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## **Fitch Rtgs: Congestion Pricing Will Provide Reliable Revenue to MTA**

Fitch Ratings-Chicago-01 May 2019: Planned congestion pricing in New York City (NYC) will provide a reliable funding source for Metropolitan Transportation Authority (MTA) capital improvements but how significant the revenue source will be depends upon the toll policy instituted, says Fitch Ratings. What will be implemented in NYC does not necessarily presage the introduction of similar programs in other large US cities. The success of congestion pricing plans depends upon robust public transit systems, increased investment in transit and policymakers' willingness to impose tolls that meaningfully change consumer behavior, which could prove politically challenging.

Car ridership, including rideshare trips, is up in most US metropolitan areas, spurring cities, such as Seattle, WA; Los Angeles, CA; San Francisco, CA; and Philadelphia, PA to contemplate congestion pricing. NYC congestion pricing was approved in the most recent New York State budget and will take effect at the beginning of 2021 at the earliest. Transit ridership is declining in most US cities, with Seattle as a notable exception. In New York, the MTA is projecting a decline in consolidated ridership for the fifth consecutive year in fiscal 2019.

Policymakers' will be watching New York's introduction of congestion pricing closely to see how well the system meets revenue and traffic reduction goals, whether the plan has unintended consequences for the existing transport system and how voters respond. The success of congestion pricing from both a traffic reduction and transport revenue perspective very much depends on the toll policy instituted. In New York, a Traffic Mobility Review Board appointed by the MTA will release a recommendation for pricing in 2020, and the MTA's Triborough Bridge and Tunnel Authority will be responsible for implementing the program.

All congestion pricing revenue will go to the MTA to fund capital improvements. According to the budget, the MTA is directed to ensure a minimum of annual net revenue and fees sufficient from the program to fund \$15 billion for MTA capital projects. Importantly, while this will be a consistent source of capital funding for the MTA, the MTA itself noted this revenue may not be sufficient to address the entirety of its 2020-2024 Capital Program and \$40 billion 'Fast Forward' plan.

A precursor to congestion pricing in the US is dynamically priced tolls on managed lanes, used in Virginia, Florida, and other states, where tolls rise with increased congestion. These systems demonstrate people are willing to pay for faster commuting times and pricing must be aggressive at times to achieve policymakers' traffic reduction goals.

Pricing power for many congested facilities proved higher than initially projected with high observed toll rates necessary to reduce traffic to free flow speeds on certain corridors, such as I-66 inside the DC Beltway in Virginia. Los Angeles and Miami capped dynamic tolls, which counteracts the intended effect of reducing traffic for those willing to pay and suggest the pricing and political pressures congestion pricing faces in the US.

Indeed, despite the revenue it generates to fund capital improvements, tolling continues to

encounter resistance. Transportation agencies in Los Angeles and San Francisco have begun to study congestion pricing anew as traffic surged with increased car ownership and the expansion of ride hailing services. Legislative approval is likely to prove contentious, as lawmakers representing suburban commuters fought past attempts to implement congestion pricing. Opposition to tolling more broadly on state highways played out in recent state legislature initiatives, including in Florida, Texas and Virginia.

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