Agenda Item 5a

METROPOLITAN TRANSPORTATION COMMISSION

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Memorandum

TO: Legislation Committee

DATE: January 3, 2014

FR: Deputy Executive Director, Policy

W. I. 1131

RE: National Freight Program Advocacy Principles

Background

The Commission's 2014 Advocacy Program, adopted last month, supports the creation of a National Freight Program funded by a new, dedicated revenue stream. The Senate included a freight program in draft versions of MAP-21, but key elements were removed from the final bill. Staff has been actively working with Caltrans, the congestion management agencies (CMAs), in particular the Alameda County Transportation Commission (ACTC), the Port of Oakland, and a group of large MPOs from throughout the country on the development of federal freight policy recommendations.

The advocacy strategy adopted by the Commission states that MTC will partner with other metropolitan planning organizations in California and nationwide to establish a national freight program in the next surface transportation act that includes the following key elements:

- Require DOT to establish a *multimodal* National Freight Network, expanding on the highway-focused "Primary Freight Network" required by MAP-21.
- Establish a National Freight Trust Fund backed by new user fees generating at least $2 billion per year.
- Incorporate multiple revenue options so that the burden of funding the new program is distributed widely across all freight modes.
- Sources of new revenue that ought to be considered include:

  1. A freight waybill tax, sometimes called a "carriage" fee, added to the cost of transporting goods.
  2. A mileage-based user fee for trucks.
  3. Increasing and indexing existing user fees, such as the existing tire tax and heavy vehicle use tax.
  4. An optional charge that would be authorized at the federal level, similar to the airport Passenger Facility Charge, that seaports and land ports-of-entry could levy to raise funding for freight-related infrastructure improvements. Funds would be returned directly to the port and could be eligible to be spent more broadly than a traditional container fee.

In pursuit of this strategy, staff recommends that the Commission support specific funding options in order to advance the discussion. While the exact revenue options and details will evolve significantly as the federal program is developed, the principles outlined in the attachment are consistent with many national policy discussions that have occurred over the past few federal authorizations, and will serve as a starting point for more detailed freight advocacy materials.

Staff requests that the Committee forward the attached principles to the Commission for approval.

Ann Flemer

Ann Flemer

AF: RL

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MTC Advocacy Principles for a National Freight Program

1. Establish a Multimodal National Freight Network

While MAP-21 took an important first step in acknowledging the importance of freight and defining a National Freight Policy, future goods movement legislation should broaden the definition of the Primary Freight Network beyond roadways, and include freight rail, navigable waterways, inland ports, seaports, land ports of entry, freight intermodal connectors and airports.

2. Establish a National Freight Infrastructure Grant Program

To fund improvements to the nation's freight infrastructure, a new national freight infrastructure grant program must be established and funded at a minimum of $2 billion per year. The program should have two components, a competitive program and a formula program.
Eligible projects should include:

- Enhancements to the efficiency and capacity of the freight network, including intermodal and terminal access, truckways, highway and key freight connector operational improvements, highway-rail grade separations, freight rail improvements, capacity expansion projects and similar investments across a variety of modes.
- Project elements that mitigate negative impacts borne by communities adjacent to key freight infrastructure.
- Upgrades to truck fleets, cargo handling equipment, locomotives and shore side power infrastructure to reduce energy consumption and emissions.

A Competitive Multimodal Freight Program

A discretionary, merit-based grant program for projects of national significance should be established and should comprise the *majority* of the National Freight Program.

- Projects should be selected by an Office of Freight Policy within the Office of the Secretary of Transportation based on objective criteria aimed at maximizing and enhancing the performance of the national freight network.
- To be eligible, projects must be included in a state's Freight Mobility Plan. For metropolitan areas over 1 million in population, projects must be supported by the appropriate metropolitan planning organization.
- Capacity improvements should be evaluated on an equal footing with other congestion relief strategies, such as intelligent transportation system improvements.

A Formula-Based Freight Program

Given that goods travel across all 50 states, a portion of the new National Freight Program should be distributed on a formula basis so that each state receives some level of funding.

- The formula should be based, in part, on freight volumes in each state.
- Projects could be selected by state DOTs, in consultation with ports and MPOs.
- The funds should be eligible for a wide range of projects across all modes, including port improvement projects inside and outside terminals.

3. Establish a National Freight Trust Fund Backed by New User Fees

Realization of a National Freight Program depends on Congress authorizing new revenue mechanisms to support it. We recommend Congress consider a range of user fees that have a clear nexus to goods movement and that distributes the cost of the program broadly across the economy, consistent with the widespread benefits of an effective national freight system.

Additionally, to ensure that the funds are dedicated to goods movement and not diverted to other purposes, Congress should establish a National Freight Trust Fund restricted to projects benefiting goods movement.

4. Reward Higher Local Match

To ensure that the competitive program is targeted to the most critical freight bottleneck projects that will have the greatest economic benefit to the nation, MTC recommends:

- Incentives to reward projects with a local match from public and/or private sources equal to or greater than 50%. Incentives could include extra points in any competitive framework or a minimum set-aside for such projects.
- A minimum total project cost of $100 million for the competitive program to ensure that scarce federal resources are being invested in projects that are significant at a regional and/or national level.

5. The National Freight Trust Fund Should be Funded by a Combination of Sources

Carriage fee. This option, sometimes referred to as a "waybill tax," assesses a charge based on the cost of transporting a good. Such a fee is applied across all modes. According to the Coalition for Gateways and Trade Corridors, a 1% carriage fee could generate between $7-9 billion per year. Such a charge corresponds most directly to the burden a particular product imposes on the nation's freight system.

***Weight-Distance Tax*.** A weight-distance tax is a charge based on the truck's axle weight (commensurate to the damage done to the road) and the roads being used by the truck (charging more for high-use roads to account for the added burden that truck traffic has on the system). A number of states, including Oregon, Kentucky, New Mexico and New York, use some form of a weight-distance tax.

Index Existing Truck User Charges to Inflation

- Double and index the Heavy Vehicle Use Tax. The current charge ($100 plus $22 per 1,000 pounds over 55,000 lbs and $550 for every vehicle weighing over 75,000 lbs) has not been increased since 1983. It currently generates $364 million per year for the Highway Trust Fund (HTF).
- Double and index the federal tire tax, which is imposed on the purchase of all tires with a maximum rated load over 3,500 pounds. The current tax (9.45¢ per every 10 pounds that exceeds 3,500 pounds) generates $440 million per year for the HTF.

Facilitate Non-Federal Revenue Options

- **Public-Private Partnership Opportunities**. Expand federal tax code incentives and credit assistance to lower the cost of borrowing for the design and construction of freight-related projects.

- **Opt-in Container Fee.** Establish an opt-in national container fee to be applied at local discretion for seaports *and* land ports-of-entry, modeled on the airport passenger facility charge which is authorized at a national level, but imposed at local discretion. Funds would be distributed on a return-to-source basis to each seaport or, for a land port-of-entry, to an International Border Program Fund with funds designated to the entity responsible for improvements to that particular border crossing.