



Equity Concerns of Congestion Pricing Initiatives in the U.S.

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Equity concerns have often been raised about congestion pricing. When public use of infrastructure assets is deliberately made more expensive at certain times, low-income people and those concerned about their welfare may raise legitimate concerns about equity. With congestion pricing, the truth is much more complicated than it appears and carefully designed congestion-pricing projects will typically improve equity. This document presents information on the low-income equity issue in two sections: (1) an overview of what is known about the low-income equity issue based upon current literature and studies conducted under U.S. Department of Transportation's Value Pricing Pilot Program; and (2) what is known about the issue, at this point in time, from the U.S. Department of Transportation (DOT)-funded Urban Partnership Agreements (UPAs).

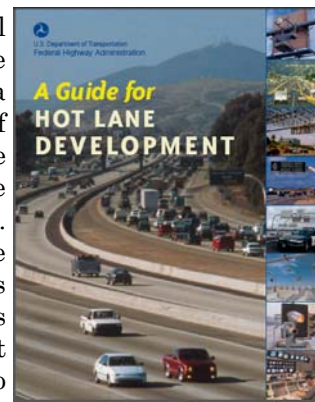
The Value Pricing Pilot Program (VPPP) was established by the U.S. Congress as the Congestion Pricing Pilot Program in 1991. It was subsequently renamed the VPPP under Section 1216 (a) of the Transportation Equity Act for the 21st Century (TEA-21) in 1998, and continued through the 2005 Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). The Urban Partnership Agreements (UPA) program, announced by the Department in May 2006, is designed to address congestion problems, with particular emphasis on establishing partnerships with major urban areas to make significant reductions in roadway congestion. In August 2007, the Secretary of Transportation selected five urban partners for participation in this program -- Miami, Minneapolis/St. Paul, New York City, San Francisco, and Seattle. In April 2008, the New York state legislature failed to approve New York City's urban partnership proposal. The US DOT subsequently replaced New York City with two additional cities, Los Angeles and Chicago, to partner with US DOT.

Overview

Value priced facilities are currently in operation along major transportation corridors experiencing high levels of congestion in California, Minnesota and Texas. The data from these facilities has shown that a wide range of income groups use the value priced lanes at different levels of frequency of use. Research from San Jose State University and the University of California, Berkeley (Weinstein and Sciara 2004) suggest that the impacts of congestion pricing are not necessarily related to income and can also be based on flexibility of time and routes available to users.

FHWA's "Guidance for HOT Lane Development" report (Federal Highway Administration 2005) provides data from studies of SR-91 express toll lanes in California. At any given time, about one-quarter of the vehicles in the toll lanes belong to high-income individuals, while the remainder belong to low and middle-income individuals. Low-income drivers do use the express lanes and are as likely to approve of the lanes as drivers with higher incomes. In fact, over half of commuters with household incomes under \$25,000 a year approved of providing toll lanes.

Research has identified some suggested strategies for redistributing toll revenues. These include distributing rebates or credits or revenue transfer to transit and carpooling services in the corridor. There are a variety of ways that States are handling this type of redistribution of revenue. To ensure that any surplus toll revenue is used to improve transit, some areas are passing legislation to dedicate a portion of the surplus revenue to transit, while others are creating special accounts. One model for how toll revenues may be redistributed is seen in the statutes in California which mandate that 18 percent of toll revenues from the Bay Area Toll Authority be transferred into three accounts controlled by the Metropolitan Transportation Commission. The Port Authority of New York and New Jersey also uses surplus toll revenue to subsidize transit services.



Users of San Diego's I-15 HOT lanes were found to be more likely to have higher incomes than drivers in regular lanes, but lower-income drivers did sometimes use the HOT lanes (Mowday 2005). However, attitudes of I-15 drivers showed a broad approval of the HOT lane program and that they felt it was fair and had reduced congestion. On I-15 in San Diego, equity issues are being addressed by dedicating the express lane revenues to bus service in the corridor. I-15 was the first project to demonstrate that implementing tolls as a demand management measure can play a major role in paying for transit and reducing the impact of this strategy on low-income individuals.



A study by Morillos (2006) found that, while limited, evidence from the successfully operating value pricing pilot projects clearly demonstrates that the most valued feature people consider in tolling and pricing projects is providing people with a choice. People appreciate the ability to be given a choice on whether or not to use priced lanes. A commuter's decision on whether to use the express lanes hinges on many factors and does not solely depend on income level. Studies have shown that lower income individuals face the greatest financial harm when they are denied adequate choices. Lack of choice can result in lost wages or late fees for day care that could have been avoided had they been provided a viable travel choice, such as value-priced lanes. Data from projects has demonstrated that even when priced lanes are seen to be more frequented by high-income users than low-income users, a broad spectrum of income groups still express approval of the projects because they are given the choice of choosing the tolled route, an alternative route, or a different transportation mode. While high-income motorists do use the priced lanes more often, all income groups value the choice of a reliable trip travel time that is now available to them, serving their needs when they absolutely have to get to their destinations on time – for example, getting to a day care center before late fees kick in.

A particularly important consideration in evaluating value pricing options and their equity implications is the use of revenues generated by value pricing tolls. Toll revenues can be used to compensate those who might otherwise consider themselves “losers” as a result of value pricing. Compensation can come in a variety of forms, including financing of highway improvements (particularly in the corridor where the tolls are levied), improvements in transit service, or, in cases where effects on low-income drivers are felt to be particularly severe, toll rebates to eligible drivers, or other forms of monetary compensation to them, such as tax rebates or income supplements. Each of these approaches have been used or considered for use in value pricing programs.

Overall, the perception that value pricing is an inequitable way of responding to the problem of traffic congestion does not appear to be borne out by experience. In addition, the “fairness” question can be viewed within the context of the overall highway financing system, where, in the absence of congestion fees, the costs of providing peak-period highway service are borne by all highway users, not just those who travel during congested periods or on congested routes. In this context, placing more of the burden of paying for peak-period highway service on those who make use of peak highway capacity increasingly is being viewed as an equity improvement.

A well-designed value pricing plan can be less burdensome to low-income citizens than current systems that are based on regressive taxes such as car registration fees, sales taxes and the gas tax. For example, low-income drivers use older vehicles that are not as fuel-efficient as newer models. They therefore must purchase more fuel per mile driven, and consequently pay higher fuel taxes for each mile driven than those who own newer fuel-efficient models.

Low-income transit riders can benefit significantly from toll-financed transit improvements, which are generally included in any pricing package. Pricing schemes can include protections for low-income individuals, such as “life-line” credits, or tax credits for low-income individuals for any fees paid in excess of their normal commuting costs.

Value Pricing Pilot Program

While the array of winners and losers from value pricing does not necessarily fall along income lines, the perception that value pricing is “unfair” to low and perhaps even middle income drivers has been a concern for many projects. Since the inception of the Value Pricing Pilot Program, equity has been a key issue of interest, with particular attention given to mitigating possible adverse effects of projects on low-income drivers. However, as reported in FHWA’s draft report on lessons learned from the program (K T Analytics and Cambridge Systematics Inc. 2008), project experience has shown, particularly for the most common projects funded under the early phases of the program (HOT lanes), that the perception of unfairness may be exaggerated. Project experience in the various cities that have implemented projects of have projects underway is discussed below.



San Diego: On San Diego’s I-15 HOT lanes, user and stakeholder concerns about the potential elitist character of the project arose in the first year, but diminished with time as users across income groups used the facility. By the final evaluation, such concerns were minimal. In the case of the planned expansion and extension of I-15 HOT lanes, a telephone survey of facility all users of I-15 found most consider the extension fair to regular lane users (71 percent approval) and to HOT lane users (75 percent approval). There were very few differences in attitudes about the fairness of the lanes based on ethnicity or income. However, half of respondents felt that tolling of solo drivers was unfair double taxation. HOT lane users paying tolls were less likely to feel that way than other corridor users.

Minneapolis: On I-394 in Minneapolis, the first attempt at HOT lanes (1997) met resistance in large part because of public belief that only the rich would benefit. A second attempt about ten years later succeeded in part because advocates made the case that all income groups value time savings and reliability for certain trips. Worsening congestion and a shortage of transportation funds were also important to success of the second attempt, according to evaluators. Surveys of corridor users found a relatively small difference in income between those who do and don’t own transponders: 25 percent of owners had annual incomes of \$50,000 or less, compared to 32 percent of non-owners. However, concerns and complaints about equity have not been significant since start up.

Denver: For I-25/US 36 HOT lanes in Denver, public outreach leading to implementation did not uncover critical concerns regarding equity or other social impacts, nor have they arisen since.



Seattle: For SR-167 HOT lanes in Seattle, outreach efforts found low-income drivers as supportive of the HOT lanes as drivers from other income groups.

Houston: For Houston’s I-10 and US 290 HOT lanes, focus groups held during project planning did not find concerns about social equity among either corridor users or the public at large. The general reaction was that all would benefit if congestion were reduced. Nor have equity concerns been raised during operations. It should be noted, however, that these HOT lanes are somewhat different from other examples, in that single-occupant vehicles are not permitted in the HOT lanes; tolls are used to manage 2-person carpool demand.

Orange County, CA: For SR-91 in Orange County, evaluation found a “moderate” income effect, with the percent of trips on the express lanes for the lowest and highest income groups (20 percent and 50 percent) staying the same over the survey period. Evaluation also found use of the express lanes increasing over time for both carpools and solo drivers across all incomes.

Lee County, Florida: In Florida, peak toll proposals for Lee County’s bridges were rejected as inequitable to those with inflexible schedules, and led to a program of reduced off-peak tolls instead. However, income equity was not raised as an issue in planning or evaluation focus groups and surveys.

New York: The Port Authority of New York and New Jersey did not uncover major equity issues in planning for variable tolls. Nor did the Authority evaluate equity effects after program implementation.

Studies funded under the Value Pricing Pilot Program have included innovative approaches designed specifically to address equity issues:

- A **“Fast and Intertwined Regular (FAIR)” lanes** approach studied in Alameda County, California involved providing toll credits to qualified low-income users based on their monitored usage of free regular lanes located adjacent to HOT lanes. Accumulated credits would then allow periodic free use of the HOT lanes by these motorists.
- A **“FAST Miles”** approach being studied in Minneapolis would allocate a fixed amount of toll credits to all area motorists, similar to the limited number of free peak period minutes allocated by cell phone companies to their customers. Total credits allocated to all motorists would be limited by the peak period capacity available on the roadway system. This would ensure that demand would not exceed supply of road space (i.e., roadway capacity) and guarantee congestion-free travel for all motorists in exchange for use of their free credits to “pay” for roadway use.

Equity Implications of Urban Partnership Agreements

A survey was conducted of the UPA cities (including New York) to see what information they might already have about the real and perceived equity implications of their projects. All cities provided some information, but the types and quality of information provided varied substantially. In addition to equity by income, regional geographic equity was also considered in some instances, since the costs of congestion pricing and the distribution of benefits (typically in the form of new transit and ferry services funded from tolling revenue) may be distributed unequally, just as the costs and benefits of pre-congestion-pricing transportation policy may be distributed unequally. The comprehensive evaluations taking place in the UPA cities will each, to some degree, provide further examination of equity issues.

Miami

Miami provided a summary report (*Resource System Group, Inc. 2005*) of South Florida managed lanes focus groups that took place in 1995. The focus groups discussed potential traffic-improvement strategies, including managed lanes. Of the nine focus groups of approximately ten participants each, five were conducted in English, three in Spanish, and one in Creole. While focus groups by their nature do not present a statistically valid representation of public opinion, their results may nevertheless be indicative of such opinion. They also have the benefit of making sure people fully understand something before voicing their opinions.



A key finding from the focus groups is that the perceptions of benefits from managed lanes do not divide along any apparent demographic boundary, including ethnicity and income. The managed lanes concept was found to be difficult to communicate, but after sufficient time was taken to do so, participants generally perceived that both personal and regional benefits would result from implementation. As could be expected, participants did say that they would use the managed

lanes less frequently as the price to do so rises. Interestingly, though, many had been unaware of toll increases that took place in the region shortly before the focus groups were conducted, suggesting that they might be overestimating their price sensitivity.



Minneapolis/St. Paul

Two sources of equity information were provided from this region: a report on the I-394 MnPASS attitudinal survey that was conducted in 2006 (University of Minnesota and NuStats 2005) and a Master’s thesis research paper, “Lexus Lanes or Corolla Lanes? Spatial Use and Equity Patterns of the I-394 MnPASS Lanes” (Patterson 2008). The attitudinal survey asked about both usage of and support for the I-394 MnPASS lanes, where solo drivers are charged between \$0.25 and \$8 per trip depending upon demand. MnPASS usage was reported across all income levels, including by 79 percent of higher income respondents, 70 percent of middle income respondents, and 55 percent of lower-income respondents. Support for the lanes

was also found to be high across income levels, including by 71 percent of higher income respondents, 61 percent of middle income respondents, and 64 percent of lower-income respondents.

The research paper, “Lexus Lanes or Corolla Lanes? Spatial Use and Equity Patterns of the I-394 MnPASS Lanes,” sought determine whether the higher levels of managed lanes use found among wealthier drivers was attributable to their residential location (specifically along the managed lanes corridor) or to their income. Both were found to be significant. The highest income motorists paid the most (in average and total tolls) and received the most benefit. Finally, the paper cited some specific equity benefits of managed lanes, including: vehicle shifts away from the general-purpose lanes improving travel conditions on such lanes; a high quality transit alternative is generally part of a managed-lanes project; even unused transponders may be considered to provide high-value travel-time insurance to their owners; and when social benefits are paid for by those choosing to drive, situational equity is generally improved.

San Francisco

San Francisco summarized a 2007 survey of 600 residents of the region (JD Franz Research, Inc 2007) that asked about support for studying congestion pricing. Support was found to be slightly higher among very low and low income residents of the region relative to other residents. San Francisco UPA project managers offered a theory for this result: lower income residents are more likely to be transit riders who would benefit from both reduced congestion and increased transit investments from pricing revenues; for low income drivers, their increased likelihood of having less scheduling flexibility (e.g., due to having to punch a time clock) and concern about daycare late fees may cause them to value reduced congestion and greater travel time reliability more highly.



Seattle

King County conducted a transportation survey in December 2007 (EMC Research, Inc 2007). Many questions were asked of the 501 respondents, a number of them having to do with support for tolling. While the survey report did indicate the percentage of respondents in each income group, survey responses were not broken out by income. Among the findings was high support for tolling as against other alternatives when a specific infrastructure need was presented, with between 78 and 84 percent (depending upon the order in which answers were presented) preferring electronic tolls over a sales tax increase to fund the 520 bridge replacement.



King County



Support for tolling grew substantially if a portion of revenues was dedicated to transit, even if tolls had to be significantly higher to allow such a diversion of revenue to occur. A toll of \$2.50 to fund the replacement of the Lake Washington floating bridge was supported by 64 percent of respondents, while 74 percent supported a \$4 toll to fund the bridge replacement along with increased transit and bicycling investments in the corridor. Thus, the equity and other benefits of improved transportation options were shown to be more important to respondents than keeping the toll rates as low as possible.

With revenues dedicated to replacing the 520 bridge, 69 percent of respondents indicated support for variable tolling. On another roadway where the need for tolling revenues was not also presented, only 28 percent of survey participants indicated support for variable tolling even after the benefits of such tolling in terms of relieving congestion were described to them. The bottom line is that the use of revenues is an extremely important determinant of public support for congestion pricing, and indeed is likely to be a more important determinant of support than the level of congestion charges and the design of the congestion pricing scheme.

New York

Two very different pieces of information were provided by New York. One was analysis by the New York City Traffic Congestion Mitigation Commission about the regional equity implications of three of the cordon pricing and tolling scenarios, and supporting transit services, that were being considered (New York City Traffic Congestion Mitigation Commission 2008). The other was a blog posting by New York City Councilwoman Melissa Mark-Viverito, who represents Manhattan's Eighth District (Mark-Viverito 2008).



The Commission's analysis of the regional equity implications of the scenarios under consideration started by emphasizing the regional inequities from existing toll policies, where 45 percent of toll revenues collected from drivers bound for Manhattan's central business district (CBD) are paid by New Jersey residents, even though New Jersey vehicles constitute only 24 percent of the total drivers heading into the CBD. This 45 percent figure compares to Manhattan drivers paying only 7 percent currently, and residents of the other four boroughs of New York City paying a total of 29 percent.

Three scenarios were considered — the Mayor's cordon pricing plan, an alternative modified cordon pricing plan, and tolling of existing free bridges into Manhattan. For new tolls under the various scenarios, Manhattan residents would pay between 28 and 31 percent, residents of the other four boroughs would pay between 38 and 49 percent, and New Jersey residents would pay only an additional 7 to 17 percent. The new toll revenues would be dedicated to subsidizing transit and the new transit would primarily serve New York City residents. The new bus routes would be along the corridors where there is substantial car commuting, further relieving congestion along these routes and thus directly benefiting those who continue to commute in by car.

The analysis concluded that between 22 and 24 percent of revenues for the transit subsidies would come from Manhattan drivers and 41 percent from drivers from other boroughs, which would appear to be fair. Both the mayor's congestion pricing plan and the alternative congestion pricing plan were found to "allocate transit subsidies among drivers largely in proportion to the percentage of CBD-bound drivers in each geographic area." The toll plan, where tolls are added to bridges that are currently toll-free, "allocates transit subsidies less proportionately as compared to the two congestion pricing plans."

Councilwoman Melissa Mark-Viverito's blog posting on January 30, 2008, partially excerpted below, speaks for itself.

"In the East Harlem and South Bronx communities that I represent, we are automatically skeptical when business interests and politicians from outside our communities claim to be watching out for us — because nine times out of 10, they're doing just the opposite.

"So it is with congestion pricing. For months, some suburban elected officials from wealthy areas, as well as a coalition backed primarily by the American Automobile Association and Manhattan garage owners, have tried their best to cloak themselves as guardians of New York's poor and middle-class residents.

"...The truth is that just 5 percent of commuters in Brooklyn, Queens, Staten Island and the Bronx travel to Manhattan by private car. People who drive their cars to work also earn 30 percent more a year than those of us who use mass transit. It is our poor and middle-class families who would benefit from congestion pricing — as the fees charged to drivers would be used to improve the bus and subway system.

"Critics have also tried to whitewash congestion pricing's health benefits to communities such as Harlem and the Bronx, where kids are hospitalized for asthma attacks far more often than in Westchester, Nassau and Suffolk counties...

"Unlike those who falsely claim to speak for the best interests of my constituents, the commission ought to recognize it would be irresponsible not to pursue a policy that could provide immediate and measurable relief of traffic congestion while improving the air that all of my constituents breathe and the buses and subways that they ride daily."

The Mayor's proposed congestion pricing plan, the alternative congestion pricing plan, and the toll plan all include the imposition of new fees and tolls. In order to better understand the impacts of these costs on different socioeconomic groups, agency staff examined the income profiles of those groups most likely to pay the fee or toll. This analysis raises several issues for further consideration:

- ***The fee and toll plans most impact those who drive to the CBD on a daily basis:*** The vast majority of trips into the zone are not made by automobile. Therefore, individuals who typically walk, bike, or take transit to the CBD would not be financially affected by the fee or toll options. Of motorists, those who drive into the CBD every day for work would be most impacted. For example, under the Mayor's plan a daily auto commuter from Upper Manhattan to the Financial District would pay about \$2,000 in congestion fees each year (versus \$912 a year for transit). By comparison, a motorist who drives into the zone on weekdays once or twice a month for shopping or entertainment would pay about \$100 to \$200 a year in congestion fees under the Mayor's plan.

- ***Those who commute by car to the CBD earn comparatively higher incomes:*** Agency staff analyzed the income levels of city and suburban residents who use the auto as their primary mode to reach Manhattan jobs. Staff found that of the 2.14 million workers in Manhattan, about 292,000, or 14 percent, drive to work each day. These workers have a median annual income of \$60,941. This compares to a median annual income of \$46,416 for all workers in Manhattan, including the 1.85 million who take transit, walk, or bike to work. In aggregate, the fee would most impact commuters who earn 31 percent more than the median income of all Manhattan workers. Taking into account other income earners in the household, workers who drive to work in Manhattan have a median household income of \$103,700. This compares to a median household income of \$89,379 for all Manhattan workers.
- ***A small proportion of low and moderate income commuters who drive would be disproportionately impacted by a fee or toll:*** Most low and moderate income commuters into the CBD take transit or walk, and would not be impacted by a fee or toll. Of all City residents who commute to work, only five percent drive to the CBD. Of that five percent, most (80 percent) have a feasible transit alternative to get to work that would take no more than 15 minutes longer than their auto trip. Therefore, only one percent of Manhattan workers lack a viable alternative to paying a congestion fee or toll. The low and moderate income workers disproportionately impacted by a fee or a toll presents a further sub group within this one percent. It should be noted that legislation that was proposed for consideration by the State legislature would have provided tax credits to compensate low-income motorists for amounts they would have to pay in excess of the round-trip transit fare.
- ***A large number of low and moderate income residents would benefit from improved transit services under any of the three revenue-generating plans:*** As a group, low and moderate income City residents rely more on transit for their travel needs as compared to higher income City residents. Therefore, these residents would benefit more from the short-term transit enhancements that would precede a toll or fee plan and from the expansion to transit system made possible by increased revenues for transit investment.

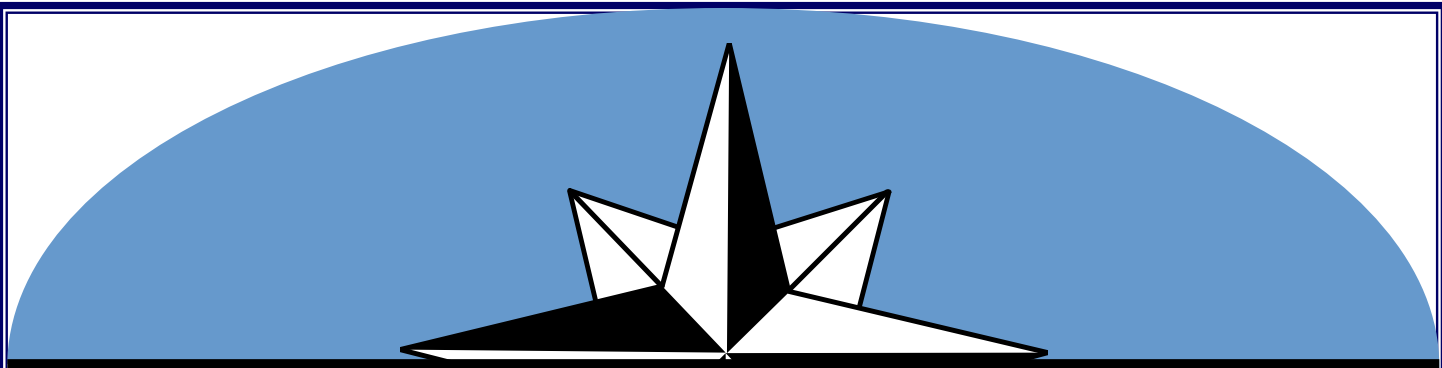
Conclusion

Any change in the way charges are made for road use will benefit some more than others. Those with higher incomes will tend to use congestion priced facilities more often, leading to a perception that wealthy people are being favored. However, income-related equity concerns may not be entirely warranted. While data from priced lanes operating in the U.S. show that high-income motorists do use the lanes more often, the lanes *are* used by all income groups, serving their needs when they absolutely have to get to their destinations on time – for example, getting to a day care center before late fees kick in. Moreover, approval ratings are equally high for all income groups, in the 60 percent to 70 percent range, since all income groups value the “insurance” of a reliable trip time when they absolutely need it.

Low-income travelers who take transit more frequently will benefit from transit service improvements that generally accompany congestion pricing. Toll revenues can be used to compensate those who might otherwise consider themselves “losers” as a result of congestion pricing. Compensation can come in a variety of forms, including financing of highway improvements in the corridor where the tolls are levied, or improvements in transit service. Low-income transit riders can benefit significantly from toll-financed transit improvements, which are generally included in any pricing package. In cases where effects on low-income drivers are perceived to be particularly severe, they could be provided with toll rebates or other forms of monetary compensation such as tax rebates or income supplements. Alternatively, pricing schemes may include protections for low-income individuals such as “life-line” credits.

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Studies have shown that lower income individuals face the greatest financial harm when they are denied adequate choices. For example, lack of choice can result in lost wages or late fees for day care that could have been avoided had they been provided a viable choice. Surveys conducted on priced lanes have concluded a broad spectrum of income groups express approval of the priced projects because they are given a choice of choosing a tolled route, an alternative route, or a different transportation mode. Furthermore, transit riders, many of whom are low-income users, actually experience faster and more reliable transit trips when lanes are managed with pricing.

- Data collected along facilities currently operating on major transportation corridors in California, Minneapolis and Texas show a wide range of income groups use the value priced lanes at different levels of frequency.
- Impacts of congestion pricing are not necessarily related to income and can also be based on flexibility of time and routes available to users according to research from San Jose State University and the University of California, Berkeley.
- In San Diego, support for the “FasTrak” congestion pricing program on I-15 was 60 percent among those with incomes less than \$40,000.
- Studies on SR-91 in southern California have shown that at any given time about three-quarters of the vehicles in the toll lanes belong to low and middle income individuals with only one-quarter of the vehicles belong to high-income individuals. According to data collected on “express lanes” in California, low-income drivers are as likely to approve of the lanes as drivers with higher incomes. In fact, over half of the commuters (51 percent) with household incomes under \$25,000 a year approved of providing toll lanes.
- A 2006 survey on the I-394 MnPass revealed MnPass usage was reported across all income levels, including 79 percent of higher income respondents, 70 percent of middle income respondents and 55 percent of lower-income respondents. The survey also revealed support for the lanes to be high across all income levels including 64 percent of lower-income respondents.
- Lower income residents are more likely to be transit riders who would benefit from both reduced congestion and increased transit investments from pricing revenues. A 2007 King County Washington survey revealed support for tolling grew substantially if a portion of revenues is dedicated to transit, even if tolls had to be significantly higher to allow such a diversion to occur.

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