

National Capital Region Transportation Planning Board

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MEMORANDUM

TO: TPB Technical Committee

FROM: Ronald Kirby, Director, Department of Transportation Planning

SUBJECT: Sketch Proposal for a potential grant proposal from the Federal Highway Administration's (FHWA) Value Pricing Pilot Program

DATE: September 25, 2009

The FHWA issued a Request for Proposals on August 5, 2009 inviting new applications for grants under the Value Pricing Pilot Program. The applications are due November 3, 2009. However, the RFP suggested that potential applicants may, at their discretion, submit a "sketch" or draft proposal by September 21 in order to receive preliminary feedback on the viability of the potential grant application.

TPB staff has submitted the attached sketch proposal for a project that would examine the public acceptability of region-wide road pricing. The project would be implemented in partnership with the Brookings Institution, which earlier this year released a report recommending that the Washington region should implement an area-wide road-pricing demonstration project.

If we determine to pursue this grant possibility, we are hoping that VDOT will submit the grant application on behalf of the TPB. We have forwarded this sketch proposal to VDOT staff and are awaiting their feedback in addition to comments from FHWA.

**Public Acceptability of Regional Road Pricing:
Can it be Designed to Garner Public Support?**

“Sketch” Proposal
For a Value Pricing Pilot Program Grant
From the Federal Highway Administration

The National Capital Region Transportation Planning Board (TPB)
Working in Partnership with the Brookings Institution
To be Submitted by the Virginia Department of Transportation on behalf of the TPB

September 21, 2009

Overview

While distance-based road pricing has become more technologically feasible, questions of public acceptability remain largely unanswered. How can road pricing be politically viable? Can decision makers effectively address concerns about privacy and equity? What would it take to convince voters that road pricing is “worth it”? What would it take to convince political leaders that it’s worth supporting such a policy?

This research project will investigate these concerns in a comprehensive and objective manner. Using the metropolitan Washington region as a case study, the project will employ focus groups and public opinion surveys to test a variety of pricing options and assess opportunities and obstacles to implementation.

Background

The Washington region’s pattern of rapid growth is forecast to continue in the coming decades. The Metropolitan Washington Council of Governments projects that the metropolitan area will add 1.6 million new residents and 1.2 million new jobs by 2030. These new people and new jobs will increase the stress on an already burdened transportation system. At the same time, transportation funding is tight and the future funding forecasts are bleak. Revenue sources have simply not kept up with needs, in large part because fuel tax revenues have not been increased with inflation.

TPB travel demand forecasts reveal a disturbing mismatch between demand and capacity. Between 2008 and 2030, vehicle miles of travel (VMT) are anticipated to increase 23 percent, while freeway and arterial lane miles will only increase 13 percent. The number of lane miles of peak-hour congestion will grow by 41 percent in the same period.

As congestion grows and funding shrinks, decision makers have increasingly turned to transportation pricing mechanisms. Today, three out of the five most expensive projects planned for the next six years are toll projects—Virginia’s two HOT lanes projects (on the

Beltway and I-95/39) and Maryland's Intercounty Connector. Toll revenues are also a key funding component for the Dulles rail project. The TPB's 2006 long-range financial analysis found that tolls and private sources can be expected to provide seven percent of anticipated revenues between now and 2030. A similar analysis in 2003 found that toll and private money accounted for just one percent of anticipated revenues.

In 2003, the TPB convened more than 200 elected officials, community leaders, planners and academics for a conference that was the region's first major public event to discuss value pricing. The conference helped to galvanize regional interest in pricing as a solution to the region's perpetual transportation funding shortfall.

In 2008, the TPB released a study funded by the FHWA Value Pricing Pilot Program that analyzed the potential effects of widespread pricing in the Washington region. The study "Evaluating Alternative Scenarios for a Network of Variably Priced Highway Lanes in the Metropolitan Washington Region" outlined several different scenarios for adding new priced lanes, pricing existing highways, and enhancing bus services.

While leaders in the Washington region have increasingly responded to the transportation funding shortfall with toll-lane projects, the national debate has shifted in recent years to the inadequacies of the gas tax as a transportation funding mechanism. Many leading experts have called for the gas tax to be replaced by a system of user fees based on vehicle miles of travel (VMT). If fees could be based on location and time of day of vehicle travel, such a system could increase revenues and improve system performance by reducing congestion and emissions, including greenhouse gases.

In February, the National Surface Transportation Infrastructure Financing Commission issued its final report which recommended moving to a VMT charge within a decade because the fuel tax is "likely to erode more quickly than previously thought." National transportation policy makers expressed interest earlier this year in further investigation of a VMT tax, but political sensitivities on Capitol Hill and the Administration seem to have thwarted outright endorsement of such a major policy shift. Nonetheless, distance-based road pricing has been the subject of numerous public discussions and reports, including a forthcoming study by the Rand Corporation on behalf of the American Association of State Highway and Transportation Officials (AASHTO), which evaluated the effectiveness and practicality of nine different VMT fee mechanisms.

In June 2009, the Brookings Institution linked the concept of distance-based pricing to the Washington region with a bold proposal for an area-wide demonstration project that would replace state gas taxes in our region with a system of road pricing. The proposal, titled "Road-use Pricing: How Would You Like to Spend Less Time in Traffic?" called for a GPS-based pricing system that raise new revenues from vehicle travel while simultaneously providing a means to reduce traffic congestion and pollution and improve public transportation.

The Proposal

Research on road pricing is already extensive. Leading proponents have articulated a rational and persuasive case in support of pricing policies. Experts are confident that technological challenges can be addressed. But our understanding of the political implications of such policies often seems to be based upon limited information and poorly grounded assumptions.

The TPB and the Brookings Institution intend to submit a proposal to the FHWA Value Pricing Pilot Program that will seek to answer key questions related to the public acceptability of road pricing. Our project proposes to study the pricing of all or most roadways in the Washington metropolitan area, as defined by TPB's planning area. This includes interstate facilities as well as HOV and HOT lanes.

In an iterative process, the project will develop and refine estimates of social, economic, and equity effects of a pricing program. An initial technical assessment will be made of several viable options for comprehensive regional road-use pricing and the various ways in which they could be implemented. Focus groups will build on that work and narrow the various options down to those which best address public concerns and political challenges. Finally, a more thorough technical analysis will be done of the effects of each scenario, and at least one of them will be presented to the TPB.

The project will proceed according to the following phases:

1. The TPB and Brookings and will convene a working group of 10-14 regional experts on transportation and road-use pricing. This working group will develop a menu of implementation options for comprehensive regional road-use pricing. These options will fall under three main categories: geography, technology, and pricing strategy. For example, the geographic area priced could be determined by relative proximity to transit and/or level of congestion; the technology used to assign prices to motorists could be GPS-, cell phone tower-, or camera-based; while pricing strategy might vary by time of day or ability to pay.
2. The TPB will contract with a private consultant for a telephone survey that presents respondents with a basic road-use pricing scenario and then asks them, given the scenario, to rate each of the pricing menu items based on their effect on the respondents' willingness to support road-use pricing.
3. The TPB, Brookings and the working group will develop a series of alternate road-use pricing scenarios, with an emphasis on menu items most likely to garner public support based on survey response.
4. The TPB will contract with a private consultant to convene stakeholder focus groups to discuss, evaluate, and refine the pricing scenarios.

5. The scenarios produced by the focus groups will be subjected to a deeper technical and benefit/cost analysis performed with the assistance of an outside contractor. This analysis will focus on engineering feasibility and cost, effect on congestion, economic impact including productivity, and impact on equity (including spatial equity).
6. Based on the survey and focus groups, and the analytic work, the working group will identify one to three pricing scenarios that are considered most likely to garner public support. The results will be presented to the National Capital Region Transportation Planning Board.

Schedule

The project is anticipated to last a period of 12 months, beginning in January 2010 and finishing in December 2010.

Funding

Total funding for the project is anticipated to be \$400,000. The budget would be broken out as follows:

TPB	175,000
Brookings	75,000
<u>Subcontractors</u>	<u>150,000</u>
Total	\$400,000

Given the 80:20 match requirement, we anticipate that we will seek \$320,000 in funding from FHWA. COG/TPB will provide a match of \$65,000. Brookings will provide a match of \$15,000.

Grant Implementation

The Transportation Planning Board at COG will act as lead agency responsible for grant implementation, while the Virginia Department of Transportation (VDOT) will be the direct recipient of the grant. TPB staff will be responsible for project management and oversight, technical analysis, and outreach with stakeholders in the region. Brookings Greater Washington will provide support in convening experts, conducting project research, and providing project guidance. The TPB staff and Brookings will jointly develop the final research report, including the articulation of findings. Additional tasks will be performed by consultants, including survey development and administration and focus group moderation.