

**REPORT OF THE
CHIEF LEGISLATIVE ANALYST**

DATE: January 22, 2020

TO: Honorable Members of the Rules, Elections, and Intergovernmental Relations
Committee

FROM: Sharon M. Tso 
Chief Legislative Analyst Assignment No.: 19-11-1008

SUBJECT: Harbor Department's 2019-2020 Legislative Proposals

CLA RECOMMENDATION:

1. ADOPT the attached Resolutions recommending legislative positions for the 2019-2020 Federal Legislative Programs, as submitted by the Harbor Department, to support the following legislative proposals:
 - Continuing funding for the Infrastructure for Rebuilding America grant program and the National Highway Freight Program formula fund and eliminating or increasing the funding caps for freight, rail, water, or intermodal projects; and
 - Full use and equitable return of funding from the Harbor Maintenance Tax and expanding the allowable uses of Harbor Maintenance Tax revenue to include berth repairs and seismic reinforcement; and
 - Continuing/increasing funding for the Diesel Emission Reduction Act Program and the Congestion Mitigation Air Quality Improvement Program; and
 - Increasing Customs and Border Protection staffing at the Port of Los Angeles and allowing for coordination with and use of the Harbor Department's Port Optimizer.

2. INSTRUCT the Chief Legislative Analyst, with the assistance of the Harbor Department, to monitor the following proposals and instruct the CLA to report and prepare resolutions, if necessary, when additional details regarding the legislation are available:
 - State and federal funding programs to support Harbor Department-led air quality initiatives;
 - State and federal funding programs to support youth apprenticeships, industry training programs, and Harbor Department workforce development initiatives and partnerships;
 - State and federal funding programs to support Port infrastructure and enhance Port competitiveness; and
 - Addressing unfair, international trade practices without the use of tariffs.

SUMMARY

The Mayor and Council President requested that City departments submit recommendations for legislation to be included in the 2019-2020 Federal and State Legislative Program. In response, the Harbor Department submitted multiple proposals for consideration. Our office recommends

that Council support and/or sponsor a number of these proposals and monitor for specific legislation as described in this report.

BACKGROUND

Infrastructure Funding

The Harbor Department anticipates ongoing funding needs for on-dock rail, first- and last-mile connectors, and other freight and port infrastructure improvements. Currently, the federal government and State provide funding for freight infrastructure. However, certain programs including the federal Infrastructure for Rebuilding America (INFRA) grant program and National Highway Freight Program (NHFP) formula fund have caps on multimodal freight funding. Both the INFRA and the NHFP programs were authorized and funded by the Fixing America's Surface Transportation (FAST) Act of 2015, which was only authorized and funded through Fiscal Year 2020 and has yet to be reauthorized. This Office is recommending that the City support continued funding for the INFRA grant program and the NHFP formula fund and eliminating or increasing the funding caps placed on freight, rail, water, and intermodal infrastructure projects.

Other federal sources of funding for port infrastructure restrict the allowable uses of monies, including funding from the federal Harbor Maintenance Tax, which may not be used for repairs or seismic reinforcement of berths. The Harbor Maintenance Tax, which is collected from shipping companies at ports throughout the country, is not spent equitably based on where it is collected. According to the Harbor Department, activity at the Port of Los Angeles generates approximately 15 percent of the Harbor Maintenance Tax that is collected, but the Port of Los Angeles receives less than half a percent in return. Also, due to budget constraints imposed by Congress, Harbor Maintenance Tax revenue is not fully utilized and Congress regularly appropriates less than is collected. The Harbor Department and this Office are recommending that the City support or sponsor any legislation that would ensure Harbor Maintenance Tax revenue is fully used and distributed equitably from where it was collected and that the allowable uses for the Harbor Maintenance Tax revenue be expanded to include berth repairs and seismic reinforcement.

Additionally, this Office is recommending that the CLA be instructed to monitor for legislation that would increase State and/or federal investment in freight and port infrastructure.

Environmental Initiatives

According to the Harbor Department, implementation of the San Pedro Bay Ports Clean Air Action Plan, the Port of Long Beach's and the Port of Los Angeles' joint air quality plan, will require public and private investment. The federal Diesel Emission Reduction Act Grant Program and the federal Congestion Mitigation Air Quality Improvement Program have both funded Harbor Department projects aimed at reducing diesel and other transportation emissions and improving the air quality in the area around the Port. Neither program has been reauthorized or funded beyond Fiscal Year 2020. The Harbor Department and this Office are recommending that the City support or sponsor any legislation that would continue or increase the funding of these programs.

This Office is also recommending that the CLA be instructed to monitor for legislation that would support Harbor Department-led air quality initiatives.

Port Security

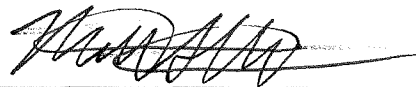
The Harbor Department partners with various security agencies to ensure the safety and security of the Port of Los Angeles and the goods and cargo that travel through the Port. Customs and Border Protection (CBP) Officers are responsible for ensuring that imported cargo is screened and that proper tariffs and revenues are collected. According to the Harbor Department, maintaining or increasing current CBP staffing at the Port of Los Angeles is critical to maintain smooth operations. In order to increase efficiency of port operations, the Harbor Department launched the Port Optimizer, which provides access to digital, real-time data on vessels and cargo containers arriving at and departing from container terminals at the Port. The Harbor Department and this Office are recommending that the City support any legislation or administrative action that maintains or increases CBP staffing at the Port of Los Angeles and that allows CBP to partner with the Harbor Department to use the Port Optimizer to assist CBP operations.

Workforce Development

The Harbor Department is currently working with business, labor, and educational institutions to establish a workforce training center. The Harbor Department's training center will be used to introduce and train workers new to the maritime industry, to provide opportunities to current longshore workers to learn new skills and training, and to aid in the transition to newer and cleaner technologies. The Harbor Department is seeking federal and State investment in its workforce training center and the development of grant programs to fund youth apprenticeship and industry-wide training programs. This Office recommends instructing the CLA to monitor for legislation that would implement State and federal funding programs to support youth apprenticeships, industry training programs, and Harbor Department workforce development initiatives and partnerships.

Trade Policy

The Harbor Department is recommending that the City support efforts to address unfair trade practices and support a rules-based trading system that avoids supply chain disruptions and the use of tariffs. Since the Harbor Department has submitted its legislative proposals, Congress has passed the U.S.-Mexico-Canada Agreement and the White House has announced a trade deal with China to end the ongoing trade war. Given the broad nature of the Harbor Department's request and the recent developments in U.S. trade policy, this Office is recommending that the CLA be instructed to monitor for legislation that would address unfair international trade policies, while maintaining port operations and protecting local jobs and the regional and national economy.



Matthew Shade
Analyst

Attachments: 1. Resolutions

RESOLUTION

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations or policies proposed to or pending before a local, state or federal governmental body or agency must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, the Fixing America's Surface Transportation (FAST) Act of 2015 established the Infrastructure for Rebuilding America grant program and the National Highway Freight Program formula fund to fund major infrastructure and freight projects across the country; and

WHEREAS, the FAST Act authorized \$4.5 billion in funding for INFRA grants and \$6.3 billion in formula funds for NHFP from Fiscal Year 2016 through Fiscal Year 2020; and

WHEREAS, INFRA funding that could be used for freight, rail, water, or other freight intermodal infrastructure projects was capped at \$500 million of the \$4.5 billion; and

WHEREAS, the FAST Act also capped the amount of NHFP funds that may be used for intermodal projects to 10 percent of all NHFP funding; and

WHEREAS, the FAST Act was not funded beyond Fiscal Year 2020 and has yet to be reauthorized; and

WHEREAS, the Port of Los Angeles depends on federal funding for its infrastructure improvement projects that ensure the competitiveness and efficiency of freight operations at the Port including freight, rail, water, and multimodal projects; and

WHEREAS, additional revenue for necessary infrastructure will create thousands of jobs across the country in the construction, freight, and maritime industries, including within the City;

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2019-2020 Federal Legislative Program SUPPORT or SPONSORSHIP for any legislation or administrative action that would continue funding for the Infrastructure for Rebuilding America grant program and National Highway Freight Program and increase or eliminate the funding caps placed on freight, rail, water, and intermodal infrastructure projects.

RESOLUTION

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations or policies proposed to or pending before a local, state or federal governmental body or agency must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, the Harbor Maintenance Tax is a federal tax levied on shippers based on the value of cargo being imported in order to recover operation and maintenance dredging costs at federally-authorized ports; and

WHEREAS, due to budget constraints enacted by Congress, the Harbor Maintenance Trust Fund (where the Harbor Maintenance Tax is deposited) collects more revenue than Congress appropriates to be spent for harbor maintenance; and

WHEREAS, approximately 15 percent of all Harbor Maintenance Tax revenue is collected from shippers at the Port of Los Angeles, but less than 0.5 percent is returned to the Port; and

WHEREAS, Harbor Maintenance Tax revenue may not be used to fund berth repairs and seismic reinforcement at the Port of Los Angeles, costly repairs that are often necessary to comply with State Marine Oil Terminal Engineering and Maintenance Standards; and

WHEREAS, the Port of Los Angeles supports thousands of jobs and depends on federal funding for its infrastructure improvement projects;

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2019-2020 Federal Legislative Program SUPPORT or SPONSORSHIP for any legislation or administrative action that would ensure an equitable return of Harbor Maintenance Tax revenue to the donor port from which it was collected, expand the allowable uses of said revenue to include berth repairs and seismic reinforcement, and guarantee the full use of annually collected Harbor Maintenance Tax revenue.

RESOLUTION

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations or policies proposed to or pending before a local, state or federal governmental body or agency must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, the federal Congestion Mitigation Air Quality Improvement (CMAQ) Program, first authorized in 1991, provides funds to States to fund projects that reduce traffic and improve air quality, especially in areas with above-average levels of pollution; and

WHEREAS, the federal Diesel Emission Reduction Act (DERA) Program, which was authorized in 2010 and expanded on the 2005 Diesel Emissions Reduction program, funds projects that improve air quality by reducing emissions from diesel engines; and

WHEREAS, in 2006, the Harbor Department and the Port of Long Beach adopted the first version of the Clean Air Action Plan, a joint air quality plan to target air pollution and reduce emissions; and

WHEREAS, continued implementation of the San Pedro Bay Ports Clean Air Action Plan will require significant public and private investment; and

WHEREAS, the CMAQ and DERA programs have both funded Harbor Department projects aimed at reducing diesel and other transportation emissions and improving the air quality in the area around the Port of Los Angeles; and

WHEREAS, both the CMAQ and DERA programs' have not been funded or authorized beyond Fiscal Year 2020;

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2019-2020 Federal Legislative Program SUPPORT or SPONSORSHIP for any legislation or administrative action that continues and/or increases the level of funding for the Diesel Emission Reduction Act Program and the Congestion Mitigation Air Quality Improvement Program for continued federal investment in Harbor Department projects and infrastructure that reduce emissions generated by Port of Los Angeles activity and improve the air quality in the region surrounding the Port.

RESOLUTION

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations or policies proposed to or pending before a local, state or federal governmental body or agency must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, Port of Los Angeles is one of the busiest maritime ports in the world and moves cargo at higher volumes than any other port in the nation; and

WHEREAS, the United States Customs and Border Protection (CBP) is responsible for screening cargo arriving at the Port of Los Angeles and ensuring that the proper tariffs and taxes are collected; and

WHEREAS, the Harbor Department has already made significant investments in improving port efficiency through its Port Optimizer, which provides access to real-time data on vessels and their cargo containers arriving at the Port; and

WHEREAS, the Harbor Department is constantly investing in new initiatives to further improve Port efficiency to remain globally and nationally competitive; and

WHEREAS, increased CBP staffing and CBP use of the Port Optimizer could expedite the cargo screening process, further improving the efficiency of port operations for shippers; and

WHEREAS, the Port of Los Angeles supports thousands of jobs in the Southern California region and our local economy depends on its continued success;

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2019-2020 Federal Legislative Program SUPPORT or SPONSORSHIP for any legislation or administrative action that would increase Customs and Border Protection (CBP) staffing levels at the Port of Los Angeles and allow for CBP's use of and coordination with the Harbor Department's Port Optimizer to enhance CBP cargo screening and operations at the Port.