

Date of Hearing: July 1, 2024

ASSEMBLY COMMITTEE ON TRANSPORTATION

Lori D. Wilson, Chair

SB 295 (Dodd) – As Amended June 6, 2024

SENATE VOTE: 38-0

SUBJECT: Board of Pilot Commissioners: surcharge

SUMMARY: Removes expenditure caps on the Pilot Boat Surcharge Account and allows funds. Specifically, **this bill:**

EXISTING LAW:

- 1) Establishes the Board of Pilot Commissioners (BOPC) for the Bays of San Francisco, San Pablo, and Suisun for the purpose of regulating bar pilotage. (Harbors and Navigation Code (HNC) 1150)
- 2) Makes findings and declarations that it is the policy of the state to ensure the safety of persons, vessels, and property using Monterey Bay and the Bays of San Francisco, San Pablo, and Suisun, and its tributaries, and to avoid damage to those waters and surrounding ecosystems as a result of vessel collision or damage, by providing competent, efficient, and regulated pilotage for vessels that require pilotage services. (HNC 1100)
- 3) Requires inward or outbound vessels to pay bar pilotage fees based on the vessel's deepest draft (distance between the waterline and the bottom of the hull) and high gross registered tonnage (essentially volume of the enclosed spaces on the vessel). (HNC 1190)
- 4) Institutes an additional fee on harbor craft to recover the Bar Pilots' costs of obtaining new pilot boats for the purposes of extending the service life of existing pilot boats, excluding costs for repair or maintenance. (HNC 1194)
- 5) Establishes the Pilot Boat Surcharge Account in the Board of Pilot Commissioners' Special Fund to fund the costs of obtaining new boats and funding design and engineering modifications for the purpose of extending the service life of existing boats, excluding costs for repair and maintenance. (HNC 1159.1)
- 6) Places expenditure caps by fiscal year on the Pilot Boat Surcharge Account through fiscal year 2035-36. (HNC 1159.1)
- 7) Allows for any unspent funds in the Pilot Boat Surcharge Account to carry over to the subsequent fiscal year. (HNC 1159.1)

FISCAL EFFECT: Unknown

COMMENTS: Prior to the American Revolution, pilotage was regulated by colonial legislatures which generally provided for the commissioning of pilots, apprenticeship requirements, and establishing fees. When the United States Constitution was adopted, it recognized that pilotage fell within the domain of the federal government because it involved foreign commerce. One of the first acts of the newly formed Congress in 1789 was to recognize state laws regulating

pilotage and to delegate that authority to the states. In California, San Francisco Bar Pilots (SFBP) have been guiding ships into the San Francisco Bay since at least 1835, and one of the first legislative enactments by the newly formed California Legislature in 1850 was to address the regulation of San Francisco bar pilots.

SFBP steer large commercial vessels through the Golden Gate of San Francisco Bay and adjoining navigable waters, which include San Pablo Bay, Suisun Bay, the Sacramento River, and associated tributaries. When a vessel arrives at a point eleven miles west of the Golden Gate Bridge, a bar pilot boards the vessel, takes navigational control, and guides the vessel to its berth. The same process occurs in reverse as vessels depart from the San Francisco Bay. The SFBP's primary function is to ensure that large commercial vessels are navigated safely through the San Francisco Bay's confined waters. They provide service for all types of commercial vessels, from 100-foot tugs to 1000-foot supertankers. The SFBP intermittently operate five pilot vessels: three offshore station vessels and two high speed harbor vessels. Corporations and ship owners who use the SFBP's services pay for 100% of their operating costs, including the costs of obtaining new pilot boats.

Commercial Harbor Craft Regulation. The California Air Resources Board (CARB) adopted the Airborne Toxic Control Measure for Diesel Engines on Commercial Harbor Craft in 2008 to reduce emissions of diesel particulate matter, oxides of nitrogen, and reactive organic gases from diesel engines used on commercial harbor craft operated in regulated California waters. CARB amended the original regulation in 2010 to include additional vessel categories, including crew and supply, barge, and dredge vessels. The current regulation will be fully implemented by the end of 2022. At the end of 2021, CARB proposed to amend the current regulation to further reduce emissions from harbor craft in impacted communities.

The proposed regulations accelerate the SFBP's new build program to a schedule that requires the construction of three vessels by the end of 2024, an additional vessel by the end 2025, and one more vessel by the end of 2028. Compliant equipment adds additional \$10.5 million in construction costs resulting in a \$45 million build program.

The Pilot Boat Surcharge Account. AB 2056 (Grayson), Chapter 769, Statutes of 2022 established the Pilot Boat Surcharge Account to fund the costs of obtaining new pilot boats, including funding design and engineering modifications for the purpose of extending the service life of existing pilot boats, excluding costs for repair or maintenance. Paying for these costs may require the expenditure of funds that in some years would exceed the amount of funding available in a specific year given the statutorily established caps. Removing the caps, enables BOPC to spend the funds that have been made available for this specified purpose as necessary to design and construct new vessels. The expenditure caps could potentially result in BOPC being unable to comply with CARB's Commercial Harbor Craft regulation as it would not have the ability to spend the necessary monies in a given fiscal year.

According to the author, "SB 295 provides much needed flexibility in order to allow the Bar Pilots the ability to upgrade and build new vessels. This flexibility will save millions of dollars in financing costs. Bar Pilots are fundamental to the smooth and safe operation of boats traveling in and out of California. The bill is supported both by the Bar pilots and PMSA. I respectfully ask for your Aye vote."

Supporters of the bill state, “This bill would remove the statutorily established caps in the Pilot Boat Surcharge Account (Account) established by AB 2056 (Grayson) [Chapter 769, Statutes of 2022], provide significantly more flexibility in the Account for the Board of Pilot Commissioners to disburse the funds necessary to replace/repower vessels to avoid millions of dollars in financing costs, and allow unspent funds to carry forward to future fiscal years for vessel replacement purposes. This revision also facilitates construction funding of CARB compliant pilot vessels, as well as providing rate predictability for vessels calling in California ports.”

Previous legislation: AB 2056 (Grayson), Chapter 769, Statutes of 2022 establishes the Pilot Boat Surcharge account in the Board of Pilot Commissioners’ Special Fund and places expenditure caps by fiscal year through fiscal year 2035-36. Allows for unspent funds in the account to carry over to subsequent fiscal years.

AB 807 (Grayson), Chapter 172, Statutes of 2021 increases the bar pilotage rate, as specified, adds new temporary movement fees for cost recovery related to maintenance and capital improvement costs, and makes various changes to the BOPC catastrophic cost recovery process.

REGISTERED SUPPORT / OPPOSITION:

Support

Cruise Lines International Association (co-sponsor)
Pacific Merchant Shipping Association (co-sponsor)
San Francisco Bar Pilots (co-sponsor)
Pacific Environment

Opposition

None on file

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