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Testimony Before the

Environment & Public Works Committee

Field Hearing-Los Angeles, California, September 4, 2008

Statement of:
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Southern California Association of Governments (SCAG)

Honorable Chairwoman and Members of the Committee:

Your leadership and interest in hearing testimony from key transportation agencies in Southern California as you embark on the re-authorization of SAFETEA-LU legislation is greatly appreciated. The Southern California Association of Governments (SCAG) appreciates the opportunity to provide testimony before the Committee.

I am focusing my testimony on the regional challenge of goods movement, the need for a stronger federal partnership, potential revenue options for establishing a freight trust fund, and regional challenges related to clean air attainment and climate change requirements.

SCAG is a federally designated Metropolitan Planning Organization (MPO). Membership is comprised of over 18 million residents, 168 cities and six counties in Southern California (Los Angeles, Orange, Riverside, San Bernardino, Ventura and Imperial County). These 168 communities have diverse transportation challenges and priorities; however, SCAG officials have worked diligently to develop a regional collaboration on a number of regional transportation principles.

A continued federal transportation partnership is essential to the health, mobility and economic vitality of our communities. My partner agencies here today will provide testimony regarding suggestions concerning specific programs within SAFETEA-LU for your deliberation on re-authorization legislation.

There needs to be a defined federal role for goods movement infrastructure and establishment of a freight trust fund.

Collectively, the Southern California trade corridor hosts the nation's largest port complex, the busiest intermodal rail hub in the nation and the busiest border crossing between the United States and Mexico. Clearly the region serves a vital role as the nation's premier gateway for trade. These huge volumes of international goods cross our ports and borders and become part of the domestic supply chain. International trade brings much-needed jobs and other economic benefits to our region as well as to the rest of the nation.

There is no dedicated federal funding source for goods movement infrastructure investment in corridors of national interest. The concentrated movement of goods to the rest of the nation also brings serious local challenges.

- Estimates of health impacts to the Southern California region cite 1,200 premature deaths per year due to the effects of pollution generated by the goods movement industry. Equally troubling, health experts have estimated that 80% of Californians who are exposed to dangerous levels of diesel emissions reside in Southern California.

- Modeling for the region forecasts that truck vehicle miles of travel (VMT) will increase by over 110% by 2030, growing from a level of 22.4 million VMT in 2000 to 48.4 million VMT by 2030. Some freeways in the region currently handle up to 40,000 trucks per day, and it is projected that these freeways may have to handle up to 80,000 trucks per day by 2025. As a result of the growth in passenger and truck traffic, the highway system's performance will deteriorate significantly. In fact, by 2030 passenger and freight traffic will experience 5.4 million hours of delay daily. Furthermore, freight rail volume is projected to increase from 112 trains per day in 2000 to 250 trains per day in 2025 along the BNSF and Union Pacific mainline rail network. Taken together, this results in a combined gridlock of our freeway and freight system.

- Over 600,000 jobs in California are supported by trade traffic flowing in and out of Southern California's ports. According to the Los Angeles County Economic Development Corporation, this employment figure will increase by more than 1,000,000 jobs by 2030. Continuing regional economic viability is essential and should not be overlooked in solving the complex national freight goods movement federal infrastructure investments.

Recognizing the need for a regional approach to this issue, Southern California agencies have jointly funded, and approved, a comprehensive goods movement analysis looking at the Southern California trade corridor impacts and benefits (Executive Summary attached). The Multi-County Goods Movement Action Plan Report (MCGMAP) outlines a $50 billion need for an increased federal investment to effectively and efficiently address the overwhelming goods movement challenges facing the 21 million Southern Californians who live and work in the Southern California region represented by our transportation and planning agencies.

The recently completed MCGMAP report, which our agencies (Caltrans, Los Angeles County Metropolitan Transportation Authority, Orange County Transportation Authority, Riverside County Transportation Commission, San Bernardino Associated Governments, Southern California Association of Governments, Ventura County Transportation Commission, and San Diego Association of Governments) jointly prepared, documents a regional solution, and establishes priorities with documentation of need for over $50 billion over the next 25 years to ensure continued economic growth, enhanced mobility and improved air quality.

The above report recommended critically needed short term, intermediate and long term improvements necessary to ensure the flow of goods to the rest of the nation while mitigating regional and community impacts. The report also recommends funding strategies necessary to successfully ensure a strong and reliable goods movement system.

For more detail on national impacts and benefits, this report may be at: **www.metro.net/projects_studies/mcgmap/action_plan.htm**.

Local Efforts Have Not Been Sufficient for Mitigation of Goods Movement Impacts and an Increased Federal Partnership is Needed- To support both the need for mitigation and to improve essential goods movement infrastructure, California has taken independent steps towards dealing with the freight issues it faces.

The Proposition 1B bond issue was strongly supported by California voters in November 2006. In particular, a portion of Proposition 1B, the Trade Corridor Improvement Fund (TCIF) dedicated $2 billion for highway, freight rail, seaport, airport, and border access infrastructure improvements along corridors that have a high volume of freight movement. Another $1 billion was allocated to address air quality and other environmental impacts from goods movement. This represents a small but significant step towards increased resources necessary to improve our infrastructure and reduce negative environmental and congestion impacts to our communities.

Principles For Establishment of Freight Trust Fund- SCAG along with the other key agencies testifying here today as well as other national corridors in Washington, Mississippi, Chicago, Florida, Pennsylvania, New York, and New Jersey are active participants in the Coalition for America's Gateways and Trade Corridors (CAGTC). Our primary mission is to work with your Committee and your counterpart in the House regarding potential funding options of a freight trust fund.

Critical to any effective solution to the goods movement problem is a federal freight policy with the establishment of a dedicated federal fund, such as a Freight Trust Fund (FTF) or similar *dedicated* account, whose revenues are predictable, sustained, firewalled from other uses, and committed to infrastructure that enhances the movement of goods.

The Coalition continues to refine recommendations on how such a fund could be implemented, I have identified below the principles that should drive decisions about the FTF, some thoughts as to how funds might best be used, and some suggestions about the potential sources of revenues.

The FTF should be comprised of existing and new revenue sources. In practice, the FTF should be established either as a separate entity or as a dedicated, firewalled freight account within the HTF to collect fees, retain unexpended balances and liquidate annual appropriations, in order to give assurance to those who pay into the fund that it will be fully used for the *designated* purposes. While some of the traditional Highway Trust Fund sources might be allocated, additional monies could come from beneficiaries of freight infrastructure improvement and be based on the following principles:

1. The price of goods should support and internalize some portion of the cost of expanding related infrastructure, such that growth in demand for moving goods delivers proportional funding for related infrastructure improvement.

2. All potential funding mechanisms and sources should be considered and fees assessed on user benefit.

3. FTF revenue sources should be predictable, dedicated and sustained.

4. The FTF should be financed from a wide variety of user fees, so that no one-user group is disproportionately affected, with the recognition that the consumer is the ultimate beneficiary.

5. Funds should be available to support projects of various size and scope, but with special priority for projects of national significance.

6. Funds should be available to support multi-jurisdictional and multi-state projects selected on the basis of their contribution to national freight efficiency.

7. The current federal gasoline tax should continue to be dedicated to the traditional core programs; however, a small percentage of any future increase in the gas tax could be dedicated to the FTF, reflecting the real benefit to the driving public from freight projects that relieve highway congestion. Certainly, the federal fuel taxes should not be reduced.

8. Fund distribution could be based on objective, merit-based criteria, with higher-cost projects subject to more stringent evaluation than lower-cost efforts.

9. Long-term funding should be made available in a manner similar to the current Transit Full Funding Grant Agreements to ensure that once a project is approved, funds will flow through to completion.

Overall, FTF funds for support of major freight investments should be distributed in a manner consistent with the process and procedures detailed by the Congress in Section 1301 of SAFETEA-LU for Projects of National and Regional Significance (PNRS). Assuming Congress keeps the PNRS program in the next reauthorization and does not earmark the funds, the PNRS criteria, currently the subject of an administrative rulemaking could serve as a formula for discretionary allocation.

FTF Potential Funding Options- Contributions could come from a variety of independent new sources to supplement existing revenues in a way that will fairly share the burden of cost for system development and maintenance among users/ beneficiaries commensurate with their use of facilities. All users of the freight transportation system should be required to contribute to the FTF. Revenue streams could also be as diverse as practicable to ensure FTF income is resistant to economic cycles and will grow to keep pace with demand for infrastructure and inflation.

At least four types of revenue sources could be considered to provide the equitable, diverse and stable revenue stream necessary:

1. **Motor fuel user fees** – gasoline, diesel, alternatives including gasohol, biofuels, and railroad fuels;

2. **Direct vehicle fees**- new registration, use and sales;

3. **Indirect user fees-** dedicated national sales taxes and proxies based on cargo weight or value such as bill of lading, cargo facility charges or freight consumption fees; customs fees are generated by trade and applying a portion of these monies to support the infrastructure necessary to conduct that trade is a logical and fair use; and,

4. **Longer term fees**-established to offset reductions in fuel taxes as consumption moves away from gasoline and diesel, including carbon emission fees, weight distance taxes of all surface-based vehicles and other vehicle mileage taxes.

Looking beyond the financing mechanisms immediately available, additional sources made possible by the phasing in of new technologies into America's transportation fleet may offer long-term solutions. Chief among these are ton-based fees and ton-mile taxes, which have the added benefit of improved cost allocation.

These new revenue sources could effectively measure "freight consumption" in small increments and be incorporated in the consumer price of goods, reducing public opposition while concurrently removing modal biases and state-by-state equity issues.

At the state and local levels, federal policies should provide transportation planners with the largest toolbox of financing options possible to enable them to move freight projects forward as quickly and efficiently as possible.

This is vital to support the development of local projects and connectors, in addition to the necessity of raising funds to match federal FTF monies.

Among the tools federal policy could further enable are: tolling of new freight facilities, innovative financing, private investment and public-private partnerships. Creative solutions are needed to increase capital sources. In addition, general fund allocations are an important tool at the state and local levels and federal FTF funding should be structured to incentivize and reward state and local investment.

Conclusion

Sustainable goods movement lies at the center of our quality of life, not only for the availability of consumer products, but because of transportation's impact on land use, energy consumption and environmental quality. Improvements to freight infrastructure can result in reduced congestion, better air quality, and less time and fuel wasted.

The anticipated acceleration of trade, combined with domestic growth, has created millions of new job opportunities and a higher standard of living for Americans. But these benefits will last only if we are able to keep goods moving.

It is suggested that the Senate Environment Public Works Committee consider a more proactive federal role in:

1. Developing clean air guidelines and international agreements that regulate vessels used for transporting goods to and through U.S. ports.

2. Supporting clean lease arrangements made by the ports for reducing ship emissions.

3. Identifying more aggressive goods movement initiatives that assist with achieving regional air quality attainment, including the identification of sources of funding to accelerate environmental cleanup.

4. Establishing a federal dedicated freight trust fund to assist with implementation of projects and programs.

As the Committee begins to draft the transportation re-authorization bill, SCAG is committed to working with members of the Committee and staff in providing additional information concerning goods movement economic, employment, health, air pollution, and congestion reduction related issues.

Thank you for the opportunity to submit written comments on this federal transportation matter so important to our 168 cities' economic viability, health and mobility!