

AMERICAN ASSOCIATION OF  
STATE HIGHWAY AND  
TRANSPORTATION OFFICIALS

**AASHTO**  
THE VOICE OF TRANSPORTATION

TESTIMONY OF

**The Honorable Eugene A. Conti, Jr.**  
Secretary of the North Carolina Department of Transportation

ON BEHALF OF THE

**American Association of State Highway and  
Transportation Officials (AASHTO)**

REGARDING

**“Protecting Commuters: Ensuring  
Accountability and Oversight in Tolling”**

BEFORE THE

**Subcommittee on Surface Transportation and  
Merchant Marine Infrastructure, Safety, and Security  
Committee on Commerce, Science, and Transportation  
United States Senate**

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## INTRODUCTION

Chairman Lautenberg and Members of the Subcommittee, thank you for the opportunity to share AASHTO's policy perspectives on the use of tolling as part of a menu of revenue options for surface transportation. My name is Dr. Eugene Conti, and I serve as Secretary of the North Carolina Department of Transportation. Today I am testifying on behalf of the American Association of Highway and Transportation Officials (AASHTO), which represents the state departments of transportation (DOTs) of all 50 states, Washington, D.C. and Puerto Rico.

The federal surface transportation program is at a crossroads. While the Highway Trust Fund (HTF) had generally provided stable, reliable, and substantial highway and transit funding since its inception in 1956, this is no longer the case. According to the Congressional Budget Office, HTF spending is estimated to exceed receipts by about \$13 billion per year on average for the next ten years (FY 2013-2022). At the same time, the National Surface Transportation Policy and Revenue Study Commission has projected future federal investment needs at \$225 billion per year for the foreseeable future. When compared to about \$90 billion currently spent, there is a significant investment deficit in surface transportation infrastructure.

This trend toward flattening or declining revenues at a time of increasing investment needs is not something that is limited to just the current federal funding sources. In fact, this funding issue is creating deep concern at all levels of government about the outlook for adequate resources for maintenance and capacity improvements in highway and transit assets in the United States. While addressing the transportation investment crisis will require sustained commitment from a broad range of stakeholders, a key component in this effort is the funding and financing mechanisms that could be utilized to support investment in transportation infrastructure. One of the useful proven tools is tolling.

## DEFINITION AND HISTORICAL CONTEXT

Generally, roadway tolling can be applied at the state and local level in a wide range of fashions, including turnpikes, which are individual (generally long-distance) facilities that charge a fee for use; "single links," which are facilities such as bridges, tunnels, or connector roads; and "managed lanes," or highway lanes that are devoted to carpoolers, public transit vehicles, and toll-paying users, including but not limited to High Occupancy Toll (HOT) lanes and HOT networks, or systems of high-occupancy vehicle lanes.

The United States has made extensive use of, and has broad expertise with facility-based tolling, but the history of toll use has also been evolving. Prior to the Interstate era and the Federal Aid Highway Act of 1956, many of the major highways and bridges/tunnels in the country were funded through toll financing. Examples include the turnpikes in Pennsylvania, New Jersey, and Delaware and many of the bridges and tunnels in the New York metropolitan area. After 1956, however, the number of new facilities built as toll roads declined dramatically due to the focus on completing the Interstate system, the availability of federal funding to support investment, and the federal tolling prohibitions that went along with the use of this money.

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In recent years, with the growing gap between highway investment needs and available revenues as well as the development of easy-to-use automated toll collection technology, toll roads and toll lanes have once again become an important means for financing investment in new highway capacity—in the last decade about one-third of all new limited-access lane miles built in the United States were tolled; in states such as Texas and Florida, the share is even higher.

Modern tolling in the United States has occurred primarily in two forms: for new construction and for rehabilitation or conversion of existing facilities. Tolling for new construction covers most tolling projects currently in development in the country and relates to the use of tolling to fund new capacity in the form of either new highways or additional lanes for existing facilities. Examples of recent new toll alignments (so-called greenfield projects) include the Pocahontas Parkway in Virginia and the Inter County Connector in Maryland. The State Route 91 Managed Lanes Project in Orange County in California, which included the addition of two toll lanes in each direction parallel to existing non-tolled lanes, exemplifies the use of tolls to add new capacity to existing routes. In North Carolina, we are opening this year the state's first modern toll road, around Raleigh, and two more toll expressways near Charlotte are close to construction.

Tolling for rehabilitation or traffic management involves either imposing a toll on an existing bridge or roadway to help pay for its rehabilitation or replacement or converting High Occupancy Vehicle (HOV) lanes to High Occupancy Toll Lanes (HOT) lanes to make better use of existing capacity. Examples of these so-called brownfield projects include addition of tolls on the Tacoma Narrows Bridge in Washington and the Coleman Bridge in Virginia to pay for reconstruction or expansion and various HOT lane conversions in California, Colorado, Minnesota, and Utah. Again in North Carolina, we are planning conversion of HOV lanes to HOT lanes to pay for widening of congested Interstate 77 near Charlotte.

Currently, there are more than 270 state and local toll roads, bridges, and tunnels in 32 states, totaling 5,541 miles of roadway. Several more toll facilities are either in development or under consideration. In 2008, toll revenues of \$11 billion represented 9 percent of total federal, state, and local highway user fee revenues (i.e., from motor fuel taxes, vehicles fees, and tolls).

Toll roads have been widely used to finance important system links between large cities by crossing through rural areas in states such as Kansas, Oklahoma, Pennsylvania, and New York. While the majority of U.S. toll roads (by number of facilities) is in urban areas, 52 percent of the country's toll road miles are in rural areas, mostly on the parts of the Interstate system as part of statewide tolling programs (grandfathered from tolling prohibition in case of Interstates), not as part of targeted tolling efforts. In addition, several toll road projects have been initiated or developed in recent years in ex-urban areas.

#### AASHTO RECOMMENDATION ON FEDERAL TOLLING POLICY

**The AASHTO's Board of Directors recommends adopting a diversified portfolio of revenue options, including tolling, to meet program funding needs.** Furthermore, given the magnitude

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and diversity of needs throughout the country, Congress should develop national policies that support flexible use of both conventional and innovative funding and financing tools. Under this framework, state DOTs agreed that **federal limitations should be removed on the ability of state and local governments to raise toll revenues and to apply such revenue to multimodal transportation projects and activities within the same corridor or region as the tolled facility.**

We recognize that seeking greater federal flexibility for tolling activities entail states and local partners ensuring that such programs are implemented with appropriate accountability, transparency, and equity. There is no question that States have and will continue to deliver on the need for accountability and transparency. States have been able to demonstrate many positive benefits of tolling over the past decades. Some examples include:

- Raising substantial revenues as non-federal shares and paying for state-only investments, in areas where traffic volumes make it cost-effective to implement;
- Establishing a revenue stream that tends to be stable and well suited to be dedicated to transportation;
- Adjusting toll rates as necessary to account for inflation, including through automatic toll rate adjustment mechanisms;
- Utilizing excess revenues (beyond debt service and operations costs) for transportation purposes at their discretion;
- Encouraging innovation through implementation of electronic toll collection and other tolling technologies to improve compliance enforcement and offering user benefits such as improved travel speeds and toll discounts that, over time, can help offset the associated costs of the technology to the consumer;
- Setting toll rates to manage congestion, which can help maximize the efficiency of the existing network;
- Providing income equity in many instances through provision of non-toll alternatives such as transit;
- Generally establishing a high level of user-beneficiary equity by ensuring that toll rates reflect the benefits derived by the user, and;
- Constructing tolled turnpikes in regional or national goods movement corridors to provide robust highway capacity through rural regions that otherwise could not afford it.

Furthermore, expanding federal flexibility and support for tolling would continue to build upon a progression of policy changes in the last two decades achieved through ISTEA, the NHS Act, TEA-21, and SAFETEA-LU that established the following programs:

- Express Lanes Demonstration Program
- High Occupancy Vehicle (HOV) Facilities
- Interstate System Reconstruction & Rehabilitation Pilot Program
- Interstate System Construction Toll Pilot Program
- Title 23 USC Section 129 Toll Agreements
- Value Pricing Pilot Program
- High Occupancy Toll (HOT) Facilities

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Reflecting the need for program financing beyond the traditional pay-as-you-go framework, some of these pilot programs have seen heavy demand from states. In particular, the Interstate System Reconstruction & Rehabilitation Pilot Program allows up to three existing Interstate facilities (highway, bridge, or tunnel) to be tolled to fund needed reconstruction or rehabilitation on Interstate highway corridors that could not otherwise be adequately maintained or functionally improved without the collection of tolls. This tool holds tremendous promise given the backlog of reconstruction and rehabilitation needs in the Interstate system after 56 years in service.

Three states, including my state of North Carolina, along with Missouri and Virginia, have been approved for pilot demonstrations. This is how we have addressed the issues of transparency, accountability and equity in our pilot program studying the feasibility of tolling Interstate 95 through North Carolina. Over a period of 30 months, we have reached out to affected communities along the 182-mile I-95 corridor through social media, a dedicated website, editorial board meetings, seven citizen informational workshops, seven public hearings and numerous public presentations and meetings with stakeholder groups. We are also going beyond the traditional project development process by conducting an extensive economic analysis on the economic impact of the project on local communities.

#### COMMUTER PROTECTION ACT

I would also like to take this opportunity to share AASHTO's perspective on S. 2006, the Commuter Protection Act, introduced by Senator Lautenberg in December 2011. We understand that this legislation would provide the U.S. Secretary of Transportation the authority to review and regulate tolls for passage over or through any bridge or tunnel on any Federal-aid highway.

Contrary to additional flexibility that tolling affords the states in meeting funding needs, this bill would introduce new federal oversight and uncertainty into what has traditionally been a state- and locally-managed process of setting toll rates. At a time when new infrastructure investment opportunities should be encouraged, this bill would introduce direct federal decision making for tolling, which could discourage states and regions from utilizing tolling to expand capacity and improve operations of their facilities and the overall transportation network.

Furthermore, the loss of tolling agencies' ability to set their own rates would have a deeply unfavorable effect on their credit ratings, increasing the cost of capital and making it harder for such agencies to borrow money through issuances of bonds for much needed capital improvements, maintenance and other essential services. In addition, the bill would discourage use of toll-financed public-private partnership (PPP) opportunities. Instead of granting maximum access and flexibility to a mix of funding and financing tools most appropriate for each state including toll-based PPPs, Congress would create new impediments to private investment through this legislation.

We believe that the U.S. Secretary of Transportation's most appropriate role with respect to tolling lies in addressing the broader federal policy framework, including how the historically strong federal investments in surface transportation can best be sustained over the long term.

### CONCLUSION

On behalf of AASHTO, I very much appreciate the opportunity given to us to offer our views on appropriate tolling policies to support transportation funding and financing. Given the tremendous challenges we face at all levels of government, the state DOTs are in full support of assisting you in your efforts to address our national infrastructure investment needs. Thank you and I look forward to answering any questions you may have.