

Date of Hearing: April 22, 2019

ASSEMBLY COMMITTEE ON TRANSPORTATION

Jim Frazier, Chair

AB 371 (Frazier) – As Amended April 8, 2019

**SUBJECT:** Transportation: freight: statewide economic growth, prosperity, and resiliency assessment.

**SUMMARY:** Requires the Governor's Office of Business and Economic Development (Go-Biz), in consultation various state agencies, to prepare a statewide economic assessment of the California freight sector by December 31, 2021, and to update the assessment at least every five years; and requires the California State Transportation Agency (CalSTA) to incorporate the findings of the assessment into the California Freight Mobility Plan (CFMP). Specifically, **this bill:**

- 1) Requires GO-Biz, in consultation with the Air Resources Board (ARB), California Transportation Commission (CTC), and CalSTA, to prepare a statewide growth, prosperity, and resiliency assessment of the California freight sector for setting the policy foundation and baseline from which to evaluate the impact of government actions on the competitiveness of the state freight sector.
- 2) Requires that the assessment expand on the California Sustainable Freight Action Plan and do identify the following:
  - a) The economic competitiveness of all sectors of freight movement. In developing this information, the strengths and weaknesses of the California economy are required to be evaluated, with a focus on emerging issues in the near- and mid-term, including issues related to international trade, manufacturing, warehousing, defense, and goods movement that may impact businesses, workers, and the public sector.
  - b) Metrics and baselines from which to measure the effectiveness of the goals, recommendations, and actions proposed in the assessment, including, but not limited to, financial performance, market share performance, labor market effects, and overall economic performance of the freight sector.
  - c) Goals to increase economic competitiveness and strengthen resilience to economic downturns.
  - d) A process to track, at least annually, progress being made to reach the goals and implement the recommendations and other actions proposed in the assessment. The process must include a mechanism for modifying those goals and actions to address immediate and emerging issues that may impact the competitiveness of the freight sector.
  - e) Strategies California is employing to address freight mobility issues that affect freight economic competitiveness, such as truck bottlenecks, inefficiencies, and congestion, and recommend to the CTC and the CalSTA complementary or additional strategies to reduce these mobility issues.
  - f) Challenges the California freight sector faces in meeting the state's emission reduction goals and emission-reducing regulations and how these challenges may affect the overall

vitality of moving freight in the state, and recommend strategies the state can use to address these challenges.

- g) Whether economic competitiveness is being prioritized in the California's freight sector by assessing and comparing the amounts of public resources applied to improving freight efficiency, transitioning to zero-emission technologies, and increasing the competitiveness, as those targets were described in the California Sustainable Freight Action Plan.
- 3) Requires GO-Biz, in developing the assessment, to consult with the Legislature and representatives from a cross section of public and private sector freight stakeholders.
- 4) Requires GO-Biz, in developing the assessment, to use the most current data reasonably available to ensure the assessment reflects current market conditions.
- 5) Requires GO-Biz to prepare the assessment on or before December 31, 2021, and to update the assessment at least once every five years.
- 6) Requires CalSTA to incorporate the findings of the assessment into the 2019 CFMP as an addendum by December 31, 2022.
- 7) Requires CalSTA to incorporate the findings of the assessment into the 2024 state freight plan. The findings of the most recent assessment are required to be included in each new update of the CFMP.
- 8) Defines "economic competitiveness" as the California freight sector's ability to successfully compete with freight sectors in other states as measured by using existing comparable metrics, to increase the productivity of freight and related sectors, and to contribute to the growth of California's economy. Economic competitiveness is affected by policies, institutions, and investments that influence the freight sector's productivity.
- 9) Defines "freight sector" as all transportation-based and transportation-dependent enterprises involved in the supply chain from point of origin to point of consumption.
- 10) Updates federal law references; and makes various findings and declarations related to freight.

#### **EXISTING LAW:**

- 1) Establishes GO-Biz to serve the Governor as the lead entity for economic strategy and the marketing of California on issues relating to business development, private sector investment, and economic growth. Among other duties, GO-Biz is authorized to make recommendations to the Governor and the Legislature on new state policies, programs, and actions, or amendments to existing programs in order to advance statewide economic goals, respond to emerging economic problems, and ensure that all state policies and programs conform to the state economic and business development goals.
- 2) Establishes ARB as the air pollution control agency in California and requires ARB, among other things, to control emissions from a wide array of mobile sources and coordinate with

local air districts to control emissions from stationary sources in order to implement the FCAA.

- 3) Establishes the Global Warming Solutions Act of 2006, [AB 32 (Núñez), Chapter 244, Statutes of 2006], that requires ARB to establish programs to reduce GHG emissions to 1990 levels by 2020 including the use of market-based mechanisms (cap-and-trade) to comply with these regulations.
- 4) Requires ARB to ensure that statewide GHG emissions are reduced to at least 40% below the 1990 level by 2030.
- 5) Establishes the Trade Corridor Enhancement Account (TCEA) and requires CTC to allocate monies from the TCEA for infrastructure improvements in this state on federally designated Trade Corridors of National and Regional Significance, on the Primary Freight Network, and along other corridors that have a high volume of freight movement, as determined by CTC and as identified in the CFMP.
- 6) Encourages 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.
- 7) Requires CalSTA to develop a state freight plan 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.
- 8) Provides, pursuant to the federal Fixing America's Surface Transportation (FAST) Act, that states prepare a state freight plan as a condition to receive funding under the National Highway Freight Program.

**FISCAL EFFECT:** Unknown

**COMMENTS:** California's sea ports of entry serve as key commercial gateways for the movement of billions of dollars' worth of products annually and, overall, freight movement generates about one-third of California's \$2.2 trillion economy and supports more than 5 million freight dependent jobs. Freight movement (also known as goods movement) represents a complex web of goods being transported via ship, plane, train or truck using highways, local roads, railways, navigable waterways, key seaports, airports, warehouses, and intermodal facilities. Due to increasing market demands, freight movement is expected to continue to grow, impacting our state while also facing competition from other locations in the United States and across the world. However, despite the growth and 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.

To reduce the environmental impacts of the transportation sector including freight, and to plan freight more comprehensively, the state has enacted various laws, regulations, initiatives and executive orders.

Most notable, AB 32 requires ARB to develop a plan to reduce GHG emissions to 1990 levels by 2020 and, subsequently, SB 32 (Pavley) Chapter 249, Statutes of 2016, requires ARB to ensure

GHG emissions are reduced to at least 40% below 1990 levels by 2030. AB 32 also requires ARB to prepare and approve a Scoping Plan, to be updated every five years, to achieve the maximum technologically feasible and cost-effective reduction of GHG emissions by 2020 and AB 398 (Garcia), Chapter 135, Statutes of 2017, requires ARB to update the Scoping Plan by January 1, 2018. Given that the transportation sector accounts for approximately 40% of GHG emissions, the Scoping Plan lays out various goals and efforts to reduce emissions from freight and mobile sources including to accelerate the use of clean vehicles, equipment, and fuels in the freight sector through targeted introduction of zero and near-zero emission technologies, and continued development of renewable fuels.

Recognizing the importance of freight, the state and federal government have placed a greater emphasis on planning for and funding goods movement projects. For example, the federal government through MAP-21, specifically directed the states to create state freight plans in order to be eligible for freight funding. In response, the Legislature passed AB 14 (Lowenthal), Chapter 233, Statutes of 2013, which directed CalSTA to develop a state freight plan no later than December of 2014. CalSTA released the CFMP in 2014. Subsequently, the federal government passed the FAST Act as a MAP-21 successor plan for surface transportation. The FAST Act also requires states to prepare a state freight plan as a condition of getting federal freight funding and mandates that 10 specified elements be included. germane to this bill are the elements that address mobility issues and identify major trends, needs and issues in the state. The CFMP is updated every 5 years and CalSTA is currently convening freight advisory committee meetings in preparation of the upcoming 2019 freight plan.

Further, in 2015, Governor Brown issued Executive Order B-32-15, which directed key agencies to create a sustainable freight plan with the goals of improving freight efficiency, transitioning to zero-emission technologies, and increasing competitiveness of California's freight system. These key agencies adopted the Sustainable Freight Action Plan in 2016. The plan provides short and long-term goals for state agencies to consider when planning for freight sustainability. Among other goals, the three main targets of the Sustainable Freight Action Plan include: 1) Improve freight system efficiency 25 percent by 2030 (tasked to Department of Transportation); 2) Deploy over 100,000 freight vehicles and equipment capable of zero emission operation and maximize near-zero emission freight vehicles and equipment powered by renewable energy by 2030 (tasked to the ARB); 3) Establish a target or targets for increased state competitiveness and future economic growth within the freight and goods movement industry (tasked to Go-Biz). Unfortunately, almost three years later, Go-Biz has been unable to collect all the needed information to develop clear targets for the latter requirement.

According to GO-Biz, who is facilitating the development of the target and who received no specific appropriation to undertake the work, two important studies are underway which once completed will help inform this third target in the Sustainable Freight Action Plan. These studies include examinations of the economic competitiveness of the state's freight system (estimated to be completed in 2021) and of the impact of transitioning to a lower carbon economy on the state's workforce with an emphasis on incumbent workers (estimated to be completed in 2020).

With the recent passage of SB 1 (Beall), Chapter 5, Statutes of 2017, approximately \$300 million of annual state funds and approximately \$535 in federal funds have been slated specifically for freight projects, under the Trade Corridor Enhancement Program (TCEP). TCEP supports goals and principles of and is informed by the National Highway Freight Program, the CFMP and the Sustainable Freight Action Plan. Given that the CFMP and the Sustainable Freight Plan will

inform how the state will plan, prioritize and fund freight transportation projects for the coming years, it is important that we have key data and goals on the freight industry.

The author has introduced this bill to push freight competitiveness in the state and to inform state freight planning. According to the author, “AB 371 tasks Go-Biz to build on their existing efforts of the Sustainable Freight Action Plan by identifying clear goals to promote economic competitiveness and a better understanding on how freight is effected by the economy, global and domestic competition, workforce performance, mobility issues and state regulations. While the Sustainable Freight Action Plan had clear goals for freight efficiency and environment protections, it did not specify what economic goals will be prioritized. In order for our state to be prosperous, AB 371 will ensure that efficiency, environmental protections and economic competitiveness are equally represented in our state freight plans and that California has clear targets to achieve all three goals in a balanced way.”

Writing in support, the Port of Los Angeles states, “Preparing a statewide economic vitality assessment of California’s freight industry is important for the future of the industry. Goods movement plays a tremendous role in the California economy and AB 371 is important step in considering and addressing the industry needs of today and to plan for the future.”

*Double referral:* This bill passed out of the Assembly Jobs, Economic Development and the Economy Committee on April 2, 2019, with a 7-0 vote.

*Related legislation:* AB 1411 (Reyes) of the current legislative session would establish as a state goal the deployment of 100,000 zero-emission medium- and heavy-duty vehicles and off-road vehicles and equipment, and the corresponding infrastructure to support them, by 2030, and requires specified state agencies to develop an integrated action plan for sustainable freight. AB 1411 will be heard in this committee on April 22, 2019.

AB 1262 (O’Donnell) of the current legislative session would require specified state agencies by January 1, 2021, and every 5 years thereafter to update the California Sustainable Freight Action Plan. AB 1262 will be heard by the Assembly Natural Resources Committee on April 22, 2019.

*Previous legislation:* AB 3015 (Caballero) of 2018 would have required the ARB by June 30, 2023, to develop a technical report that evaluates the cost and feasibility to transition to zero-emission cargo handling equipment and required CalSTA when developing the 2024 CFMP to consider ARB’s technical report and address the development of freight-related infrastructure to support the introduction of zero-emission equipment at seaports and railyards. AB 3015 was held in the Assembly Appropriations Committee.

AB 134 (Assembly Budget Committee), Chapter 254, Statutes of 2017, appropriated \$140 million for freight equipment projects from GGRF, but prohibited these funds to be used for the purchase of fully automated cargo handling equipment.

SB 103 (Senate Budget and Fiscal Review), Chapter 103, Statutes of 2017, required CTC using the TCEA to fund freight transportation infrastructure projects.

SB 32 (Pavley), Chapter 249, Statutes of 2016, required ARB to ensure that statewide GHG emissions are reduced at least 40% below 1990 levels by 2030 and required ARB to update the Scoping Plan.

AB 14 (Lowenthal), Chapter 223, Statutes of 2013, required CalSTA to develop a Freight Mobility Plan.

AB 32 (Núñez), Chapter 488, Statutes of 2006, required ARB to develop a plan of how to reduce emissions to 1990 levels by the year 2020, established the cap-and-trade program, and required ARB to develop a climate change scoping plan.

**REGISTERED SUPPORT / OPPOSITION:****Support**

AP Moller Maersk  
BNSF Railway  
California Association of Port Authorities  
California Railroads  
California Short Line Railroad Association  
California Transportation Commission  
Los Angeles County Business Federation  
Pacific Merchant Shipping Association  
Port of Los Angeles  
San Joaquin Valley Railroad Company  
Union Pacific Railroad

**Opposition**

None File

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