

Date of Hearing: June 27, 2022

ASSEMBLY COMMITTEE ON TRANSPORTATION

Laura Friedman, Chair

SB 1104 (Gonzalez) – As Amended June 14, 2022

SENATE VOTE: 35-0

SUBJECT: Governor’s Office of Business and Economic Development: Office of Freight

SUMMARY: Establishes the Office of Freight and requires it, in coordination with other specified agencies, to prepare an assessment of statewide economic growth, competitiveness, prosperity, resiliency, and sustainability for the state’s ports and freight sector. Specifically, **this bill:**

- 1) Establishes the Office of Freight within the Governor’s Office of Business and Economic Development (GO-Biz) and requires the Office of Freight to:
 - a) Serve as the coordinating entity to steer the growth, competitiveness, and sustainability for freight and ports across the state; and,
 - b) Promote and assess the continued economic vitality and sustainability of the freight sector.
- 2) Requires the Governor to appoint a director of the Office of Freight, and requires the director to:
 - a) Oversee the Office of Freight;
 - b) Facilitate collaboration along the supply chain; and,
 - c) Advocate for the interests of business and industry in the freight sector.
- 3) Requires the director of the Office of Freight to have experience in commerce, trade, and cross-cutting supply chain management.
- 4) Requires the Office of Freight, the California Transportation Commission (CTC), the Transportation Agency (CalSTA), the Department of Transportation (Caltrans), and the State Air Resources Board (CARB) to meet as necessary to address and discuss ongoing freight and supply chain issues.
- 5) Authorizes the Office of Freight, in consultation with the Director of GO-Biz, to establish and convene one or more stakeholder advisory groups to help inform the work of the Office of Freight in implementing its mission and duties.
- 6) Requires the Office of Freight, in consultation with CARB, CTC, Caltrans, and CalSTA to prepare an assessment of statewide economic growth, competitiveness, prosperity, resiliency, and sustainability for the state’s freight sector.
- 7) Requires the Office of Freight to do all of the following in developing the assessment:

- a) Consult with a representative cross section of public and private sector freight stakeholders, including representatives of ports, shippers, carriers, freight-related associations, supply chain business, the freight industry workforce, the Public Utilities Commission (CPUC), the State Lands Commission, academic and research institutions, local air pollution control districts, environmental, safety, and community organizations and representatives from communities that are adjacent to, or environmentally impacted by, the freight sector;
 - b) Consult with the Legislature;
 - c) Use the most current data reasonably available to ensure the assessment reflects current market conditions; and,
 - d) Consider relevant data and outcomes from the Clean Freight Corridor Efficiency Assessment.
- 8) Requires the Office of Freight assessment to do all of the following:
- a) Evaluate the resiliency of the state's freight sector, including assessing the ongoing needs to address supply chain congestion outlines in Executive Order (EO) No. N-19-21;
 - b) Expand on the California Sustainable Freight Action Plan developed pursuant to EO No. B-32-15, and evaluate the role and capacity of the freight sector in advancing the zero-emission goals set forth in EO No. N-79-20;
 - c) Determine the economic competitiveness of all sectors of freight movement along the supply chain, including an evaluation of the state's supply chain competitiveness, international trade and exports, manufacturing, warehousing, distribution centers, capacity to expand, defense, and workforce development, to the extent each of these may impact businesses, workers, and communities as they relate to the freight industry;
 - d) Identify metrics and baselines from which to measure the effectiveness of the goals, recommendations, and actions proposed in the assessment in supporting financial performance, market share performance, workforce development, positive labor market effects, emerging technologies including logistics, and overall short- and long-term economic performance of the freight sector;
 - e) Assess the relative competitiveness and resiliency of different sectors of the supply chain, the impacts of trends in the economy across the supply chain, and how economic competitiveness for businesses and the freight sector can be supported under state and federal climate and air pollution policies;
 - f) Identify goals to increase economic competitiveness and strengthen resilience to economic downturns and the effects of climate change;
 - g) Determine 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, including a mechanism for modifying those goals and actions to address immediate and emerging issues, stay-at-home orders, or other crises that may impact the competitiveness of the freight sector;

- h) Identify ongoing strategies the state is employing to address freight mobility issues, such as congestion, truck bottlenecks, inefficiencies, and a deficit of workforce, and prioritize and recommend to the CTC and CalSTA complementary or additional strategies to reduce these mobility issues;
 - i) Identify challenges the California freight sector faces in meeting the state's emissions reduction goals, quantify the costs associated with meeting those emission reduction goals, and prioritize and recommend strategies the state can use to address these challenges; and,
 - j) Include a data sheet indicating the source of the data and the time period that the data reflects.
- 9) Requires the Office of Freight assessment to be used by GO-Biz to inform the development of, and recommended actions included within, for the strategy for international trade and investment.
- 10) Requires the state freight plan, beginning on or before December 31, 2029, and each state freight plan thereafter, to include the findings of the Office of Freight assessment.
- 11) Requires CalSTA to incorporate the findings of the Office of Freight assessment into the state freight plan that is due on or before December 31, 2024, as an addendum by December 31, 2024.

EXISTING LAW:

- 1) Establishes GO-Biz to serve for the Governor as the lead entity for economic strategy and the marketing of California on issues relating to business development, private sector investment, international trade, 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 to advance statewide economic goals, respond to emerging economic problems, and ensure that all state policies and programs conform to the state's economic and business development goals.
- 2) Requires CalSTA to prepare a state freight plan in compliance with federal law which can serve as a comprehensive plan to govern the immediate and long-range planning activities and capital investments of the state with respect to the movement of freight. The state freight plan is required, among other things, to include an inventory of facilities with freight mobility issues, such as truck bottlenecks within California, and a description of the strategies California is employing to address those freight mobility issues.
- 3) Requires CalSTA to establish a freight advisory committee consisting 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, CTC, Caltrans, CPUC, the State Lands Commission, CARB, regional and local governments, and environmental, safety, and community organizations.
- 4) Requires GO-Biz to provide to the Legislature, not later than July 1, 2019, a strategy for international trade and investment that includes, at minimum, specified components, including a framework that enables the office to evaluate on an ongoing basis, as appropriate,

current workforce, infrastructure, research and development, and other needs of small and large firms, including, among other things, airports. Requires the strategy to be updated at least once every five years.

FISCAL EFFECT: Unknown. This bill has changed significantly since it was heard in the Senate Appropriations Committee; therefore, the fiscal analysis at that time may no longer be accurate.

COMMENTS:

Californians depend on a goods movement system that provides communities with their most vital necessities including food, medicine, and inputs for manufacturing in a timely, efficient manner. However, the world has been experiencing global disruptions to the goods movement supply chain, which have been exacerbated by changes in the practices of numerous industry sectors during the COVID-19 pandemic and by changes in consumer demand during the ensuing economic recovery.

The Ports of Los Angeles and Long Beach move roughly 35% of all containers in the United States, approximately 40% of U.S. imports, and 25% of U.S. exports through the San Pedro Bay. California's nationally significant regional supply chains and goods movement networks have been negatively impacted by global disruptions, resulting in port congestion, extended shipping container dwell times, and bottlenecks farther downstream in the supply chain.

California currently has near and long-term actions under way, in partnership with the Supply Chain Disruptions Task Force established by the Biden-Harris Administration, to strengthen the resilience of California's and the Nation's supply chain:

- 1) The 2021 Budget Act included \$250 million to help ports offset COVID-19 related losses and \$280 million for port infrastructure projects at and around the Port of Oakland. The Budget also included \$1.3 billion over three years for zero-emission trucks, transit buses and school buses, including the deployment of over 1,000 zero-emission port drayage trucks.
- 2) In August 2021, California launched the California Supply Chain Success Initiative—a partnership with the Port of Long Beach and the California State University, Long Beach Center for International Trade and Transportation to engage the diverse network of stakeholders along the supply chain to discuss key challenges and identify creative solutions.
- 3) In October 2021, Governor Newsom issued Executive Order N-19-21, which directed state agencies to identify additional ways to alleviate congestion at California ports and expanded efforts to ease supply chain issues by engaging stakeholders to discuss challenges created by record demand for imported goods and capacity issues which have slowed distribution at ports along the coast.
- 4) This year's proposed budget includes \$1.2 billion (\$600 million in 2022-23 and \$600 million in 2023-24) to be administered by CalSTA, in collaboration with Caltrans, for port-specific high priority projects that increase goods movement capacity on rail and roadways at port terminals, including railyard expansions, new bridges, and zero-emission modernization deployment.

Freight Policy Oversight in California. The responsibility and authority for freight transportation is spread among three departments: (1) Caltrans, (2) CARB, and (3) GO-Biz. Caltrans oversees the Office of Freight Planning, which develops the California Freight Mobility Plan. CARB regulates freight transportation generally and Regional Transportation Plans under SB 375 (Steinberg), Chapter 728, Statutes of 2008. CARB is also responsible for the California Sustainable Freight Action Plan which establishes targets to improve freight efficiency, transition to zero-emission technologies, and increase competitiveness of California's freight system. GO-Biz administers the economic competitiveness portion of the Sustainable Freight Action Plan.

This bill establishes the Office of Freight within GO-Biz. This bill identifies the duties and necessary experience of the director and outlines the requirements of the Office of Freight in preparing an assessment of statewide economic growth, competitiveness, prosperity, resiliency, and sustainability. This bill also authorizes the Office of Freight to establish and convene stakeholder advisory groups to help inform the work of the Office of Freight. Finally, this bill requires the new assessment to be incorporated into the broader state freight plan, prepared in compliance with federal law.

The Administration has an alternative proposal to coordinate state freight policy and planning. This year's proposed budget requests three new positions to establish a freight policy team at CalSTA that would oversee and coordinate freight policy across the state. The budget request aligns with the recent Bipartisan Infrastructure and Jobs Act creation of an Office of Multimodal Freight Infrastructure and Policy at the U.S. Department of Transportation.

Reconciliation between this bill and the Administration's efforts may be necessary. The need for a more coordinated state effort related to freight, goods movement, and the supply chain is evident; the solution is not. (See also related legislation). The Administration states in a 2022 budget change proposal that "the current freight policy oversight structure among Caltrans, CARB, and GO-Biz results in several challenges. Under the current state organizational structure freight does not have sufficient visibility. In addition, there is no formal mechanism for cooperation among the agencies and departments that have responsibility. Outside of long-term planning and programming of infrastructure projects, the existing state freight organizational structure does not respond quickly or coordinate effectively with stakeholders to address emerging freight industry issues." If this bill passes and the budget change proposal is adopted there may need to be reconciliation between the two proposed solutions.

According to the author, "[This bill] will advance the economic vitality and long-term sustainability of the freight sector by creating an Office of Freight within Go-BIZ to serve as the coordinating entity on freight among key state agencies and stakeholders across the State. [This bill] will also require the new Office of Freight to develop an assessment by December 31, 2024, and every five years thereafter, that evaluates and plans for the economic competitiveness of the freight sector in coordination with the state's current sustainability goals."

In support a coalition of business and trucking organizations writes, "While GO-BIZ and CalSTA have taken leadership roles in facilitating coordination along the supply chain in response to the congestion crisis, there is currently no state entity with the authority and capacity to coordinate across the entire supply chain. [This bill] addresses this concern by creating an Office of Freight within GO-BIZ for high-level coordination along the supply chain and by requiring this new Office of Freight to work with stakeholders to assess and plan for the economic competitiveness of the freight sector."

Double referral and amendments: This bill passed out of the Jobs, Economic Development, and The Economy (JEDE) committee on 6/21 with a 6-0 vote. See that policy committee analysis for additional details.

While not being adopted in Transportation, the Committee should be aware that the author is being asked to amend this bill to address concerns from the International Longshore and Warehouse Union (ILWU). The ILWU amendments would limit the scope of the assessment of competitiveness of the state's freight sector, as it pertains to workforce needs and the potential interference with any collective bargaining agreement. The author has not agreed to these amendments. Committee staff are simply disclosing stakeholder requests which were made while this bill was pending in JEDE and Transportation.

Related and previous legislation: AB 1679 (Fong) of this session establishes the position of the Supply Chain Senior Advisor within the California Business Investment Services Program at GO-Biz and specifies the duties of the Senior Advisor. AB 1679 was held in the Assembly Appropriations Committee.

ACR 140 (O'Donnell) memorializes the Legislature's declaration that the state is currently suffering a supply chain crisis and therefore urges the state's public agencies, departments, and local governments to provide all due and proper assistance to carriers, cargo owners, public seaports, terminals, workers, and facilities to facilitate the essential service of delivering goods to Californians. ACR 140 is currently pending in the Assembly Appropriations Committee.

SB 671 (Gonzalez), Chapter 769, Statutes of 2021 establishes the Clean Freight Corridor Efficiency Assessment, to be developed by CTC, in coordination with other state agencies, and requires CTC to identify freight corridors throughout the state that would be priority candidates for the deployment of zero-emission medium- and heavy-duty vehicles.

REGISTERED SUPPORT / OPPOSITION:

Support

California Association of Port Authorities
California Builders Alliance
California Business Roundtable
California Retailers Association
California Trucking Association
Pacific Merchant Shipping Association
Sacramento Regional Builders Exchange (SRBX)
Stockton; Port of

Opposition

None on file

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