

Transmittal Letter

TO: *Carol Molnau*, Lieutenant Governor/Commissioner of Transportation
Peter Bell, Chair, Metropolitan Council

CC: *Steve Murphy*, Chair, Senate Transportation Committee
Mary Liz Holberg, Chair, House Transportation Finance Committee

FROM: **MnPASS System Study Steering Committee**

Jim Hovland, Chair, Mayor of Edina, Transportation Advisory Board Member

Sharon Marko, Minnesota Senate

Ann Rest, Minnesota Senate

Ron Erhardt, Chair, House Transportation Policy Committee

Dennis Berg, Anoka County Commissioner & Transportation Advisory Board Member

Chuck DeVore, White Bear Lake City Council & Transportation Advisory Board Member

Patrick Hughes, Metro District Engineer, Minnesota Department of Transportation

Ken Johnson, Transportation Advisory Board Member

Peggy Leppik, Metropolitan Council Member

Ron Lifson, Transportation Advisory Board Member

Robert Lilligren, Minneapolis City Council & Transportation Advisory Board Member

Lee Munnich, Director, State & Local Policy Program, University of Minnesota

Marthand Nookala, Division Director, Minnesota Department of Transportation

Myra Peterson, Washington County Commissioner & Transportation Advisory Board Member

Richard Stehr, Division Director, Minnesota Department of Transportation

DATE: 4/18/2005

RE: Policy Report of the MnPASS System Study Steering Committee

After eight months of analysis, review and deliberation, the MnPASS System Study Steering Committee has concluded that a variably priced, interconnected system of MnPASS toll lanes would be an effective tool to manage congestion and provide transit advantages in the Metropolitan Area. The process by which the committee arrived at this primary conclusion, as well as others of import, is detailed in the accompanying policy report.

Both the MnPASS System Study and this Policy Report have been the subject of a rigorous Peer Review Process. The three-member peer review panel, composed of national experts in this field, made no recommendations for changes in the content of our Policy Report, though they did suggest some clarifying language for readers unfamiliar with this topic, which we have incorporated.

The committee believes it is important to share its policy findings and recommendations with a broad range of stakeholders and decision makers to both dispel existing myths regarding tolling and clarify the unique benefits of MnPASS toll lanes as a tool for congestion management.

Questions and comments regarding this policy report should be directed to Committee Chair Jim Hovland via committee staff John Doan at 651-284-3605 or john.doan@state.mn.us.

Attachments: MnPASS System Study Policy Report
Executive Summary of MnPASS System Study Technical Report

MnPASS: A SYSTEM FOR MANAGING CONGESTION

MnPASS SYSTEM STUDY STEERING COMMITTEE POLICY REPORT

April 2005

Over the last two years, several major surveys by the Metropolitan Council found that Twin Cities residents consider highway congestion to be the number one concern in the region – ahead of crime, education, and housing. This public perception is confirmed by Mn/DOT and Metropolitan Council data that has shown for some time that road and transit options are unable to keep up with growing demand. While some level of congestion reflects a healthy and vibrant economy, chronic congestion results in serious economic and societal costs, and those costs will only continue to escalate as the seven-county Twin Cities metropolitan area absorbs another million people – an increase of 37% – from 2000 to 2030.

Long-term chronic congestion and transportation funding shortfall forecasts, coupled with federal and state interest in optional toll lanes, prompted Mn/DOT and the Metropolitan Council to explore tolling as an innovative approach to congestion relief.

These organizations hired the Boston-based consulting firm of Cambridge Systematics to gather, study, evaluate, and report any facts, comparisons, statistics, or other data concerning the impacts of overlaying a potentially viable system of toll lanes in the Twin Cities region.

Recent data compiled by the independent research organization, the Texas Transportation Institute, illustrate the problem:

- From 1982-2002, total annual person-hours of congestion delay increased at a higher rate than in any of the other 85 U.S. metro regions studied.
- Congestion delays in the region:
 - Waste 93 million gallons of fuel annually
 - Cost peak-period travelers \$740 annually
 - Cost the Twin Cities \$971 million annually

MnPASS is an interconnected system of uncongested, variably priced, toll lanes (vs. roads) that are adjacent to free lanes. Using electronic toll collection, drivers may choose to pay a toll to achieve more reliable travel times on the MnPASS system.¹

To provide local policy oversight and advice for the study, Mn/DOT created the MnPASS System Study Steering Committee composed of local, regional, and state officials (see list above).

The Steering Committee met from July 2004 to March 2005 to review technical reports by the consultant and explore the complex policy issues surrounding potential MnPASS lanes in the Twin Cities area. Below is our report. We begin with some of our own myths about tolling, then present our findings and recommendations, and close with outstanding issues that merit further dialogue.

To review the detailed technical analysis and recommendations, please refer to the MnPASS System Study prepared by Cambridge Systematics for Mn/DOT and the Metropolitan Council at www.mnpass.org. For questions regarding this Policy Report contact Steering Committee Chair Jim Hovland at jhovland@krauserollins.com or John Doan, Mn/DOT staff to the Committee at john.doan@dot.state.mn.us.

¹ HOV conversion such as I-394 MnPASS Express Lanes exempt 2-person carpools from paying tolls. Future MnPASS lanes may or may not provide such exemptions (see “For Further Study and Discussion” section and Technical Report).

Myths About Tolling

Steering Committee members represented different parts of the metropolitan region, with quite varied backgrounds, and diverse positions. When we started in July 2004 many of us began the process with preconceptions about toll lanes, including the following:

- Toll lanes would generate enough revenue to pay for themselves.
- The real value of toll lanes is to provide the state with significant amounts of revenue, and those toll revenues would pay for highway projects without the need for additional public funding for transportation.
- Tolls could be removed after a period of time and we could still manage congestion.
- The private sector would own and control new toll lanes, and they were hungry for this kind of partnership.
- Toll lanes benefit only solo drivers, at the expense of other modes
- Toll revenues would reduce the need for additional gas tax revenues.
- Toll lanes would benefit only rich people.
- Toll booths are necessary despite their inconvenience.

Over our eight-month plus journey, we learned about tolling, toll lanes, and systems of toll lanes from the technical findings of the MnPASS System Study; research from other states; travel, demand, planning, and funding information from Mn/DOT and Met Council staff; and dialogue among ourselves. Throughout this process, the myths were slowly dispelled and factual findings emerged.

Findings and Recommendations

Below are our key findings and attendant recommendations for each important policy issue we identified:

Congestion Management

Finding: An interconnected² system of MnPASS toll lanes would be an effective congestion-management tool. Such an interconnected system of MnPASS lanes would provide significant time savings and a more reliable travel option to those willing to pay (as well as for emergency vehicles), and more efficient use of capacity. Combining MnPASS lanes with transit enhancements wherever feasible would provide substantial additional congestion-management benefits.

*"Toll lanes are a good tool to manage congestion, but they are not enough. There must be substantial new funding to meet critical transportation needs."
Sharon Marko, MN Senate, SC member*

Congestion Management Recommendation: *An interconnected system of MnPASS lanes should be actively pursued, with the primary purpose being to effectively manage congestion.*

Transit

Finding: Operating both transit and bus rapid transit routes on MnPASS toll lanes, wherever feasible, would enhance transit advantages, further reduce congestion, and provide a high level of service. Doing so would require an integrated and adequately funded transit system.

Transit Recommendation: *Establish transit and bus rapid transit routes on MnPASS lanes wherever feasible, and adequately fund an integrated transit system.*

² Interconnected means the ability to travel uninterrupted from a toll lane on one freeway to a toll lane on another freeway, such as from I-494 to I-394.

Public and Private Involvement

Finding: An interconnected system of MnPASS lanes would be an important part of a comprehensive and properly funded approach to managing regional congestion and meeting transportation needs. Toll revenues would cover only a portion of the capital costs of MnPASS lanes; therefore, substantial additional investment would be required. Publicly issued revenue or general obligation bonds would be less expensive than private financing, and public financing would eliminate concerns about noncompete clauses.

For an interconnected system of MnPASS lanes that effectively serves the region to emerge, construction choices cannot be limited to only those segments that are attractive to the private sector. As is currently done for routine road design and construction, however, private partnerships would make sense for MnPASS lane design and construction. It may also be logical to contract with the private sector for toll collection services since Mn/DOT has no operations staff or expertise. Under any circumstances, private involvement would have to be carefully managed and public control maintained.

"I began this project thinking toll lanes would make a significant difference in the ability to fund new lanes and transit to meet regional needs. While it turns out not to be a great revenue generator, it can be an excellent tool to help manage congestion."

Dick Stehr, Mn/DOT Division Director, SC member

Public Decision-Making Recommendation: *Tolls generated by MnPASS lanes should be used to benefit the public good. The public sector should make the decisions on when, where, and how MnPASS lanes are constructed in order to develop an interconnected system of toll lanes that helps manage congestion, supports integrated transit advantages, and supports regional transportation needs.*

Public vs. Private Financing Recommendation: *There are no clear benefits to private sector financing for MnPASS lanes. Public investment is necessary to launch an interconnected system of MnPASS lanes to help manage regional congestion and generate new revenues to contribute to construction and operations costs.*

"While we found that MnPASS can't solve everything, they still generate new revenues for transportation. No other congestion management tool does that."

Ron Lifson, SC member

Public Control Recommendation: *Future MnPASS lanes should be identified, analyzed, financed, regulated, enforced, and owned by the public sector. Private sector partners may provide design, construction, and toll facility operations. Adequate controls must always be maintained to protect the public's investment and interest.*

Variable Tolls

Finding: Variable pricing causes tolls to fluctuate based on demand and thereby provides a congestion-free alternative for those willing to pay a toll. Removing tolls defeats the congestion-management purpose of MnPASS lanes and would quickly lead to congestion of those lanes and eliminate transit advantages. Fully electronic toll collection with effective enforcement would allow unimpeded travel in MnPASS lanes without the need for toll booths.

Variable Tolls Recommendation: *Variable toll pricing, a fully electronic toll system, and adequate enforcement should be used to effectively manage congestion, and the tolls must permanently remain in place.*

"When we started, I couldn't imagine any circumstances where I could support toll lanes. Now I can see them as another important tool to help manage the critical problem of congestion in this region – and we must do something."

Jim Hovland, Edina Mayor and SC chair

Systems Approach

Finding: An interconnected system of MnPASS toll lanes would provide substantial benefits for siting, funding, and construction, and would provide an effective congestion-management tool.

***Systems Approach Recommendation:** MnPASS lane siting decisions should consider a variety of factors and be made within the context of creating an interconnected system of toll lanes, integrated with transit, that provides a congestion-free travel alternative.*

MnPASS Related to Future Transportation Plans

Finding: MnPASS lanes would offer a congestion-free transportation alternative throughout the region. The criteria for considering MnPASS lanes should be their ability to generate toll revenues, the value of time-saved by avoiding congestion, and the benefits of transit enhancements.

***MnPASS Related to Future Transportation Plans Recommendation:** MnPASS lanes should be actively considered for future highway expansion projects, but without threatening projects currently underway.*

For Further Study and Discussion

The questions below merit further substantive policy dialogue and serious consideration.

1. The results of the I-394 startup and early operations will be invaluable in making decisions on MnPASS and the system build sequence. For example, what lessons can we learn before beginning other tolling activities? In addition, data from other projects suggest that users of all incomes use toll/express lanes at times, but what do data from I-394 show? What's the community perception of using variable toll lanes to manage congestion?
2. After the results of new toll facilities are rigorously evaluated, should we consider managing congestion in the future by converting some existing free lanes to MnPASS toll lanes?
3. Are growth projections using the most current data, and how will evolving regional economics affect future transportation system needs?
4. The findings from the MnPASS System Study are inconsistent with parts of existing plans. For example, some of the MnPASS segments projected to experience the highest congestion and therefore yield the highest revenue are not even in the 30-year Transportation Policy Plan. How should possible future MnPASS lanes be woven into the Transportation Policy Plan?
5. A policy conundrum exists with regard to the commitment to aggressively manage congestion while also reducing pollution from cars. How can we make future policy decisions that are flexible enough to respond to changing demand, use, and need? For example, congestion pressures may warrant changes in policy regarding free or reduced tolls for high occupancy vehicles or certain types of vehicles, such as hybrids.

Conclusion

Our region is facing rapid congestion growth and extreme delays. With a projected 37% population increase in the Twin Cities metropolitan area from 2000 to 2030, the ability to deal with chronic congestion, reduced air quality, and overall quality of life issues is critical to our collective well being. Continued inadequate funding for transportation and transit will create serious economic and societal costs for all of us. MnPASS offers a tool to deal with rapidly mounting congestion problems.

The most significant finding of the Steering Committee is that a variably priced, interconnected system of MnPASS toll lanes would be an effective tool to manage congestion and provide transit advantages in the Metropolitan Area. Mn/DOT and the Metropolitan Council should actively pursue this. While the Steering Committee believes such a system should be integrated into future transportation plans, our consensus is that such a system should not displace projects currently underway at Mn/DOT.

If such an interconnected system is constructed, the State of Minnesota rather than the private sector should make the necessary public investment to launch such a system, and the revenues generated should contribute to construction and operating costs – something no traditional Minnesota roadway has done in the past.

MnPASS is a system that we believe will help maintain the economic vitality of our region and improve the quality of life for all the region's residents.