force to further investigate intermodal, economic development, and financing issues. That new task force had been meeting most of last year and now has issued its final report. This recommendation appears on pp. 50-51 -

2. Transforming the Ohio Turnpike Commission (OTC) into the Ohio Transportation Finance Commission (OTFC)

While historically they have not been particularly popular, new toll roads are today being built across the country. Because they are self financing, toll roads make it possible to build new capacity without diverting scarce funding resources from other needs. The Task Force recognizes the limitations of tolling, including the fact that not every new project lends itself to tolling. Yet, its members believe that tolling should be used in appropriate situations.

The Ohio Turnpike Commission (OTC) is an experienced toll road builder and operator, and a well known name in the credit markets. Therefore, the Task Force recommends that the Commission continue to serve as the financier, builder and operator of new toll projects. But the Task Force envisions a larger role for the OTC: the state should transform the OTC into a statewide Ohio Transportation Finance Commission (OTFC). The new OTFC would serve as the state's tolling and finance authority and a partner with other agencies and entities, including but not limited to ODOT and the Ohio Rail Development Commission (ORDC). With the new OTFC serving as the financing agency for all revenue-generating transportation projects in the state, it would be possible to use excess revenue from one project to support others that may not be self sustaining, such as a start-up facility. For example, if ODOT wanted to construct a road, it could work with the OTFC to create a tolling plan (e.g., needed funding, pricing, term and the like) for the facility. OTFC would finance the

construction of the road, collect the tolls to pay for debt service and possible maintenance costs and potentially distribute revenues to another agency such as ODOT or a local government as prescribed by the previously negotiated agreement.

This model also could be used for the construction of a state-sponsored rail line or spur where the OTFC would finance the construction of the rail line while users of the line would pay a per car fee to access it. In this example, the revenue could go to support the Rail Development Commission's operations or finance additional projects, including freight rail expansion or start-up passenger rail service.

I had testified to both task forces regarding my proposal to authorize OTC to additionally engage in "public railway turnpike" provision and issue public revenue bonds to construct new and reconstruct abandoned rail segments as a means to restore Ohio's rail network (**Attachments #1 & #2**). While I generally accept the Task Force's recommendations, the following are points of concern.

- Changing the "Ohio Turnpike Commission" name into the "Ohio Transportation Finance Commission" is unnecessary, incurs additional costs, and infers they just finance projects vs. actively administering them. ODOT already has a "State Infrastructure Bank". If a change is desired perhaps it could be the "Ohio Tollway Commission" with "Ohio Turnpike" reserved for the highway's name.
- Non-profit project toll revenues should remain within OTC for closed-loop accounting vs. being distributed to ODOT, ORDC, or other agencies. Such cross-subsidization could affect OTC's debt rating.
- Proposed OTC projects should demonstrate adequate revenue generation and not rely upon cross-subsidization from successful projects, unless the State, Federal Government, etc. desires to subsidize their debt or operation.
- OTC should fund and administer only main lines and not "spurs", as those are essentially private driveways that should be financed by the shipper, or if necessary subsidized by ORDC, ODOD, commercial banks, etc.
- OTC should toll use not by "carloads" but by "ton-miles". Carload-only metering creates inequities between empty and loaded train cars and distances traveled, whereas scales and reading train car ID tags electronically could easily be networked for accurate accounting of each vehicle using a tolled rail line.

After the testimony was submitted, I updated the proposed Ohio Revised Code changes required, with a bullet point rationale and an analysis of the revisions (**Attachments #3, #4 & #5**). Authorizing OTC to engage in rail, like its highway turnpike, should not require federal nor state subsidies thereby assisting both governments' budgets. Increased availability of competitive infrastructure would

also help goods producers (including vehicle manufacturers) lower shipping costs to retain and create better jobs here necessary to recover our economy. The additional "line of business" would help OTC capture those traffic and toll revenues shifting to rail (particularly to CSX and Norfolk Southern whose main lines within OTC's corridor are and are proposed to be state-subsidized) and offset their continuing highway turnpike losses that as announced at their February 9 meeting were down 4.5% for passenger cars and 18% for commercial vehicles for January 2009 compared to the same time last year. Restoration of abandoned and downgraded main east-west rail lines across Ohio would also help ease rail traffic congestion in various Ohio regions arbitrarily caused by the railroad companies' rail network consolidations.

The proposed new ODOT and other tolling agencies will similarly encounter traffic and revenue losses to rail exacerbated by any state subsidies to those rail companies. Perhaps tolling functions such as additional or customized lanes, congestion pricing, etc. could be administered and if necessary subsidized by ODOT or those agencies, while OTC is permitted to provide standalone highway and railway turnpike projects with its already established administration and investment grade debt rating.

I thank you for your time and attention to this matter, and please contact me at your convenience for further information or to discuss the proposed legislation.

Sincerely,

A handwritten signature in black ink that reads "Daniel L. Van Epps". The signature is written in a cursive, flowing style.

Daniel L. Van Epps
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