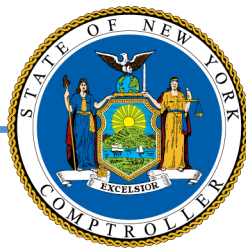

Assessment of New York State Thruway Authority Finances and Proposed Toll Increase



OFFICE OF THE NEW YORK STATE COMPTROLLER

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I. Introduction and Executive Summary

The New York State Thruway is a central element of the State's transportation network, serving as a critical component of the State's economy and as a resource for millions of commuters, visitors and businesses that rely on it to traverse the State safely and efficiently. The Thruway Authority (Authority or Thruway) is responsible for financing, maintaining and operating this system of 570 miles of highways, 817 bridges, 134 interchanges and 27 service areas.

In December 2022, the Authority's Board of Directors began the process of implementing a multi-year schedule of systemwide toll increases. The proposal calls for higher toll rates that would take effect on January 1, 2024, and again on January 1, 2027, for the controlled highway system and annually over four years beginning in 2024 for the Governor Mario M. Cuomo (GMMC) Bridge. It also expands the rate differential between New York-issued E-ZPass users and all others. Cumulatively, the adjustments are expected to increase toll revenue by 28.4 percent, or \$1.9 billion, through 2031.

This report provides a summary of the Authority's current and forecasted revenue and expenses, factors that have impacted its finances over the past several years, the toll increase proposal, and considerations to help guide the assessment of the proposal.

Over the past decade, the Authority's finances and operations have been heavily influenced by the implementation of systemwide cashless tolling, the COVID-19 pandemic, the construction of the GMMC Bridge, debt management practices, and State actions that have impacted the Authority's financial responsibilities.

Cashless Tolling

The Thruway Authority has faced challenges with its implementation of cashless tolling, which was completed in 2020, and Tolls by Mail. In 2022, Thruway leadership reported this modernization effort had not yet produced cost savings or efficiencies. In addition, users have faced problems including erroneous bills and significant fines and penalties, prompting calls from State officials and the public for the Authority to ensure that the system is functioning as intended. An audit of the Authority's cashless tolls program was engaged by the Comptroller in April 2022 and is in progress.

The COVID-19 Pandemic

Declines in traffic during the COVID-19 pandemic caused toll revenue to decline 16.8 percent in 2020 before rebounding in 2021. In addition to uncertainty as to whether the disruptions to traffic patterns caused by the pandemic are over, 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 GMMC Bridge

The construction of the GMMC Bridge has had a profound effect on the Authority's finances. Between 2012 and 2021, \$3.8 billion was spent on the Bridge – more than half of the Thruway's capital spending – with an additional \$254 million budgeted through 2024. The Thruway has been under competing pressures to both avoid toll increases and pay for its infrastructure needs. The State contributed \$2.3 billion toward the cost of the GMMC Bridge and other projects, but remaining capital costs associated with the Bridge have been financed with Thruway debt.

Debt Management

Annual debt service on the Thruway's currently outstanding debt is projected to grow to over \$419 million by 2031, up 36.1 percent from 2022. This debt, along with additional borrowings proposed under the Thruway's new 2023 to 2027 Capital Plan would cause debt service to grow nearly 61 percent by 2031. This growing debt service burden reflects both the impact of the GMMC Bridge and prior debt management decisions to prioritize short-term savings at the expense of long-term finances by deferring debt repayment into future years.

Shifting Financial Obligations and Responsibilities

While the Authority was intended to be mostly self-financing, it benefited from \$2.3 billion in support from the State during the construction of the GMMC Bridge period. 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 the Authority's financial and operating obligations – including those of the Canal Corporation and State Police – making effective long-term planning difficult and blurring the lines between the State and the Authority.

In addition, the State has relied on the Authority as a “backdoor borrowing” financing vehicle with more than \$5 billion in State-Supported Thruway debt outstanding, hindering transparency and distracting the Authority from its core mission.

Actions the Thruway Authority Should Consider Before Proceeding

The Authority's toll increase proposal comes at a time of extraordinary challenges for New York residents, commercial drivers, businesses, and visitors, who have faced rapidly rising costs for everything from food to shelter to fuel. As always, but especially in this economic environment, the Thruway should show that it has exhausted all opportunities to improve the efficiency and effectiveness of its operations and procurement management, and maximize alternative revenues in order to minimize toll rate increases.

The Comptroller identifies the following concerns that merit further evaluation in the context of the Authority's proposed toll increase:

➤ Resolve Issues with Cashless Tolling and Tolls by Mail

The implementation of systemwide cashless tolling is still a work in progress. The Thruway has not provided detailed information regarding how projections for future collections were developed, and what enforcement mechanisms will be required to

achieve those results. Given the current state of transition and uncertainty, both with respect to cashless tolling and changes in user behavior caused by the pandemic, it is difficult to assess the reliability of these projections. Better documentation and disclosure of the assumptions used to develop the revenue and traffic projections is needed.

Proposals have been advanced in the State Legislature to address some of the problems system users have had associated with cashless tolling, as well as improve transparency in the Authority's operations and finances. Relevant legislation should be considered as part of any discussion about potential toll increases.

- **Perform a Comprehensive Assessment of Operating Costs and Other Expenses**
It is not clear whether the Authority has fully exhausted all cost saving opportunities. A comprehensive assessment should be undertaken to identify expenses that may be reduced or eliminated to reflect its new model of operations. In addition, opportunities for savings and improved efficiency through better coordination with the Department of Transportation, the New York State Bridge Authority, and other relevant State entities should be fully examined and considered.
- **Maximize Non-Toll Revenue Sources**
The Thruway should pursue and maximize non-toll revenue sources, including federal funding as well as alternative revenue streams that could be generated from its assets and infrastructure. With extensive new resources available from the federal Infrastructure Investment and Jobs Act and other federal aid programs, the Authority should exhaust all such funding opportunities to mitigate the need for toll increases.
- **Disclose Capital Needs Assessment to Justify Cost Projections**
The Thruway has not published a comprehensive capital needs assessment that would allow State and local officials, policymakers and the public to understand the condition of the system and evaluate whether the Authority is effectively prioritizing projects and targeting its resources to essential capital projects. Improved transparency with respect to its capital program is crucial.

The Thruway Authority's revenue picture is clouded by major areas of transition, including ongoing challenges with cashless tolling, shifting commercial and passenger vehicle traffic patterns in the wake of the pandemic, and an uncertain economic environment.

Given these challenges, the Thruway should commit to greater transparency in all aspects of its finances and operations, and should address the issues and concerns identified in this report before moving forward with its toll proposal. Doing so would allow for a well-informed discussion about the proposal and its impact on various system users, would provide assurance to system users that their toll dollars are being used effectively, and would help ensure that the appropriate level of resources is available for the safe, efficient, and cost-effective operation of the Thruway system. Failure to do so increases the risk that the Authority will not achieve all available cost savings and efficiencies, and will return sooner than anticipated or desired with additional proposals for higher tolls.

II. Background

The New York State Thruway Authority (Authority or Thruway) was created by the State Legislature and the Governor through Chapter 143 of the Laws of 1950 to finance, construct, reconstruct, improve, develop, maintain, and operate what has grown to become one of the largest toll superhighway systems in the United States. The 570-mile Governor Thomas E. Dewey Thruway system includes a 426-mile mainline connecting New York City to Buffalo; other sections of highway that make direct connections to other major expressways, including those in the states of Connecticut, Massachusetts, New Jersey and Pennsylvania; and 817 bridges, most notably the Governor Mario M. Cuomo (GMMC) Bridge spanning the Hudson River between Rockland and Westchester counties and the Grand Island Bridges spanning the Niagara River north of Buffalo in Erie County.¹

The Authority is empowered to issue bonds and notes, acquire by purchase or condemnation real property, rights, or easements, and to sell, exchange, or otherwise dispose of any real property not necessary for its corporate purposes. The Authority is governed by a seven member Board of Directors, all of whom are appointed by the Governor upon consent of the State Senate. Among other responsibilities, the Board is responsible for approving a multi-year capital plan, procurements, and any Thruway-related financing. The Authority relies primarily on bond proceeds and other Thruway revenue, including tolls, to pay for projects included in its capital plan.

In December 2022, the Authority notified the State Comptroller that actions to precede Thruway toll modifications had been authorized by the Authority. The current proposal calls for higher toll rates that would take effect on January 1, 2024 and again on January 1, 2027 for the controlled highway system and all other Thruway barriers except the GMMC Bridge, for which tolls will increase annually beginning in 2024 through 2027. It also expands the rate differential between New York-issued E-ZPass users and all others. This report offers comments and analysis from the Office of the State Comptroller related to this proposal.

Information in this report is primarily derived from the Thruway Authority's reporting in the Office of the State Comptroller's Public Authority Reporting Information System (PARIS), the Thruway's audited financial statements and public budget reports, and a report provided by the Authority to support the proposed toll increases, "New York State Thruway Financial Requirements and Proposed Toll Adjustments," dated November 28, 2022, prepared by Stantec Consulting Services, Inc. (Stantec report). Figures for 2022 are as budgeted because audited financial statements are not yet available for that year.

The Thruway Authority's fiscal year begins on January 1. The Thruway Authority PARIS data were extracted in December 2022 and represent the data as certified by the Authority as of that time. The data are self-reported by public authorities through PARIS and have not been verified by the Office of the State Comptroller. As required by Public Authorities Law, certain data submitted are required to be approved by the Board of Directors and/or have their accuracy and completeness certified in writing by the authority's Chief Executive Officer and Chief Financial Officer.

III. Financial Overview

The Office of the State Comptroller examined the audited financial statements of the Thruway Authority from 2012 to 2021, the most recent year for which they are available, as well as the Authority’s PARIS filings.²

Operating Revenues

The Authority’s operating revenues fall into three general categories – tolls and related revenues, concessions, and other operating revenues. The Authority is, for the most part, self-financing, and has received minimal regular federal, State and other operating support.³ Tolls constituted an average of 93.5 percent of revenues during this period.⁴

Figure 1
Thruway Authority Operating Revenue, 2012 – 2021
 (in millions of dollars)

Year	Tolls & Related Revenue	Concessions	Other	Total Operating Revenue
2012	637,731	13,090	22,137	672,958
2013	648,923	13,322	20,599	682,844
2014	664,079	13,586	21,087	698,752
2015	691,693	14,603	22,282	728,578
2016	708,316	14,802	28,867	751,985
2017	731,505	14,883	45,821	792,209
2018	766,418	14,880	18,103	799,401
2019	774,979	14,778	24,400	814,157
2020	648,715	6,760	11,542	667,017
2021	804,434	5,737	16,242	826,413
Change 2012 to 2021	26.14%	-56.17%	-26.63%	22.80%

Notes: Between 2012 and 2017, Tolls & Related Revenue only included toll revenues and Other included penalties and fees from the E-ZPass and Tolls by Mail systems. In 2018, the Authority changed its reporting structure to aggregate penalties and fees into the Tolls and Related revenue instead of Other.
 Source: NYS Thruway Authority Audited Financial Statements, 2012-2021

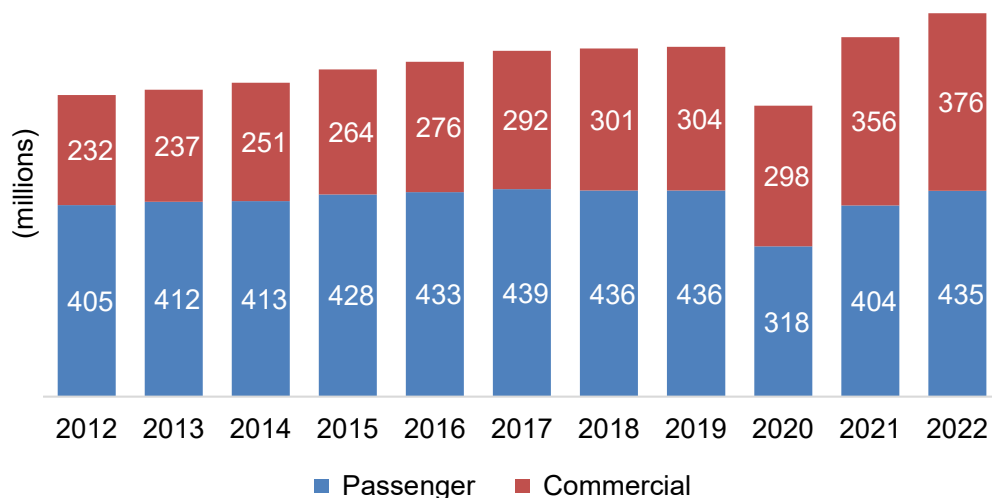
Between 2012 and 2021, the Thruway’s operating revenues have increased annually by an average of 2.3 percent or 22.8 percent in total. Tolls and related revenues increased by 26.1 percent, or by an annual rate of 2.6 percent.⁵ During this period, major operational changes occurred, and the Thruway changed some of its reporting structure, both of which affect the trend and growth rates for specific subcomponents. For example, cashless tolling started on the Thruway in 2016 on the Tappan Zee Bridge, expanded in 2018 and progressed to full implementation in 2020. In response the Thruway changed its toll revenue reporting in 2018 to include E-Z Pass and Tolls by Mail violation and fee revenues. Similarly, the Thruway entered into a major new concession agreement for its service stations which will impact both revenue and expenses.

In 2020, the COVID-19 pandemic significantly impacted the Thruway. Operating revenues declined by nearly \$147.1 million, or 18.1 percent, but rebounded the following year with an increase of \$159.4 million or nearly 24 percent. The Authority’s revised budget for 2022 projects a one-year increase in operating revenues of \$71.5 million or 8.7 percent.

The declines in operating revenue in 2020 were in large part due to reduced passenger travel, which resulted in a drop of 27.1 percent in tolls from passenger vehicles. Commercial traffic was more resilient; commercial tolls declined by 2.1 percent in 2020. Nevertheless, the 16.3 percent toll revenue decrease in 2020 was reversed in 2021, as toll revenues (including fees, fines and penalties) rebounded above 2019 levels with a one-year revenue increase of 23.6 percent.

As shown in Figure 2, the share of toll revenue derived from commercial vehicles has increased, from 36 percent in 2012 to a projected 47 percent of toll revenues in 2022.

Figure 2
Toll Revenue by Type, 2012 – 2022
 (in millions of dollars)



Source: NYS Thruway Authority Budget Books

Concession revenues generated through fees collected from restaurant and gas stations at Thruway service areas constitute about 1 to 2 percent of annual revenues and have declined in recent years. In December 2020, the Authority’s Board approved the redevelopment of all 27 service areas on the controlled Thruway system through an agreement with a private operator to manage the construction and operation of Thruway service areas for 33 years. Phase one began in 2021 and phase two is anticipated to start in 2023.

Figure 3
Components of Thruway Operating Revenue, 2012, 2017 and 2021
(in dollars)

Revenue Component	2012	2017	2021	Percent Change 2012-2017	Percent Change 2017-2021
Passenger tolls	405,328,295	439,092,168	404,456,145	8.3%	-7.9%
Commercial tolls	232,402,827	292,413,447	355,813,024	25.8%	21.7%
Tolls by Mail Violations/Fees	-	15,576,436	32,134,647	N/A	106.3%
E-ZPass Violations	4,926,399	7,694,839	1,903,344	56.2%	-75.3%
E-ZPass Fees	1,191,942	2,266,374	2,912,984	90.1%	28.5%
Tag Lease Fees	4,645,673	6,316,460	7,213,372	36.0%	14.2%
Gas stations	2,482,664	2,876,924	2,832,154	15.9%	-1.6%
Restaurants	10,607,303	12,006,048	2,904,667	13.2%	-75.8%
Interest	349,420	3,097,027	92,888	786.3%	-97.0%
Special Hauling Permits	1,948,634	2,397,407	2,459,533	23.0%	2.6%
Unpaid tolls	271,830	603,041	121,179	121.8%	-79.9%
Rental Income	3,207,808	5,191,958	2,929,460	61.9%	-43.6%
Real Property	154,020	1,221,241	-	692.9%	-100.0%
Fiber Network Fees	152,689	373,656	7,922,310	144.7%	2020.2%
Other	1,567,838	997,445	2,810,024	-36.4%	181.7%
Total Operating Revenue	669,237,342	792,124,471	826,505,731	18.4%	4.3%

Note: Total operating revenues for 2021 do not add up to total operating revenues in the audited financial statements or amount reported in PARIS; there is a difference of \$92,731.

Source: New York State Thruway Authority, Budget Books, 2012-2021

Operating Expenses

Between 2012 and 2021, the Thruway's reported operating expenses (excluding depreciation) have increased annually by an average of less than 1 percent, or a total 8 percent for the period.

Figure 4
Thruway Authority Operating Expenses, 2012 – 2021
(in thousands of dollars)

Year	Compensation	Professional Services Contracts	Supplies and Materials	Other Operating Expenses	Total Operating Expenses
2012	372,870	53,469	25,984	21,137	473,460
2013	318,971	51,933	30,572	17,774	419,250
2014	316,390	52,071	32,831	23,304	424,596
2015	306,144	54,668	31,448	15,662	407,922
2016	330,020	99,853	27,730	21,728	479,331
2017	277,546	45,452	21,615	98,114	442,727
2018	293,854	51,008	26,169	86,067	457,098
2019	274,516	61,838	27,933	97,579	461,866
2020	318,375	47,117	17,016	79,879	462,387
2021	308,998	80,818	21,937	99,508	511,261
Change 2012 to 2021	-17.1%	51.1%	-15.6%	370.8%	8.0%

Notes: Excludes depreciation and amortization costs because they are not cash expenses. Compensation includes salaries, postemployment obligations and employee benefits from the audited financial statements.

Sources: PARIS and New York State Thruway Authority Audited Financial Statements, 2012-2021

Most of the Thruway's expenses are for employee compensation (salaries and benefits); other expenses include professional services contracts, supplies and materials, and other operating expenses. However, significant operational changes, especially the shift to cashless tolling, as well as changes made to the reporting structure of the financials make it difficult to identify meaningful trends for each category.

Employee Compensation

The Authority reported in PARIS that total employee compensation costs (excluding employee benefits) declined by 31.6 percent from 2012 to 2021, and the total number of employees declined by 32.3 percent, reflecting a loss of 936 full-time positions and almost 500 part-time positions.⁶ The Authority reported that total employees fell from 4,438 to 3,005 over that period. This includes the loss of employees associated with the Canal Corporation, for which responsibility was transferred out of the Authority in State Fiscal Year (SFY) 2016-17.

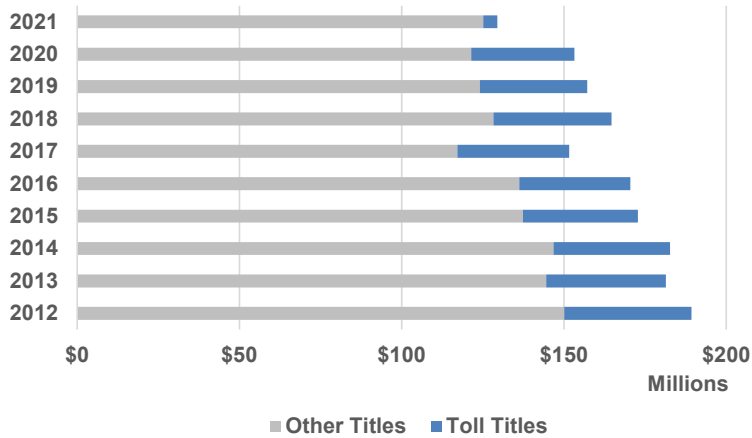
**Figure 5
Change in Employee Number and Compensation, 2012 - 2021**

	2012	2021	Change 2012-2021	Percent Change 2012-2021
Number of Employees				
Full-Time	3,171	2,235	-936	-29.5%
Part-Time	1,267	770	-497	-39.2%
Total	4,438	3,005	-1,433	-32.3%
Total Compensation of Employees				
Full-Time	\$174,778,499	\$129,315,919	-\$45,462,580	-26.0%
Part-Time	\$14,467,895	\$161,835	-\$14,306,060	-98.9%
Total	\$189,246,395	\$129,477,755	-\$59,768,640	-31.6%

Note: Compensation data as reported in PARIS does not include employee benefits.
Source: PARIS

Part-time toll collectors accounted for 1,256 of 1,267 part-time employees in 2012, and 761 out of 770 part-time employees in 2021. While still on the payroll in 2021, part-time toll collectors earned minimal compensation. Total compensation paid for full- and part-time employees with toll titles decreased \$34.8 million or 88.9 percent, while compensation paid for other titles not related to tolls decreased by \$24.9 million or 16.6 percent from 2012 to 2021.

Figure 6
Total Compensation for Toll Titles and Non-Toll Titles, 2012 – 2021

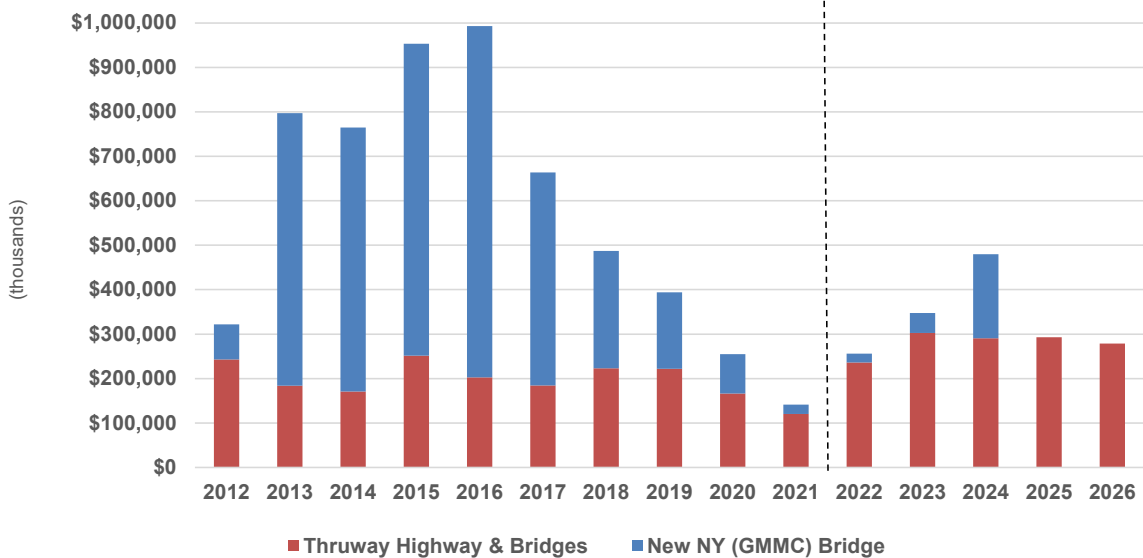


Note: Compensation data as reported in PARIS does not include employee benefits.
 Source: PARIS

Capital Expenses

Capital expenditures for routine maintenance and repair or replacement of system assets are a key element of the Thruway finances, particularly due to the age of the system. In the period from 2012 to 2021, the Thruway spent a total of \$6.9 billion on capital projects, including \$3.8 billion, or more than half, on the GMMC Bridge.⁷ The Thruway spent just under \$2 billion or 28.4 percent on highways and other bridges over the same period. Remaining capital spending of \$923 million was for other Thruway capital needs, and \$238.9 million was for Canal-related equipment and expenses.

Figure 7
Selected Thruway Capital Expenditures, 2012 – 2027



Note: Reflects actual (2012 – 2021) and budgeted (2022 – 2026) capital expenditures for GMMC Bridge and remaining highway and bridges. Remaining categories, including Canal Corporation expenses, are excluded.
 Source: New York State Thruway Authority Budget Books

The construction of the GMMC Bridge has had and will continue to have a profound effect on the Authority's finances. The State contributed \$2.3 billion toward the cost of the GMMC Bridge and other projects, but remaining capital costs associated with the Bridge have been financed with Thruway Authority debt. An additional \$254 million is budgeted for the Bridge through 2024.

Debt Service

As of December 31, 2021, the Authority had approximately \$6.8 billion in debt outstanding, a total increase of \$3.3 billion or over 95 percent compared to the amount outstanding in 2012. The Authority's annual debt service payments increased from \$200.5 million in 2012 to \$339.6 million in 2021, an increase of nearly 70 percent.⁸ This reflects higher levels of capital investment, reduced pay-as-you-go financing in recent years, a greater reliance on bonds and short-term notes to finance programmed capital improvements, as well as bond structuring choices.

Procurement

The Thruway has reported a significant increase in procurements and related spending over the past decade. The Authority reported in PARIS total active procurements increased from nearly \$862 million in 2012 to more than \$1.1 billion in 2021. However, this is an incomplete picture because the Authority's procurement reporting in PARIS does not include its design-build contracts. See Appendix A for further discussion.

Figure 8
Total Reported Active Procurements, 2012 and 2021
(in dollars)

Category	2012	2021	2012-2021 change	2012-2021 % change
Commodities/Supplies	67,222,740	42,284,451	-24,938,289	-37.1%
Consulting Services	369,037,181	352,996,892	-16,040,289	-4.3%
Design and Construction/Maintenance	60,000	0	-60,000	-100.0%
Financial Services	7,383,330	6,217,600	-1,165,730	-15.8%
Legal Services	15,000,000	3,948,500	-11,051,500	-73.7%
Other	27,008,802	271,495,939	244,487,137	905.2%
Other Professional Services	217,329,677	438,473,401	221,143,724	101.8%
Technology - Consulting/Development or Support	1,435,000	873,702	-561,298	-39.1%
Technology - Hardware	152,057,099	1,296,199	-150,760,900	-99.1%
Technology - Software	126,439	500,000	373,561	295.4%
Telecommunication Equipment or Services	5,300,000	15,800,000	10,500,000	198.1%
Total	861,960,268	1,133,886,684	271,926,416	31.5%

Note: Procurement contract reporting by the Thruway Authority in PARIS includes all active contracts in that fiscal year over \$15,000. Some of these are multi-year contracts and will be spent down over several years. For this reason, total procurement amounts reported on an annual basis are not additive.

Source: PARIS

Reported procurement expenditures increased by \$32.7 million or 24.8 percent from 2012 to 2021. Again, these amounts do not include spending under the Authority’s design-build contracts.

Figure 9
Total Amount Expended on Procurements, 2012 and 2021
(in dollars)

Category	2012	2021	2012-2021 change	2012-2021 % change
Commodities/Supplies	35,132,538	43,772,347	8,639,809	24.6%
Consulting Services	62,415,738	38,777,226	-23,638,512	-37.9%
Design and Construction/Maintenance	45,831		-45,831	-100.0%
Financial Services	824,731	449,717	-375,014	-45.5%
Legal Services	3,066,664	785,191	-2,281,473	-74.4%
Other	4,798,900	30,906,386	26,107,486	544.0%
Other Professional Services	24,258,493	49,488,857	25,230,365	104.0%
Technology - Consulting/Development or Support	345,060	93,227	-251,833	-73.0%
Technology - Hardware	457,221	218,811	-238,410	-52.1%
Technology - Software	126,440	64,498	-61,942	-49.0%
Telecommunication Equipment or Services	452,185	73,864	-378,321	-83.7%
Total	131,923,800	164,630,124	32,706,324	24.8%

Source: PARIS

Appendix B of this report provides a 10-year picture of the operating results of the Authority.⁹

IV. Factors That Have Impacted Thruway Finances

Five key factors have impacted the Thruway's operations and finances over the past decade: 1) implementation of the cashless tolling and the Tolls by Mail (TBM) systems; 2) the COVID-19 pandemic; 3) construction of the GMMC bridge; 4) debt management practices; and 5) shifts in the Authority's financial obligations associated with New York State.

Cashless Tolling and Tolls by Mail

In November 2020, the Thruway completed the final phase of its systemwide conversion to cashless tolling that began in April 2016 with the launch of the program on the GMMC Bridge. Drivers with an E-ZPass account (NY or non-NY registered) have their toll information collected via their E-ZPass tag while drivers without E-ZPass are sent an invoice to pay through the Tolls By Mail (TBM) system. Work to remove toll booths and reconfigure interchanges on what was formerly the controlled highway's ticketed system was completed in 2021.¹⁰

While this modernization project may provide advantages including faster travel and reduced emissions, it has reportedly not yet produced savings or efficiencies. At a Legislative hearing on the 2022-23 Executive Budget on Transportation in February 2022, the Executive Director of the Authority said the Authority was "really not saving money" from the conversion, describing it as "a wash." However, he also said that "in the long run it will be more efficient."¹¹ It is not clear how or if these anticipated efficiencies are built into current projections for revenue and expenses.

By the end of 2021, \$552.8 million had been invested in cashless tolling infrastructure improvements and equipment.¹² This significant investment resulted in higher depreciation expenses, the Thruway's largest operating expense, based on the infrastructure's relatively short useful life, which ranges from 10 to 15 years.¹³ Professional service contract expenses also increased by \$33.7 million, or 71.5 percent in 2021 primarily due to the systemwide launch of cashless tolling. In 2021, the cost of administering the TBM program increased \$18.5 million, or 149.8 percent, and the cost of administering E-ZPass increased \$15.1 million, or 55.7 percent.¹⁴

In its toll proposal, the Thruway discusses but does not quantify losses due to uncollected revenue from TBM system users. The Stantec report shows that the share of TBM revenue, relative to its share of traffic, is disproportionately small compared to all other traffic categories.¹⁵ A series of audits by the Office of the State Comptroller on the implementation of cashless tolling by the Metropolitan Transportation Authority (MTA) found significant problems that led to loss of revenues, among other issues.¹⁶ Early indications based on public reporting are that the Authority has experienced similar challenges to those identified in the MTA audit.

The Office of the State Comptroller engaged an audit of the Thruway Authority's implementation of cashless tolling on the Thruway System in April 2022. The audit is expected to be released in 2023.

In recent years, the Authority significantly increased TBM violation and fee amounts as cashless tolling was implemented systemwide, leading to increases in revenues. TBM violation and fee revenues were \$2.5 million in 2016, increasing to \$15.6 million the following year.¹⁷ In 2021, they were \$32.1 million, and are expected to be \$50.8 million in 2022.¹⁸

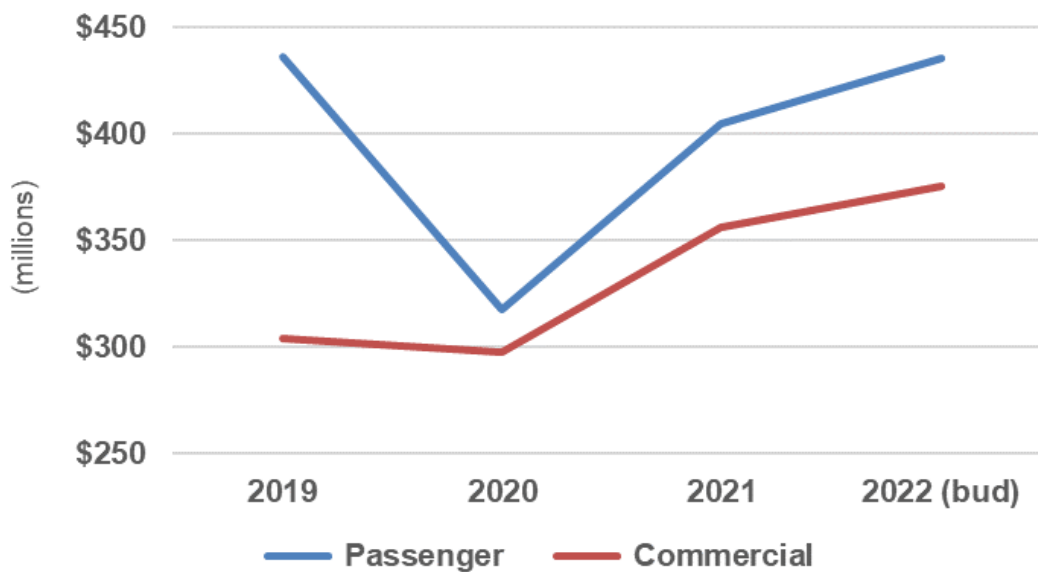
In the wake of these increases, system users have faced problems including erroneous bills and significant fines and penalties, prompting calls for the Authority to ensure that the system is functioning as intended.¹⁹ During the transition period to a new collection agent in 2020 to 2021 and the conversion to systemwide cashless tolling, the Authority temporarily suspended certain collection actions. These have since been resumed, but it still is not clear that all issues have been resolved.

The COVID-19 Pandemic

The COVID-19 pandemic had a significant negative impact on the financial condition of the Thruway. Operating revenues in 2020 were \$667.0 million, a decrease of \$147.2 million, or 18.1 percent compared to 2019. This decrease was primarily due to the public health restrictions that were implemented, which reduced passenger traffic statewide.

Toll revenues generated by passenger traffic declined by \$118.1 million, or 27.1 percent compared to 2019. Commercial traffic remained relatively stable resulting in a less severe revenue decline of 2.1 percent compared to 2019. By the end of the following year in 2021, operating revenue had rebounded to 1.5 percent above 2019 levels.

Figure 10
Toll Revenue by Type, 2012 – 2022



Source: NYS Thruway Authority Budget Book, 2021-2023

Actions taken in 2020 to reduce revenue losses included the use of proceeds from General Revenue Bonds issued in March 2020 to refund certain capital program costs that were previously funded with the Thruway's operating revenues. Also, the Thruway acquired short-term credit commitments of \$225 million of which \$50 million was drawn in 2020 and repaid in 2021. By the end of 2021, the Thruway had no short-term obligations and an available credit commitment of \$100 million.²⁰

The GMMC Bridge

The largest bridge on the Thruway System is the GMMC Bridge, which replaced the Tappan Zee Bridge. The Thruway's Audited Financials indicate that more than \$4 billion has been spent on the Bridge project, when capitalized interest and certain planning costs are included.

Between 2012 and 2021, capital expenses totaled \$3.8 billion on the Bridge project, representing more than half (54.9 percent) of all Thruway capital expenses and nearly double the amount of capital spent on all other remaining bridge and highway projects at the Thruway.²¹ During the same period, capital funds contributed primarily by the State totaled \$2.3 billion.²²

Construction of the GMMC Bridge utilized a significant level of Authority resources – both capital dollars but also staff capacity. It is difficult to determine whether this resource focus affected the condition of and attention to the rest of the system, including whether maintenance and other capital projects were deferred, potentially impacting the quality of the user experience and/or creating higher long-term costs.

The Authority plans to rely increasingly on revenue from the GMMC Bridge to support its operations. In 2021 the GMMC Bridge had 26.7 million passenger and commercial trips generating \$190 million in toll revenue, making up nearly one-quarter of the Thruway's total toll revenue.²³ If the current proposed toll increase is implemented, the Thruway estimates that the Bridge will generate \$372.8 million in 2031, representing approximately 32.6 percent of all toll revenue.²⁴

The Office of the State Comptroller previously expressed concerns with the lack of a detailed financing and tolling plan for the GMMC Bridge and cautioned about “the continued lack of critically important information relating to an overall plan of finance...including how the cost of the project will affect toll payers and taxpayers both now and in the future.”²⁵

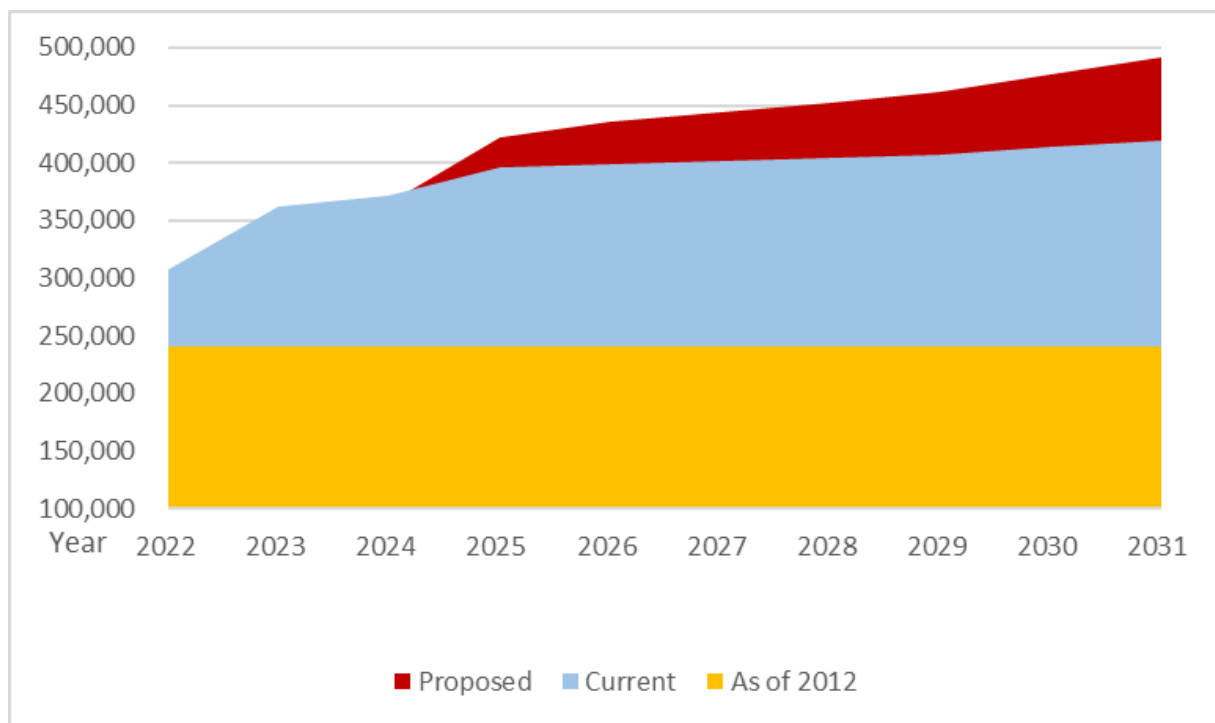
Debt Management

The Authority's debt profile has been shaped heavily by the GMMC Bridge project, as well as past choices in debt structuring that generated short-term relief while pushing higher costs into the future. It appears that these bond structuring choices continue to be utilized by the Thruway Authority and have contributed to compounding future tolling increase requirements.

In 2012, the Thruway Authority's debt service profile reflected annual debt service costs of about \$240 million annually through 2031. This reflected the practice of issuing bonds

with level debt service, as is appropriate for most issuers in the municipal bond market. This applies the concept of “intergenerational equity,” where future users who benefit from such infrastructure also equitably share in paying its cost.

Figure 11
Thruway Authority Debt Projections, 2022 – 2031
 (in thousands of dollars)



Sources: Thruway Authority, General Revenue Bond Official Statements, Series I and O, and Stantec report

However, through the ensuing decade, the Thruway Authority was under competing pressures to both avoid toll increases and pay for its infrastructure needs. The State provided \$2.3 billion for the Capital Plan and other costs, but the Executive also pushed forth a toll freeze through 2020. To avoid costs, the Authority utilized costly debt structures for new borrowings that “back loaded” principal payments.

For example, the Thruway Authority’s 2021 General Revenue Bonds, Series O, funded about \$450 million of capital construction costs and refunded about \$126 million of prior debt. This bond issue was structured with a token principal amortization of \$9.4 million in the first year, and then no principal whatsoever for the remainder of the first 10 years. It also financed about \$52 million of capitalized interest through 2024, further avoiding short-term repayment requirements at the expense of higher long-term costs. This resulted in a rising debt service profile for this bond issue, increasing from \$4 million in 2023 to nearly \$51 million in 2036. Rather than applying intergenerational equity, this structure benefits current toll payers by burdening future ones with a larger share of such costs and increasing total costs over the life of such bonds.

In total, the Thruway Authority's current debt service profile on existing bonds now reflects considerably increasing annual costs. Annual debt service on the Thruway's outstanding debt is now projected to grow to over \$419 million by 2031, up 36.1 percent from 2022. Past fiscal choices are creating increasing pressure on new revenue needs now, even before any consideration is given to future bonding requirements necessary to fund the capital projects needed to maintain the Thruway's infrastructure going forward.

Shifting Financial Obligations Associated with New York State

Over the past decade, the Authority has experienced shifting financial obligations pertaining to its responsibilities associated with the State, and blurred lines between the Thruway and the State persist. As previously noted, while the State provided \$2.3 billion during the period the GMMC Bridge was being constructed, the Executive also imposed a toll freeze until 2020.

The SFY 2016-17 Enacted Budget transferred responsibility for the Canal Corporation from the Authority to the Power Authority of the State of New York (NYPA) to lessen non-Thruway costs for system users, addressing an issue the Comptroller had identified in 2012 as a drain on toll resources that had contributed to a deterioration of the Authority's financial condition.²⁶ However, the savings from that transfer were simultaneously offset by other provisions in that year's budget, including eliminating a \$21.5 million operating subsidy, and eliminating provisions that had exempted the Thruway Authority from the State's cost recovery charge. In addition, the Budget amended the Authority's arrangement with the State Police for enforcement assistance, adding additional ongoing costs.²⁷ In the Comptroller's 2016 audit, the Authority indicated that, overall, these changes would be "budget neutral."²⁸

From 2017 to 2021, the Authority paid \$301.9 million for costs associated with the State Police's Troop T, including \$61.2 million in 2021, according to its audited financial statements. The State Police costs may be appropriate to be borne by the Authority, as their efforts contribute to keeping the Thruway safe. In 2021, the Thruway had a very low accident fatality rate of 0.21 fatalities per 100 million vehicle miles traveled, compared to 1.33 nationally and, in 2020, 1.02 for New York State.²⁹

The State also uses the Authority as a financing vehicle for "backdoor borrowing," relying on it to issue State-Supported debt to pay for various, non-Thruway purposes such as the Department of Transportation's Dedicated Highway and Bridge Trust Fund and the Consolidated Local Streets and Highway Improvement Program (CHIPS), as well as NYPA energy efficiency projects for State agencies. There is currently \$5.2 billion in Thruway Authority-issued State Supported debt outstanding. While this debt is repaid by State funds and does not deplete Authority revenue, it hinders transparency and distracts from its core mission.

This variability in the Thruway's State-related financial and operational responsibilities, largely beyond its control, contributes to instability in the Authority's finances, makes effective long-term planning difficult, and blurs the lines between the State and the Authority.

V. Overview of the Thruway's Proposal

In a letter dated December 5, 2022, the Authority notified the State Comptroller that it had authorized actions to precede Thruway toll modifications. As required by State law, the Authority expressed intent to conduct open hearings to obtain input from the public and elected officials before taking final action on the proposal. As of the publication date of this report, no public hearings have been scheduled.

The proposed increases come close on the heels of recent hikes. Toll increases of \$.50 were implemented on the GMMC Bridge on January 1, 2021, and again on January 1, 2022. In addition, on January 1, 2021 increases were made to rates for those paying through TBM and non-NY issued E-ZPass users.

The current proposal calls for higher toll rates that would take effect on January 1, 2024 and again on January 1, 2027 for the controlled highway system and all other barriers except the GMMC Bridge, for which tolls will increase annually beginning in 2024 through 2027. It also expands the rate differential between New York-issued E-ZPass users and all others. Cumulatively, the adjustments are expected to increase toll revenue by 28.4 percent, or \$1.9 billion, through 2031.

Figure 12
Thruway Revenue Projections, 2022 – 2031
(in millions of dollars)

Year	Current Toll Schedule Revenue	Proposed Toll Schedule Revenue	Increase
2022	810.8	810.8	-
2023	800.7	800.7	-
2024	811.7	972.5	160.8
2025	825.6	1,014.5	188.9
2026	832.9	1,044.6	211.7
2027	840.3	1,104.9	264.6
2028	846.9	1,114.8	267.9
2029	853.6	1,123.8	270.2
2030	860.3	1,132.8	272.5
2031	867.1	1,141.9	274.8

Source: Stantec report

The amount of the increase is dependent on the method of toll payment and whether the E-ZPass is registered in New York. For the New York E-ZPass user, rates on the Thruway Mainline would increase 5 percent between 2023 and 2024 to \$.047 per mile, and then by another 5 percent in 2027 to reach \$.049 per mile. Tolls on commercial drivers will increase proportionally to increases applied to passenger drivers.

Rates for passenger and commercial toll payers without a NY E-ZPass are determined by adding a differential (or premium) to the NY E-ZPass toll rate. Under the Authority's proposal, those differential rates would increase for all non-NY E-ZPass holders from 15

to 75 percent and for those who pay by TBM from 30 percent to 75 percent. Per-mile rates on the Thruway Mainline would grow by 60 percent for non-NY E-ZPass holders and 41 percent for TBM payers in 2024.

Figure 13
Proposed Rate Changes for Passenger Vehicles, 2024 – 2027

	Current	2024	2025	2026	2027	2024 Change	2027 Change
NYS Thruway Mainline (per mile)							
NY Issued E-ZPass	\$ 0.045	\$ 0.047	\$ 0.047	\$ 0.047	\$ 0.049	5%	10%
Non-NY E-ZPass	\$ 0.051	\$ 0.082	\$ 0.082	\$ 0.082	\$ 0.086	60%	68%
Tolls by Mail	\$ 0.058	\$ 0.082	\$ 0.082	\$ 0.082	\$ 0.086	41%	48%
GMMC Bridge							
Commuter Discount	\$ 3.45	\$ 3.75	\$ 4.05	\$ 4.35	\$ 4.65	9%	35%
Westchester/Rockland Res	\$ 4.75	\$ 5.00	\$ 5.40	\$ 5.80	\$ 6.20	5%	31%
NY Issued E-ZPass	\$ 5.75	\$ 6.25	\$ 6.75	\$ 7.25	\$ 7.75	9%	35%
Non-NY E-ZPass	\$ 6.61	\$ 10.94	\$ 11.81	\$ 12.69	\$ 13.56	66%	105%
Tolls by Mail	\$ 7.48	\$ 10.94	\$ 11.81	\$ 12.69	\$ 13.56	46%	81%

Source: Stantec report

For GMMC Bridge toll payers enrolled in the two discount programs for commuters and residents of Westchester and Rockland counties, the proposal would maintain the current 40 percent discount for the former and increase the 17 percent discount for the latter to 20 percent.³⁰

In 2027, when all proposed rate increases and adjustments are in effect, tolls would increase on the Thruway’s controlled highway system by 10 percent for NY registered E-ZPass holders; 68 percent for those with an out of state E-ZPass; and 48 percent for TBM payers. NY E-ZPass holders on the GMMC Bridge (discounted and non-discounted) would see their tolls increase by between 31 and 35 percent; non-NY E-ZPass holders would double; and TBM payers would increase by 81 percent.

Figure 14
Examples of Increased Passenger Trip Costs in 2027 Under Toll Proposal

Trip	NY E-ZPass			Out of State E-ZPass			Tolls by Mail		
	Current	2027 Toll	% Change	Current	2027 Toll	% Change	Current	2027 Toll	% Change
Albany to Buffalo	\$ 12.45	\$ 13.70	10%	\$ 14.33	\$ 23.97	67%	\$ 16.19	\$ 23.97	48%
Syracuse to Buffalo	\$ 6.14	\$ 6.75	10%	\$ 7.07	\$ 11.84	67%	\$ 7.99	\$ 11.84	48%
Albany to Syracuse	\$ 6.31	\$ 6.95	10%	\$ 7.26	\$ 12.13	67%	\$ 8.20	\$ 12.13	48%
Albany to White Plains	\$ 11.92	\$ 14.54	22%	\$ 13.71	\$ 25.45	86%	\$ 15.50	\$ 25.45	64%

Source: Stantec, New York State Thruway Authority Toll Schedules

The Authority proposal says that toll increases for commercial vehicles would be proportionate to the toll increases proposed for passenger vehicles for the GMMC Bridge. The following chart highlights the new toll amounts on five axle commercial vehicles.³¹

Figure 15
Examples of Increased Commercial Trip Costs in 2027 Under Toll Proposal

Trip	NY E-ZPass (Peak)			Out of State E-ZPass			Tolls by Mail		
	Current	2027 Toll	% Change	Current	2027 Toll	% Change	Current	2027 Toll	% Change
Albany to Buffalo	\$ 63.22	\$ 69.72	10%	\$ 72.71	\$ 122.00	68%	\$ 82.18	\$ 122.00	48%
Syracuse to Buffalo	\$ 31.21	\$ 34.41	10%	\$ 35.89	\$ 60.21	68%	\$ 40.56	\$ 60.21	48%
Albany to Syracuse	\$ 32.01	\$ 35.31	10%	\$ 36.82	\$ 61.79	68%	\$ 41.62	\$ 61.79	48%
Albany to White Plains	\$ 85.13	\$ 107.53	26%	\$ 97.90	\$ 188.19	92%	\$ 110.67	\$ 188.19	70%

Note: This analysis is based on commercial vehicles with a 5H classification (5 axels over 7'6" in height).
Source: Stantec, New York State Thruway Authority Toll Schedules

VI. Considerations to Assess the Toll Proposal

The Stantec report indicates that the Thruway Authority will need additional revenue to cover its operating expenses and growing debt service obligations, which alone are projected to grow at an average annual rate of nearly 8 percent over the next decade.³²

The proposed toll increases are projected to generate increasing amounts of revenue, with an additional \$160.8 million expected in 2024, growing to an additional \$274.8 million in 2031. Absent this proposal, toll revenue is projected to grow 0.7 percent between 2022 and 2031.³³ However, these projections are being made in a very uncertain economic environment, and during a period of transition for the Authority.

The Thruway generally operates as a self-financed entity, with user fees and other revenues supporting the entirety of its operations. Assessing the proposed toll increase requires understanding, among other things:

- Projections for revenue and passenger and commercial vehicle traffic, and how toll increases may change system user behavior.
- Estimates for other revenues and their anticipated trends.
- Drivers of operating expenses and workforce changes.
- Details regarding the efficiency of operations and performance.
- Disaggregated information on the current and anticipated condition of the Authority's capital assets based on use projections.
- Explanations of how planned capital spending improvements were or are prioritized, how they will be financed, and how they will facilitate improvements in condition, safety and reliability.

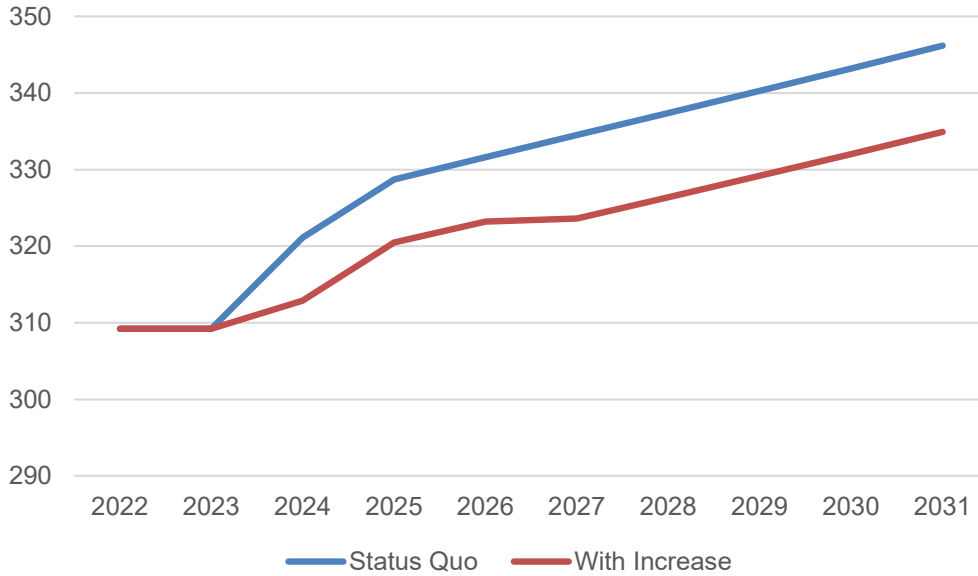
The following section uses available information to assess these considerations.

Revenue and Traffic Projections

The operational changes that the Thruway has made over the past 10 years, as well as changes the Authority has made with its reporting structure, have created uncertainty in its revenue picture, from its toll revenue to its concessions and leases. It is unclear what specific assumptions were used by the Thruway to generate its revenue projections. Some of this can be seen in the variability in revenue results from the specific subcomponents of the Authority's operating revenues.

The Stantec report assessed potential future traffic levels with and without the adoption of the toll increase proposal. At current toll levels, Stantec estimates that the average annual passenger vehicle traffic would increase from 309 million trips in 2022 to 346 million in 2031, an increase of 12 percent. The proposed toll increases are projected to depress trips between 2024 and 2031 by an average of 10 million trips per year or 3 percent. Even with the toll increase, total trips are projected to increase 8.3 percent over the next 10 years.

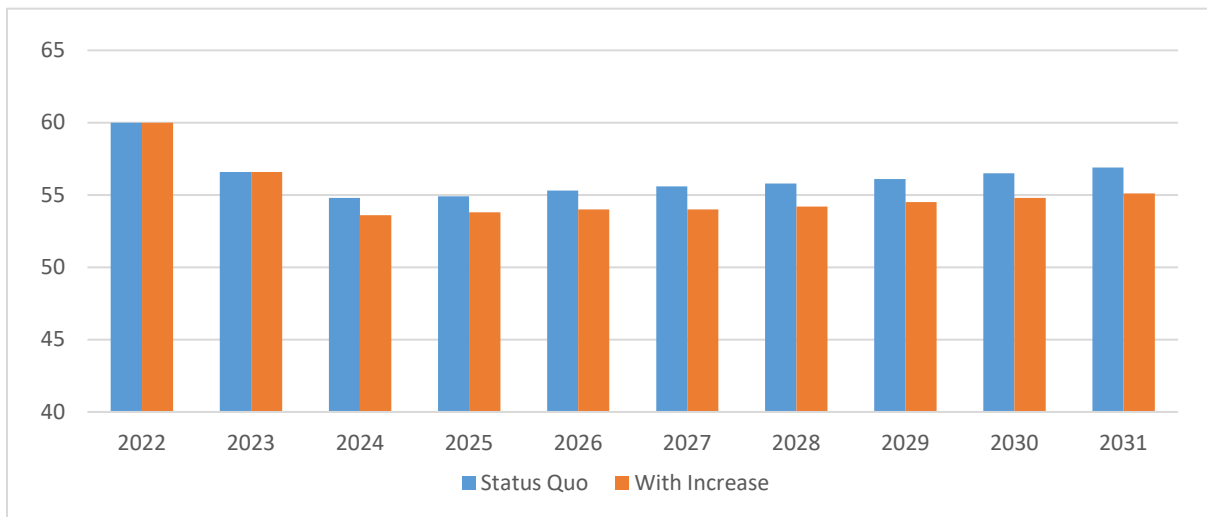
Figure 16
Projected Passenger Trips, 2022 – 2031
 (in millions)



Source: Stantec report

At current toll levels, commercial trips are projected to decrease by 5.2 percent between 2022 and 2031. Under the toll proposal, commercial trips would decline by 8.2 percent by 2031.³⁴ This projected decline is concerning considering the growing significance of commercial toll revenues to the Authority’s finances. Commercial toll revenues made up 46.8 percent of the Authority’s Operating Revenue in 2021, compared to 36.4 in 2012.³⁵

Figure 17
Projected Commercial Trips, 2022 – 2031
 (in millions)



Source: Stantec Report

Other Revenues

Other revenues are projected to decline over the course of the financial plan, and better clarity on the details regarding the assumptions behind these projections are needed. The Thruway has new financial arrangements related to its service areas and concessions which will have an impact on the Authority's revenue and expenses for the next three decades. However, the reconstruction that is underway at these service stations has been subject to delays and some criticism, raising questions about how revenue and traffic may be affected both in the near and long term.³⁶

The Thruway has access to other revenue streams that could be generated from its assets and infrastructure. For example, in 1998 the Authority launched a fiber optic network along the Thruway through a public-private partnership agreement, under which the Thruway would own the system after 20 years.³⁷ Between 2012 and 2018, revenues generated an average \$400,000 annually to the Thruway. The amount climbed sharply between 2019 and 2021, to an average of \$4.5 million annually, and is projected to increase further in 2022 and 2023 by 8.6 percent and 32.6 percent, respectively. The SFY 2020-21 Enacted State Budget included provisions related to authorizing the Thruway to enter into agreements for the use of its fiber optic system, which may have facilitated the Thruway's ability to access this additional revenue.³⁸ In 2022 alone, The Authority entered into several revenue contracts related to fiber optic lease agreements, totaling more than \$150 million. Given the Thruway's vast network, it is not clear whether the Authority has fully availed itself of all the opportunities it has to leverage its assets to maximize non-toll revenue.

Also, the Thruway has an inconsistent history of receiving support from the federal government, and there is little evidence that it has made significant effort or progress on that front. Significant amounts of federal infrastructure funds have been made available through the Infrastructure Investment and Jobs Act to complement base levels of federal highway aid. Use of federal funding is broadly allowed for existing toll facilities for a range of projects including "reconstruction, resurfacing, restoration, rehabilitation, or replacement of a toll highway, bridge, or tunnel or approach to the highway, bridge, or tunnel."

Tolling authorities are also eligible to use highway infrastructure funds provided through the Coronavirus Response and Relief Supplemental Appropriations (CRRSAA) for operations, debt service payments and coverage for other revenue losses of a tolled facility. It is unclear whether the Authority has exhausted all such federal funding opportunities.³⁹

Operating Expenses and Performance

Operating expenses are projected to grow in excess of baseline toll revenues over the forecast period. The Authority should provide more detailed information to explain the drivers of these costs. In addition to the loss of Canal Corporation staff, the implementation of cashless tolling has significantly changed the Authority's staffing structure. Since 2012, there have been declines in the number of the Authority's administrative and clerical staff, reflecting many toll-related titles, as well as operational, professional and technical and engineering staff.

Figure 18
Thruway Authority Employees by Function, 2012 – 2021

Category	Number of Employees				Total Compensation			
	2012	2021	change	% change	2012	2021	change	% change
Administrative and Clerical	1,890	1,137	-753	-39.8%	\$45,287,075	\$11,754,776	-\$33,532,298	-285.3%
Executive	1	2	1	100.0%	\$169,341	\$612,318	\$442,978	72.3%
Managerial	50	37	-13	-26.0%	\$5,262,253	\$4,543,911	-\$718,342	-15.8%
Operational	1,888	1,323	-565	-29.9%	\$90,100,918	\$71,324,419	-\$18,776,499	-26.3%
Professional	482	419	-63	-13.1%	\$39,518,326	\$37,537,238	-\$1,981,088	-5.3%
Technical and Engineering	127	87	-40	-31.5%	\$8,908,482	\$3,705,092	-\$5,203,390	-140.4%
Grand Total	4,438	3,005	-1,433	-32.3%	\$189,246,395	\$129,477,755	-\$59,768,640	-46.2%

Source: PARIS

At the same time, the share of employees with higher salaries has increased. In 2012, the Authority reported 3.7 percent of employees earned more than \$100,000 annually. By 2021, that share had grown to 9.3 percent. The share of total compensation earned by employees making more than \$100,000 increased from 9.7 percent in 2012 to 26.8 percent in 2021.

Figure 19
Thruway Authority Employee Compensation by Range, 2012 – 2021

Compensation Range	Number of Employees				Total Compensation			
	2012	2021	change	% change	2012	2021	change	% change
Less than \$50k	2,396	1,587	-809	-33.8%	\$51,046,475	\$15,974,527	-\$35,071,948	-68.7%
Between \$50k and \$100k	1,878	1,140	-738	-39.3%	\$119,772,157	\$78,809,573	-\$40,962,584	-34.2%
Between \$100k and \$150k	159	249	90	56.6%	\$17,616,504	\$29,588,930	\$11,972,426	68.0%
Between \$150k and \$200k	5	26	21	420.0%	\$811,258	\$4,264,605	\$3,453,347	425.7%
More than \$200k	0	3	3	N/A	\$0	\$840,120	\$840,120	N/A

Note: Salary data reported by the Thruway Authority in PARIS annual staff reports include the number and total compensation of total individual full- and part-time employees. The total compensation data in PARIS include annual pay (base annual salary earned), overtime, extra pay, severance pay, bonus payments, and related payments.

Source: PARIS

As staffing and related compensation costs have declined, procurement costs have escalated, with reported procurement expenditures (excluding costs associated with the Authority’s design-build contracts) increasing 24.8 percent from 2012 to 2021, and total procurements (excluding design-build contracts) jumping from \$862 million in 2012 to \$1.1 billion in 2021.

Given the magnitude of the change in the staffing structure and operating model of the Authority, a comprehensive assessment of the Thruway’s operation should be undertaken to identify cost centers that may no longer be needed or appropriate. As part of this, the Authority should report standardized metrics of key performance indicators for the past several years, and performance targets for current and subsequent years.

In addition, the SFY 2020-21 Enacted State Budget authorized the Thruway to develop a collaborative agreement with the New York State Bridge Authority to optimize services and create efficiencies between the two entities.⁴⁰ The provision contemplated potential

efficiencies related to equipment, office space, real property, services and all other resources related to procurement, construction, engineering services, legal services, administrative services, financial services, and information technology. The Authority should fully explore opportunities for savings through better coordination with the Bridge Authority, as well as the Department of Transportation and other relevant State entities.

Capital Needs Assessment and Asset Condition

According to the Thruway, its capital plan and request for additional toll revenues has been developed after completion of a comprehensive needs assessment in 2021. This needs assessment has not been released publicly. There is minimal detail available, beyond high-level summaries, on the condition of the Thruway Authority's assets.⁴¹

The Stantec report presents aggregated bridge and pavement conditions for several years, and a forecasted decline after 2023: "It is projected that pavement ratings for the Thruway facilities will range from 'fair' to 'good' through 2024, deteriorating into the 'poor' category in following years." Based on this information, it is unclear whether the Thruway deems "fair" or "poor" to be acceptable conditions to which it maintains its infrastructure.

The report shows an improvement in bridges in good condition between January 2021 and September 2022 and 10 bridges that remain in poor condition; however, overall bridge rating scores appear to have declined from a high of 5.42 in 2004 to 5.24 in 2021. Aggregately reported pavement conditions appear to be more variable, but consistently below the Authority's defined threshold for "good" conditions. However, for a system as large and significant as the Thruway, localized and granular data are important.

Capital Plan and Financing

The Stantec report cites the Authority's new Capital Program and outstanding debt costs as part of the justification for the toll increases. Between 2023 and 2027, the Authority plans to make \$1.9 billion in capital expenditures, with approximately \$234 million for the GMMC Bridge. The Thruway's annual budget books provide updated capital program "letting lists," identifying by project, location, and construction contract value, projects in the pipeline.⁴² The Authority also publicly identifies planned capital projects.⁴³

However, there are significant gaps in available information related to the management and condition of the Authority's assets and its capital needs. As noted, the Thruway has not published a comprehensive capital needs assessment that would allow State and local officials, policymakers and the public to evaluate whether the Authority is effectively prioritizing projects and targeting its resources to essential capital projects. Ideally, the information in this needs assessment would directly tie to the capital plan and the progress of capital plan investments to improve the condition of the system would be plainly described and reported upon.

It is unclear how priorities for the capital plan were established. The Thruway also said that the \$1.9 billion 2022-26 Capital Plan did not support \$470 million in necessary capital projects.⁴⁴ Details are also not available regarding which projects and assets these are, where they are located, and their current and expected future conditions. The Authority should clarify how proposed capital plan investments will facilitate improvements in condition, safety and reliability.

The Thruway's latest bond Official Statement shows that annual debt service on its currently outstanding debt is projected to grow to over \$419 million by 2031, up 36.1 percent from 2022. According to the Stantec report, under the Thruway's new 2023 to 2027 Capital Plan, annual debt service on the Thruway's outstanding debt, which would include additional borrowings, would grow to nearly \$492 million by 2031, up 60.8 percent from 2022. This growing debt service burden reflects the impact of the new Bridge, but also prior decisions to prioritize short-term savings at the expense of long-term finances by deferring debt repayment into future years.

Debt has been an increasingly significant drag on the Authority's finances, and without effective management of its capital program, will likely get worse. The Thruway must commit to improving transparency with respect to its capital program. Also, there is insufficient detail to know if increased cost projections reflect continuing the practice of back loading principal with its new issue bond structures into the future. Adhering to responsible, gimmick-free debt structures would set a better course forward for the Authority.

VII. Conclusion

In setting the level of tolls for users, the Thruway Authority must balance competing needs. It must generate adequate resources for operations, essential capital investments and debt service, while providing a transportation network for New York State that is safe, affordable and economically competitive.

The Authority's toll increase proposal comes at a time of extraordinary challenges for New York residents, businesses and visitors, who have faced rapidly rising costs for everything from food to housing to fuel. In addition, the pandemic placed extraordinary pressures on commercial trucking, which generates a disproportionately large share of toll revenues relative to their share of traffic.⁴⁵

As always, but especially in this economic environment, the Thruway must make every effort to operate at maximum efficiency, maintain and improve system infrastructure, and provide a quality user experience. It also must make it clear that it has exhausted all opportunities to minimize toll rates. Given that a toll increase should always be the last option, the Comptroller identifies the following concerns that merit further evaluation in the context of the Authority's proposed toll increase:

➤ **Resolve Systemwide Cashless Tolling Issues**

Given the current state of uncertainty with respect to changes in user behavior caused by the pandemic and the transition to cashless tolling, as well as in response to potential toll increases and broader economic headwinds, it is difficult to assess how reliable the projections upon which the proposed toll increases are based. The Thruway should provide better documentation and disclosure of the assumptions used to develop the revenue and traffic projections that support its proposal.

Systemwide cashless tolling was only recently fully implemented systemwide, and according to the Authority has not yet produced savings or efficiencies. In addition, the Stantec report touched on, but did not fully disclose, problems that persist with Tolls By Mail, enforcement measures and violations.⁴⁶ The Authority has not provided detailed information regarding how it developed projections for future collections and what enforcement mechanisms will be required to achieve those results. Before asking system users to pay more, the Authority should address its implementation problems, and ensure that it has a clear and accurate forecast upon which to base its revenue estimates.

The Authority has an Office of the Toll Payer Advocate to assist customers who were unable to resolve toll issues through the E-ZPass and Tolls By Mail Customer Service Center.⁴⁷ It says it will use customer information to recommend improvements or policy changes related to cashless tolling. Improved transparency with respect to what the Authority has learned could help build better confidence and trust in the system and help identify better solutions to resolve ongoing problems.

Also, system users have faced problems including erroneous bills and significant fines and penalties, prompting calls for the Authority to ensure that the system is functioning as intended. Proposals have been advanced in the State Legislature to address some of the challenges associated with cashless tolling and improve transparency in the Authority's operations and finances. Relevant legislation should be considered as part of any discussion about potential toll increases.

➤ **Perform a Comprehensive Assessment of Operating Costs and Other Expenses**

It is not clear whether the Authority has fully exhausted all cost saving opportunities that may be available. Since 2012, there have been significant declines in the number of Authority staff, including the loss of most of its employees in toll-related titles. At the same time, the share of employees with significantly higher salaries increased. Procurement spending has also escalated over the past decade.

In the wake of these operational changes, a comprehensive assessment of operational needs and expenses should be undertaken to identify cost centers that may no longer be necessary or appropriate. Reporting of key performance indicators is essential to provide much needed transparency.

In addition, opportunities for improved operational efficiency through better coordination with the Department of Transportation, the New York State Bridge Authority, and other relevant State entities should be thoroughly explored.

➤ **Maximize Non-Toll Revenue Sources**

The Thruway should pursue and maximize non-toll revenue sources, including federal funding as well as alternative revenue streams that could be generated from its assets and infrastructure, such as its fiber optic system, its service areas and gasoline stations, special permits, and other property.

The Thruway has an inconsistent history of receiving support from the federal government to help mitigate toll increases, and there is little evidence that it has made significant effort or progress on that front. With significant new federal infrastructure and other funds available, the Authority should demonstrate that it has exhausted all such funding opportunities.

➤ **Disclose Capital Needs Assessment to Justify Cost Projections**

The 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 the Authority's assets and its capital needs.

The Thruway has not made public a comprehensive capital needs assessment that would allow State and local officials, policymakers and the public to evaluate whether the Authority is effectively prioritizing projects and targeting its resources to essential capital projects. Debt has been an increasingly significant drag on the Authority's finances, and without effective management of its capital program, will likely only get worse. Improved transparency with respect to its capital program is crucial.

A close evaluation of these important factors, along with a commitment to address the issues and concerns raised in this report, would allow for a well-informed discussion about the Thruway toll proposal and its impact on various system users, would provide assurance to system users that their toll dollars are being used effectively, and would help ensure that the appropriate level of resources is available for the safe, efficient, and cost-effective operation of the Thruway system. Failure to do so increases the risk that the Authority will not achieve all available cost savings and efficiencies, and will return sooner than anticipated or desired with additional proposals for higher tolls on what has been, for more than a half century, one of the most important components of the State's transportation infrastructure network.

Endnotes

- ¹ New York State Thruway Authority, Thruway System Overview, accessed on February 1, 2023 <https://www.thruway.ny.gov/oursystem/overview.html>.
- ² See NYS Thruway Authority Audited Financial Statements, available at <https://www.thruway.ny.gov/about/financial/statements/index.html>.
- ³ See Appendix.
- ⁴ New York State Thruway Authority, Budget Books, 2014-2023, available at <https://www.thruway.ny.gov/about/financial/budgetbooks/index.html>
- ⁵ Historically the presentation of revenue item included only passenger and commercial toll revenue but in 2018 the Thruway changed its reporting to also include E-ZPass and TBM violations and fees.
- ⁶ PARIS salary data reported by the Thruway Authority in PARIS annual staff reports include the number and total compensation of total individual full- and part-time employees. The total compensation data in PARIS include annual pay (base annual salary earned), overtime, extra pay, severance pay, bonus payments, and related payments.
- ⁷ Stantec, Inc., (Stantec report) “New York State Thruway Financial Requirements and Proposed Toll Adjustments,” November 28, 2022, pg. 11, available at <https://www.thruway.ny.gov/news/adjustment/exhibit-1.pdf>.
- ⁸ Stantec report, Table 6, pg. 13.
- ⁹ As shown in Appendix, the Authority operates at an operating income loss when considering its operations on a full accrual basis of budgeting, including the annual costs of depreciation.
- ¹⁰ Stantec report, pg.3.
- ¹¹ See Joint Legislative Hearing In the Matter of the 2022-2023 Executive Budget On Transportation, February 15, 2022 Transcript, pg. 671, available at <https://nyassembly.gov/write/upload/publichearing/001277/transcript.pdf>.
- ¹² New York State Thruway Authority, Financial Statements December 31, 2021 and 2020, pg. 11, available at <https://www.thruway.ny.gov/about/financial/statements/2021-audited-financial-statements.pdf>.
- ¹³ Ibid, pgs. 4-5
- ¹⁴ Ibid, pg. 8.
- ¹⁵ Stantec report, pg. 20.
- ¹⁶ See the Comptroller’s series of MTA Triborough Bridge and Tunnel Authority toll audits, available at <https://www.osc.state.ny.us/state-agencies/audits/by-agency?agency=124941>.
- ¹⁷ New York State Thruway Authority, 2018 Budget, pg.36, available at <https://www.thruway.ny.gov/about/financial/budgetbooks/books/2018-budget.pdf>, and 2019 Budget, pg. 36, available at <https://www.thruway.ny.gov/about/financial/budgetbooks/books/2019-budget.pdf>.
- ¹⁸ New York State Thruway Authority, 2023 Budget, pg.36, available at <https://www.thruway.ny.gov/about/financial/budgetbooks/books/2023-budget.pdf>.
- ¹⁹ For example, see “Griffo: Thruway Authority must ensure cashless tolling system working as intended,” July 2022, available at <https://www.nysenate.gov/newsroom/press-releases/joseph-griffo/griffo-thruway-authority-must-ensure-cashless-tolling-system>.
- ²⁰ NYS Thruway Audited Financial Statement, 2021.
- ²¹ Stantec report, pg. 11.
- ²² NYS Thruway Audited Financial Statements and PARIS. See Appendix B for annual detail.
- ²³ Stantec report, pg. 21
- ²⁴ Stantec report, pg. 46-47.
- ²⁵ Letter from Alexander B. “Pete” Grannis, First Deputy Comptroller, to Honorable Joanne M. Mahoney, Chair and Maria Lehman, Interim Executive Director, Thruway Authority, May 19, 2016.
- ²⁶ See “Assessment of the Thruway Authority’s Finances and Proposed Toll Increase,” Office of the State Comptroller, August 2012, pgs 7-9, available at <https://www.osc.state.ny.us/files/reports/special-topics/pdf/thruway-policy-08142012.pdf>.
- ²⁷ See Report on the State Fiscal Year 2016-17 Enacted Budget, Office of the State Comptroller, May 2016, page 46, available at <https://www.osc.state.ny.us/files/reports/budget/pdf/budget-enacted-2016-17.pdf>.

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- ²⁸ See "Effectiveness of Cost Containment Initiatives, New York State Thruway Authority," Office of the State Comptroller, November 2016, pg. 10, at <https://www.osc.state.ny.us/files/audits/2018-02/sqa-2016-15s59.pdf>.
- ²⁹ Stantec report, pg 8.
- ³⁰ Discounts are applied against the NY E-ZPass rate.
- ³¹ The total percent change for the Albany to White Plains trip differs between passenger and commercial because the total toll is an aggregate of amount consisting of the controlled highway, Yonkers Gantry, and the GMMC Bridge. All three individual toll increases are aligned across each vehicle type.
- ³² Stantec report, pg.29
- ³³ Ibid, pgs. 31 & 47
- ³⁴ Ibid
- ³⁵ New York State Thruway Budget documents, 2014-2023
- ³⁶ See "Chris Churchill, No Rest Stop for the Weary," *Albany Times Union*, December 10, 2022, available at <https://www.timesunion.com/churchill/article/Churchill-No-rest-stop-for-the-weary-17642886.php>.
- ³⁷ See Associated Press, "Metro Business; New Fiber Optic System," April 15, 1998, published in *New York Times*, available at <https://www.nytimes.com/1998/04/15/nyregion/metro-business-new-fiber-optic-system.html>.
- ³⁸ See Transportation, Economic Development and Environmental Conservation Budget for the 2020-2021 State Fiscal Year, Chapter 58 of the laws of 2020, Part F, available at https://nyassembly.gov/leg/?default_fld=&leg_video=&bn=A09508&term=2019&Summary=Y&Memo=Y&Text=Y.
- ³⁹ 23 U.S. Code, section 129; U.S. Department of Transportation, Federal Highway Administration, Center for Innovative Finance Support, Fact Sheet, available at [https://www.fhwa.dot.gov/ipd/fact_sheets/tolling_programs.aspx#:~:text=Federal%20Highway%20Tolling%20Programs&text=Under%20Title%2023%20of%20the,tolls%20on%20Federal%20Daid%20highways](https://www.fhwa.dot.gov/ipd/fact_sheets/tolling_programs.aspx#:~:text=Federal%20Highway%20Tolling%20Programs&text=Under%20Title%2023%20of%20the,tolls%20on%20Federal%20Daid%20highways;); and U.S. Department of Transportation, Federal Highway Administration, Notice: Apportionment of Highway Infrastructure Program Funds Pursuant to the Coronavirus Response and Relief Supplemental Appropriations Act, 2021, January 15, 2021.
- ⁴⁰ See Chapter 56 of the laws of 2020, the SFY 2020-21 Education, Labor and Family Assistance Article VII, Part EEE at https://nyassembly.gov/leg/?default_fld=&leg_video=&bn=S07506&term=2019&Summary=Y&Text=Y.
- ⁴¹ For example, see Current Infrastructure Information, NYS Thruway Authority, available at <https://www.thruway.ny.gov/oursystem/capitalprogram/current-infra-info.html>.
- ⁴² See Thruway Authority Budget Books, available at <https://www.thruway.ny.gov/about/financial/budgetbooks/index.html>.
- ⁴³ For example, see Capital Program Projects Text Listing, NYS Thruway Authority, available at <https://www.thruway.ny.gov/oursystem/capitalprogram/index.html>.
- ⁴⁴ See Thruway Authority, press release, December 5, 2022, available at <https://www.thruway.ny.gov/news/pressrel/2022/12/2022-12-05-toll-adjustment-process.html>.
- ⁴⁵ See Stantec report, page 20 and Danielle Sperry, et al. "Trucking in the Era of COVID-19," *American Behavioral Science*, February 2022, available at <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8883137/#:~:text=In%20contrast%20to%20the%20uptick,ship%20due%20to%20mandatory%20shutdowns>.
- ⁴⁶ Stantec report, pg. 17, at <https://www.thruway.ny.gov/news/adjustment/exhibit-1.pdf>.
- ⁴⁷ See Thruway Authority, Office of the Toll Payer Advocate, available at <https://www.thruway.ny.gov/tpa/>.

Appendix A: Thruway Authority Procurements

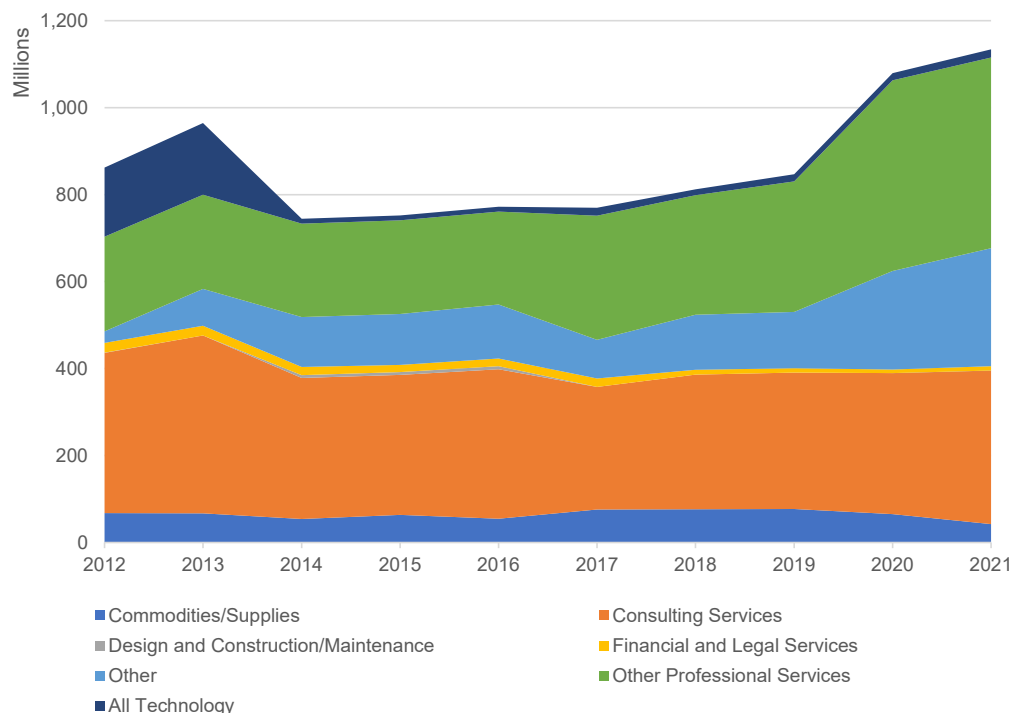
The Authority’s procurement reporting in PARIS provides an incomplete picture of the Authority’s contracts, in that the Authority does not include design-build or construction contracts in their procurement report. Major contracts that are not reported include:

- \$3.5 billion design-build contract with Tappan Zee Constructors LLC (contract start date 1/18/2013) for the Tappan Zee River Crossing Project.
- \$368 million design-build contract with Cashless Tolling Constructors LLC (contract start date 8/16/2019) to implement electronic cashless tolling.

The Thruway’s procurement guidelines define a “procurement contract” to include construction contracts and design-build contracts, but says they are not procurement contracts pursuant to Public Authorities Law Section 2879, which is the section of law that would ensure that such contracts were included in the Authority’s procurement report in PARIS (see Thruway Authority Policies – Purchasing, Procurement Contracts, Number: 25-5-01, March 29, 2021). The inconsistency in how the Authority defines certain contracts diminishes transparency.

In contrast, in accordance with Comptroller regulations, other public authorities include construction contracts in their PARIS procurement reporting. The following shows the growth in the Thruway’s procurements by category, as reported in PARIS without the two major design-build contracts included.

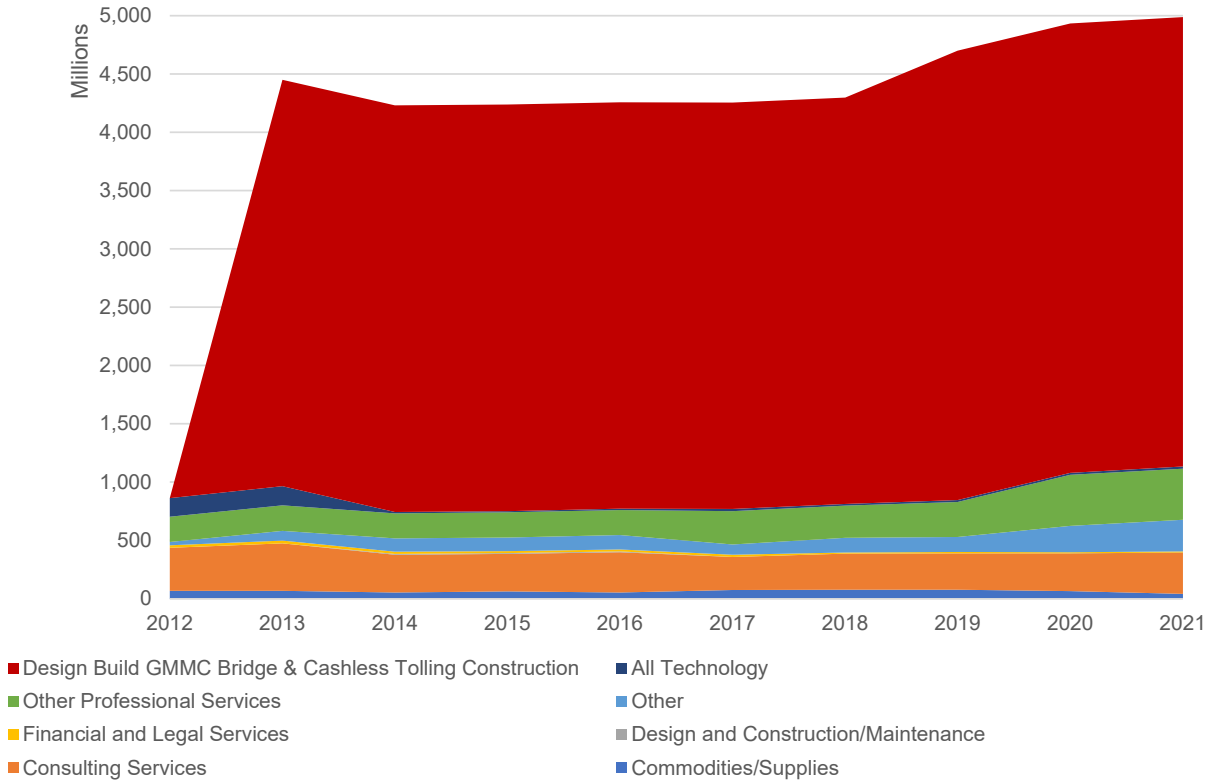
Figure 20
Total Reported Active Procurements, 2012 - 2021



Source: PARIS

If the two design-build procurements were included in the Authority's total reported active procurements, the total would have been \$4.99 billion in 2021, an increase of \$4.1 billion or 478.7 percent from 2012. The following shows the Authority's reported procurements with the design-build contracts included.

Figure 21
Total Reported Active Procurements with
Certain Major Design-Build Contracts Included, 2012 – 2021



Source: PARIS and Open Book New York

Appendix B: Thruway Authority Revenue and Expenses, 2012 - 2021

Audited Financials and PARIS

(in thousands of dollars)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
OPERATING REVENUE										
Tolls & Related Revenues	637,731	648,923	664,079	691,693	708,316	731,505	736,504	774,979	648,715	804,434
Concessions	13,090	13,322	13,586	14,603	14,802	14,883	14,880	14,778	6,760	5,737
Other	22,137	20,599	21,087	22,282	28,867	45,821	48,017	24,400	11,542	16,242
Total Operating Revenue	672,958	682,844	698,752	728,578	751,985	792,209	799,401	814,157	667,017	826,413
OPERATING EXPENSES										
Salaries and wages	(196,778)	(160,322)	(158,294)	(152,851)	(156,334)	(140,812)	(146,001)	(143,552)	(136,964)	(116,673)
Employee benefits	(176,092)	(158,649)	(158,096)	(153,293)	(173,686)	(136,734)	(147,853)	(130,964)	(181,411)	(192,325)
Professional services contracts	(53,469)	(51,933)	(52,071)	(54,668)	(99,853)	(45,452)	(51,008)	(61,838)	(47,117)	(80,818)
Supplies and materials	(25,984)	(30,572)	(32,831)	(31,448)	(27,730)	(21,615)	(26,169)	(27,933)	(17,016)	(21,937)
Depreciation and amortization	(310,040)	(331,806)	(352,685)	(394,621)	(544,668)	(439,047)	(353,732)	(327,953)	(355,788)	(410,235)
Other operating expenses	(21,137)	(17,774)	(23,304)	(15,662)	(21,728)	(98,114)	(86,067)	(97,579)	(79,879)	(99,508)
Total Operating Expenses	(783,500)	(751,056)	(777,281)	(802,543)	(1,023,999)	(881,774)	(810,830)	(789,819)	(818,175)	(921,496)
NON-OPERATING ITEMS										
Interest & debt issuance expense	(131,011)	(142,124)	(184,133)	(145,230)	(160,395)	(161,422)	(181,826)	(218,736)	(207,270)	(207,243)
Interest on investments	647	579	614	521	1,506	2,866	5,493	6,104	7,616	1,325
Federal, state, other aid	14,421	37,037	35,431	27,075	43,337	3,766	8,074	3,371	608	3,534
Asset disposal gain (loss)	-	-	-	398	(10,334)	(267)	(469)	(783)	(62)	(328)
Net Non-Operating Items	(115,943)	(104,508)	(148,088)	(117,236)	(125,886)	(155,057)	(168,728)	(210,044)	(199,108)	(202,712)
SUMMARY										
Operating Income (Loss)	(110,542)	(68,212)	(78,529)	(73,965)	(272,014)	(89,565)	(11,429)	24,338	(151,158)	(95,083)
Net Non-Operating Items	(115,943)	(104,508)	(148,088)	(117,236)	(125,886)	(155,057)	(168,728)	(210,044)	(199,108)	(202,712)
Total Income (Loss)	(226,485)	(172,720)	(226,617)	(191,201)	(397,900)	(244,622)	(180,157)	(185,706)	(350,266)	(297,795)
Capital Contribution	64,197	44,089	60,618	599,203	388,858	287,713	496,898	297,522	67,777	1,133
Canal Corp transfer to NYPA	-	-	-	-	-	(539,518)	-	-	-	-
Net Change in Position	(162,288)	(128,631)	(165,999)	408,002	(9,042)	(496,427)	316,741	111,816	(282,489)	(296,662)

NOTES:

- (1) Total Operating Expenses and Revenues for all years are taken from the most recent Audited Financial Statement.
- (2) Operating Expense details for 2012-2016 are taken from PARIS because Audited Financials aggregate expenses by Department and are not aligned with future years.
- (3) Operating Expense details for 2017-2021 are taken from the Audited Financials.
- (4) Total Operating Expenses and details for 2017 and 2018 do not match the data in PARIS.
- (5) Total Operating Revenues and details for all years are taken from Audited Financials.
- (6) Total Operating Revenues and details for 2020 do not match the data in PARIS.

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