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Obama Administration Retreats from Effort to Deter Ohio Turnpike Privatization

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In October, the Obama Administration took the unprecedented step of revoking funds already awarded to the Ohio Department of Transportation (ODOT) to study the feasibility of absorbing the independent turnpike commission, which operates the Ohio Turnpike, into ODOT or leasing the turnpike to private investors. Unfortunately for Ohio, neither option was acceptable to the 1,000 or so well-paid, unionized employees of the turnpike. Congressman Tim Ryan (D-OH) wrote Transportation Secretary Ray LaHood a letter questioning the appropriateness of the study, and two days later the money was revoked.¹

Republican members of Ohio's congressional delegation pushed back, and several weeks later the study funds were restored to ODOT. This is a rare defeat for the Obama Administration's ongoing efforts to expand government and shrink the private sector. More such reversals may follow.

Benefits of Privatization. Ohio Governor John Kasich wanted to explore these various options—including privatization—in order to provide substantial amounts of additional funds for investment in Ohio's transportation infrastructure. In 2006, Indiana Governor Mitch Daniels leased for 99 years the Indiana Toll Road to a consortium of private investors in return for an up-front, lump-sum payment of \$3.8 billion and a commitment to invest an additional \$600 million in the toll road over the first nine years of the lease. By monetizing a valuable asset, a cash-poor, road-rich state government

was able to increase its transportation spending by \$4.4 billion without raising taxes. In turn, this has added many jobs in construction and repair and has improved mobility within the state.

Kasich recognized that he might do at least as well, if not better, by engaging in a similar transaction with the Ohio Turnpike. At 241 miles, the Ohio Turnpike is longer than Indiana's (157 miles), carries more traffic, and could generate more toll revenue. The much longer Pennsylvania Turnpike (532 miles, counting extensions)—which had earlier been under consideration for privatization—is reported to have received offers of as much as \$12.8 billion when the state was exploring privatization.²

Labor Strikes Back. Opposing the reform opportunity is resistance from the labor unions that represent turnpike employees. In most cases, these employees—including the unskilled—earn substantially more than state and private workers performing similar duties and worry that these costly disparities may end under new management.

According to several reports and analyses,³ Ohio Turnpike employees are exceptionally well paid in

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comparison to their state and private-sector counterparts, and several sources report high (but slightly different) levels of compensation. Turnpike toll collectors, for example—who perform a task less challenging than that of a counter clerk in a fast food restaurant—earned “average gross wages” of \$53,954 per year in 2010. The Buckeye Institute also reports that turnpike janitors earned \$60,042 per year.⁴ The Buckeye review included the benefit package (vacation, health care, pension, sick days) received by these workers.

Another report found that turnpike employees earn 17 percent more than those at ODOT and that in 2010 toll collectors “on average made about \$56,500.”⁵

Estimates of total annual compensation provided to the author by the Human Resource Department of the Turnpike Commission indicate levels higher than either of the above estimates when benefits are included. According to the department, the average full-time toll collector earns (counting overtime) \$48,008 per annum. The department estimates that the cost of current benefits average about 30 percent of earnings, which means that the total compensation package for toll collectors is approximately \$62,400 per year.

In sum, and as the Buckeye Institute notes: “In 2009 the average full time Ohio Turnpike Commission employee earned over \$58,000 per year,

while the average state [government] worker earned \$48,000 and the average [Ohio] private sector worker earned \$40,000.”⁶

A Troubling Action by the Obama Team. There are several reasons for Americans to be concerned about this revocation and the excuses used to justify it:

- The fact that the Administration canceled the study within a few days of receiving the congressional letter suggests that the White House was hasty in its review and did not give Ohio an opportunity to make its case. It also indicates that the process of revocation had already begun and that the letter was just a formality in an exercise to accommodate labor unions.
- That it was the privatization component of the Ohio study that caused the revocation suggests that the Obama Administration has now added an ideological threshold for study grant approvals. Perhaps in the wake of the Occupy Wall Street movement, the Obama Administration is distancing itself from policies that allow consenting adults to commit capitalistic acts.
- And then there is the question of whether this effort to suppress open inquiry is justified by the legal provisions of the program or whether it stems from an effort to pander to core constituencies. The U.S. Department of Transportation earlier approved, funded, and allowed the pub-

1. Sabrina Eaton, “U.S. Transportation Dept. Revokes Money Used for Ohio Turnpike Privatization Study,” Cleveland.com, October 7, 2011, at http://www.cleveland.com/open/index.ssf/2011/10/us_transportation_dept_to_revo.html (November 15, 2011).
2. Nathan Newman, “Largest Privatization Deal in U.S. History Proposed for Pennsylvania Turnpike,” Progressive States Network, May 22, 2008, at <http://www.progressivestates.org/news/dispatch/largest-privatization-deal-us-history-proposed-pennsylvania-turnpike> (November 15, 2011).
3. Press release, “Turnpike Employees Make Nearly 50 Percent More Than Private Sector Workers,” Buckeye Institute, June 15, 2011, at <http://buckeyeinstitute.org/uploads/files/Turnpike.pdf> (November 15, 2011).
4. *Ibid.*
5. Patrick O’Donnell, “Ohio Turnpike Workers Are Paid 17% More Than ODOT Employees,” Cleveland.com, May 15, 2011, at http://blog.cleveland.com/metro/2011/05/ohio_turnpike_workers_are_paid.html (November 15, 2011).
6. Press release, “Ohio Turnpike Commission Salary and Pension Information Added to State Salary Searchable Database,” Buckeye Institute, November 11, 2010, at <http://www.buckeyeinstitute.org/uploads/files/TurnpikePressRelease.pdf> (November 16, 2011).

lication of a similar study conducted and published by Kentucky on privatization.⁷

Congress Should Build on This Reversal.

Since the mid-1990s, The Heritage Foundation has argued in favor of turning back the transportation program to the states, where it once belonged, in part because of concerns over the ability of the federal government to properly manage the program.⁸ Secretary LaHood's decision to impose an ideological test on study grants confirms this, as billion-dollar investment decisions can now depend on the

preferences of unionized employees working on a road pre-dating the federal highway program.

LaHood should explain to the appropriate congressional committees his new ideological, anti-private-sector policies, and Congress should expand the opportunity for open inquiry, innovation, and forward thinking in federal transportation policy.

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7. Kentucky Transportation Center, "Privatizing Transportation Through Public-Private Partnerships: Definitions, Models, and Issues," May 2006, at http://www.ktc.uky.edu/Reports/KTC_06_09_SPR_302_05_2Fpdf (November 15, 2011). The SPR designation in the link indicates that the study was funded through the same program that Ohio attempted to use for its study.
8. See Ronald D. Utt, "Federal Highway Program: How Opting Out Would Help States," Heritage Foundation *WebMemo* No. 3310, July 6, 2011, at <http://www.heritage.org/Research/Reports/2011/07/Federal-Highway-Transportation-Program-Why-States-Should-Opt-Out>.