

May 25, 2007

Governor Tim Pawlenty
Room 130 State Capitol
75 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, Minnesota 55155



Dear Governor Pawlenty:

As you are no doubt aware, your administration has been working hard on the most innovative piece of transportation policy this year in its application for the USDOT's Urban Partnership Agreement (UPA). An extraordinary effort has been put forth by the leadership and staff of MnDOT and the Met Council to prepare the application that was submitted on April 30.

We have an opportunity to access significant federal dollars to:

- offer more transportation choices,
- reduce congestion,
- build infrastructure, and
- apply a market tool to help fund and manage our transportation system.

The Citizens League, however, cannot fully support your administration's April 30 application in its current form. With 26 proposals in play from across the nation, this is a very competitive situation and only 2-3 metro areas will ultimately receive funding. We could receive anywhere from \$200 million to \$1 billion if we are willing to be an innovative demonstration for the nation. We don't want to sit on the sidelines while the USDOT spends the money elsewhere.

We don't believe that is your intent. Enclosed is the letter that the Citizens League submitted electronically to the UPA Selection Committee on May 21. It outlines a proposed refinement to the initial application. If the Minnesota proposal makes it into the top ten on June 8, we will have two months to work with the USDOT to show them that we are willing to be an innovative demonstration project for the entire country. Success could advance our ability to meet transportation challenges by many years.

We think this refinement is essential to have a reasonable chance of success and we urge you to support it in the coming months.

Sincerely,

Sean Kershaw
Executive Director

Bob DeBoer
Director of Policy Development

Cc: Lt. Governor Carol Molnau
Sen. Ann H. Rest

Chairman Peter Bell, Met Council
Rep. Melissa Hortman

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Sean Kershaw, *Executive Director*

May 15, 2007

Members of the Selection Committee for the Urban Partnership Agreement (UPA):

The Citizens League is impressed to see such a forward-thinking, comprehensive opportunity for congestion reduction offered by the U.S. Department of Transportation. The opportunity presented by the UPA has jump-started a policy movement that the Citizens League became very active in with the release of our January 2005 report "Driving Blind," which recommended that we establish a stronger transportation marketplace by pricing solo drivers.

Since the Road Pricing Summit that the Citizens League held with the Humphrey Institute and the Center for Transportation Studies on February 1, 2007, we have seen some dramatic changes in the positions of public officials regarding the use of pricing existing roadway to reduce congestion and offer more choices. For example, a legislator who describes herself as "vehemently anti-tolling" has taken a leadership role by sponsoring legislation to establish a congestion reduction task force to provide political leadership for UPA implementation and has coined the term **free-flow pricing**. In addition, three Minneapolis City Council Members expressed that their position on "tolling" had changed in some way due to the UPA effort.

The current top policy priority for the Citizens League is to build public awareness and support for free-flow pricing and to educate the public on the fundamental difference between it and tolling.

- **Free-flow pricing** charges a price to solo drivers to reduce congestion and its associated costs and the revenues can be used to support transit and other alternatives to reduce congestion. Free-flow pricing provides more choices for commuters.
- **Tolling** is generally to pay for building and maintaining roads and does not provide additional choices to commuters.

This is an important distinction, since there is a widely held political position in Minnesota that the gas tax pays for building and maintaining roads and that "tolling" these roads would be double taxation.

We believe that the political opportunity has emerged to have a public discussion and decision about applying free-flow pricing to lanes that are currently general purpose as the UPA process moves forward. You will see that some local governments (such as Minneapolis) and others are pushing for general purpose lane conversion to priced lanes.

Strengths and Shortcomings of the Twin Cities UPA Application

The application submitted on April 30 by the Minnesota Department of Transportation (MnDOT) and the Metropolitan Council has a very strong transit component, insofar as capital investment is concerned. However, the proposal does not provide for free-flow transit speeds for the entire length of the I-35W corridor between Burnsville and downtown Minneapolis. There is a gap between 69th Street in Richfield and 46th Street in

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Minneapolis. This four-mile segment includes the highly congested Crosstown/I-35W Commons, which is planned to be reconstructed over the next four years. During this period, congestion and delays will increase, as will safety and air quality problems, resulting in diversion to local streets and other highways, such as TH 77, TH 169 and I-494, all of which have limited or no peak-period reserve capacity.

Buses will only be able to travel at free-flow speeds on the proposed I-35W HOT lane (HOV conversion) between Burnsville and 69th Street. Between 69th Street and 46th Street, buses will travel in congestion with the general traffic. North of 46th Street, buses will again be able to travel at free-flow speeds on the proposed Priced Dynamic Shoulder Lane to downtown. Once in downtown, buses will be able to travel on exclusive lanes on 2nd and Marquette Avenues, which are proposed to be expanded from one lane to two lanes.

As things stand, only after Crosstown reconstruction is completed in four years and the new HOV lanes are converted to HOT lanes, will there be continuous BRT/HOT lanes on I-35W.

Proposed Refinement of the Twin Cities UPA Application

The Citizens League is continuing discussions with state and local governments, business leaders, community groups, and other organizations to push for a refinement of the UPA application.

The Citizens League is urging that the UPA application be refined to include a continuous BRT/HOT lane on I-35W between Burnsville and Downtown Minneapolis. Free-flow speeds for transit and solo drivers that choose to pay must be provided to properly demonstrate the benefits and choices that free-flow pricing can provide. This will require that all solo drivers will be subject to free-flow pricing during peak hours in the Crosstown/I-35W Commons (part of “the gap”) for a one-year demonstration from mid-2008 to mid-2009.

This will provide a greater chance of success in congestion reduction and transit reliability, which are key components for public acceptance. If the demonstration is successful, it will serve as a model for the other congested corridors in the Twin Cities region as well as the rest of the country. Since major reconstruction already produces more congestion and diversion, it is the best time to introduce free-flow pricing and increased transit and telecommuting options.

Elements and Conditions for Refined Pricing Demonstration

1. Pricing of the “gap” between 69th Street and 46th Street would be done as a peak period, one-year demonstration project.
2. The Crosstown reconstruction project would proceed as planned. (Note: the pricing demonstration project would in no way affect the schedule, staging, scope or cost of the Crosstown reconstruction project.)
3. Before and after construction starts, traffic and transit data would be collected to understand how conditions change after construction begins. Data would include

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traffic volumes, auto occupancy, speeds, delays and diversion; and transit-ridership, volumes, speeds and delays.

4. One year after the start of the Crosstown reconstruction, during which time the planning, design and construction of the free-flow pricing facility would be completed, increased transit and free flow pricing would begin.
5. The priced segment (69th Street to 46th Street) will remain open for one year (mid-2008 to mid-2009) during which time traffic and transit data will be collected (similar to that collected during the preceding construction year).
6. During the last three months of the demonstration project, the data that was collected
 - before construction,
 - during the first year of construction (without pricing), and
 - during the second year of construction (with pricing),will be analyzed and evaluated.
7. If the data analysis shows that traffic/transit conditions during construction “with pricing” did not improve, the pricing demonstration project would be terminated. If, on the other hand, conditions improve with pricing, the demonstration would continue through the construction period.
8. Whether the pricing demonstration is terminated or is made permanent, all transit-related improvements, technology improvements and telecommuting programs would remain in place. Only the “gap” pricing experiment will be terminated. However, with termination of the demonstration project, revenues from free-flow pricing will substantially decline and would not be available for subsidizing transit fares.

The Citizens League is one of Minnesota’s oldest and most successful non-partisan public policy organizations. Citizens League work has produced major policy innovations over the years including charter schools, regional tax base sharing, the Metropolitan Council, and the Price of Government law.

If the Twin Cities UPA proposal is successful, the Citizens League will be part of a major effort to make the corridor that serves as a demonstration for the UPA, a demonstration for the rest of the Twin Cities Metropolitan Area to implement free-flow pricing in the coming years.

Sincerely,

Sean Kershaw
Executive Director

Bob DeBoer
Director of Policy Development

Minnesota's Opportunity to Reduce Congestion with Free-Flow Pricing and More Transportation Choices through the Urban Partnership Agreement

The Urban Partnership Agreement (UPA)

UPA Goal: Demonstrate a 15% to 25% reduction in congestion through a comprehensive approach centered around the use of innovative congestion management strategies, with a particular emphasis on free-flow pricing (often called congestion pricing).

Available Federal Funding and Support

- Up to \$1.2 billion in federal funding plus another \$125 million in the President's FY08 budget request.
- Potentially \$700 million in Federal Transit Administration funds for bus rapid transit (BRT) or express bus service infrastructure (excludes operating costs).
- Funding for telecommuting and flex-time implementation and technology improvements

Minnesota's Proposal

The U.S. DOT has ranked our application, submitted by MnDOT and the Metropolitan Council, in the top 10. We now have an opportunity to improve our proposal to separate us from the other semi-finalists.

The Refinement: Free-Flow Pricing on the Crosstown Commons Reconstruction

Year One: Construction and preparation for free-flow pricing

- Commuters experience the congestion, delays and diversion to local streets that result from major construction.
- Increased transit options and other incentives are prepared, including increased telecommuting and flex-time options and distribution of free transponders for use when free-flow pricing begins.

Year Two: Free-flow pricing through entire construction area

- In the reconstruction area, solo drivers in all lanes are priced when the road is congested.
- Bus rapid transit in place (15 years sooner than currently planned)

Following: Evaluation

- If free-flow pricing is effective in reducing congestion, we will have the infrastructure in place to continue the program.
- We are not required to continue free-flow pricing if it is not effective or if the public is opposed.
- Whether or not we decide to continue free-flow pricing, we will have a bus rapid transit system and other transportation alternatives in place.

What is Free-Flow Pricing?

Free-flow pricing uses supply and demand to allocate limited roadway capacity during peak-use periods. In those hours, solo drivers are charged and the price varies depending on traffic levels to guarantee the free flow of traffic. Solo drivers are billed at highway speeds via electronic transponders in the cars. Revenue produced is not dedicated to pay for roads (free-flow pricing is not tolling) and should pay for transit operations, and incentives for flex scheduling and telecommuting to offer commuters more choice in the congested corridor. Free-flow pricing is currently working on 1-394 (MnPASS), and is producing excess revenue in its second year. **Through free-flow pricing, the solo driver pays for free flow and helps reduce costs created by congestion.**

July 9, 2007

Members of the Selection Committee for the Urban Partnership Agreement (UPA):

The Citizens League hopes that you will look closely at the UPA application from Minnesota submitted by the Minnesota Department of Transportation (MnDOT) and the Metropolitan Council and select it as one of the finalists for possible funding.

What you cannot understand from reading the application is the number of elected officials at the state and local level who have been engaged and who now have a much more significant understanding of the benefits of free-flow pricing and difference between it and tolling. Removing inaccurate terms such as "Lexus lanes" and "takeaways" from the lexicon of pricing have also begun to occur.

If you select Minnesota as a finalist, you will be selecting a region that has an extremely successful example of pricing in place and is poised to implement it on a more significant corridor than where it currently exists. MnDOT is better equipped to implement pricing than possibly any other state DOT in the country and Minnesotans will be able to evaluate how pricing might work as a network that works with transit, telecommuting and technology throughout the region. That is the model that is most replicable to other metro areas around the country.

We urge you to select the Minnesota application. The Citizens League plans will help with the implementation of an Urban Partnership Agreement in the Twin Cities region in any way that we can.

Sincerely,

Sean Kershaw
Executive Director

Bob DeBoer
Director of Policy Development