



CITIZENS UNION

ISSUE BRIEF AND POSITION STATEMENT

CONGESTION PRICING WITH NEEDED IMPROVEMENTS

APRIL 2008

Citizens Union of the City of New York is an independent, non-partisan civic organization of members dedicated to promoting good government and political reform in the city and state of New York. For more than a century, Citizens Union has served as a watchdog for the public interest and an advocate for the common good. Founded in 1897 to fight the corruption of Tammany Hall, Citizens Union currently works to ensure fair elections, clean campaigns, and open, effective government that is accountable to the citizens of New York. We do so by informing the policy debate and influencing the policy outcomes that affect the lives of all New Yorkers.

Believing that an informed citizenry is the cornerstone of a thriving local democracy, Citizens Union Foundation – the non-profit research, education, and advocacy organization affiliated with CU – publishes GothamGazette.com, a front row seat to New York City policies and issues.

INTRODUCTION

Throughout its history, Citizens Union has traditionally weighed in on issues involving political reform and those of good and effective government. It also has, though not so recently, offered its views on issues that rise to a level of significant citywide importance. We believe that congestion pricing is just such an issue. It is because of its potential impact on each and every New Yorker and the way it creates an expanded role for government in both mitigating traffic congestion and raising funds for new public transportation projects that Citizens Union has decided to offer its view and position.

Traffic congestion is increasingly and negatively impacting the flow of commercial activity in business districts and downtown areas throughout the five boroughs of the city of New York, none more so than the area known as the Central Business District in Manhattan. Strapped by debt service as a result of important system-wide improvements made over the past twenty years, public transportation is in need of new funding sources to meet the growing demand and provide new routes and services to outlying neighborhoods that are currently underserved. Increased traffic congestion and the pollution it causes is no doubt negatively affecting public health as asthma rates continues to rise. Together, all three problems threaten to affect negatively the quality of life in the city and curtail its ability to remain a city attractive to business, workers, residents, and tourists alike.

In affirmatively addressing these three connected issues, a number of proposals to mitigate traffic congestion and secure new revenue sources for public transportation improvements have been presented. Chief among them is the January 31 proposal put forward by the state legislatively created Traffic Congestion Mitigation Commission (TCMC) that has now been presented in state legislation, Senate Bill S.7243-B, which was first introduced on March 24th at the request of Governor Paterson and subsequently amended to include several improvements. Since the presentation of a formal plan from the TCMC and the official introduction of state legislation, Citizens Union has been reviewing the proposal contained in these two documents.

Over the course of the past year, the issue of congestion pricing has dominated the local policy debate. In consideration of such a major issue that has the potential to transform the way the city functions and residents travel, the city has engaged in a public discussion. Numerous public forums and meetings have been held at which both proponents and opponents have expressed their views. The City Council and State Legislature have held public hearings on the issue and the Commission itself conducted fourteen public hearings during the fall and early winter. With the support of Mayor Michael Bloomberg and Speaker Christine Quinn, the City Council has now passed a home rule message in support of S.7243-B, making the issue ripe for needed final action by the state legislature.

In deciding whether and how to implement congestion pricing, it has been, and remains, necessary for our public officials to carefully consider the proposal and related issues on the table. Citizens Union is providing its own analysis and view with an eye toward vigilant use of taxpayer dollars to meaningfully improve the quality of life in the City. In reaching its position, Citizens Union reviewed various congestion mitigation proposals, the MTA Capital Plan, and the Urban Partnership Agreement, and is providing the following analysis for its support and recommendations.

SUMMARY OF CITIZENS UNION'S SUPPORT and RECOMMENDATIONS

With a specific piece of legislation now before state that has the support of the City of New York's Mayor and the City Council, **Citizens Union offers its support for congestion pricing and the improvements that have recently been made, but still has several very strong recommendations for further improvements to strengthen the bill and address its weaknesses and flaws.**

Congestion pricing will be an experiment based on many projections and assumptions. Therefore, it is crucial that the plan contains provisions that allow for careful review and adjustment as it is being implemented and used. Citizens Union has reviewed the legislation, and is providing analysis of several aspects of the plan.

Citizens Union specifically:

1. Supports Increased Revenue from Congestion Pricing Fees to Fund Improvements to Mass Transit.
2. Supports the "Lock-Box" Dedication of Congestion Pricing Revenue for Improvements to Mass Transit.
3. Supports Implementation of Bus Rapid Transit and Recommends Even Further Expansion Above its Planned Initial Implementation.
4. Recommends that an Independent Expert Panel be Created to Conduct Ongoing Review the Program.
5. Recommends that the Toll Offset for Certain Drivers Be Eliminated or Reduced, or Addressed through the Proposal that the Port Authority enter into a \$1 billion Agreement with the MTA; and Supports the Creation of a City Income Tax Relief Mechanism for Limited Income Drivers.
6. Recommends that there be an Exemption for Certain Charities.
7. Supports the Implementation of Residential Parking Permits and Creation of a Transit Enhancement Fund.
8. Recommends that an Appropriate Level of Environmental Review be Undertaken in Accordance with State Law.
9. Supports Efforts to Reduce the Abuse of Parking Placards and Recommends that their Issuance be Greatly Reduced.

SUPPORT and RECOMMENDATIONS

1. Increased Revenue for Mass Transit

The proposed 2008-2013 Metropolitan Transit Authority Capital Plan totals approximately \$29 billion, of which \$13 billion is currently unfunded. If congestion pricing is implemented and the revenues it produces are available to secure bonds issued for mass transit, proceeds would be available for capacity expansions needed to implement congestion pricing related services, with the remaining funds being used to implement other needs of the capital plan. Citizens Union believes that given reductions in overall transportation aid from the state and federal government, as well as rising debt and debt service, new means for funding public transportation improvements in New York City must be secured. Congestion pricing offers a new means for raising revenue that can provide a substantial and necessary amount of revenue for needed improvements. However, other funding sources also need to be explored, as even if the current congestion pricing proposal were to be implemented, the capital plan would still have a remaining gap of \$9 billion.

2. Dedicating Revenues to Mass Transit

In addition to reducing traffic congestion, the congestion pricing proposal was intended as a new funding source for the MTA Capital Plan. Citizens Union believes that revenues must be singularly allotted to mass transit improvements through a dedicated transit account, and supports the creation of the Traffic Congestion Mitigation Fund as proposed in S.7243-B. The bill requires that congestion fees be the sole property of the MTA, and that funds be used to pay only the costs associated with congestion pricing, mass transit improvements to accommodate increased ridership, and system improvements, expansion, and state of good repair projects. Furthermore, Citizens Union is pleased to see language in the bill that states that the Traffic Congestion Mitigation Fund not be used to offset any funding obligations to the MTA from any governmental entity.

3. Bus Rapid Transit (BRT)

Citizens Union supports Bus Rapid Transit as a means to provide needed public transportation in the underserved regions of New York City, but believes that greater initial investment should be made in this vital and necessary transportation mode. Implementation of BRT can occur in a short time frame, unlike extensions or construction of subway lines, and has the potential to promote equity in service across the city. The MTA Board has approved implementing BRT in 5 corridors, which would serve the Bronx, Manhattan, Brooklyn, and Staten Island. Citizens Union supports the expansion of BRT to more fully serve all underserved communities. It also should be noted that congestion pricing funds are proposed to support \$21.9 million of the costs of implementing BRT in the MTA Capital Plan. In addition, the U.S. Department of Transportation, under the original Urban Partnership Agreement, would provide \$112.7 million in funds for BRT. Under S.7243-B, BRT is a potential use of congestion pricing funds from a newly created Traffic Congestion Mitigation Fund and parking revenues obtained in the congestion pricing zone from a newly created Transit Enhancement Fund. Citizens Union urges the City and MTA to meaningfully fund BRT and expand upon the current plan for its implementation.

4. Ongoing Review of the Plan by an Independent Expert Panel

Although Citizens Union believes that the congestion pricing plan's potential benefits merit its adoption, the proposal is untested in the City of New York. For this reason, Citizens Union supports full and regular evaluation of the plan, and recommends that it be subject to revision or elimination as actual experience with its operation dictates. The Senate proposal would require the City to establish a monitoring program that would release annual reports on environmental impacts of traffic, air quality, noise, and parking, first within 6 months of the operation date. Citizens Union believes that greater evaluation is necessary, and supports the creation of an additional independent expert panel to collect and disseminate information as to the operations and effectiveness of the plan, with changes in the plan to be recommended by the panel. The panel should reflect the geographic and economic diversity of

the residents of the City of New York. Additionally, Citizens Union supports the creation of benchmarks to gauge the effectiveness of the plan. Such benchmarks should include the terms of mitigating pollution and promoting public health, specifically regarding air quality and asthma rates.

The City has projected that the implementation of congestion pricing would result in at least a 6.8% reduction in Vehicle Miles Traveled (VMT) and reduce traffic across the City and region. Absent other models to accurately predict traffic behavior in New York City, the creation of an independent expert panel is necessary to independently evaluate the effectiveness of the plan. The panel must include mechanisms that can easily capture the commuting public's input on the plan's implementation.

Citizens Union believes that there are other additional aspects of the plan that will warrant review, such as the potential unintended consequences of a \$21 truck fee. Given the needs for goods and services to be delivered within the congestion zone, it is speculative as to whether this charge will adequately succeed in reducing traffic volume during peak hours. Given the possibility that truckers will pass on to customers this cost of business, it also is unclear where the true economic burden of this charge will fall. While Citizens Union recognizes that the current congestion in the Central Business District has increased costs to consumers, a fee of this magnitude may not directly offset the costs to consumers, particularly if congestion is not reduced substantially.

Recognizing that congestion pricing is untried and experimental in the city of New York, Citizens Union would strongly recommend that after the congestion pricing program is implemented, it be subject to a sunset provision after it has been in effect for three years in order to ensure thorough consideration of its efficacy before it becomes a permanent element of city life. However, we recognize that efforts to provide bond investors with a secure revenue stream, as part of long-term bond funding for transit capital improvements, may conflict with the desired flexibility to adjust or eliminate the plan. Citizens Union urges the City to consider deferring the bonding of congestion pricing revenues until the effectiveness of the congestion pricing program is fully established.

5. Modification of Toll Offsets and Creation of Income Tax Relief

The original congestion pricing proposal as submitted by the Traffic Congestion Mitigation Commission would have allowed for certain tolls paid prior to entering the Central Business District to be deducted from the congestion pricing fee. Citizens Union was concerned with that element of the plan because it believes that such toll offsets would create inequity among drivers who would be funding the majority of the revenues coming in from congestion pricing. It is pleased to see, however, that the amended Senate bill includes language to modify this toll offset and make it fairer. S.7243-B would now require the Port Authority of New York and New Jersey to enter into an agreement with the MTA to finance \$1 billion of the five year capital plan. If the Port Authority fails to do so, the legislation sets up a new additional fee structure for drivers coming into Manhattan via the George Washington Bridge, the Lincoln tunnel or the Holland tunnel. Citizens Union supports a \$1 billion contribution from the Port Authority and urges the legislature to ensure that the MTA be able to receive funds from all drivers entering Manhattan.

Citizens Union has also been concerned about the population of New Yorkers of limited income who have to drive to work because no suitable public transportation alternative currently exists for them otherwise. We believe that a city income tax break based on the earned-income credit levels is appropriate for those who qualify and would help ease the financial burden of those for whom traveling to work by car is the only option. We support the Senate amendments to reimburse the congestion fees paid by low-income drivers and grant toll exemptions to disabled drivers.

6. Exemptions for Charities

Many charities depend on the flow of goods and meals into the Central Business District, such as food banks. The City depends on these vital services to provide assistance to vulnerable populations. Citizens Union believes that certain charities that make deliveries to the CBD should be exempt from congestion pricing fees. However, Citizens Union recognizes that adequate enforcement of the congestion pricing program will be essential to ensure that there are not abuses of such exemptions, and supports the efforts in the legislation to enhance enforcement efforts.

7. Residential Parking Permits and Securing of Parking Fees

The NYC Department of Transportation is currently developing a citywide parking policy through a community planning process, which would contain a provision to allow neighborhoods to request residential parking permits. Under the proposal in S.7243-B, the City would be required to complete the community planning process that is currently underway to implement a residential parking program which would require review by the Community Board, Borough President, the Department of Transportation, and the City Council. There would be no fee for residents in applying for, and using, permits. Citizens Union supports the implementation of residential parking permits. Residential parking permits would be one potential mitigation measure to offset any adverse environmental impacts that are identified by the monitoring program.

Additionally, a Transit Enhancement Fund would be created to secure funds resulting from any increase in parking fees in the Central Business District, such as those from on-street parking. These funds would be required to be used for additional transit, pedestrian, bicycle, and parking management improvements, and could include improvements such as expanded ferry service or Bus Rapid Transit investments. Citizens Union supports the creation of this new dedicated fund.

8. State and City Environmental Quality Review (SEQRA/CEQRA)

Citizens Union is concerned by the precedent set in the adoption of mitigation strategies to address potential adverse environmental impacts of the congestion pricing plan absent full SEQRA or CEQRA review and believes that the process is being unnecessarily shortchanged by not following strict adherence to the law's requirements. We recognize that efforts to enact congestion pricing in a timely manner are necessary to receive the federal funding provided under the Urban Partnership Agreement, but urge the City to conduct a more robust environmental review process than required by S.7243-B.

9. Parking Placards

It was announced in January 2008 that New York City would reduce the number of parking placards issued to city employees and others by 20%. It is estimated by the City that there are approximately 142,000 parking placards which allow the holder to park near his or her workplace, or to have penalty-free parking at meters and in no-parking zones for City business. The City is uncertain of the total number of placards that have been issued, and is now requiring that they be issued by the Police Department and the Department of Transportation to allow for greater tracking. Citizens Union supports the proposal in S.7243-B to require the City to submit a plan to the Governor and Legislature on how to increase enforcement of vehicle and traffic laws, including the abuse of government-issued parking placards. Citizens Union also supports a move toward centralized distribution of the permits, and urges the City to further reduce the number of permits issued.

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