Toll Roads/High Occupancy Toll Lanes

Introduction

Toll Lanes allow motorists to pay for the ability to avoid traffic by guaranteeing free-flow conditions in those lanes when compared to the general-flow lanes. This can be achieved through variable pricing where the toll fluctuates based on the demand for the facility. Given the declining revenues per mile-driven of the federal and state gas tax, as well as increasing congestion on highways, regions are increasingly considering the use of Toll Lanes and/or those shared with carpools (so-called High Occupancy Toll "HOT" lanes and sometimes called "Express Lanes") as a new revenue source as well as a means of reducing congestion. After construction, maintenance and operation of the facility, potential uses for this toll revenue include and safety improvements within the tolled corridors, system preservation, facility expansion and enhancements, toll subsidies for low-income motorists, and operational subsidies for public transportation operations and environmental mitigation in the corridor.

Yield Potential

The potential for revenue generation is Medium to High for Toll Lanes based on a current statewide projection of $2.3 billion. Table X summarizes the estimated revenues and uses of Toll Lane projects in California's major metropolitan regions and other areas of the state. Each of the major metropolitan regions is projected to generate in excess of $50 million per year to pay for management of the facility. These revenues are derived from the adopted Regional Transportation Plans from the largest metropolitan planning organizations and reflect the annual estimated gross toll revenue over a 10-year period.

In addition, toll facilities may be under consideration in other areas of the state, to better accommodate interregional travel, for instance. For other areas of California, it is estimated that Toll/HOT Lanes could generate approximately $233 million in gross revenue over a ten-year period. This estimate was arrived at by calculating the ratio expected revenue in the major metropolitan areas to the congested miles in those areas as identified by the Texas Transportation Institute[1]. This ratio was then multiplied by the number of congested miles in the other areas of the state.

Table X Gross Revenue Estimates and Use of Toll Lane Revenue

Region	10-Year Estimated Toll Revenue ($ in thousands)	Use
MTC	$1,000,000	Preservation; expansion; management
SANDAG	$ 63,000	Management
SCAG	$1,000,000	Preservation; expansion; management
Other Areas	$ 233,000	TBD
Total	**$2,296,000**	**Preservation; expansion; management**

[1]Texas Transportation Institute. "2011 Congested Corridors Report: Congestion Leaders." http://mobility.tamu.edu/corridors/report/

Use/Restrictions

Revenues can be used to construct, maintain, and operate the facility and to expand the Toll Lane network within a region in the early years of implementation. Excess revenues can then be used for other transportation improvements in the tolled corridors, including subsidies for public transportation service. In the Bay Area, most toll revenue is expected to be used to build out a regional network of express lanes over 25-years; as a result, the net revenue available for other improvements is quite limited in the first ten years.

Application

Toll lanes and HOT lanes in California are currently a Federal, State, and Regional option. In Los Angeles County for example, the Express Lanes Project is a result of a Federal demonstration project to test the efficacy of HOT Lanes in reducing congestion and financing transportation improvements in the corridor. In other areas of California, such as the San Francisco Bay Area, Orange County, and San Diego County, toll lanes and HOT lanes are deployed or planned along Interstate Highways and State Routes and are administered by the regional agency (San Francisco Bay Area, SR-91 Corridor in Orange County, and the I-15 Corridor in San Diego County) or by joint-powers authority (as in Orange County on the SR-71, SR-133, SR-241, and SR-261). State law, as authorized by Senate Bill X2 4 (Cogdill, Statutes of2009), allows Caltrans and regional agencies to enter into public-private partnerships, including those financed by tolling, through 2016. Federal law also provides federal funds to be used to create a tolled-facility.

Sustainability

Tolls can have a defined sunset date, or they can be ongoing as a sustainable source of revenue over time. Inflation should not be a major threat to Toll Lane revenue since in most cases the tolls can be adjusted relatively easily. There are, however, significant challenges to the financial efficacy of Toll Lanes. Toll Lanes have large up-front costs due to construction and capital costs. As a result, there may not be net revenue available until the facility is fully-paid for by the toll revenue. However, once the capital and ongoing operations and maintenance costs are covered, Toll Lanes have the potential to provide substantial revenue for transportation improvements beyond the tolled facility. Operational costs of Toll Lanes include toll collection, lane monitoring and toll enforcement, and lane management. Recognizing that Toll Lanes will need to consistently demonstrate value to the user, care must be exercised to ensure that the allowance of vehicle exemptions from tolls (i.e., alternative fuel vehicles or high-occupancy vehicles) does not diminish toll revenue or increase congestion in Toll Lanes.

Pros/Cons

As user fees, Toll Lanes are an economically efficient and equitable means of paying for transportation improvements when they are applied to improvements related to the tolled facility. Motorists traveling in and outside of the Toll Lanes, and public transportation patrons along the corridor realize benefits from the toll revenues. Toll Lanes allow those willing to pay for the ability to drive in free flow conditions to do so, while freeing capacity in the parallel general flow lanes (if available). HOT Lanes also benefit non-motorists by allowing faster travel of public transportation vehicles. HOT lanes can also provide revenue that can be used to improve service and/or further subsidize fares. If there is a downside to Toll Lanes it is that they can be difficult to implement due to the perception of social justice or other pricing issues (i.e., the impact on lower-income individuals) for those traveling on the affected corridor.

Implementation

The public outreach effort required to implement Toll Lanes is extensive. Particularly in areas without toll roads, there is a substantial need for research and public education on several issues: the existence of electronic tolling, the attractiveness of a tolled facility, the potential for traffic spillover impacts, social equity issues, the various forms of government oversight, etc. There are also logistical challenges if the proposal is to convert existing lanes to Toll Lanes. As a result, Toll Lane projects often require several years to research and conduct public outreach and education. Additionally, Toll Lanes typically require cooperation between a number of agencies at different levels of government.

Finally, it is important to note some of the approvals required under California statute before an entity can implement tolling. Existing law provides certain authorities to impose tolls on a particular facility, according to conditions specified in statute. To implement Toll Lanes, a sponsor must obtain approval under either SBX2 4 (Cogdill, Statutes of 2009), AB 798 (Nava, Statutes of 2009), or separate legislation targeted to a specific corridor. SBX2 4 authorizes the Department of Transportation and regional transportation agencies, until January 1, 2017, to enter into comprehensive development lease agreements with public and private entities, or consortia of those entities, for certain transportation projects that may charge certain users of those projects tolls and user fees, subject to various terms and requirements. AB 798 allows the California Transportation Financing Authority (CTFA) either to issue bonds for a project or authorize the project sponsor to issue bonds. In either case, the CTFA may authorize the project sponsor to impose and collect tolls on the proposed project under certain conditions.

Conclusion/Recommendations

Toll Lanes can be an effective revenue source to finance transportation improvements along a corridor, or within a region. Toll Lane implementation requires a Medium- to Long-Term effort to implement, and may provide significant revenues over a long period while reducing congestion and improving facility safety provided that tolling authorities are able to establish and maintain policies that protect the value of the facility by limiting its use to free-flow or nearly free-flow conditions.

In California, the numerous bills which provided for the establishment and operation of toll facilities have not provided a consistent statewide policy for the implementation of Toll Lanes. Instead regulatory hurdles and/or sunsets for regions seeking to implement toll facilities exist. In order to maximize the use of tolling to bridge the statewide transportation funding gap and provide congestion relief, legislation is necessary that provides a consistent statewide policy, increased opportunities for the implementation of toll facilities, and a streamlined approval process. This legislation should consider:

1) How to balance local considerations and the state's interest in ensuring that the project is technically and financially feasible and meets state transportation goals;
2) Opportunities to clarify responsibility for construction, operations, maintenance; rehabilitation, and debt service;
3) Allowable uses of excess toll revenues; and
4) Provisions to ensure that implementing agencies take into consideration public interest and responsibilities.