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INFORMATIONAL HEARING

**Update on the Administration's Efforts to  
Develop an Integrated Freight Plan**

Monday, June 20 2016 ♦ State Capitol, Room 4202

Upon Adjournment of the  
Assembly Transportation Committee Hearing

Background Paper

Introduction:

In August 2015, the Transportation and Infrastructure Development Committee held an informational hearing to better understand how to plan for a vigorous freight system - one that moves goods efficiently, reduces emissions, and supports a vibrant economy. At the hearing, the Committee heard from Administration officials who were working on various freight planning efforts and from industry stakeholders.

In January of this year, the Assembly Transportation Committee held a follow-up hearing to assess the Administration's progress on developing an integrated freight action plan, as called for in the Governor's Executive Order B-32-15. The hearing focused largely on stakeholders' perspectives of what should be in the plan and about their concerns related to the plan.

A draft of that plan, the *California Sustainable Freight Action Plan*, was released in May of this year. According to the Administration, the plan is to provide "a recommendation on a high-level vision and broad direction to the Governor to consider for state agencies to utilize when developing specific investments, policies, and programs related to the freight transport system that serves our state's transportation, environmental, and economic interests."

Specifically, the Administration intends that the plan include recommendations on:

- A long-term 2050 vision and guiding principles for California's future freight transportation system.
- Targets for 2030 to guide the state toward meeting the vision.

- Opportunities to leverage state freight transport system investments.
- Actions to initiate over the next five years to make progress towards the targets and the vision.
- Pilot projects to achieve on-the-ground progress in the near term.

At the January hearing, stakeholders generally voiced support for the goal of an integrated plan for a cleaner, more energy-efficient goods movement system. Stakeholders also applauded the Administration's collaborative approach, to date, in developing the foundation for the plan.

However, stakeholders urged the Administration to consider the following when developing the plan:

- The plan should consider economic development on equal footing with the environment, and the Administration should ensure this by adhering to its commitment to fund the appropriate economic analyses. Specifically, stakeholders focused significantly on the need to develop metrics to measure economic competitiveness of the plan and economic impacts of regulations on the industry *prior* to finalizing the plan.
- The plan should be developed in a bottom-up framework, relying heavily on the work already done by local and regional authorities in development of their Regional Transportation Plans (RTPs) and sustainable communities strategies.
- The system envisioned by the plan needs to be a vision of the future, appropriately addressing a sustainable environment while at the same time providing for growth in the freight industry.
- The plan needs to provide predictability and certainty in order to entice private sector interest in investing in California.

Purpose of today's hearing:

The purpose of today's hearing is to give legislators an opportunity to assess how well the draft plan provides the following:

- Confidence that worthy policy goals of transitioning to a more sustainable freight industry and encouraging a thriving economy are balanced.
- Recommendations based on a solid understanding of the costs and benefits to the industry.

- Performance metrics, established in advance, so the Administration's expectations of the industry are clear.
- Certainty that the plan considers the economic well-being of freight industry stakeholders and will encourage private-sector investment in California.
- An identification of the Administration's investment priorities.
- Clarity with regard to regulations the Administration believes are necessary to implement the plan.
- Clarity with regard to how the plan will relate to other planning efforts, such as RTPs and sustainable communities strategies therein.

Background:

As we learned previously, there are a number of freight-related activities underway at regional, state, and federal levels, including:

- Regional Transportation Plans: RTPs establish the basis for programming local, state, and federal funds for transportation projects within a region. RTPs are developed in an open, transparent process and are intended to advance long-term policy goals, such as addressing transportation needs and reducing greenhouse gas (GHG) emissions.
- Moving Ahead for Progress in the 21st Century Act: The Moving Ahead for Progress in the 21st Century Act (MAP-21) was signed into law in July 2012 and was the first federal funding program to specifically address the need for comprehensive goods movement planning across the nation. MAP-21 established a national freight policy with specific goals including increasing economic competitiveness, improving the state of good repair, making greater use of advanced technology and innovation, and reducing environmental impacts.
- National Freight Strategic Plan: MAP-21 also mandated the U.S. Department of Transportation to produce a National Freight Strategic Plan (NFSP) which was published in draft on October 2015. The NFSP describes the freight transportation system and future demands on it, identifies major corridors and gateways, assesses barriers to freight system improvements, and specifies best practices for improving the freight system.
- California Freight Mobility Plan: Although MAP-21 did not specifically require states to produce freight plans, it signaled that those states with freight plans would be eligible to receive federal monies for goods movement should funds become available. AB 14 (Lowenthal), Chapter 223, Statutes of 2013, answered MAP-21's call for state freight planning and mandated the preparation of a state freight plan by the California State Transportation Agency (CalSTA). Specifically, AB 14 required CalSTA to complete the

California Freight Mobility Plan (CFMP) to govern immediate and long-range planning activities and capital investments with respect to freight movement. Development of the CFMP was guided by the California Freight Advisory Committee, made up of a representative cross-section of public and private sector freight stakeholders, including representatives of ports, shippers, carriers, freight-related associations, the freight industry workforce, the transportation department of the state, and local governments. The CFMP was released on December 31, 2014, and identified \$168 billion worth of freight-related infrastructure projects across the state.

- Sustainable Freight: Pathways to Zero and Near-Zero Emissions: Discussion Document: In its efforts to reduce diesel particulate matter and GHG emissions in the freight sector, the California Air Resources Board (ARB) released a discussion document in April 2015 entitled “Sustainable Freight: Pathways to Zero and Near-Zero Emissions: Discussion Document” (Pathways Document). The Pathways Document responds to the Board’s direction to identify, prioritize, and recommend specific measures and actions to meet the state’s air quality attainment and climate needs. In the Pathways Document, ARB discussed a variety of strategies to reduce emissions including moving toward zero emissions in the heavy-duty truck sector, accelerating technology development and deployment, addressing near-term nitrogen oxide reductions from trucks, expanding enforcement presence in the freight sector, and potentially implementing sector-specific control strategies such as facilities-based emission caps.
- Executive Order B-32-15: In July 2015, Governor Brown issued Executive Order B-32-15 that ordered the secretaries of Cal STA, the California Environmental Protection Agency, and the Natural Resources Agency to lead relevant state departments in developing an integrated action plan, by July 2016, that establishes clear targets to improve freight efficiency, transition to zero-emission technologies, and increase competitiveness of California’s freight system. The executive order further ordered the action plan to identify state policies, programs, and investments to achieve these targets, and required that the plan be informed by broad stakeholder input. Additionally, to ensure progress towards a sustainable freight system, the executive order ordered the initiation of work this year on “corridor-level freight pilot projects within the state’s primary trade corridors that integrate advanced technologies, alternative fuels, freight and fuel infrastructure, and local economic development opportunities.”
- Fixing America’s Surface Transportation Act: In December 2015, President Obama signed the Fixing America’s Surface Transportation Act (FAST Act), the federal reauthorization bill for transportation. Among the most significant changes under the FAST Act is the expanded focus on freight. While MAP-21 encouraged every state to develop a freight plan with an eye toward creation of a national freight network, it provided no funding. In contrast, the FAST Act creates a \$1.2 billion per year national freight program targeted toward building this network.

California expects to receive \$116 million per year as a result of FAST Act implementation. Additionally, the FAST Act creates a \$900 million dollar per year competitive grant program for nationally significant freight and highway projects and states, regions, and local governments are all eligible to apply for these funds individually or in groups.

Committee concerns: Despite the Assembly's multiple hearings on freight and the Administration's freight planning efforts, there are still a number of lingering questions and concerns, particularly about the draft *California Sustainable Freight Action Plan*, including:

- Funding priorities: California has submitted its *California Freight Mobility Plan* to comply with federal requirements for freight funding. Projects in the mobility plan were gleaned from RTPs and sustainable community strategies—strategies aimed at meeting region's transportation needs all the while meeting GHG emission reduction targets specified by ARB. What will be the relationship between the *California Sustainable Freight Action Plan* and the *California Freight Mobility Plan*? Will the action plan supplant the mobility plan for purposes of guiding federal freight investments? If so, what impact will this have on regional sustainable communities strategies? How will project priorities be established and what funding sources will be used?
- Economic competitiveness: It is still unclear what the state agencies are doing to address the economic competitiveness aspect of the plan. Funding to study freight efficiency and the transition to zero-emission technologies has already been directed to the integrated planning efforts. However, funding to develop tools and methodologies to ensure increased economic competitiveness has apparently not yet been provided. This issue was raised in the January hearing yet it is still unclear how the Administration expects to address this important perspective of the plan. Furthermore, outstanding issues such as a potential facilities cap, limited available technology, and potential stranded investments are unresolved and will affect the state's overall economic competitiveness.

As noted in previous hearings, the goods movement industry is vital to California. One-third of the state's jobs are tied to the freight industry and we must work to keep it healthy.

It is fairly clear that implementation of the *California Freight Mobility Plan* will result in a more environmentally sustainable freight system. What is not clear, however, is that implementation of the plan will result in a more economically sustainable freight system. We need both.