Date of Hearing: April 4, 2016

ASSEMBLY COMMITTEE ON TRANSPORTATION
Jim Frazier, Chair
AB 2170 (Frazier) – As Amended March 15, 2016

SUBJECT: Trade Corridors Improvement Fund: federal funds

SUMMARY: Requires federal freight revenues revenues apportioned to California from the Fixing America's Surface Transportation (FAST) Act be deposited into the Trade Corridor Improvement Fund (TCIF) and apportioned to state, regional, and local transportation entities by the California Transportation Commission (Commission) in accordance with federal requirements and TCIF program guidelines. Specifically, **this bill**:

1) Requires that federal FAST Act freight funding be deposited into the TCIF and allocated in accordance with TCIF program guidelines as well as FAST Act requirements.

2) Updates the list of plans guiding TCIF investments by deleting references to the outdated port master plan developed by the California Marine and Intermodal Transportation System Advisory (CALMITSAC) and the California Air Resources Board's (ARB's) Sustainable Freight Strategy that will be superseded by the California Sustainable Freight Action Plan later this year.

3) Makes related, clarifying amendments.

EXISTING LAW:

1) 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.

2) Continued the existence of the TCIF, pursuant to SB 1228 (Hueso), Chapter 787, Statutes of 2014, and allowed TCIF to receive funding from sources other than Proposition 1B.

3) Encouraged states, pursuant to the federal transportation authorization of 2012 (Moving Ahead for Progress in the 21st Century or MAP-21), to prepare state freight plans, in accordance with federal guidelines.

4) Provides, pursuant to the federal FAST Act, that approximately $100-150 million annually be directed to states with state freight plans in place to be used for projects identified those plans.

5) Requires the California Transportation Agency, pursuant to AB 14 (Lowenthal), Chapter 223, Statutes of 2013, develop a state freight plan (California Freight Mobility Plan or CFMP) in accordance with MAP-21 guidelines and establish an advisory committee made up of federal, state, local, and regional representatives as well as private sector and specified interest groups, to guide CFMP development.

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 year. Despite the economic benefits that goods movement represents, the industry also places a heavy burden on the state in terms of the increased demand on transportation infrastructure and increased environmental impacts.

Although infrastructure needs have been well documented over the last several decades, our state's investment in goods movement has not kept pace with the demands of modern, trade-driven supply chains. Growing volumes of freight that move along our roads, rails, and waterways are increasingly choked by a lack of adequate capacity. Simultaneously, communities alongside these corridors choke on the resultant emissions. Without improvements to key freight transportation corridors, our ability to compete in the global marketplace will be hampered. In order to remain at the highest competitive level in vying for goods from other nations, our goods movement infrastructure must remain competitive, particularly if the state wishes to attract and sustain the trade business that will allow us to grow and prosper.

The TCIF program was created after voters approved Proposition 1B in 2006 which 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 funds were leveraged to ensure that the greatest number of projects were completed. The Commission also successfully ensured 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 to complete priority projects, it also created jobs, reduced congestion, improved the state's air quality, and helped the state achieve its emissions reduction goals. Additionally, 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 utilizing TCIF monies are all nearly completed.

While the TCIF program was created to distribute Proposition 1B funds specifically, in 2014, SB 1228 continued the existence of the TCIF and allowed it to receive funding from sources other than the general obligation bonds originally authorized under Proposition 1B. In accordance with SB 1228, revenues appropriated by the Legislature, such as cap and trade revenues, can be transferred into the TCIF and allocated by the Commission for specified projects in accordance with TCIF.

In recent years, the federal government has placed a greater emphasis on planning for and funding goods movement projects. For example, MAP-21 specifically directed the states to create state freight plans in order to be able to be eligible for future freight funding. In response, the Legislature passed AB 14 (Lowenthal), Chapter 233, Statutes of 2013, which directed the development of a state freight plan in accordance with MAP-21 requirements, no later than December, 2014. AB 14 also directed that a freight advisory committee be developed from a broad cross section of state, regional, local, business, and community interests involved in freight and goods movement and that their input be solicited in the development of the state freight plan. CFMP addressed the state's strategic goals for freight transportation and identified a total of $138 billion worth of freight system projects across the state with a total of 94 projects, totaling nearly $31 billion, identified as Tier 1 projects.

On December 4, 2015, the FAST Act was signed into law and becoming the first federal transportation bill to emphasize goods movement projects by dedicating up to $6.2 billion nationally for freight-related projects over 5 years. Of this total, California expects to receive an annual average of $116 million per year over five years for freight projects identified the CFMP.

Beyond the requirement that projects be included in a state freight plan, however, the FAST Act did specifically outline how the federal freight funding should be distributed. Recently, Caltrans indicated their intent to distribute the funds using, what they describe as a historic, formulaic division where 60% of the funds be allocated to the state for allocation and 40% to the regions. The author firmly believes, that dividing designated federal freight funding in this manner would dilute the capacity to use the funds to their fullest advantage. Specifically, he notes that the TCIF provides a proven model of collaboration between the region with an equitable distribution of transportation funds across the state, that the Commission has proven itself to successfully hold TCIF program participants to tight project schedules and budget, and, most importantly, that the TCIF is a proven mechanism to leverage funds.

Writing in support of AB 2170, the sponsor (Southern California Association of Governments or SCAG) correctly points out the Proposition 1B bond funds, for which the TCIF was created, barely scratched the surface of meeting future investment need in the state's trade corridor infrastructure but that the state has the opportunity to continue the program's efforts by moving federal freight funds through the TCIF. By utilizing the TCIF process, SCAG notes that both the state and regions will be able to act quickly and efficiently to develop priority projects identified in the CFMP, without needing to "reinvent the wheel" and that the leveraging power provided by program will ensure that the greatest numbers of projects are developed.

Committee comment: This year, a number of bills, including AB 2170, make use of the authority provided in SB 1228, and seek to move funds into the TCIF program for allocation by the Commission to priority freight projects identified in the CFMP. For example, AB 1591 (Frazier) as well as AB 1780 (Medina) would each continuously appropriate 20% of Greenhouse Gas Reduction Fund (cap and trade) monies into the TCIF for allocation by the Commission in accordance with TCIF guidelines and state emission reduction program goals set forth by AB 32 (Núñez), Chapter 488, Statutes of 2006. Should both AB 1591 and AB 1780 complete the legislative process, the bills will be reconciled such that a total of 20% of Greenhouse Gas Reduction Fund (GGRF) funds (not 40%) be directed to the TCIF.

Related legislation: AB 1591 (Frazier), continuously appropriates 20% of annual GGRF proceeds to the TCIF to be distributed by the Commission in accordance with established TCIF guidelines. AB 1591 is scheduled to be heard by this committee on April 4, 2016.

AB 1780 (Medina) would continuously appropriates 20% of annual GGRF proceeds to the TCIF to be distributed by the Commission in accordance with established TCIF guidelines. AB 1780 is scheduled to be heard by this committee on April 4, 2016.

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.

AB 14 (Lowenthal), Chapter 223, Statutes of 2013, required the California State Transportation Agency to prepare a state freight plan to govern the immediate and long-range planning activities and capital investments of the state with respect to the movement of freight.

AB 32 (Núñez), Chapter 488, Statutes of 2006, set the goal of reducing GHGs to 1990 levels by 2020 and allowed ARB to establish, by regulation, market-based compliance mechanisms to help achieve that goal.

REGISTERED SUPPORT / OPPOSITION:

Support

Southern California Association of Governments (Sponsor)
Automobile Club of Southern California
Alameda Corridor-East Construction Authority
California Association of Port Authorities
California Transportation Commission
Imperial County Transportation Commission
Los Angeles County Metropolitan Transportation Authority
Orange County Transportation Authority
Pacific Marine Shipping Association
Port of Long Beach
Port of Los Angeles
Riverside County Transportation Commission
San Bernardino Associated Governments
San Diego Association of Governments
San Gabriel Valley Council of Governments
Ventura County Transportation Commission

Opposition

None on file

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