



MEMORANDUM

To: CMAP Board and MPO Policy Committee

From: CMAP Staff

Date: March 5, 2014

Re: Policy on Congestion Pricing for the GO TO 2040 Plan Update

Because the transportation network in the Chicago region is mature and funding is limited, it is critical to wring all possible performance from the system before expanding it. Once built, new capacity needs to be managed to prevent the loss of performance to congestion over time. The most effective way of managing highway capacity is to implement congestion pricing, so that the price to use the facility changes with demand. For drivers, the appeal of congestion pricing is that, if priced appropriately, traffic flows freely even in peak periods. Reliability is also improved because drivers will not need to leave early as “buffer time” to avoid arriving late. Transit users can also benefit, as buses running on congestion-priced facilities also see speed and reliability improvements. Because of these benefits, the CMAP Board and MPO Policy Committee should consider adopting the policy of implementing congestion pricing on the new capacity associated with GO TO 2040 major capital projects, with the exception of short or isolated add-lanes projects. The Board and committee should also adopt the longer-term goal of tolling and implementing congestion pricing on existing limited-access highway capacity.

There is support in the region for this course of action. As part of CMAP’s congestion pricing campaign in 2012 and 2013, numerous councils of government **passed resolutions** supporting congestion pricing on new highway capacity. Civic groups and business owners have also written public letters of support. A **Chicago Tribune editorial** in November 2012 argued for the implementation of congestion pricing as well. Furthermore, survey research commissioned by the Illinois Tollway in 2008 found that 54 percent of existing Tollway users said they would pay an extra toll if it would ensure congestion-free travel. In that same survey, 58 percent of customers given information about express lanes were in favor of the Tollway building them. A subsequent Tollway survey in 2012 for the northwest corridor indicated that 78 percent of individuals would pay a higher toll if it meant they could avoid congestion. In the same survey, 68 percent said they would pay a toll that guarantees a reliable travel time.

The use of pricing to manage traffic is becoming increasingly widespread in the U.S. [By CMAP's count](#), there are 30 highways in 16 metro areas where priced managed lanes are operational or under construction. As discussed below, federal and state law encourages it. As suggested in an [editorial in Crain's Chicago Business](#), managing congestion and providing drivers with choices is becoming a matter of regional competitiveness.

Use of Revenues from Major Capital Projects

The primary reason to pursue congestion pricing on new capacity is to help manage traffic and to preserve capacity over time. Yet it also generates revenue that may help offset the costs of the facilities or fund other transportation improvements in the corridor.

Based on CMAP's [background research](#), all priced managed lane facilities in the U.S. devote the first portion of their revenues to the maintenance and operations of the priced lanes. Traffic monitoring, tolling, enforcement, incident management, and administration costs can be significant. Some facilities, such as those in Houston, Salt Lake City, and Seattle, only devote revenues to covering operations and maintenance costs. Others are able to use the remaining revenues to repay upfront construction costs or to provide debt service payments. On facilities developed as public-private partnerships (PPPs), the excess revenues are used to help recoup initial capital costs for the private concessionaire, as well as provide a return to investors.

In several states, excess revenues are required to be spent in the same corridor in which they were collected, usually on highway, carpool, and transit improvements. In Minnesota, for example, state law requires half of excess revenues to support capital improvements and the other half to support improved bus service. In California, state law authorizing projects in certain counties requires net toll revenues to be spent on carpool facilities and improved transit service.

The recommended policy for the use of congestion pricing revenues from major capital projects in the Chicago area is as follows. First, the operating and maintenance costs of the lanes should be paid for through their tolls. Second, any remaining "excess" revenues should be used to fund the construction costs of the project, with a strong preference given to transit elements of the project, such as express bus service in the priced managed lane or service improvements on parallel rail facilities. All of the highway major capital projects, except for short or isolated add-lanes projects, are expected to include transit elements. Revenue sharing may be done by interagency agreements (e.g., between highway and transit operators).

For the longer-term goal of implementing congestion pricing on existing facilities, the situation is more complex. Pricing can cause increased traffic diversion onto parallel arterials in local communities. Thus, it will be necessary to fund improvements to the arterials as well as to provide significantly improved transit opportunities. Congestion pricing revenues should be used for these purposes.

Relationship of Regional Policy to Project Studies

While implementers will need to carry out more detailed studies of alternatives for each of their major capital projects, general purpose lanes do not meet regional needs for managing traffic, preserving level of service over time, and providing choices to drivers. [Federal rules](#) encourage

implementing agencies that are conducting more detailed studies under NEPA to tailor their purpose and need statements to the policy direction set out by the MPO, which ultimately reduces the amount of effort required during project development by narrowing the range of alternatives studied or allowing non-tolled alternatives to be screened out more quickly. Furthermore, as revenues from congestion pricing on specific major capital projects are expected to be included as part of the financial plan for the GO TO 2040 update, purpose and need statements for those projects should note the financial dependence of these projects on implementing congestion pricing.

Within this overall policy, congestion pricing may take alternative forms depending on the context, and project studies will still need to refine these alternatives. For instance, toll rates may be set on a dynamic basis or based on the time of day. For new expressway facilities, it may be more appropriate to manage the entire facility through variable pricing rather than one or two lanes. If all lanes were congestion-priced rather than just one or two lanes, the costs of separating the lanes and additional enforcement would be minimized, improving the bottom line. Then, for example, the published toll rate could be set higher during the peak periods to maintain speeds near the speed limit, while the toll rate could be set lower during midday and overnight. This could be thought of as a “discount” so long as the peak period price is actually set to manage traffic. The key is that pricing varies with the monitored level of demand or with the expected level of demand given the time of day.

Local Impacts and Equity

CMAP staff has conducted outreach about congestion pricing with many stakeholders, some of whom raised concerns that should be addressed. First, local officials are often concerned that higher tolls would push drivers onto arterial routes in the corridor. When implementing pricing on new capacity, this would not occur. Instead, as demonstrated by CMAP’s modeling, the new capacity will reduce congestion in the corridor it serves by drawing traffic from the arterial network.

Second, there are often concerns about equity. Pricing new capacity does not take a travel option away from any driver by making it more expensive; instead it creates a new choice for drivers. While congestion pricing on new capacity would not create burdens for lower income travelers, there is still the question of how much lower income travelers benefit from the facilities. **CMAP’s analysis** suggests that the median incomes of those who choose to use congestion-priced facilities would be somewhat higher than non-users (13 to 19 percent), but not dramatically so. The range of incomes would be similar, suggesting that almost all income brackets would take advantage of the facilities. Thus, equity impacts on new capacity do not appear significant. Furthermore, including (and funding) transit elements in projects helps offset remaining equity impacts.

By contrast, the longer-term goal of implementing congestion pricing on existing capacity will have impacts on local traffic and equity. Policies should be adopted to offset these impacts. Local traffic increases may require arterial improvements. Equity impacts can be offset in a variety of ways. In one approach, drivers in the region could be given a base number of “lifeline” travel credits for free travel, paying only for travel above that level. Another possible

alternative is that lower-income drivers could be charged a discounted toll rate or be allowed to deduct tolls from congestion pricing on their state income taxes.

Institutional Framework

With each successive transportation reauthorization, federal policy has increasingly embraced tolling and the use of pricing to manage traffic. Tolling is now permitted to fund initial construction of new interstate highways. For new lanes on existing interstate highways, the only restriction on tolling is that the number of non-tolled lanes cannot be reduced. Special tolling agreements with FHWA are no longer required, although the state is required to certify that the facility is being adequately maintained. The chief remaining restriction is tolling any currently non-tolled portion of the interstate system. This aspect of federal policy will need to be relaxed in order to allow the longer-term goal of implementing congestion pricing on existing capacity.

At the state level, no additional authorization is needed to pursue congestion pricing on new highway capacity. Priced managed lanes on the IDOT system could be operated by the Tollway or by a concessionaire in a PPP, which is already authorized under state law. In fact, the Illinois Public-Private Partnerships for Transportation Act **explicitly encourages the use of congestion pricing**. On the Tollway system, variable tolling could be instituted by a Tollway Board action. Clarification of the Illinois Toll Highway Act would be useful to show that the lowest reasonable toll rate may include congestion pricing since it helps improve the operation of the Tollway system by smoothing out demand.

In other regions, congestion-priced facilities are typically required to meet certain performance objectives. It is recommended that such performance objectives be implemented on congestion-priced facilities in the Chicago region. An agreement with a concessionaire in a PPP would specify such objectives as the percent of time that drivers are able to travel at the speed limit as well as set maximum and minimum toll rates. It would also specify technology requirements, such as interoperability with the I-Pass system. Again, a Tollway Board action could set out similar policies for its facilities.

Conclusion

Congestion pricing on new limited-access highway capacity would help manage traffic, provide a new choice for reliably fast travel times, and preserve capacity over time. The longer-term goal of implementing congestion pricing on existing capacity promotes economic efficiency and provides revenue for the transportation system. As part of the GO TO 2040 update, staff recommends the following policy:

- Highway major capital projects should include the use of congestion pricing, and this should be instituted at the time the facility opens. Save for short or isolated sections, new lanes on existing facilities should be priced managed lanes. Entirely new facilities may either include one or more priced managed lanes within them, or the entire facility (all lanes) may be managed through variable or time-of-day pricing.

- Implementers of highway major capital projects should include congestion pricing as part of their purpose and need statements in NEPA – consistent with MPO policy -- as a means of providing enhanced level of service and preserving that level of service over time. Purpose and need statements should also mention the need to help fund the facility when the GO TO 2040 financial plan indicates that funding is needed.
- Revenues from pricing major capital projects should be used first to operate and maintain them, and any remaining “excess” revenues used to fund the construction of the projects, with a strong emphasis on funding the transit elements of those projects or complementary transit service in the corridor. Revenue sharing should be done by interagency agreements.
- Facility operation should be required to meet certain performance objectives related to speed, toll rates, toll violations and compliance, and so forth. These requirements would be set out in agreements with the concessionaire in a PPP or by Tollway Board action.

Over time, existing capacity should be priced as well. Before the next comprehensive plan is developed, the region’s implementers and CMAP should collaboratively study the practical issues associated with this policy, including the costs of implementation, facility design requirements, setting toll rates, and mitigating equity and traffic consequences.

ACTION REQUESTED: Discussion

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