

Date of Hearing: April 4, 2016

**ASSEMBLY COMMITTEE ON TRANSPORTATION**

Jim Frazier, Chair

AB 1780 (Medina) – As Amended March 28, 2016

**SUBJECT:** Greenhouse Gas Reduction Fund: Sustainable Trade Corridors Program

**SUMMARY:** Continuously appropriates 20% of annual Greenhouse Gas Reduction Fund (GGRF) proceeds to the Trade Corridor Improvement Fund (TCIF) to be distributed by the California Transportation Commission (Commission) in accordance with established TCIF guidelines.

**EXISTING LAW:**

- 1) Requires the Air Resources Board (ARB), pursuant to AB 32 (Nunez), Chapter 488, Statutes of 2006, to develop a plan of how to reduce statewide greenhouse gas (GHG) emissions to 1990 levels by 2020. Under AB 32, ARB is authorized to include the use of market-based mechanisms to comply with these regulations (cap and trade).
- 2) Establishes the GGRF in the State Treasury and requires all money collected pursuant to cap and trade, with limited exceptions, be deposited into the fund and makes the GGRF funds available for appropriation by the Legislature.
- 3) Continuously appropriates 60% of GGRF fund proceeds, beginning in the 2015-16 fiscal year, for transit, affordable housing and sustainable communities programs, and high speed rail.
- 4) Established the TCIF, following the passage of the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B) on November 7, 2006, for the distribution of \$2 billion of Proposition 1B bond funds by the Commission in accordance with established criteria for infrastructure improvements along federally designated "Trade Corridors of National Significance" or along other corridors with high volumes of freight movement.
- 5) Continues the existence of the TCIF to receive funding from sources other than Proposition 1B including transfers from the GGRF for specified trade corridor infrastructure improvements.
- 6) Requires, pursuant to the federal Fixing America's Surface Transportation (FAST) Act, that states desiring to obtain freight formula funding have prepared a state freight plan, developed in accordance with federal requirements,
  - 7) Requires, pursuant to SB 535 (de León), Chapter 830, Statutes of 2012, that a minimum of 25% of the moneys available in GGRF be used to benefits disadvantaged communities.

**FISCAL EFFECT:** Unknown

**COMMENTS:** California's goods movement system is the bedrock of our economy, providing hundreds of thousands of jobs across the state and the nation. California's land, air, and sea ports

of entry serve as key commercial gateways for the movement of more than \$500 billion worth of products each year. These goods flow into and out of California's gateways and are moved across our surface transportation systems such as highways, rail systems, and local streets and roads.

Despite the economic benefits that goods movement represents, the industry also places a heavy burden on the state in terms of increased demand on transportation infrastructure and increased environmental impacts such as land development pressure, noise, and increased criteria pollutant and GHG emissions. These impacts are experienced across the state but are most keenly felt in disadvantaged communities that typically border major transportation corridors and hubs such as warehousing districts and sea ports.

In response to the increasing need for funding to improve the states deteriorating transportation infrastructure, voters approved Proposition 1B in 2006 that authorized the sale of general obligation bonds to fund transportation projects across the state to relieve congestion, improve goods movement flow, enhance the safety and security of the transportation system, and improve the state's air quality. Of the \$19.9 billion approved by voters, \$2 billion of bond proceeds were placed into the then-newly created TCIF program to fund transportation corridor improvements.

The TCIF program, administered by the Commission in accordance with the TCIF guidelines, was designated to fund projects identified in specified transportation infrastructure planning documents. The TCIF guidelines ensured that funds were equitably distributed across the state, that the highest statewide priority projects were funded, and that the funds were leveraged to ensure that the greatest number of projects were completed. The Commission's role was to ensure that the state and regions worked collaboratively to identify the highest priority projects that provide the greatest congestion relief benefits and that these projects were completed on schedule and within budget. Not only did TCIF achieve the goal of getting regions around the state to work together, it created jobs, reduced congestion, improved the state's air quality, and helped the state achieve its emissions reduction goals. Also, by requiring that projects receive matching funds, the TCIF successfully leveraged the program's \$2 billion in bond funds to complete \$7.2 billion in projects. To date, all of the Proposition 1B funds have been allocated and projects using TCIF are all nearly completed.

Recognizing the benefits that the TCIF program provided in addressing air quality impacts and California's goods movement system needs, the Legislature approved, and the Governor signed, SB 1228 (Hueso), Chapter 787, Statutes of 2014, to continue the existence of TCIF and clear the way for it to receive funds other than Proposition 1B dollars, namely GGRF funds. SB 1228 also updated the list of key freight planning documents used guide program expenditures. The intent of SB 1228 was to allow state and local jurisdictions to leverage cap and trade funds to complete key freight corridor projects to reduce congestion and address the state's air quality and climate change goals, particularly in areas with the poorest air quality and in disadvantaged communities.

The author points out that while SB 1228 established a basic framework, it did not provide much needed funding. To address this need, the author introduced AB 1780 that establishes a dedicated funding stream for the TCIF by continuously appropriating 20% of GGRF funds annually to the TCIF. This appropriation would allow eligible, high priority freight projects to be developed by state, regional, and local entities to address California's goods movement, air quality, and climate change goals.

In addition to state efforts directed at goods movement, recent federal transportation bills have also highlighted the need for freight planning and funding at the state level. For example, in the last federal transportation reauthorization (MAP-21) the need for comprehensive goods movement planning across the nation was highlighted and states were encouraged to develop comprehensive freight planning documents. More recently, in the FAST Act, states with freight plans were made eligible to receive formula funding (approximately \$150 million per year) for freight projects identified in state freight plans.

In responding to MAP-21's call for freight planning, Caltrans developed the California Freight Mobility Plan (CFMP), with input from the California Freight Advisory Committee, a group whose membership represents a broad cross section of state, federal, local, business, and community interests in goods movement. The CFMP identified over \$138 billion in freight projects across the state including \$30 billion in Tier 1 projects alone. While the \$150 million annually in federal funding will be helpful, it will not come close to meeting the near- or the long-term need identified in the CFMP.

Writing in support of this bill, the Automobile Club of Southern California points out that this bill will result in much-needed infrastructure improvements on the state's major trade corridors and also have a positive impact on air pollution and GHG emissions. They correctly point out that by addressing key freight system bottlenecks, providing rail grade separations, and implementing other important infrastructure improvements, vehicle hours of delay will be reduced; travel time, reliability and congestion will be improved; traffic safety will be enhanced; and vehicle emissions will decline as trucks and trains move more efficiently throughout the state.

Writing in opposition to this bill, the Rural County Representatives of California (RCRC) note that, despite being supportive of the TCIF program, they take issue with the continuous appropriation of GGRF funds into the TCIF. They point out that a substantial portion of GGRF monies are already permanently allocated to other programs, leaving only a small portion available to support programs that are vital to rural communities. RCRC also points out that rural communities are not always able to access GGRF for transportation projects because they do not meet the statutorily-established definition of disadvantaged communities despite the fact that many rural communities meet other defining disadvantaged community criteria recognized by the state.

*Related legislation:* AB 2107 (Frazier), directs FAST Act freight funding into the TCIF for allocation by the Commission. AB 2107 is scheduled to be heard by this committee on April 4, 2016.

AB 1591 (Frazier), provides nearly \$8 billion a year in additional transportation funding, including allocation 20 % of cap and trade revenues, through the TCIF, for projects along major freight corridors. AB 1591 is currently awaiting a hearing in this committee.

SBX1 1 (Beall), would, among other things, deposit approximately \$300 million from a proposed diesel tax to fund TCIF projects. SBX1 1 is currently awaiting a hearing in the Senate Appropriations Committee.

*Previous legislation:* SB 1228 (Hueso), Chapter 787, Statutes of 2014, continued the existence of the TCIF to receive funding from sources including transfers from the GGRF for specified trade corridor infrastructure improvements.

SB 535 (de León), Chapter 830, Statutes of 2012, required, among other things, that a minimum of 25% of the moneys available in GGRF be used to benefits disadvantaged communities.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

Riverside County Transportation Commission (Sponsor)  
Alameda Corridor-East Construction Authority  
Automobile Club of Southern California  
California Association of Port Authorities  
California Transportation Commission  
Mobility 21  
Pacific Merchant Shipping Association  
Self-Help Counties Coalition

**Opposition**

California Chamber of Commerce  
Rural County Representatives of California

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