

Date of Hearing: June 13, 2022

ASSEMBLY COMMITTEE ON TRANSPORTATION
Laura Friedman, Chair
SB 307 (McGuire) – As Amended May 25, 2022

SENATE VOTE: 33-2

SUBJECT: Great Redwood Trail Agency (GRTA): County of Humboldt: state moneys

SUMMARY: Prohibits the use of state funds to initiate or operate rail service on the GRTA, formerly known as the North Coast Railroad Authority (NCRA), or any successor in interest's rail rights-of-way north of the city of Willits or for a project that is designed to rehabilitate, modernize, maintain, or repair an existing operation or facility, including a rail terminal, a railyard, a rail facility, and rail infrastructure, on GRTA's rail's right-of-way north of the city of Willits. Specifically, **this bill:**

- 1) Prohibits state funds, including proceeds from the sale of general obligation bonds, to be spent on any new bulk coal terminal projects within the County of Humboldt.
- 2) Defines "new bulk coal terminal" to mean a terminal that stores, handles, or transports coal in bulk to a degree or significance that is categorized as having the potential for significant impacts in an environmental document prepared pursuant to the California Environmental Quality Act as a result of the storage, handling, or transport of coal in bulk.
- 3) Allows state funds to be used on rail if the funds are for the purposes of trail design or construction.

EXISTING LAW:

- 1) Establishes NCRA which encompasses the Counties of Humboldt, Mendocino, Sonoma, and Trinity, and if it elects to join, the County of Marin.
- 2) Requires the California Transportation Agency (CalSTA), in conjunction with California Natural Resources Agency (CNRA), to conduct an assessment of NCRA to provide the information necessary to determine the most appropriate way to dissolve NCRA and dispense with its assets and liabilities, and report to the Legislature before July 1, 2020 with its findings and recommendations.
- 3) Reorganizes NCRA into the GRTA, as of March 1, 2022, including restructuring the Board of Directors; requiring GRTA to hire staff; specifies GRTA's powers, including acquiring, owning, and operating real property and entering into contracts; and authorizes GRTA to contract with public and private entities for trail management.
- 4) Defines the dividing line for the north and south portions of the NCRA right-of way as the county line separating Mendocino and Sonoma Counties.
- 5) Requires GRTA to do the following, to the extent funding is available:

- a) Initiate or complete, the federal Surface Transportation Board (STB)'s railbanking process on its rail right-of-way, north of the dividing line;
 - b) Inventory any parcel, easement, or contract related to the right-of-way;
 - c) Plan, design, construct, operate, and maintain a trail in, or parallel to, the right-of-way and complete an environmental assessment of the conditions of the right-of way;
 - d) Conduct a thorough community engagement process, as specified;
 - e) Honor exiting trail licenses and work with local, state, and tribal governments and community groups to expeditiously provide new trail license agreements that meet the goals of the agency;
 - f) Use the services of the California Conservation Corps or community conservation corps, wherever feasible;
 - g) Prepare and implement a master plan for the northern portion of the Great Redwood Trail, and;
 - h) Before January 1, 2024, and annually thereafter, submit a report to the Legislature describing the agency's progress towards fulfilling the requirements and goals related to the right-of-way.
- 6) Creates the Sonoma-Marin Area Rail Transit District (SMART) and establishes a comprehensive set of powers and duties regarding the formation, governance, organization, maintenance, operation and potential dissolution of the district. Authorizes SMART to provide passenger rail service in the counties of Sonoma and Marin and is governed by a 12-member board of directors.
- 7) Requires GRTA to convey and transfer to SMART all of its rights, privileges, and title relating to its rail right-of way south of the dividing line, including common carrier obligations held by GRTA or an associated freight operator. Also, requires SMART to retain and maintain all common carrier rights and obligations received from GRTA. And, clarifies that SMART may operate, manage, and maintain a freight rail system, in addition to passenger rail.
- 8) Establishes the Trade Corridor Enhancement Account (TCEA) administered by the California Transportation Commission (CTC) to allocate monies for infrastructure improvements 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 California Freight Mobility Plan. The program, known as the Trade Corridor Enhancement Program (TCEP), is funded with revenue collected from a portion of the diesel excise tax and federal funds, roughly \$400 million per year.

FISCAL EFFECT: According to the Senate Appropriations Committee, pursuant to Senate Rule 28.8, negligible state costs.

COMMENTS:

In the late 1800s, the Northwestern Pacific Railroad was built, spanning approximately 316 miles from the Ferry Building in San Francisco in the south to Humboldt County in the north. The line carried passengers and lumber between the two locations and was operated by a series of private owner-operators until the 1980s when the timber industry began to decline. Eureka Southern Railroad, a private company that owned the northern portion of the line, sought federal authority to abandon the rail line from the California Public Utilities Commission (CPUC), but was denied. They filed for bankruptcy in 1986.

In order to preserve the rail corridor, the California Legislature enacted the North Coast Railroad Authority Act, creating NCRA to provide passenger and freight railroad service in Humboldt, Trinity, Mendocino, Sonoma, and Marin Counties. The State began to purchase the line one segment at a time, starting in 1992. NCRA began operating freight service and a short lived passenger rail service on the northern portion of the line when disaster hit. Severe storm damage caused landslides and collapsed tunnels in 1998. To this day railcars remain in the Eel River from the storm. This damage compelled the Federal Railroad Administration to close the entire NCRA railroad from Arcata to Schellville for public safety reasons in 1998. No rail service has operated on the line north of Willets since the closure of the line in 1998.

Last year the Legislature passed SB 69 (McGuire) Chapter 423, Statutes of 2021, which reorganized the NCRA into the GRTA, changing the mission from maintaining a rail line to building a great redwood trail. In March of 2022 NCRA officially became GRTA after the Sonoma-Marine Area Rail Transit Agency took over freight rail operations from NCRA.

NCRA is in the process of seeking the approval for the abandonment of the rail line north of Willets. Businesses are permitted to make an Offer of Financial Assistance to continue the use of the rail line in lieu of abandonment. In May of 2021 NCRA went to STB asking for a waiver of the Offer of Financial Assistance so construction can begin on the trail. To NCRA's surprise, a new company, the North Coast Railroad Company (NCRCo) filed a motion opposing the waiver, claiming that they are seeking an offer for financial assistance to continue operations of the line north of Willits.

Humboldt Redwood Company, Humboldt Sawmill Company, the Mendocino Redwood Company, and Mendocino Forest Products also filed an objection to the waiver, claiming they have property interest in the line. The Humboldt Redwood Company states that there is a successor in interest to certain real property and that it intends to exercise its option to purchase all portions of the right-of-way that are adjacent to its lands.

Finally the Mendocino Railway Company, which owns a tourist train known as the Skunk Train, filed an objection in July 6, 2021 saying they would also like to file for an offer of financial assistance to be able to extend its "passenger service" on the proposed line.

On May 15, 2022, STB rejected NCRA waiver of the Offer of Financial Assistance, stating "The Board has long held that it will not forgo the Offer of Financial Assistance process to facilitate a party's interest in pursuing railbanking under the Trails Act. It is well settled that an Offer of

Financial Assistance should take priority over a trail use proposal because of the strong congressional intent to preserve rail service wherever possible.”

According to the author, “SB 307 seeks to stop one of the largest environmental threats the North Coast has seen in decades — a proposal from a secret, clandestine operation, hiding behind an anonymous LLC out of Wyoming, that wants to ship millions of tons of coal through the Northern California counties of Marin, Sonoma, Mendocino, Trinity, and Humboldt. The shadowy rail operation would utilize a portion of the now defunct North Coast rail route, which runs approximately 320 miles between Marin and Humboldt counties. The coal would then be loaded onto ships in Humboldt Bay, sold overseas, and burned.

This toxic coal train would run through the heart of so many thriving communities and along the Russian and Eel Rivers, which are the main source of drinking water for nearly one million residents. This dangerous proposal must be stopped. This critical bill will ban any state funding from being invested to improve the rail line for coal shipments north of Willits and it bans any state funding to buildout a potential coal storage terminal at the Port of Humboldt.”

This bill would prohibit state funds from being used for rail services north of Willits, consistent with the passage of SB 69, and would prohibit those funds from being used for a bulk coal terminal project.

It has been reported that the NCRCo is making the application to take over NCRA line for the purposes of exporting coal. According to a memo first published by the Salt Lake Tribune, coal industry players in Montana and Utah were at least initially involved in the creation of the NCRCo.

On June 1, 2022 the NCRCo filed an Offer for Financial Assistance to purchase the entire railroad line that is subject to abandonment for the creation of the Great Redwood Trail. The company claims to have access to nearly \$16 million in their application.

Trains delivering coal can have a negative environmental impact. According to *Diesel Particulate Matter and Coal Dust from Trains in the Columbia River Gorge, Washington State, USA*, a scientific article published in Atmospheric Pollution Research, video from trains traveling in the Columbia River Gorge revealed large plumes of coal dust emanating from uncovered coal cars. The research found that open-top coal trains resulted in nearly twice as much fine particles compared to the passage of a diesel-powered freight train.

The Sierra Club has reported that those who are exposed to coal dust are vulnerable to increased rates of childhood bronchitis, asthma, pneumonia, emphysema, heart disease, and reduced lung capacity. They also note that coal cars coal cars release 90,000 pounds of coal dust into nearby Virginia towns and cities every year.

The Sierra Club, County of Mendocino and the City of Ukiah, writing in support of this bill, argue “This billion-dollar, dangerous, and toxic plan, developed in secret by coal companies in the mid-west, must be stopped. Their proposed route would run along some of the most environmentally sensitive areas in California, and right alongside two rivers that supply drinking water for nearly one million people. Coal is the dirtiest and most damaging source of energy out there, and it is the number one contributor to our climate crisis. SB 307 explicitly states that state money shall not be spent to initiate, improve or operate rail service on the now defunct North

Coast rail line north of the City of Willits. Further, it bans state money from being spent on the buildout of any new bulk coal terminal cavities within the County of Humboldt.”

The California Legislature in the past has been concerned about potential coal train expansion in the state. Coal interests have pursued numerous possible rail routes to transport coal to a western port. In 2015, similar groups were working to initiate coal transport from Utah to the Port of Oakland. The Legislature passed and Governor Brown signed into law, SB 1279 (Hancock), Chapter 215, Statutes of 2016, which prohibited the CTC from programming or allocating funds for any new bulk-coal terminal project proposed on or after January 1, 2017. Included in that legislation are clear statements of the state’s position on this issue, specifically declaring that, “to avoid the impacts of localized airborne particulate matter associated with the transportation of coal and the increased emissions of greenhouse gases associated with the use of coal, the State of California should make all reasonable and legal efforts to avoid the investment of state funds in coal-supporting transportation projects.”

Additionally, “it is the intent of the Legislature that the State of California cease all investments in transportation infrastructure projects that store, transfer, or transport significant amounts of coal in bulk. While it is not the intent of the Legislature to disrupt existing, regular, and lawful interstate and international commerce involving operations that may transport coal at present, it is the intent of the Legislature to avoid making new investments in coal-supporting projects.”

Previous Legislation:

SB 69 (McGuire), Chapter 423, Statutes of 2021 reorganized the NCRA into GRTA, transfers its authority related to rail and freight to SMART, and established GRTA’s new mission of developing the Great Redwood Trail.

SB 1029 (McGuire) Chapter 934, Statutes of 2018 required CalSTA to conduct an assessment of the NCRA in order to provide the findings necessary to determine the most appropriate way to dissolve NCRA and dispense with its assets and liabilities, as specified.

SB 1279 (Hancock) Chapter 215, Statutes of 2016 prohibited the CTC from programming or allocating funds for any new bulk-coal terminal project proposed on or after January 1, 2017.

SB 356 (McGuire) of 2019 -- Would have authorized SMART to operate both passenger and freight rail service, as well as consider potential alternatives to help address the housing needs of existing and potential employees. The bill died on the Assembly Inactive File.

REGISTERED SUPPORT / OPPOSITION:

Support

350 Humboldt: Grass Roots Climate Action
California Bicycle Coalition
California Trout
City of Ukiah
Coalition for Responsible Transportation Priorities
County of Mendocino
Environmental and Energy Consulting
Environmental Protection Information Center

Friends of The Eel River
Humboldt Baykeeper
Humboldt County Association of Governments
Humboldt Trails Council
Mendocino; County of
Northcoast Environmental Center
Redwood Coast Energy Authority
Sierra Club
Sonoma County Transportation Authority
The Climate Center
Transportation Authority of Marin

Opposition

None on file

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