

BOARD MEETING DATE: February 6, 2015

AGENDA NO. 15

REPORT: Legislative Committee

SYNOPSIS: The Legislative Committee held a meeting on Friday, January 15, 2015. The next Legislative Committee meeting is scheduled for Friday, February 13, 2015 at 9 a.m. in Conference Room CC8.

The Committee deliberated on agenda items for Board consideration and recommended the following actions:

<b>Agenda Item</b>	<b>Recommendation</b>
H.R. 5101 (Hahn) National Freight Network Trust Fund Act of 2014	Support with Amendments
Proposed Changes to Carl Moyer Program - "The Five Pillars"	Approve

**RECOMMENDED ACTION:**

Receive, file this report, and approve agenda items as specified in this letter.

Josie Gonzales  
Chair  
Legislative Committee

### **Attendance [Attachment 1]**

The Legislative Committee met on January 16, 2015. Committee Members, Chair Supervisor Josie Gonzales, and Councilmember Judy Mitchell were present at SCAQMD's Diamond Bar headquarters. Committee Members Supervisor Michael Antonovich, Councilmember Joe Buscaino and Dr. Clark Parker attended via videoconference. Dr. William A. Burke, Chair of the SCAQMD Governing Board, was appointed to the Legislative Committee and also attended via videoconference.

### **Update on Federal Legislative Issues**

SCAQMD federal legislative consultant Mark Kadesh, of Kadesh & Associates, reported on Committee assignments. Senator Boxer will no longer serve on the Commerce Committee, but as Ranking Member on the Senate Environment and Public Works Committee working on the transportation bill, she plans to remain very involved in freight issues. Congressman Tony Cardenas will now serve on the Energy and Commerce Committee; Congresswoman Julia Brownley will serve on Transportation and Infrastructure Committee; Congressman Pete Knight will serve on Armed Services Committee; Congresswoman Mimi Walters will serve on both Judiciary and Transportation and Infrastructure Committees; Congresswoman Norma Torres on Homeland Security; Congressman Ted Lieu on Budget; Congressman Pete Aguilar on Agriculture and Services Committee.

Kadesh also reported on productive meetings SCAQMD staff recently had in Washington, D.C. with the offices of Senators Boxer and Feinstein as well as Congress members Aguilar, Hahn, Lieu, Lowenthal and Torres.

SCAQMD federal legislative consultant Mia O'Connell, of the Carmen Group, also updated the Committee on key meetings SCAQMD staff had in Washington D.C., with: Senator Inhofe, Chair of the Environment and Public Works Committee, and his principal staff who were acutely focused on the surface transportation reauthorization bill; key republican staff on House Transportation and Infrastructure who have aggressive plans to move the transportation bill in the spring; Office of Congressman Ken Calvert, Chair of the Interior and Environment Committee; and introductory sessions with new Congress members.

Executive Officer Barry Wallerstein clarified that he participated in the aforementioned meeting with Senator Inhofe and additionally was in Washington D.C. to participate in the National Transportation Research Board (TRB) annual meeting, serving as an ex officio member of the TRB Executive Committee. Dr. Wallerstein explained that the transportation community's hope is to pass a multiyear surface transportation reauthorization bill that addresses where funding will come from. There is a growing consensus that funding can be generated from user fees rather than taxes.

Dr. Parker asked if we knew whether funding was at risk for programs we were interested in. Dr. Wallerstein responded that we would have a better sense in the next few months, but it appears that for any major transportation bill to pass, bipartisanship and funding for environmental mitigation will be required.

**Recommend Position on Federal Bill [Attachment 2]**

Marc Carrel, Program Supervisor presented on H.R. 5101 (Hahn) National Freight Network Trust Fund Act of 2014. The bill was presented at the prior meeting of the Legislative Committee and staff was directed to return to the Committee with amendments to explicitly set aside a portion of the funding for air quality purposes. As introduced, this bill transfers five percent of all import duties collected by the U.S. Customs and Border Protections to a Freight Network Trust Fund for freight infrastructure improvements. It is anticipated that the bill would generate \$1.9 billion annually for this purpose.

Staff recommended that the Committee adopt a position of SUPPORT AND RECOMMENDED AMENDMENTS that would:

1. Enable local and regional air quality to be eligible for grant funding on projects that would reduce the environmental impacts of freight movement;
2. Provide that no less than 10% of the funds available would be for grants for emission reductions;
3. Projects would be prioritized in those areas with high volumes of freight movement;
4. Eligible projects would include zero-emission and near-zero emission technologies and infrastructure.

In the ensuing discussion Dr. Parker clarified that whichever bill ultimately moves forward, the SCAQMD must send a message that any such bill must address transportation's environmental impacts. Councilwoman Mitchell asked whether such amendments would be considered overly "California centric." Marc Carrel responded that other regions in the nation have similar concerns, most notably New Jersey, New York and Texas.

The Committee's discussion focused on the amount of revenues that would be generated by the bill, what areas should be prioritized for funding, whether the funding should be spent in the metropolitan planning area where the custom duties are collected, the complexity of the customs tariffs schedule, and containerized versus bulk cargo. Staff was directed to report back to the Committee on how custom duties are collected and relative amount that is generated from the Ports of Los Angeles and Long Beach. Staff was further directed to arrange for a SCAQMD Board member lead meeting with Congresswoman Hahn to discuss our issues and the proposed amendments.

Pursuant to the discussion, the Legislative Committee modified Staff's proposed amendments as follows:

- The set-aside for air quality purposes to be raised to one third.
- Funding should be spent in the metropolitan planning area where the custom duties are collected.

***The Legislative Committee unanimously adopted a position of SUPPORT AND RECOMMENDED AMENDMENTS FOR H.R. 5101, as modified.***

### **Update on State Legislative Issues**

SCAQMD state legislative consultant Will Gonzalez, of Gonzalez, Quintana & Hunter, briefed the Committee on key Sacramento issues. Governor Brown announced that he intended to increase the state's renewable energy goal to 50% by 2030 and also reduce the state's oil consumption by 50%. Details are still lacking and it is unclear under what authority the Governor would execute his plans. It may be possible, but not certain, that the Governor may act administratively through either the Public Utilities Commission or the California Air Resources Board (CARB). On the legislative side, Assembly Member Rendon and Senator Leno are contemplating a 50% renewables bill. Beyond significant cap and trade funds being used to incentivize further electric vehicle use, it is unclear how the 50% reduction in oil consumption would be achieved.

A significant milestone was reached on January 1 when fuels came under the cap and trade program for the first time. Despite concerns, there has been no spike in fuel prices so far. The next cap and trade auction will be in mid February and the Governor anticipates a billion dollars in revenues being generated, but others expect it to generate more than twice that.

SCAQMD state legislative consultant Paul Gonsalves, of Joe A. Gonsalves & Son, also briefed the Committee on other key Sacramento issues. Governor Brown released his January Budget proposal for the 2015-16 session, which is the kick-off for Budget negotiations that will continue until June 15, 2015, the constitutional deadline for the Legislature to adopt a budget. The Governor's January budget proposes \$113.3 billion in General Funds with a projected growth of \$4 billion through 2016. It also includes \$2.4 billion for the newly enacted Proposition 2 (adopted by the voters in November), with \$1.2 billion going to pay off debt and \$1.2 billion to be deposited into the "rainy" day stabilization account. This will bring the state's rainy day account to \$2.8 billion by June 2016.

Highlights of Governor's 2015-16 Budget include:

- \$65 billion for K-12 and Community Colleges,
- \$1 billion in Cap and Trade Revenues that will be invested in high speed rail,

low-carbon transportation, sustainable communities, energy efficiencies, and urban forests.

- \$533 million repaid towards State Mandates,
- \$532 million in Proposition 1 Water Bond revenues to implement the Water Action Plan
- The budget allocates the remaining \$1.1 billion from the 2006 Flood Bond
- Modifications to Redevelopment Dissolution
- Prefunding Retiree Healthcare
- \$478 million for critical deferred maintenance at universities and community colleges and in state parks, prisons, state hospitals and other state facilities.
- Court Ordered Modifications to Realignment in order to reduce prison population.

Despite calls to restore social service programs, the Governor's restrained budget has generally been well received and the Legislative Analyst's Office finds it a generally prudent plan that will help the state overcome the boom and bust budgeting of the last twenty years.

Dr. Burke noted that he understood there are cap and trade funds available for outreach and we should be working with our local electeds to secure funding for education and outreach opportunities. Paul Gonsalves will work with staff to identify those funds and develop those funding opportunities under cap and trade, SB 375, and other legislative programs.

Councilman Buscaino asked that Will Gonzalez facilitate a meeting with the three new legislators in the ports area. Board Members Burke and Buscaino would participate in that meeting.

**Proposed Changes to Carl Moyer Program [Attachment 3]**

Science & Technology Advancement Office Assistant Deputy Executive Officer, Fred Minassian, updated the Committee on the ongoing discussions with CARB, the California Air Pollution Control Officers Association, and other stakeholders to improve Carl Moyer program efficiencies and outcomes. These discussions have resulted in "Five Pillars" on which to build an enhanced Moyer Program which were approved by CARB. Staff requested approval of the document to guide legislative efforts this year.

***The Legislative Committee unanimously approved "The Five Pillars" concept (Attachment 3) to guide SCAQMD's staff actions.***

**Report from SCAQMD Home Rule Advisory Group [Attachment 4]**

Please refer to Attachment 4 for written report.

**Other Business:**

None

**Public Comment Period:**

No public comment.

**Attachments**

1. Attendance Record
2. Bill and Bill Analyses
3. Proposed Changes to Carl Moyer Program
4. SCAQMD Home Rule Advisory Group Report

## ATTACHMENT 1

### ATTENDANCE RECORD –January 15, 2015

#### **DISTRICT BOARD MEMBERS:**

Dr. William A. Burke (Videoconference)  
Supervisor Josie Gonzales  
Supervisor Michael Antonovich (Videoconference)  
Councilmember Joe Buscaino (Videoconference)  
Councilmember Judy Mitchell  
Dr. Clark E. Parker, Sr. (Videoconference)

#### **STAFF TO COMMITTEE:**

Lisha B. Smith, Deputy Executive Officer  
Derrick Alatorre, Assistant Deputy Executive Officer/Public Advisor  
Guillermo Sanchez, Senior Public Affairs Manager (teleconference)  
Julie Franco, Senior Administrative Secretary

#### **DISTRICT STAFF:**

Barry R. Wallerstein, Executive Officer  
Barbara Baird, Chief Deputy Counsel  
Elaine Chang, Deputy Executive Officer  
Phil Fine, Assistant Deputy Executive Officer  
Peter Greenwald, Sr. Policy Advisor  
Fred Minassian Assistant Deputy Executive Officer  
Chris Marlia, Assistant Deputy Executive Officer  
Matt Miyasato, Deputy Executive Officer  
Mohsen Nazemi, Deputy Executive Officer  
William Wong, Principal Deputy District Counsel,  
Marc Carrel, Program Supervisor  
Tina Cox, Senior Public Information Specialist  
Robert Paud, Telecommunications Technician II  
Barbara Radlein, AQ Specialist  
Kim White, Public Affairs Specialist  
Patti Whiting, Staff Specialist

#### **OTHERS PRESENT:**

Mark Abramowitz, Governing Board Member Consultant (Lyou)  
Tricia Almiron, SANBAG  
Leila Barker, Los Angeles Department of Water and Power  
Kris Flaig, City of Los Angeles  
Jason Gonsalves, Joe A. Gonsalves & Son (teleconference)  
Paul A. Gonsalves, Joe A. Gonsalves & Son (teleconference)  
Will Gonzalez, Gonzalez, Quintana & Hunter, LLC (teleconference)  
Stewart Harris, Carmen Group (teleconference)  
Gary Hoitsma, Carmen Group (teleconference)  
Mark Kadesh, Kadesh & Associates (teleconference)  
Chris Kierig, Kadesh & Associates (teleconference)  
Vlad Kogan, Orange County Sanitation District  
Rita Loof, RadTech  
Mia O'Connell, Carmen Group (teleconference)  
Debra Mendelsohn, Governing Board Assistant (Antonovich)  
David Rothbart, Los Angeles County Sanitation District  
Andy Silva, Governing Board Assistant (Gonzales)  
Susan Stark, Tesoro  
Lee Wallace, So Cal. Gas  
Warren Weinstein, Kadesh & Associates (teleconference)

## **ATTACHMENT 2**

### **H.R. 5101 (Hahn)**

#### The National Freight Network Trust Fund Act of 2014

#### **Summary:**

Transfers five percent of all import duties collected by U.S. Customs and Border Protection to a Freight Trust Fund for freight transportation projects.

#### **Background:**

Freight transportation is an essential part of the global economy. The U.S. freight sector is expected to grow dramatically in the coming years. By 2020, 90.1 million tons per day of freight are expected to move throughout the United States, a 70% increase over 2002.

This freight movement is critical to a robust economy but comes at a high price for the environment and local communities that suffer from its impacts. The freight sector alone represents nearly a quarter of the transportation sector's greenhouse gas emissions, or approximately 8% of total U.S. carbon dioxide emissions. The fine particle pollution from U.S. diesel engines, the most common engines used in freight, is estimated to shorten the lives of nearly 21,000 people each year nationwide.<sup>1</sup> The projected trade increases could place even greater strains on public health and the environment, and add more congestion to the already overburdened and deteriorating highway, rail, and waterway system.

Southern California's South Coast Air Basin, home to five percent of the U.S. population and over forty percent of the State of California's population is a global gateway for trade. Approximately 40% of all the nation's containerized goods enter through the Ports of Los Angeles and Long Beach then are transported by highways and railways to the rest of the nation. These goods are placed on store shelves nationwide, thus having an economic impact on every U.S. Congressional district. The burden of this national economic benefit, disproportionately impacts the health of Southern California communities along our freight transportation system corridors.

While the freight system is important to the health of Southern California's economy, it takes a significant toll on the health and quality of life of local communities. Increasing volumes of freight movement require simultaneous and continuous improvement in pollution control strategies to reduce health impacts.

Southern California residents who live near transportation corridors and facilities served by ships, trains, and heavy-duty trucks have higher risks of asthma and other health related impacts, and cancer risks are elevated in communities miles from the ports. Diesel emissions from freight activities in the region are also major contributors to regional air pollution that the California Air Resources Board estimates annually cause thousands of premature deaths, hospitalizations, cases of asthma and lower respiratory symptoms and hundreds of thousands of lost work days.

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<sup>1</sup> Schneider, C., L. B. Hill, "Diesel and Health in America: The Lingering Threat." Clean Air Task Force, Feb. 2005, [http://catf.us/publications/reports/Diesel\\_Health\\_in\\_America.pdf](http://catf.us/publications/reports/Diesel_Health_in_America.pdf).



Zero and near-zero-emission advanced technologies, along with land use approaches, and policy and regulatory initiatives are important tools for reducing these impacts and improving community health, and will be needed for the region to attain national air quality standards as required by federal law.

MAP-21, the surface transportation authorization law, was enacted in 2012. That law contains several provisions related to freight, but did not establish a funding source for most freight programs. In addition, the Highway Trust Fund (HTF), the major federal funding source for highway and transit projects is nearing insolvency. Funded from federal fuel taxes on gasoline and diesel fuel, the fund is used for highway construction and maintenance, highway safety, and transit projects. Due to the imminent threat of running out of money in August 2014, Congress passed a stopgap plan on July 31, 2014 to prevent a funding lapse. But this stopgap measure does not provide funding beyond May 2015.

There is no clear solution for increasing the funds in the HTF, which have diminished since cars are more fuel efficient (and thus using less gasoline), cars have been driven less during the recent recession, and drivers with alternative-fueled vehicles do not pay into the HTF if their cars do not use gasoline or diesel. Because of the lack of HTF funding, there is little support for expanding the HTF to fund freight projects, particularly those not directly related to highway transportation.

Thus, there has been an effort, strongly supported by Southern California transportation stakeholders, to establish a sustainable, dedicated source of funding for freight projects. This bill would provide a dedicated funding source for freight that is stable and sustainable.

This bill would transfer five percent of all import duties collected by U.S. Customs and Border Protection (U.S. CBP) to a Freight Trust Fund for transportation projects. U.S. CBP currently collects \$38 billion in import duties annually. If passed, the measure would generate approximately \$1.9 billion for the fund each year. This legislation also would direct the U.S. Department of Transportation to work with the National Freight Advisory Committee to identify necessary improvements to the nation's freight system and provide grants for the improvements.

**Status:**

On July 14, 2014, the bill was introduced and referred to the House Committee on Transportation and Infrastructure and the House Committee on Ways and Means. No hearings are set on this bill.

**Specific Provisions:**

H.R. 5101, The National Freight Network Trust Fund Act of 2014, amends the Internal Revenue Code to establish the National Freight Network Trust Fund. Under this bill, five percent of the import duties imposed under the Harmonized Tariff Schedule of the United States (Customs duties) would be appropriated to this Trust Fund. The Trust Fund would be used to provide grants under the newly-created National Freight Network Grant Program.

Under this grant program, the Secretary of Transportation would make competitive grants to states, regional or local transportation organizations, or port authorities to assist “any project that improves the performance of the national freight network.”

Projects would be evaluated and selected on a competitive basis by considering their potential to:

- generate national economic benefits,
- improve the performance of key corridors and gateways,
- reduce congestion,
- improve transportation safety, and
- enhance the network.

The Federal share of the cost of a project assisted with a grant under the program shall be 90 percent of the total project cost.

This bill uses a much more expansive definition of the National Freight Network than that used in MAP-21. Under this bill, the national Freight Network would be defined as all routes included in the national freight network established by U.S. DOT pursuant to MAP-21, but would also include: roads and rail lines that connect such network to a port; on-dock rail; projects that appear in a State freight plan; projects that appear in a regional transportation plan; railway-highway grade separations, and high freight volume roadway or rail corridors that provide connectivity for ports, intermodal connectors, multimodal freight facilities, multistate freight corridors, international borders, or airports.

**Impacts on SCAQMD’s Mission, Operations or Initiatives:**

This legislation would have an impact on the South Coast Air Basin as it would fund projects related to improving the national freight network. In Southern California, I-405, I-710, I-210, I-605, I-215, I-10, I-5 and SR 91 have all been proposed to be designated as part of the Draft Highway Primary Freight Network. So funding dedicated to improving aspects of these routes would be beneficial to reducing congestion and increasing mobility across these freeways.

In addition, at its May 2014 meeting, the SCAQMD Governing Board approved a set of eight federal legislative proposals related to the federal transportation law and the upcoming reauthorization of the MAP-21 law and the federal passenger rail law. The set contains five proposals that seek to create a more sustainable goods movement supply chain and the infrastructure that supports it, namely infrastructure improvement projects to complement local, state and private investment for ports, key freight corridors and assets, as well as efforts to reduce environmental impacts imposed upon local communities. Two other proposals relate to providing funding to replace existing commuter rail with the cleanest (Tier 4) locomotives. The last proposals would amend the Clean Air Act by requiring U.S. EPA to address emissions from federal sources that could not be addressed by the SIP.

SCAQMD’s proposals use incentives and grant programs to increase the number of zero- and near-zero emission trucks, freight locomotives and cargo handling equipment, seek to expand the number

of refueling and recharging facilities for those vehicles, and promote highway infrastructure that promotes the use of cleaner freight vehicles (such as dedicated zero-emission truck lanes).

The commitment made to the region's transportation agencies is that SCAQMD would not support using existing HTF funds for these proposals, but would look for other sustainable funding sources, and would try to identify funding from other sources. H.R. 5101 provides a sustainable funding source.

However, H.R. 5101, despite its innovative approach to using a portion of existing U.S. Customs fees for improvements to the nation's freight system, does not go far enough. Its language is too limiting for our purposes. For instance, none of the SCAQMD MAP-21 proposals would be eligible under its existing language, SCAQMD would not be eligible to use funds, and the current bill does nothing to reduce or mitigate the environmental impacts of freight on local communities.

**Discussion at December 12, 2014 Legislative Committee Meeting:**

Staff proposed supporting this bill and recommended amendments to strengthen it. These amendments would add language to enable local and regional air quality agencies to receive grants and would enable those grants to be for projects reducing the environmental impacts of freight movement.

Dr. Clark E. Parker, Sr., expressed concerns that air quality should be a larger part of the bill, and that there should be an explicit set-aside in this bill for air quality. SCAQMD Executive Officer Dr. Barry Wallerstein likened this concept to how Proposition 1B (The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006), established a 5% set-aside for projects reducing emissions from activities related to freight movement. The 5% set aside was equivalent to \$1 Billion of the Act's total \$20 Billion price tag. Proposition 1B passed in 2006 with 61.3% approval.

The Committee ultimately supported the bill with these amendments in concept and asked staff to return at the January 2015 Legislative Committee meeting with specific language creating a set aside.

**Recommended Position: SUPPORT AND RECOMMEND AMENDMENTS**

Staff recommends keeping the previously recommended amendments and adding additional amendments which will:

- establish a 10% set-aside of the funds collected for the National Freight Network Trust Fund to be used for projects or programs that reduce emissions of criteria pollutants, toxic air contaminants and greenhouse gases.
- The Secretary must prioritize these grants for projects or programs in areas with high volumes of freight movement.
- These grants could be used for developing, demonstrating and deploying zero and near-zero emission freight movement technologies, and for infrastructure that enables, incentivizes or

incorporates those technologies. This would include alternative fuel fueling facilities, electric vehicle charging facilities, and truck lanes dedicated to (or substantially incentivizing) the use of zero and near-zero emission vehicles.

Proposed amendments are as follows:

SEC. 3. NATIONAL FREIGHT NETWORK GRANT PROGRAM.

(a) Establishment.--There is hereby established in the Department of Transportation a National Freight Network Grant Program (in this section referred to as the "Program") to improve the performance of the national freight network.

(b) Grant Authority.--Under the Program, the Secretary of Transportation, in accordance with the national freight strategic plan developed under section 167 of title 23, United States Code, may make a grant to assist any project that improves the performance of a segment of the *national freight network or reduces the environmental impacts of freight movement on the national freight network.*

(c) Grant Recipients.--Under the Program, the Secretary may make a grant to the following:

- (1) A State.
- (2) A regional or local transportation organization.
- (3) A port authority.

*(4) A regional or local air quality agency.*

(d) Applications.--To be eligible for a grant under the Program, an entity specified in subsection (c) shall submit to the Secretary an application regarding a proposed project at such time, in such form, and containing such information as the Secretary determines is appropriate.

(e) Selection Criteria.--In making grants under the Program, the Secretary shall evaluate and select projects on a competitive basis by considering the potential of the projects to--

- (1) generate national economic benefits;
- (2) improve the performance of key corridors and gateways;
- (3) reduce congestion;
- (4) improve transportation safety; ~~and~~
- (5) enhance the national freight network; *and*

*(6) reduce the environmental impacts of freight movement.*

(f) *No less than ten percent (10 %) of funds available for grants under this section shall be used for projects or programs which support actions, not otherwise required by law, which reduce emissions of criteria pollutants, toxic air contaminants and greenhouse gases. The Secretary shall prioritize funding under this subsection for projects or programs in areas with high volumes of freight movement.*

*(g) Grants pursuant to paragraph (f)(1) shall be for one or more of the following:*

- (1) Development, demonstration and deployment of zero and near-zero emission freight movement technologies (as defined by the Administrator of the Environmental Protection Agency).*
- (2) Infrastructure that enables, incentivizes or incorporates use of technologies, specified in paragraphs (1) and (2), which shall include but not be limited to alternative fuel fueling facilities, electric vehicle charging facilities, and truck lanes dedicated to (or substantially incentivizing) the use of zero and near-zero emission vehicles.*

*(h) Federal Share.--The Federal share of the cost of a project assisted with a grant under the Program shall be 90 percent.*

*(gi) Authorization of Appropriations.--There is authorized to be appropriated each fiscal year to carry out the Program the amounts available in the National Freight Network Trust Fund established under section 9512 of the Internal Revenue Code of 1986.*

*(h) National Freight Network Defined.--In this section, the term ``national freight network" means--*

- (1) the national freight network established under section 167 of title 23, United States Code;
- (2) roads and rail lines that connect such network to a port;
- (3) on-dock rail;
- (4) projects that appear in a State freight plan;
- (5) projects that appear in a regional transportation plan;
- (6) high freight volume roadway or rail corridors that provide connectivity for--
  - (A) ports;
  - (B) intermodal connectors;
  - (C) multimodal freight facilities;
  - (D) multistate freight corridors;
  - (E) international borders; or
  - (F) airports; and
- (7) railway-highway grade separations.

ATTACHMENT 2B

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113TH CONGRESS  
2D SESSION

# H. R. 5101

To establish a National Freight Network Trust Fund to improve the performance of the national freight network, and for other purposes.

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IN THE HOUSE OF REPRESENTATIVES

JULY 14, 2014

Ms. HAHN (for herself, Mr. POE of Texas, Mr. RICHMOND, Mr. LOWENTHAL, Mr. GENE GREEN of Texas, Mr. NOLAN, Mr. RUSH, and Ms. FUDGE) introduced the following bill; which was referred to the Committee on Transportation and Infrastructure, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To establish a National Freight Network Trust Fund to improve the performance of the national freight network, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “National Freight Net-  
5 work Trust Fund Act of 2014”.

1 **SEC. 2. NATIONAL FREIGHT NETWORK TRUST FUND.**

2 (a) IN GENERAL.—Subchapter A of chapter 98 of the  
3 Internal Revenue Code of 1986 is amended by adding at  
4 the end the following new section:

5 **“SEC. 9512. NATIONAL FREIGHT NETWORK TRUST FUND.**

6 “(a) CREATION OF TRUST FUND.—There is hereby  
7 established in the Treasury of the United States a trust  
8 fund to be known as the ‘National Freight Network Trust  
9 Fund’, consisting of such amounts as may be appropriated  
10 or credited to such Trust Fund as provided in this section  
11 and section 9602(b).

12 “(b) TRANSFERS TO TRUST FUND.—There are here-  
13 by appropriated to the National Freight Network Trust  
14 Fund amounts equivalent to 5 percent of the import duties  
15 imposed under the Harmonized Tariff Schedule of the  
16 United States.

17 “(c) EXPENDITURES.—Amounts in the National  
18 Freight Network Trust Fund shall be available as pro-  
19 vided in appropriations Acts only for making expenditures  
20 to fund awards under the National Freight Network Grant  
21 Program established under section 3(a) of the National  
22 Freight Network Trust Fund Act of 2014.”.

23 (b) CLERICAL AMENDMENT.—The table of sections  
24 for subchapter A of chapter 98 of such Code is amended  
25 by adding at the end the following new item:

“Sec. 9512. National Freight Network Trust Fund.”.

1 **SEC. 3. NATIONAL FREIGHT NETWORK GRANT PROGRAM.**

2 (a) ESTABLISHMENT.—There is hereby established in  
3 the Department of Transportation a National Freight  
4 Network Grant Program (in this section referred to as the  
5 “Program”) to improve the performance of the national  
6 freight network.

7 (b) GRANT AUTHORITY.—Under the Program, the  
8 Secretary of Transportation, in accordance with the na-  
9 tional freight strategic plan developed under section 167  
10 of title 23, United States Code, may make a grant to as-  
11 sist any project that improves the performance of a seg-  
12 ment of the national freight network.

13 (c) GRANT RECIPIENTS.—Under the Program, the  
14 Secretary may make a grant to the following:

15 (1) A State.

16 (2) A regional or local transportation organiza-  
17 tion.

18 (3) A port authority.

19 (d) APPLICATIONS.—To be eligible for a grant under  
20 the Program, an entity specified in subsection (c) shall  
21 submit to the Secretary an application regarding a pro-  
22 posed project at such time, in such form, and containing  
23 such information as the Secretary determines is appro-  
24 priate.

25 (e) SELECTION CRITERIA.—In making grants under  
26 the Program, the Secretary shall evaluate and select

1 projects on a competitive basis by considering the potential  
2 of the projects to—

- 3 (1) generate national economic benefits;
- 4 (2) improve the performance of key corridors  
5 and gateways;
- 6 (3) reduce congestion;
- 7 (4) improve transportation safety; and
- 8 (5) enhance the national freight network.

9 (f) FEDERAL SHARE.—The Federal share of the cost  
10 of a project assisted with a grant under the Program shall  
11 be 90 percent.

12 (g) AUTHORIZATION OF APPROPRIATIONS.—There is  
13 authorized to be appropriated each fiscal year to carry out  
14 the Program the amounts available in the National  
15 Freight Network Trust Fund established under section  
16 9512 of the Internal Revenue Code of 1986.

17 (h) NATIONAL FREIGHT NETWORK DEFINED.—In  
18 this section, the term “national freight network” means—

- 19 (1) the national freight network established  
20 under section 167 of title 23, United States Code;
- 21 (2) roads and rail lines that connect such net-  
22 work to a port;
- 23 (3) on-dock rail;
- 24 (4) projects that appear in a State freight plan;



1           (5) projects that appear in a regional transpor-  
2           tation plan;

3           (6) high freight volume roadway or rail cor-  
4           ridors that provide connectivity for—

5                   (A) ports;

6                   (B) intermodal connectors;

7                   (C) multimodal freight facilities;

8                   (D) multistate freight corridors;

9                   (E) international borders; or

10                  (F) airports; and

11           (7) railway-highway grade separations.

12 **SEC. 4. NATIONAL FREIGHT POLICY.**

13           Section 167(c)(1) of title 23, United States Code, is  
14           amended by inserting “, and update every 5 years there-  
15           after,” after “shall establish”.

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## **ATTACHMENT 3**

### **The Five Pillars**

To expand funding opportunities for the Carl Moyer Program, several meetings were held between CARB and CAPCOA in a group formed as the “Tactical Working Group”. In these meetings all the areas requiring legislative actions, which would enable changes to the program guidelines were discussed and identified. These areas were further discussed with participating stakeholders in two Incentive Program Advisory Group (IPAG) meetings under the leadership of CARB Board member Sandra Berg. During these IPAG meetings, CARB, CAPCOA, and the participating stakeholders agreed upon five general categories requiring legislative actions. As such, each category was identified as a “pillar”. The five pillars are described below:

1. Leveraging Funds:

Currently any cofunding to a Carl Moyer project from federal, state, or local entities must be added to the Moyer funds in the overall cost-effectiveness calculations for that specific project. This limits the amount of Carl Moyer funds that could otherwise be provided and limits the program’s ability to fund projects. A legislative change will allow leveraging the Carl Moyer funds with other funding sources, especially those with the lowest emitting technologies

2. Project Categories:

The adoption of several on- and off-road regulations by CARB during the past few years has limited the eligibility of several project categories. An expansion of eligible project categories would increase the demand for the Carl Moyer Program and would help increase the potential for surplus emissions reductions. These could for example include infrastructure projects that would support and enhance penetration of low-emitting and commercially certified technologies; funding of marine vessel and locomotive projects with the AB 923 funds under the Carl Moyer Program; and funding of some new technologies.

3. Cost-Effectiveness Limit:

The delta between the required and the optional emission standards have decreased drastically during the past few years due to availability of new technologies and low emission certification levels. As a result the available funding amounts per project have generally decreased. The ability to increase the cost-effectiveness limit will remedy this problem to a great extent.

4. Greenhouse Gases (GHG)

Currently potential GHG reductions are not eligible for funding under the Carl Moyer Program. The option of being able to include GHG reductions in addition to the NO<sub>x</sub>, PM and ROG reductions would open new opportunities for funding. Further discussions would be needed on the calculation methodologies, and as to how incorporate the GHG reductions with the criteria pollutants targeted in the Carl Moyer Program.

5. Improve Implementation Efficiency

CARB and CAPCOA are working to identify Program areas that could be modified to improve the ability to meet State and local air quality goals, while streamlining the process. These include increasing resources to enhance the ability of districts to reach out to disadvantaged communities and modifying requirements to ensure that a district will have sufficient time to expend funds in its area, eliminating the need to return them to CARB for redistribution.

## ATTACHMENT 4

### SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

#### LEGISLATIVE REPORT FROM HOME RULE ADVISORY GROUP MEETING OF DECEMBER 17, 2014

HRAG members present:

Dr. Joseph Lyou, Chairman

Dr. Philip Fine on behalf of Elaine Chang, SCAQMD

Elizabeth Adams, EPA (participated by phone)

Curt Coleman, Southern California Air Quality Alliance

Jaclyn Ferlita, ClimeCo

Chris Gallenstein, CARB (participated by phone)

Jayne Joy, Eastern Municipal Water District (participated by phone)

Bill LaMarr, California Small Business Alliance

Rongsheng Luo, SCAG (participated by phone)

Terry Roberts, American Lung Association of California

David Rothbart, Los Angeles County Sanitation Districts

Larry Rubio, Riverside Transit Agency (participated by phone)

Lee Wallace, So Cal Gas and SDG&E

AQMD Staff: Barbara Baird, Guillermo Sanchez, Jill Whynot, Bill Wong, and Marilyn Traynor

Others: Mark Abramowitz (Board Consultant to Dr. Lyou); Daniel McGivney (SoCalGas/SDG&E); Rita Loof (RadTech), Lyndy Lewis (IRWD), and Norma Rozenstraten (Eastern Municipal Water District, by phone).

#### LEGISLATIVE UPDATE

Guillermo Sanchez reported on the following items that were discussed at the Legislative Committee meeting on December 12, 2014:

#### *Federal*

The committee discussed the following bills which are not expected to move forward this year:

Bills	Description	Action
H.R. 5101 (Hahn)	The National Freight Network Trust Fund Act of 2014	The Legislative Committee took no position but directed staff to develop proposed amendments to be considered at the next Legislative Committee meeting.
H.R. 5624 (Lowenthal)	Economy in Motion: The National Multimodal and Sustainable Freight Infrastructure Act	The Legislative Committee adopted staff's recommend position of support with amendments

H.R. 5101 (Hahn)

This bill sets aside five percent of existing import duties to fund freight infrastructure improvements, generating about \$2 billion a year. The Committee discussed how the bill or any successor bill should be strengthened so that the air quality components are more delineated. The Legislative Committee took no position on H.R. 5101 (Hahn) and instead directed staff to develop proposed amendments to the bill that could be considered at the next Committee meeting.

H.R. 5624 (Lowenthal)

This bill sets aside \$8 billion for freight infrastructure improvements—50% would be divided among the states pursuant to a formula based on the state's existing freight infrastructure, and 50% would be available through a competitive grant system open to all local, regional, and state governments. However, the funding source has not been identified. The Legislative Committee adopted a position of support with amendments that change the five percent annual set aside for freight electrification demonstration project to a fuel neutral program for “zero-emission” freight demonstration projects.ah(

Discussion

Bill LaMarr asked for additional background on the Legislative Committee's recommendations on H.R. 5101 and H.R. 5624. Mr. Sanchez responded that the main recommendation was for staff to continue discussions to move the bills forward, and the Legislative Committee requested staff to work with the bill authors on strengthening the air quality component of these bills or to the successor to MAP 21.

State

The new members of the state legislature were sworn in on December 1, 2014. The new Assembly leadership has been named and is notable for the number of junior members on the team. In fact, every member of the leadership team has only two years of experience or less.

Discussion

Dr. Lyou asked what staff anticipates the hot air quality/greenhouse gas topics will be in the state legislature this year. Mr. Sanchez responded that discussions continue on how cap-and-trade funds should be used, whether regulations need to be rolled back, whether further exemptions need to be created, and/or whether implementation should be delayed. Mr. LaMarr asked what the position is of the environmental community on the cap-and-trade monies. Dr. Lyou responded that the Coalition for Clean Air has been working very hard to ensure that all of the AB32 revenue and the SB535 money is spent appropriately to result in real successes, and he believes that there is consensus among the mainstream environmental groups and the community-based organizations to use these funds responsibly on projects that will be successful.