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DiNapoli: Thruway Authority toll increases should be last option

Submitted on behalf of New York State Comptroller Thomas P. DiNapoli. The New York State Thruway Authority has proposed a multi-year schedule of systemwide toll increases to begin in 2024, but a new report from State Comptroller Thomas P. DiNapoli identifies concerns with the proposal and urges the Thruway Authority to first improve its operations and maximize non-toll revenues. DiNapoli's office reviewed a decade of the Thruway Authority's finances and the toll hike proposal, and found gaps in essential information necessary to evaluate the proposal.



"The Thruway Authority's toll increase proposal comes at a time of extraordinary challenges for New Yorkers who are faced with rising costs for everything from food to shelter to gas," DiNapoli said. "The Thruway (Authority) should be more transparent with the public and disclose critical information, and identify and put in place all possible cost-savings and alternative revenue actions to minimize costs to drivers. Raising tolls should be the last option, and the Thruway (Authority) has more work to do."

In December 2022, the Thruway Authority's board of directors began the process of implementing a multiyear schedule of systemwide toll increases. The proposal calls for higher toll rates that would take effect on Jan. 1, 2024, and again on Jan. 1, 2027, for the highway system and barriers, and annually over four years beginning in 2024 for the Governor Mario M. Cuomo Bridge. It also expands the rate differential between New York-issued E-ZPass users and all others. The toll increases are expected to grow toll revenue by 28.4%, or \$1.9 billion, through 2031. The last toll hikes occurred in January 2021, when tolls were increased for the Cuomo Bridge, those paying through the mail and drivers from out of state, and again in January 2022 for the Cuomo Bridge.

DiNapoli's report found that the Thruway Authority's finances and operations have been influenced by five key factors over the last decade:

√ Implementation of cashless tolling and problems with Tolls by Mail (TBM) system. The Thruway Authority's implementation of cashless tolling was completed in

November 2020. In 2022, Thruway Authority leadership reported this modernization effort had not yet produced cost savings or efficiencies. In addition, problems including erroneous bills and significant fines and penalties prompted calls from state officials and the public for the Thruway Authority to make sure the system was functioning as intended. An audit of the Thruway Authority's cashless tolls program was engaged by DiNapoli in April 2022 and is in progress.

√ Sharp declines in traffic and toll revenues due to the COVID-19 pandemic. The COVID-19 pandemic saw a significant drop in traffic, which caused toll revenues to decline 16.8% in 2020 before rebounding in 2021. Ongoing uncertainty due to the pandemic, along with changes in reporting due to cashless tolling, make it difficult to ascertain whether traffic pattern projections, upon which the toll increases are based, are reasonable and appropriate.

√ Construction of the Cuomo Bridge. Between 2012 and 2021, \$3.8 billion was spent on the bridge – more than half of the Thruway Authority's capital spending – with an additional \$254 million budgeted through 2024. The state contributed \$2.3 billion toward the cost of the Cuomo Bridge and other projects, but remaining capital costs associated with the bridge have been financed with Thruway Authority debt.

√ Debt management practices. Annual debt service on the Thruway Authority's currently outstanding debt is projected to grow to over

\$419 million by 2031, up 36.1% from 2022. This debt, along with additional borrowings proposed under the Thruway Authority's new 2023 to 2027 capital plan, would cause debt service to grow nearly 61% by 2031. This growing debt service burden reflects both the impact of the Cuomo Bridge and prior debt management decisions to structure debt to prioritize short-term savings at the expense of long-term finances by deferring debt repayment into future years.

√ Shifting financial obligations. While the Thruway Authority was intended to be mostly self-financing, it benefited from \$2.3 billion in support from the state during the construction of the Cuomo Bridge. At the same time, however, the executive pushed forth a toll freeze through 2020. The state has also made major shifts in responsibility pertaining to its financial and operating obligations – including those of the Canal Corp. and State Police – making effective long-term planning difficult and blurring the lines between the state and the Thruway Authority. In addition, the state has relied on the Thruway Authority as a "backdoor borrowing" financing vehicle with more than \$5 billion in state-supported Thruway Authority debt outstanding, hindering transparency.

DiNapoli urged that, before any tolls are increased, the Thruway Authority address the following concerns:

√ Resolve systemwide cashless tolling and TBM issues. Before asking system users to pay more, the Thruway Authority should address

its implementation problems and ensure that it has a clear and accurate forecast upon which to base its revenue estimates. The Thruway Authority should also provide better documentation and disclosure of the assumptions used to develop the revenue and traffic projections that support its proposal. State legislative proposals intended to address some of the challenges associated with cashless tolling and improve transparency should be considered.

√ Perform a comprehensive assessment of operating needs and expenses to identify costs that may no longer be necessary. Since 2012, there has been a significant decline in the number of Thruway Authority staff, while its reliance on procurements has increased. Reporting of key performance indicators is essential to identify opportunities to improve efficiency and transparency. In addition, savings from better coordination with other state agencies or authorities should be explored.

√ Maximize non-toll revenue sources, including federal funding as well as revenue streams that could be generated from its assets and infrastructure. As shown by recent major increases in revenue from its fiber optic system, the Thruway Authority should pursue alternative revenue streams from its service areas and gasoline stations, special permits, and other property. With significant new federal infrastructure and other funds available, the Thruway Authority should demonstrate that it has exhausted all such funding opportunities.

√ Disclose capital needs assessment to justify cost projections. The Thruway Authority's new \$1.9 billion capital program for 2023 through 2027 and associated debt costs are cited as part of the justification for the toll increases. However, there are significant gaps in available information related to the management and condition of its assets and its capital needs. The Thruway Authority has not provided a comprehensive capital needs assessment that would allow policymakers and the public to understand the condition of the system and to evaluate whether it is effectively prioritizing projects and targeting funds to essential capital projects.

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