
THIRD READING

Bill No: SB 1029
Author: McGuire (D)
Amended: 5/25/18
Vote: 21

SENATE TRANS. & HOUSING COMMITTEE: 12-0, 4/10/18
AYES: Beall, Cannella, Allen, Dodd, Gaines, Galgiani, McGuire, Morrell, Roth,
Skinner, Vidak, Wiener
NO VOTE RECORDED: Wieckowski

SENATE NATURAL RES. & WATER COMMITTEE: 9-0, 4/24/18
AYES: Hertzberg, Stone, Allen, Hueso, Jackson, McGuire, Monning, Stern,
Vidak

SENATE APPROPRIATIONS COMMITTEE: 7-0, 5/25/18
AYES: Lara, Bates, Beall, Bradford, Hill, Nielsen, Wiener

SUBJECT: North Coast Railroad Authority: right-of-way: Great Redwood Trail
Agency: Sonoma-Marín Area Rail Transit District

SOURCE: Author

DIGEST: This bill establishes the conditions for the southern portion of the North Coast Railroad Authority (NCRA) rail line to be transferred to the Sonoma-Marín Area Rail Transit District (SMART) and for the northern portion of the NCRA rail line to be transferred to the Great Redwood Trail Agency which is created by this bill, and at which point NCRA would be abolished.

ANALYSIS:

Existing law:

- 1) Establishes NCRA, which encompasses the Counties of Humboldt, Mendocino, Sonoma, and Trinity to provide passenger and freight rail service to those counties.

- 2) Establishes a governing Board of Directors and grants NCRA the authority to acquire real and personal property and operate passenger and freight rail services, as specified.
- 3) Provides, additionally, NCRA financing authority to carry out the abovementioned duties.
- 4) Creates SMART, within the Counties of Marin and Sonoma, for potential freight and transit services and to operate and maintain a passenger rail system within its territory.
- 5) Establishes the 13-member California Transportation Commission (CTC) and directs the CTC to advise and assist the Secretary of Transportation and the Legislature in formulating and evaluating state policies and plans for transportation programs in the state.

This bill:

- 1) Makes legislative findings and declarations regarding the dissolution of NCRA and the creation of the Great Redwood Trail Agency (Agency). These findings set forth the desired result for a 142.5-mile-long public trail. The trail is intended to be multi-use to include hiking, biking, and equestrian users to be determined by a broad community engagement process.
- 2) Requires the CTC to conduct an assessment of NCRA's preexisting liabilities related to debt, litigation, or contractual obligations and report that information to the Legislature before July 1, 2019.
- 3) Requires NCRA, before April 1, 2019, to transfer all its rights, privileges, and responsibilities, excluding any liabilities, debt, and/or contractual obligations relating to its right-of-way and railroad assets, plus any licenses and certificates of public convenience and common carrier obligations south of the City of Willits to SMART.
- 4) Requires NCRA, before July 1, 2019, to transfer all its rights, privileges, and responsibilities to its rights-of-way excluding any liabilities, debt, and/or contractual obligations north of the City of Willits to the Agency.
- 5) Specifies that upon completing the abovementioned transfers, NCRA is to be dissolved.
- 6) Creates the Agency and provides various duties and responsibilities. The Agency's Board of Directors consists of two appointees from the Governor

knowledgeable about trails, parks, railroads, or rivers, one each representing the Natural Resources Agency and one representing CalTrans. There is also one Senate Rules appointee and one Assembly Speaker appointee with the same qualifications regarding trails, parks, railroads, or rivers. The counties of Mendocino and Humboldt may (but are not required to) appoint one board member from their respective boards of supervisors. There is also a provision for an as-of-yet undetermined entity to appoint one board member.

- 7) Requires the Agency to inventory any parcel or contract related to the right of way, and to complete an environmental assessment of the right of way.
- 8) Requires the Agency, to the extent funding is available, to complete the rail banking and establish a trail from mile post 142 to mile post 284 and authorizes the agency to contract with a trail manager or other organization for these purposes.
- 9) Provides that between mile posts 284 and 300.5, to the extent funding is available, the Agency shall complete the trail but is also authorized to consider freight or excursion rail service that does not interfere with the trail.
- 10) Requires the Agency, to the extent funding is available, to utilize the services of the California Conservations Corps whenever possible on projects related to trails, environmental enhancements and restoration, and other improvement projects.
- 11) Obligates the agency to submit annual reports to the Legislature and provides it is subject to the Brown Act and the Public Records Act.
- 12) Expands SMART to include freight service.
- 13) Amends SMART's board of directors to include the possibility (but not a requirement) for one member from the Mendocino County Board of Supervisors.
- 14) Provides that, upon receipt of the NCRA rights and responsibilities of the southern portion of the railroad line, SMART shall conduct a freight study from Willits south, create or assign the positions of trail manager and freight rail manager, and report annually to the Legislature.
- 15) Makes other conforming and technical changes.

Background

- 1) *NCRA*. NCRA was formed in 1989 by the Legislature under the North Coast Railroad Authority Act. At that time, the Act was intended to ensure continuation of railroad service in Northwestern California and envisioned the railroad playing a significant role in the transportation infrastructure serving a part of the State that faced transportation challenges due to restricted access and limited transport options. The approximate 300 mile rail line is broken down into two divisions: the Russian River Division (from Lombard in Napa County to Willits in Mendocino County) and the Eel River Division (north of Willits to Samoa in Humboldt County.)

From 1991 through 2008 the CTC provided NCRA with an estimated \$63 million through various programs to be used for purchasing right-of-way, rolling stock, equipment, and making repairs on the rail line. Additionally, in 2006, NCRA entered into an agreement with the Northwestern Pacific Railroad Company (NWPCo) to operate service on the NCRA rail line. Currently, NWPCo is the exclusive contract freight operator for NCRA. NWPCo runs minimal and limited freight rail service, operating up to two trains a week with several cars on each run, from the Lombard Interchange into Windsor California, approximately 62 miles in distance.

Since its inception, NCRA has struggled to secure stable and/or ongoing funding sources and also struggled to provide adequate service along the rail line. In June of 2017, NCRA testified at a CTC hearing where NCRA representatives informed commissioners that NCRA has never been financially self-sufficient, operates with an annual loss, is routinely unable to pay its obligations, and possesses debts due to legal fees from environmental lawsuits. NCRA further testified that the Authority was having difficulty maintaining and expanding rail service and that they were in the process of selling excess property to pay its debt obligations. Overall, NCRA does not generate substantial revenue from its operating contract with NWPCo to cover the Authority's expenditures. Additionally, since 2011, NCRA has annually held anywhere from an estimated \$10.6 million to \$7 million in debt obligations while simultaneously operating with significant cash flow constraints.

- 2) *Next steps*. This bill proposes to dissolve NCRA and essentially split the rail line in the City of Willits with the northern portion being transferred to the newly-created Great Redwood Trail Agency and the southern portion being transferred to SMART. For the southern portion, SMART will be responsible for conducting a freight rail study and determining how to proceed with future

rail service within that corridor. Meanwhile, the northern portion is clearly designated to be developed as a trails system to be managed by the Agency.

- 3) *Who pays?* This bill proposes to transfer all of NCRA's rights, privileges, and responsibilities to the Agency (northern portion) and to SMART (southern portion) and clearly states any of NCRA's preexisting liabilities related to debts, litigation, or contractual obligations are excluded in the process of dissolving NCRA. As mentioned, it's been well documented that NCRA holds significant debts due to its inability to generate revenue and legal expenses. It's also been well documented that portions of NCRA's rail corridor are in extremely poor condition and are in environmentally sensitive areas of the Eel River (see *Friends of the Eel River v. North Coast Railroad Authority*.) In order to determine the actual cost, this bill directs CTC to carry out an assessment of NCRA's preexisting debts and liabilities and report to the Legislature by July 1, 2019.

Comments

Purpose. According to the author, "after months of meetings with rail leaders, elected officials, state agencies, residents and trail advocates, we are ready to present SB 1029 — The Great Redwood Trail Act — a bill that establishes the process to create a magnificent 300 mile long hiking/biking/riding trail that would eventually connect San Francisco and Humboldt Bays. The bill also permits freight rail to continue where it is currently active and allows for excursion and freight rail traffic around Humboldt Bay. The Trail will be a significant economic driver for our region, as it will promote active tourism through five of the seven counties in my district."

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

According to the Senate Appropriations Committee:

- Unknown one-time costs, potentially in the low hundreds of thousands in 2018-19 (State Highway Account), for the CTC to ascertain NCRA's existing liabilities related to debt, litigation, and contractual obligations. There could be additional General Fund cost pressures, potentially over \$10 million, to settle those liabilities.
- Unknown significant one-time cost pressures, likely in the millions, to provide funding for the Agency to conduct an inventory of all parcels and contracts related to the northern portion of NCRA's right-of-way, and conduct an environmental assessment. There could be additional significant cost pressures,

also in the millions for mitigating any environmental issues identified in the assessment. (General Fund)

- One-time costs of approximately \$3.1 million for necessary capital improvements and maintenance of track and bridges on the southern portion of NCRA's right-of-way, plus ongoing maintenance costs of approximately \$1.6 million annually. (General Fund) Staff notes that the Senate's Budget proposal includes \$4.1 million in funding for these purposes.
- Unknown, potentially significant costs for SMART to conduct a freight rail study, establish additional positions, and submit annual reports to the Legislature, upon appropriation of funds for those purposes. (General Fund)
- Unknown very major one-time and ongoing cost pressures, potentially in the hundreds of millions, to provide funding for the construction and ongoing maintenance of a systemwide trail and railroad line. (General Fund, federal funds, and potentially bond funds)

SUPPORT: (Verified 5/25/18)

Alta Planning + Design
California Bicycle Coalition
California Transportation Commission
California Trout
California Wilderness Coalition
Friends of the Eel River
Greenbelt Alliance
Humboldt Baykeeper
Humboldt County Association of Governments
Humboldt Trails Council
North Coast Environmental Center
Pacific Forest Trust
Rails to Trails Conservancy
Redwood Community Action Agency
Redwood Region Audubon Society
Save the Redwoods League
Sonoma County Regional Parks
Sonoma-Marín Area Rail Transit
Stand for the Redwoods
Wild California
Wildlands Conservancy

OPPOSITION: (Verified 5/25/18)

California Farm Bureau Federation

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**** **END** ****