

**Testimony of Gary L. Gallegos  
Little Hoover Commission Hearing on  
Infrastructure Policy and Finance  
September 25, 2012**

Thank you for inviting me to participate in this public hearing as you continue to consider infrastructure and financing in California, particularly with regard to future transportation needs and potential funding strategies. The recent California Transportation Commission (CTC) *2011 Statewide Transportation Needs Assessment Report*, which the San Diego Association of Governments (SANDAG) helped to develop, identified a funding gap of \$296 billion (2011-2020) through an analysis of costs and projected revenues of both preserving the existing transportation system and building needed capacity.

Your invitation letter included four highlighted questions that I will attempt to answer based on the experience we have in developing innovative strategies to meet the transportation needs of our region. The timing of this hearing is appropriate given the recent work we conducted in developing the CTC *Needs Assessment* report and additional funding strategy research we prepared in partnership with the CTC.

**Question #1: What are California's ongoing and emerging transportation infrastructure needs?**

California's transportation system is the largest and most complex in the nation. Historical investments in freeways, roads, bridges, rail systems, airports, public transit, and other transportation infrastructure have fueled the state's phenomenal economic growth in recent decades. But times have changed.

Today, as in many other states, California's transportation system is in jeopardy. Investments to preserve transportation systems simply have not kept pace with the demands on them, and this underfunding has led to the decay of one of the state's greatest assets. Failing to adequately invest in the restoration of California's roads, highways, bridges, airports, seaports, railways, border crossings, and public transit infrastructure will lead to further decay and a deterioration of service from which it may take many years to recover. The future of the state's economy and our quality of life depend on a transportation system that is safe and reliable, and which moves people and goods efficiently.

In 2010, the CTC launched an ambitious effort to prepare a statewide transportation needs assessment. Enlisting the support of the state's regional transportation planning agencies along with state agencies, Caltrans, and non-governmental organizations, a comprehensive report on the overall transportation needs was completed in 2011. The work of the study team was coordinated by a core staff group provided by SANDAG.

The report revealed that the identified \$296 billion funding gap could be attributed to the following categories:

- System Preservation (Rehabilitation and Maintenance): \$193 billion (65%)
- System Expansion and System Management: \$102 billion (35%)

By comparison, the estimate of unfunded needs in previous needs assessment report from 1999, for a comparable ten year period, was \$106.2 to \$116.3 billion.

Specific needs were identified for ten project categories with the estimated costs and revenues shown in the following table.

<b>Costs</b>	<b>System Preservation (in \$ Billions)</b>	<b>System Management &amp; System Expansion (in \$ Billions)</b>	<b>Total (in \$ Billions)</b>
Highways	\$79.7	\$86.3	\$165.9
Local Roads	\$102.9	\$26.5	\$129.4
Public Transit	\$142.4	\$32.2	\$174.5
Inter-city Rail	\$0.2	\$6.2	\$6.4
Freight Rail	\$0.1	\$22.3	\$22.4
Seaports	\$4.6	\$7.5	\$12.1
Airports	\$10.4	\$5.5	\$15.9
Land Ports	\$0.9	\$0.0	\$1.0
Intermodal Facilities	\$0.0	\$5.9	\$5.9
Bike / Ped	\$0.0	\$4.5	\$4.5
<b>Total Costs*</b>	<b>\$341.1</b>	<b>\$197.0</b>	<b>\$538.1</b>

\* Includes \$3.81 billion in SHOPP Mobility Program costs under System Management & System Expansion

In the San Diego region, the transportation needs reflect those of the State of California. The SANDAG Board of Directors approved the first Regional Transportation Plan and Sustainable Communities Strategy (RTP/SCS) prepared in the State of California pursuant to Senate Bill 375 (Steinberg), which required the Plan to meet greenhouse gas reduction targets established by the California Air Resources Board (CARB). The Plan has a forecasted planning year of 2050 and includes a cost-constrained program of more than \$200 billion in multimodal transportation investments.

**Question #2: What should the state’s strategies for planning, financing and meeting these needs look like?**

It is our observation that the State of California often has a mismatch between policy and budgetary decisions that exacerbate the transportation infrastructure funding challenge. For example, the legislature recently passed various laws aimed at reducing greenhouse gasses and mitigating climate change while at virtually the same time action was taken to cut funding for transit operations throughout the state. The most recent examples of attempts to fund transportation infrastructure have been statewide bonds and/or stimulus programs that are one-time injections of funding. While these may result in the construction of some small portion of the need for new capital projects, they

completely ignore the need for ongoing maintenance and rehabilitation of the existing system and the need to operate both the existing system and the new capital improvements that are added. In order to systematically and comprehensively address the needs for adequate mobility and to support a vibrant economy, the state needs to help secure a stable, reliable and on-going source of funding to support planning, developing, maintaining and operating a world-class multimodal transportation system.

The CTC, with assistance from various public agencies and organizations across the state, has now begun to research strategies to address the \$296 billion funding gap mentioned above. After consideration of more than twenty potential funding strategies, the CTC's ongoing effort to develop funding and/or financing strategies has included seven key strategies that could have the most impact on bridging the identified funding gap. These strategies are:

- Vehicle Miles Traveled Fee
- Toll Road and HOV/HOT Lane Fees
- Per Gallon Gasoline Tax Increase with Indexing
- Gasoline Sales Tax and Diesel Sales Tax
- Vehicle License Fee
- Self Help Tax Measures
- Cap and Trade

The CTC's efforts to develop these strategies into follow up recommendations to the Needs Assessment are still ongoing, and the regions continue their involvement in the process. It is recognized that some and/or all of the strategies involve significant challenges and that much effort will need to be put into gaining support of key stakeholders to find solutions to adequately fund transportation infrastructure.

**Question #3: How has SANDAG identified and addressed its needs as a region, and how has it approached the planning processes? What can the state learn from regional approaches such as this?**

The transportation planning process in the San Diego region is the responsibility of the SANDAG Board of Directors, made up of mayors, councilmembers, and supervisors from each of the 18 cities and County government. With all land use authorities having a seat at the table, a regional forecast is developed to project the future population of the county out to the year 2050. This population forecast reveals the growing needs of region in terms of housing and employment – which is critical to planning and developing an effective and efficient multimodal transportation system.

Often “needs assessments” are viewed as “wish lists” of projects – not so with the San Diego region's 2050 RTP/SCS. It is based upon the regional growth forecast and is cost constrained by applying anticipated revenues over the life of the plan. The 2050 RTP/SCS is the mechanism used to link transportation needs to the planned land use changes over time. For example, the San Diego region has been shifting to a more compact “smart growth” land use strategy as more undeveloped land is

constrained and local jurisdictions move away from developments dominated by single-family homes to more infill developments with more multi-family units. Therefore, the transportation plan has evolved to place much more emphasis on public transit, active transportation, and other strategies that respond to the land use changes as well as statewide goals to reduce greenhouse gas emissions.

This planning process has led to many innovations in the San Diego region to address our transportation needs:

- County voters approved a half cent self-help sales tax extension in 2004, which is expected to generate an additional \$14 billion for public transit, highway, and local street and road improvements through 2048. SANDAG leverages these funds with state, federal, and other local resources to improve the region's transportation infrastructure and tackle growing traffic congestion head-on. Public oversight of the program expenditures are provided by an independent taxpayer oversight committee.
- Since the mid-1990s, SANDAG has been a leader in the use of pricing to manage and fund regional transportation facilities and services. SANDAG dedicates a portion of the Interstate 15 (I-15) HOT lane toll revenues to fund transit service operating in the I-15 corridor. The enabling legislation authorizing the I-15 HOT lanes requires that any toll revenue collected in excess of the cost to operate and maintain the HOT lane facility be dedicated to providing public transit service. The current service is a precursor to the planned I-15 Bus Rapid Transit service and is a highly successful example of a targeted, efficient, and low-cost solution to regional commuting needs.
- Another innovative approach to transportation funding needs in the San Diego region is the plan to construct an additional land Port of Entry (POE) with Mexico in the eastern Otay Mesa area and to pay for it through the use of tolls. Wait times for both passengers and commercial vehicles at the international border are excessive and are projected to grow longer in the future. These wait times restrict trade and result in the loss of billions of dollars in economic activity to the region, the state, and the nation as the goods transported are shipped throughout the country.
- Finally, in 2011 SANDAG recently acquired the lease to operate the State Route 125 toll road ("Southbay Expressway"), paying roughly one-third of what a private consortium spent to build the toll road. In June 2012, SANDAG lowered tolls by as much as 40 percent to 50 percent, resulting in increased use of the toll facility. The reduced tolls are expected to attract traffic to SR 125, helping to relieve congestion on I-805 and reducing the need for some improvements there. SANDAG recognized the opportunity to purchase an important regional transportation asset and to operate it for the benefit of the region's commuters while still maintaining its financial commitments.

**Question #4: What reforms at the state level would assist local and regional governing bodies as they work to meet their infrastructure needs?**

Outlined below are several steps that the state could take to assist regions in meeting local and regional infrastructure needs:

- **Lowering the voter threshold for infrastructure investment measures.** The CTC Needs Assessment recognizes that local revenues are providing an increasingly greater share of funding for California's transportation system. Local voters have shown the willingness to tax themselves if they support improvements included in regional and local expenditure plans. While many of the state's largest counties have been able to achieve two-thirds voter approval for new or extended sales tax measures for transportation, 39 of the state's 58 counties do not have a measure. Many of the RTP/SCS plans often assume that existing sales taxes can be extended or new ones can be enacted over the next 25 years. Lowering the voter threshold to 55 percent (as exists for school bonds) or to a simple majority would help local communities self-fund much of their transportation needs.
- **Ensure appropriate state investment in interregional transportation infrastructure.** The focus on shifting transportation planning to match local land use changes can be facilitated by the State of California by ensuring that the state's investments in interregional transportation infrastructure help support land use changes identified in RTP/SCS plans. In innovative regional efforts such as the State Route 11 and new Otay Mesa East POE, the state continues to have an important role in supporting and funding border transportation infrastructure, because of the impact to goods movement and trade throughout California.
- **Support implementation of federal project delivery streamlining reforms in California.** The recent federal surface transportation measure known as MAP-21 authorizes the use of a number of project delivery streamlining initiatives. The state should ensure that proven programs, such as the time-saving National Environmental Policy Act (NEPA) delegation program, continue uninterrupted. The state also should work with the U.S. Department of Transportation (USDOT), regions, and other stakeholders to evaluate how best to implement new initiatives, including streamlining federal environmental processes and simplifying federal project approval. Concerted state and federal support for these actions will enable all agencies to work together to create project timelines and process agreements to establish project approvals within a deadline.
- **Support efforts to reform the California Environmental Quality Act (CEQA).** SANDAG recently completed its 2050 RTP/SCS, which Caltrans, CARB, and USDOT determined to be in compliance with various state and federal laws and regulations. Subsequently, several petitioners filed a lawsuit against the SANDAG RTP/SCS. The briefs filed by the petitioners and the California Attorney General (AG), which intervened in the case, focus almost exclusively on the obligations of SANDAG under CEQA. They devoted little attention to the many other federal and state laws governing the preparation of RTP/SCS plans, which include mandates for addressing specific planning factors and creating baseline plans; consistency with other plans for land use, transportation, and air quality; public participation; planning for an intermodal system; state and federal agency consultation; air

quality conformity; and fiscal constraints, among other requirements. SANDAG diligently prepared an RTP/SCS in compliance with the myriad state and federal laws and regulations, and prepared a plan deemed in compliance by USDOT and two state agencies – only to be sued by the AG, another State agency. The state should support efforts for CEQA reform. One approach could be to integrate environmental and planning laws and regulations adopted during the last 40 years, minimize conflicting review, and reduce duplication between existing laws and CEQA analysis by limiting CEQA impact and mitigation analysis to the standards in existing federal and state environmental laws.

On behalf of SANDAG, we thank you for your interest in supporting efforts at the state level to assist regions and local governments in meeting their infrastructure needs. We believe that the State of California should take full advantage of the opportunity to reinforce and incentivize implementation of regional growth strategies and infrastructure plans for the benefit of our economic and environmental future.