



WORKING ON A COMPREHENSIVE SURFACE TRANSPORTATION BILL:

Synergies between Transit and Tolling Should Be a Key Ingredient

The spring 2006 issue of *Tollways* included an article which I authored titled “Public Transportation and Toll Roads: New Synergies and Opportunities.” In that article I discussed new opportunities to blend toll-roads and transit in a systematic, mutually-beneficial way. In the four years since then we have seen a world-wide economic recession, continued disinvestment in America’s transportation infrastructure, two national elections, and a rush of activities that have influenced transportation policy and travel behavior. Now is a good time to revisit the outlook for synergies and opportunities for transit and toll roads.

IN 2008, WHEN GAS PRICES ROSE TO MORE THAN \$4 A GALLON ACROSS THE UNITED STATES, PUBLIC TRANSPORTATION RIDERSHIP REACHED A POST-WAR HIGH.

AN EVENTFUL FOUR YEARS

So much has happened in the world of transportation and public policy since that 2006 article. In 2006 and 2007, gas prices hit the \$3 mark and many Americans parked their cars and started using public

A BETTER UNDERSTANDING OF WHO USES THE MANAGED LANES AND HOW MUCH THEY ARE WILLING TO PAY IS NEEDED TO IMPROVE THE ACCURACY OF MODE-CHOICE MODELS.

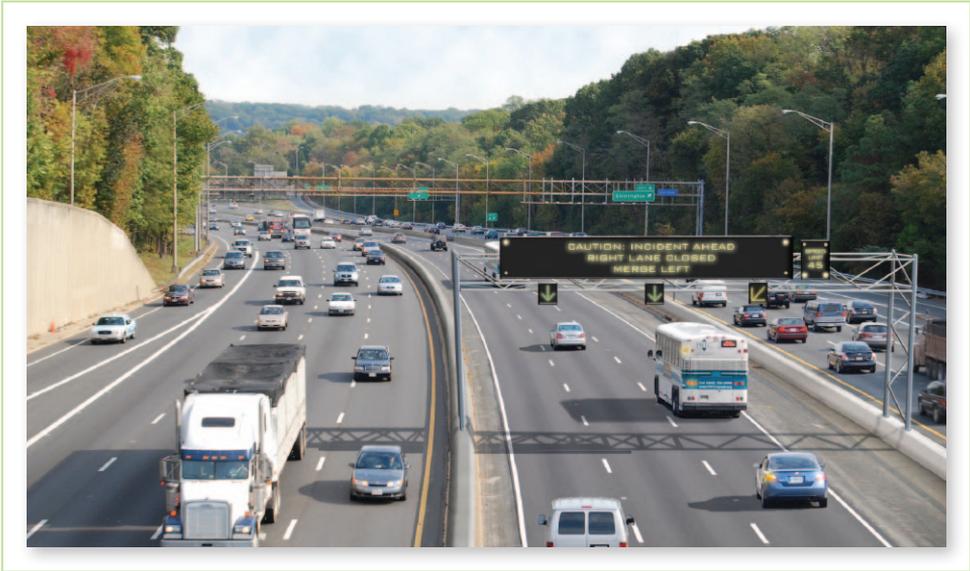
transportation instead. In 2008, when gas prices rose to more than \$4 a gallon across the United States, demand for public transportation services continued to rise and public transportation ridership reached a post-war high. Public transportation ridership across the country increased more than 6% in the second quarter of 2008 compared to the prior year. Eighty-five percent of transit systems reported capacity constraints on at least a portion of their system; four out of ten agencies said they were forced to turn away passengers.

Unfortunately, the financial events that unfolded in September 2008 are all too familiar to us. The economic downturn has had an adverse effect on jobs and economic activity. Tax revenues for state and local governments have declined, as has transit ridership, and the financial health of most transit agencies. A survey of APTA's membership has shown that 84 percent of transit systems have raised fares,

cut service or are considering both of those actions. Additionally, seven out of ten transit agencies expect continuing budget shortfalls in future years.

Congress was supposed to act on the law authorizing federal surface transportation programs more than a year ago, but has not. The two commissions created by Congress to think-through the revenue and finance questions came up with a menu of bipartisan solutions to address our growing infrastructure deficit.

Among the many common themes in the work of The National Surface Transportation Policy and Revenue Study Commission and the National Surface Transportation Infrastructure Financing Commission are the need to increase the federal gas tax and eventually transition to a fee on vehicle-miles-traveled; the need to continue the concept of user-fee financing; and the need for a full portfolio of revenue sources. APTA was privileged to work



closely with IBTTA to assist the two commissions, including co-sponsoring the initial hearing of the Policy and Revenue Study Commission in Dallas, Texas in September 2006.

The commissions recommended that Congress remove certain barriers to tolling and congestion pricing under conditions to protect the public interest. This will give states and local governments that wish to make greater use of tolling and pricing the flexibility to do so. More specifically, the Policy and Revenue Study Commission recommended that Congress modify the current federal prohibition against tolling on the Interstate System to allow:

- Tolling to fund new capacity on the interstate system, as well as the flexibility to price the new capacity to manage its performance; and
- Congestion pricing on the interstate system (both new and existing capacity) in metropolitan areas with populations greater than 1 million.

The change of administrations after the 2008 elections brought with it a change in transportation priorities. The Obama administration has emphasized the use of federal funds for projects that best meet performance goals. The administration has also emphasized state-of-good repair, greenhouse-gas reduction, and livability.

In September 2010, President Obama announced in a White House event that the time has come for Congress and the administration to get serious about enacting a surface transportation bill. He repeated this at another White House event in October at which the Treasury Department and the Council of Economic Advisors released a report highlighting the economic importance of such a bill.

Behind-the-scenes movements have stepped up in anticipation of serious consideration of a transportation bill in the months ahead. The surface transportation bill provides an opportunity for bipartisan effort. Given the magnitude of transportation needs that we must address, many ideas and approaches will be needed and all are welcome.

TOLLING AND TRANSIT INTEGRATION IN RECENT YEARS

Toll facilities and transit have worked hand-in-hand for many years. New York City, San Francisco, Philadelphia, and other cities recognized long ago that the performance of toll bridges in heavily traveled corridors depends on some of the trip volume being picked up by transit programs operating in the

same corridors. More recently, several outstanding examples have emerged in which the toll-road developer in conjunction with regional transportation agencies has opted to use a portion of toll revenues for the outright financial support of transit services.

THERE ARE SEVERAL EXAMPLES IN WHICH A TOLL-ROAD DEVELOPER HAS OPTED TO USE A PORTION OF TOLL REVENUES FOR THE OUTRIGHT FINANCIAL SUPPORT OF TRANSIT SERVICES.

In places where demand for public transit is high and where there is a crying need for more mobility options, transit can be the ingredient that can make ambitious toll projects a reality. This was the case with Virginia's beltway HOT lanes (currently under construction) and Dulles Corridor Metrorail Extension. In San Diego, a successful model for full transit integration is the I-15 FasTrak system, which has had great success addressing corridor mobility needs by

integrating highway and public transportation solutions and managing travel-demand through value-pricing and transit. More than 5,000 daily FasTrak automobile customers in the San Diego area generate more than \$1 million in support of the Inland Breeze commuter bus service in the I-15 corridor. Park-and-ride facilities, stations and ramps have been built specifically to serve transit riders.

The Virginia and San Diego projects are examples of integrating road-tolling and transit into a multi-modal corridor mobility strategy. Other public authorities continue to include toll roads and public transportation in a common institutional home. These include the Orange County Transportation Authority in California, the New York Metropolitan Transportation Authority, the Golden Gate Bridge, Highway and Transportation District, and Port Authority of New York and New Jersey.

Another interesting example is in Denton County, Texas where the Texas DOT granted authority to expedite near-term, near-neighbor transportation projects with excess toll revenue. The North Texas Tollway Authority will provide \$3.2 billion for the right to finance, design, construct,



operate and maintain SH121 for 52 years. This includes an up-front concession fee of \$2.5 billion and projected excess revenue over time of \$830 million. Over 200 projects will be funded through the project including a new commuter rail line.

Other plans have come up short. Pennsylvania's plan to use funds that would have been generated from new I-80 tolls failed to receive approval from U.S. DOT, although toll proceeds from Pennsylvania Turnpike toll increases are being used. Also, New York City came close in 2008 to enacting a congestion-pricing system that would have integrated road pricing, demand management and transit.

Integration of transit and road-tolling has raised other questions that are sometimes difficult to figure out. For example, in January 2007 the Federal Transit Administration (FTA) released a



Final “Policy Statement on When High-Occupancy Vehicle (HOV) Lanes Converted to High-Occupancy/ Toll (HOT) Lanes Shall be Classified as Fixed Guideway Miles for FTA’s Funding Formulas and When HOT Lanes Shall Not Be Classified as Fixed Guideway Miles for FTA’s Funding Formulas.”

This question has a direct bearing on the allocation of federal funds to recipients and is relevant to all transit systems. Unfortunately, it has been impossible to define this issue in a way that can be applied fairly and consistently. Each transit agency’s view depends very much on their specific perspective. For example, well-designed HOT lanes may have characteristics very similar to a Bus-Rapid Transit line. A strong case can be made for including these lines in the fixed-guideway data that is used in allocating federal funds. Other HOT

lanes, however, may be very heavily tilted to highway travel. In all cases, questions can be raised as to how much fixed-guideway miles should count relative to subway miles, rail-transit miles, commuter rail miles etc. APTA and FTA are still grappling with these issues.

There were also mixed-views in 2008 relative to the Urban Partnership Congestion Initiative of the FTA. Through this initiative, FTA directed large portions of FTA’s Bus and Bus-Related Facilities Discretionary Grant Program to projects that planned to integrate congestion pricing and transit. APTA did not disagree with the basic principles embodied in the UPCI but objected that FTA’s decision to use the entire amount of unallocated funds precluded many large and small bus systems from accessing funds needed

to replace buses and upgrade outdated facilities. While funds were steered to several creative UPTI projects, APTA maintained that the administration should not have funded the UPCI concept at the expense of the regular Bus and Bus Facilities program.

APTA POLICY PRINCIPLES ON ROADWAY TOLLING AND VALUE PRICING

Public transit can help toll roads achieve maximum performance in the travel corridors they serve, improving the capacity of toll facilities as well as the overall mobility provided through such facilities. Moreover, integration of transit can help give toll projects a broader public appeal by helping alleviate congestion and offering low cost travel options. Transit riders, meanwhile, can benefit from express trips on high-performance toll lanes and from the overall revenues generated for transportation needs in the corridor.

So, from APTA's perspective, how can it work best? To that end, APTA's Roadway Tolling/Value Pricing Working Group, under the leadership of Al Harf, executive director of the Potomac and Rappahannock Transportation Commission/OmniRide (Woodbridge, VA.)

developed the transit-related principles summarized here:

- First, tolling should be a supplement to, not a substitute for, traditional sources of surface transportation funding (federal, state, and local), which alone are insufficient.
- Second, public transportation services using a tolled facility, being in the public sector, should be permitted to use the facility toll free.
- Third, tolling for any HOT-lanes project that might be pursued must be dynamically priced to ensure that travel speeds for qualifying HOV and transit users are not degraded.
- Fourth, accommodations for transit use of a toll facility should include all suitable features that would provide quality transit service. Such features could include transit stations, ramps and approach accommodations, adequate park-and-ride lots, and information services that can enhance transit.
- Fifth, taking advantage of the SAFETEA-LU provisions that permit the use of toll revenues for transit operating and capital purposes, transit services should be given strong consideration for the use of net project revenues. Such practices

have been successfully demonstrated in San Diego and elsewhere.

Toll agencies should be ambitious in integrating transit into their projects. We are undershooting the vision by merely providing the transit operator with a toll-free express trip. Tolerated lanes should factor bus rapid transit (BRT) features into the project design. BRT elements allow transit riders the full benefits of the travel time savings new toll lanes can provide. Elements of BRT vary from project to project, but in the context of a commuter route, park-and-ride lots and intelligent transportation system components (such as signal priority and queue jumping) are especially important. Other features that should be locally optional include new and/or improved stops, shelters, and stations; off-board fare-collection systems; real-time passenger information; and specially designed buses to allow improved boarding and operation.

SEVEN ISSUES TRANSIT NEEDS TO ADDRESS IN INTEGRATING WITH TOLLING PROPOSALS

In November, 2007 APTA's business members asked Dr. William D. Ankner, an expert in transportation finance and a veteran state DOT official in

several states, to explore road pricing techniques being deployed around the country and how public transportation can be integrated as part of a multi-modal approach. Dr. Ankner's report can be accessed through APTA's website (http://www.apta.com/gap/policyresearch/finance_funding/) and is titled "Road Pricing, Tolling, Mega-Projects and other Multi-Modal Opportunities: Strategically Positioning Public Transportation."

Because of the positive revenue streams available through certain toll-road projects and the absence of any comparable cash flow stream through transit, the attention of private sector investors has been on highways. How should public and private agencies approach this dynamic? How should federal initiatives be shaped? Dr. Ankner's report analyzes the issues, opportunities and limitations of various proposals and projects that either eliminate or ignore transit from being included in potential opportunities. It also suggests how APTA and its members should address emerging public-private investment in highways in order to benefit from those investments. Dr. Ankner's report identifies several issues that would need to be addressed:

- Public transportation projects should not be included in any non-compete provisions that might preclude the development of such transit projects.
- Transit should travel freely for the public good. Transit provides value to the toll project both in air quality and in energy benefits to the environmental analysis that could make the highway investment possible. Transit also helps projects achieve corridor mobility objectives and helps mitigate social equity and political concerns by providing persons an alternative to the increased costs applied regressively through road tolls. Transit can also improve the productivity of the capital investment.
- Transit projects must be eligible for private-activity bonds (PABS). Currently, transit investments are not eligible for PABS, which allow the private sector to issue tax-exempt debt for PPP investments.
- Public transportation should receive consideration in all toll-road projects, with public needs to be identified in advance of public-private negotiations.
- All planning and performance data should be available at no cost to public transportation entities.

This would include operating, demographic and performance data associated with a toll-road project.

- HOT/managed lanes are a significant opportunity, but not a panacea.
- There are opportunities for the Corridors of National Significance program to be used for multi-modal purposes.

TRENDS POINT TO A MULTI-MODAL FUTURE

In October, 2008 APTA concluded a two-year effort known as TransitVision 2050. This effort took an in-depth look at the trends shaping America's future and the transportation system that could contribute to America's ongoing prosperity. With an eye to the future, we identified the following goal: "In 2050 America's energy efficient, multi-modal, environmentally sustainable transportation system powers the greatest nation on earth." The prevailing trends of our time — i.e. economic, energy, population growth, demographic, and the desire for freedom, choice and options — point to the synergies of a multi-modal, interconnected system.

I quote from the final TransitVision 2050 report:

New transportation facilities (will be) developed to include complementary

transit and highway systems that optimize the efficiency of both. Integrating public transportation into road tolling, congestion pricing, and high occupancy toll (HOT) lane projects has helped achieve maximum performance in travel corridors. Integration of transit services and facilities has given toll projects a broader public appeal by helping alleviate congestion and offering low cost travel options. Transit riders, meanwhile, have benefitted from express trips on high-performance toll lanes and from the overall revenues generated from tolls, congestion pricing, and distance-based fares.

The report also talks about a growing private sector role as growth of transit over time and the leveraging of new streams of revenue ushers in a new era of private sector participation in the public transportation industry. We also envision new technologies introduced year-by-year which leave the public

better served. And we also envision transit agencies of the future embracing the broad role of integrating the full range of mobility services and making the public aware of all so as to select the best option based on the factors important to them, such as speed, minimal transfers, price and scenic values. Such coordinated services extend to intercity trips, rural and suburban fringe travel, specialized transportation, medical-related trips, etc.

CONCLUDING THOUGHTS ON AUTHORIZATION

APTA looks forward to an ongoing partnership with IBTTA and other interested organizations as we work together to find solutions. The financial and economic pressures America is under will certainly require new and innovative approaches to transportation. These challenges will require a close working relationship. Fortunately, APTA and IBTTA have a solid base to build upon.

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