

DATE: May 7, 2020
TO: Pricing Options for Equitable Mobility Task Force
FROM: Doug Allen
SUBJECT: Pricing Portland's Freeways

The 2017 Oregon Legislature passed a bill, HB 2017, covering a broad array of transportation issues. Section 120 of that bill mandates a potentially transformative change to the Portland area freeway system.

It directed the Oregon Transportation Commission (OTC), before the end of 2018, to submit a request to the Federal Highway Administration (FHWA) for permission to institute "value pricing" on I-5 and I-205 between the Washington border and where they rejoin south of Tigard. It also says that the OTC "may implement value pricing" on other highways in Oregon.

Along with this testimony, I have provided a pdf of Section 120, which includes the definition of "value pricing." This has been incorporated into Oregon Revised Statutes as ORS 383.150 and ORS 383.155.

To meet the 2018 deadline, the OTC, through ODOT, appointed a Value Pricing Policy Advisory Committee (VPPAC) to review consultant work and advise the OTC. The principal technical consultant was WSP, and EnviroIssues provided public involvement and committee facilitation services.

Below are some of my observations regarding the VPPAC process. However, your Task Force includes representatives of organizations that were also represented on the VPPAC, and Emma Sagor provided consultant services to the VPPAC, so I encourage you all to invite them to share their own perspectives on the subject. I have not covered more recent developments, and suggest that ODOT be invited to present their current plans for implementing "value pricing."

It would be well worth your time to review the consultant findings as well as selected portions of the VPPAC meetings, which are available on YouTube, and the VPPAC recommendations to the OTC. You can find links to this material below. You should also look at ODOT's application to FHWA for tolling permission, and the reply from FHWA.

Through a couple of rounds of evaluating various options, the VPPAC was presented with five concepts for evaluation, labeled "A" through "E". The most ambitious was Concept "C" which would toll all lanes of I-5 and I-205 between the Columbia River and where they rejoin north of Wilsonville, using variable, time-of-day pricing. Concept "C" appeared to be most responsive to the directives in HB 2017.

For a variety of reasons the VPPAC instead recommended Concepts "B" and "E" together. Concept "E" would toll I-205 between Stafford Road and Oregon City to pay for widening I-205 and rebuilding the Abernethy Bridge where I-205 crosses Willamette

River. Concept "B" would toll I-5 between roughly N Going Street and SW Multnomah Boulevard. As presented to the VPPAC, Concept "B" tolls would be designed solely for traffic management.

My belief is that ODOT determined the outcome for political reasons, including pressure from down-state legislators to fund the I-205 work from tolls, reluctance to compete with ODOT's own OreGO program, a desire by Metro that tolls go nowhere until after their 2020 funding measure was passed, and ODOT's desire to have work underway on the Rose Quarter project before tolls could emerge as an alternative

Several members of the VPPAC, including Co-chair Sean O'Hollaran who was also on the OTC at that time, expressed interest in looking at variable tolling of the entire Portland area freeway system, which is allowed by HB 2017. However, the VPPAC charge was limited in advance to only I-5 and I-205. Nevertheless, the VPPAC issued a supplemental recommendation to the OTC that ODOT should look at a broader implementation of "value pricing."

Some of the consultant findings that I found interesting:

1. The broader the application of value pricing across the freeway network, the more effective it is, the lower the level of required tolling, the greater the benefit in reduced congestion and reduced vehicle travel, and the more equitable it is. The tolling infrastructure will have economies of scale with broader application.
2. Tolling for traffic management, rather than for revenue, is the most efficient way to maximize freeway through-put. It also has the least diversion to local streets. It also generally requires lower tolls, which could make it more acceptable to the public.
3. Many tolled facilities around the United States and world use revenue to help pay for travel alternatives such as express buses, or provide incentives for carpools and vanpools such as free or reduced tolls.

This Task Force should consider adopting recommendations for the Portland City Council to pass on to the OTC. I suggest the following:

1. Plan for, ask FHWA permission for, and do the analysis for tolling the entire Portland area freeway system, including all of I-5 and I-205 south to Charbonneau, I-84, I-405, Hwy 217, and Hwy 26 (Sunset). A broadly implemented value pricing system such as Concept "C" was shown by consultants to generate significant revenue even when tolls are set low to optimize freeway system operation. A wider application of value pricing should provide greater revenue, which should be spent on mitigating measures, not freeway widening.
2. The "traffic congestion relief program" mandated by HB 2017 must be implemented in an equitable fashion, and must provide alternatives to single-occupancy freeway travel. Transit, vanpool, carpool, bicycle, and pedestrian alternatives, including off-freeway

options, are a necessary part of such a program. Safety issues must be addressed for all components. Financial mitigation must also be implemented for those who lack alternate travel options or financial resources. The Oregon Transportation Commission should provide assistance to transit from toll revenues within current constitutional restrictions, if any, but the Commission should adopt a modern interpretation of those restrictions consistent with the intent of HB 2017 and current Oregon Supreme Court rulings.

3. Regarding the I-5 Rose Quarter freeway expansion project, this Task Force should lead in forcing a post COVID-19 reanalysis of the need for, costs of, and detrimental effects of that project, with emphasis on the necessity of implementing "value pricing" along with expanded travel alternatives, as the climate-smart replacement for an expensive and out-dated plan.

4. This task force should ask for a rapid, nimble, and sequential implementation of "value pricing" on Portland's freeway network, beginning with variable tolls at selected on-ramps. This approach would allow for a rapid response to any diversion to neighborhood streets, keeping tolls at the lowest level needed to maintain freeway operation. Toll would go to zero when not needed.

Contrast this with tolls that repay construction bonds. The financial institutions that market those revenue bonds require "bond covenants" that obligate ODOT to conduct extensive studies to see what level of tolling can be sustained, limit ODOT's ability to reduce tolls, and generally require ODOT to maintain traffic levels sufficient to repay the bonds. Worst of all, however, is that the new concrete and expanded capacity may not even be needed if "value pricing" is put in place first.

I have only touched the surface of what was presented and discussed at the VPPAC meetings. They also heard a lot of public testimony.

The ODOT web site <https://www.oregon.gov/odot/tolling/Pages/Library.aspx> has a lot of relevant material. Under the topic "Value Pricing Feasibility Analysis" I recommend that you look at the following documents:

Technical Memo 4: Round 2 Concept Evaluations:

https://www.oregon.gov/odot/tolling/ResourcesHistory/TechnicalMemo4_Evaluation.pdf

In particular look at Concepts B & E (selected) and Concept C (all of I-5 & I-205 within Oregon north of their junction)

Policy Advisory Committee Recommendation, June 2018:

https://www.oregon.gov/odot/tolling/ResourcesHistory/20180705_VP-PAC-Rec-to-OTC.pdf

Attachment "A" presents letters from VPPAC members. Note the City of Portland letter (page 45 of the pdf) which says "The primary objective of any pricing program must be to manage demand, as opposed to generating revenue for unmanaged increases in capacity." This letter also states support for Option C, which would implement value pricing on most of I-5 and I-205 in the metro region.

Application to Federal Highway Administration:

https://www.oregon.gov/odot/tolling/ResourcesHistory/VP%20Final_FHWAApplication_Draft.pdf

The first page of the OTC/ODOT application letter (page 6 of pdf) states that any net toll revenue will be spent on "...completion of the Rose Quarter project on I-5..." and on I-205.

Response Letter from Federal Highway Administration:

<https://www.oregon.gov/odot/tolling/ResourcesHistory/19-01-08%20Oregon%20Tolling%20Letter.pdf>

It looks like FHWA gives the application an "I" for "incomplete." The first page says "Additional project detail is needed for a final eligibility determination... however... the I-5 Project is likely eligible for tolling under the VPPP." [VPPP=Value Pricing Pilot Program] On the last page, FHWA says "After satisfactory completion of the above items, the FHWA's approval of tolling projects under the VPPP has typically been a straight forward process, commonly taking as little as a few months."

Videos of the VPPAC meetings are available on YouTube by going to the ODOT YouTube channel: <https://www.youtube.com/user/OregonDOT> where you can select the Value Pricing playlist here:

https://www.youtube.com/playlist?list=PL6mL7JnVXhpjMRfx_YubWutC8XBNYJgsj

If you look at the Feb. 28, 2018 VPPAC meeting here: <https://youtu.be/OAfpzxy4W6A?t=4207> you can see VPPAC member Jana Jarvis, President of Oregon Trucking Associations, ask Chris Swensen of WSP whether their analysis assumed construction of the Rose Quarter freeway widening. He replies that the widening is assumed, but in essence, the widening is not needed if value pricing is in place to optimize freeway operation.

At the May 14, 2018 VPPAC meeting <https://youtu.be/4jYK4O80T9o?t=4594> at time 1:16:34, consultants begin a presentation of the five final concepts (A thru E) considered by consultants and VPPAC. At time 1:35:30, consultants present the significant advantages of concept "C" which was ultimately not selected.

There are many hours of VPPAC meetings available, and much interesting material is presented, especially regarding equity and mitigation. My discussion above doesn't really do it justice.

(b) During the term of a lease, the lessee of a subject vehicle shall pay the per-mile road usage charge for metered use by the subject vehicle of the highways in Oregon.

(2) The per-mile road usage charge is[:] **2.1 cents per mile.**

[(a) For the calendar year beginning on January 1, 2018, 1.7 cents per mile.]

[(b) For the calendar year beginning on January 1, 2020, 1.8 cents per mile.]

[(c) For the calendar year beginning on January 1, 2022, 1.9 cents per mile.]

SECTION 118b. The amendments to ORS 319.885 by section 118a of this 2017 Act apply to metered use by subject vehicles of the highways in Oregon on or after January 1, 2024.

SECTION 118c. ORS 319.890 is amended to read:

319.890. (1) A person wishing to pay the per-mile road usage charge imposed under ORS 319.885 must apply to the Department of Transportation on a form prescribed by the department.

(2) The department shall approve a valid and complete application submitted under this section if:

(a) The applicant is the registered owner or lessee of a motor vehicle;

(b) The motor vehicle is equipped with a method selected pursuant to ORS 319.900 for collecting and reporting the metered use by the motor vehicle of the highways in Oregon;

(c) The motor vehicle has a gross vehicle weight rating of 10,000 pounds or less; and

(d) Approval does not cause the number of subject vehicles active in the road usage charge program on the date of approval to exceed 5,000, of which no more than 1,500 may have a rating of less than 17 miles per gallon and no more than 1,500 may have a rating of at least 17 miles per gallon and less than 22 miles per gallon, such ratings to be determined pursuant to a method established by the department.

(3) An electric vehicle for which an application is approved under this section is not subject to the additional amount of registration fees imposed under section 32 of this 2017 Act.

[(3)] (4) Approval of an application under this section subjects the applicant to the requirements of ORS 319.920 until the person ends the person's voluntary participation in the road usage charge program in the manner required under subsection *[(4)]* (5) of this section.

[(4)] (5) A person may end the person's voluntary participation in the road usage charge program at any time by notifying the department, returning any emblem issued under ORS 319.945 to the department and paying any outstanding amount of road usage charge for metered use by the person's subject vehicle.

TRAFFIC CONGESTION RELIEF

SECTION 119. Feasibility study of highway cost allocation study within certain political subdivisions. (1) The Oregon Department of Administrative Services shall conduct a study to determine the feasibility of performing a highway cost allocation study within the boundaries of a county, Metro and Tri-Met, but otherwise as described in ORS 366.506, with respect to revenue raised within the county, Metro and Tri-Met, respectively, that is subject to Article IX, section 3a (3), of the Oregon Constitution. The department may consult with any public or private body the department considers necessary or appropriate for conducting the study required under this section.

(2) The department shall submit a report, in the manner provided in ORS 192.245, containing the results of the study required under this section to the Joint Committee on Transportation established under section 26 of this 2017 Act not later than September 15, 2018.

(Traffic Congestion Relief Program)

SECTION 120. (1) The Oregon Transportation Commission shall establish a traffic congestion relief program.

(2) No later than December 31, 2018, the commission shall seek approval from the Federal Highway Administration, if required by federal law, to implement value pricing as described in this section.

(3) After seeking and receiving approval from the Federal Highway Administration, the commission shall implement value pricing to reduce traffic congestion. Value pricing may include, but is not limited to, variable time-of-day pricing. The commission shall implement value pricing in the following locations:

(a) On Interstate 205, beginning at the Washington state line and ending where it intersects with Interstate 5 in this state.

(b) On Interstate 5, beginning at the Washington state line and ending where it intersects with Interstate 205.

(4) In addition to areas listed in subsection (3) of this section, the commission may implement value pricing in other areas of this state.

(5) Notwithstanding ORS 383.009, the revenues received from value pricing under this section shall be deposited into the Congestion Relief Fund established under section 120a of this 2017 Act for the implementation and administration of the congestion relief program established pursuant to this section, including but not limited to the Value Pricing Set-Up Project.

(6) Subject to any restrictions in an agreement with the Federal Highway Administration or other federal law, in addition to the amounts received from value pricing under this section, the moneys in the Congestion Relief Fund shall be used to implement and administer the traffic congestion relief program.

(7) Before imposing value pricing, the commission shall report to the Joint Committee on Transportation established under section 26 of this 2017 Act.

(8) The commission may enter into agreements with the State of Washington, or the State of Washington's designee, relating to establishing, reviewing, adjusting and collecting tolls for the program described in this section.

SECTION 120a. Congestion Relief Fund. (1) The Congestion Relief Fund is established in the State Treasury, separate and distinct from the General Fund. Interest earned by the Congestion Relief Fund shall be credited to the fund.

(2) The Congestion Relief Fund consists of:

(a) Moneys appropriated or otherwise transferred to the fund by the Legislative Assembly;

(b) Notwithstanding ORS 383.009 (1)(d), net proceeds of tolls imposed under section 120 of this 2017 Act;

(c) Moneys received from federal sources or other state or local sources, other than proceeds of Highway User Tax Bonds issued under ORS 367.615;

(d) Amounts donated to the fund;

(e) Investment earnings received on moneys in the fund; and

(f) Other amounts deposited in the fund from any source.

(3) Moneys in the fund are continuously appropriated to the Department of Transportation for distribution to the Oregon Transportation Commission for the purposes of implementing and administering the congestion relief program established pursuant to section 120 of this 2017 Act.

(4) The Department of Transportation may receive gifts, grants, contributions, bequests or other donations of any kind from any public or private source for deposit in the Congestion Relief Fund.

(5) Moneys in the Congestion Relief Fund may be invested and reinvested as provided in ORS 293.701 to 293.857.

(Task Force on Mega Transportation Projects)