

Date of Hearing: June 21, 2016

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT, AND THE ECONOMY

Eduardo Garcia, Chair

SJR 22 (Hueso) – As Introduced March 16, 2016

SENATE VOTE: 37-0

SUBJECT: Calexico West Land Port of Entry project: funding

SUMMARY: Memorializes the California Legislature's support for the final federal funding to complete the Calexico West Land Port of Entry expansion and reconfiguration project. Specifically, **this bill:**

- 1) Makes declarations as to the value of the enhanced port of entry, as follows:
 - a) Traffic congestion and delays at the borders of the Counties of San Diego and Imperial cost the economies of the United States and Mexico an estimated \$8.63 billion in gross output and more than 73,900 jobs in 2007.
 - b) Completion of the reconfiguration and expansion of Calexico West Land Port is anticipated to improve domestic supply chains, strengthen national security, reduce the Port's carbon footprint, and facilitate economic growth, not only for the County of Imperial and California, but for the entire nation;
 - c) The completion of this project guarantees the economic activity of the border will not be lost. On an average day, more than 11,000 privately operated vehicles and nearly 13,000 pedestrians enter the United States through the Calexico Land Port of Entry; and
 - d) The collaboration between federal, state, and local agencies is essential for the development of border infrastructure projects and security. The U.S. General Accountability Office and the U.S. Department of Homeland Security estimate that \$6 billion in border infrastructure is needed to fulfill their mission of preventing unlawful entry and smuggling while facilitating legitimate trade and tourism.
- 2) Makes declarations as to the funding of the port of entry project, as follows:
 - a) The Obama Administration's 2015 budget included a \$98,062,000 investment in Calexico West Land Port of Entry Phase 1. This first phase of the expansion project is currently underway and is expected to be completed in 2018;
 - b) The Obama Administration included \$248 million in funding for Phase 2 of the Calexico West Land Port of Entry reconfiguration and expansion project in the Financial Services and General Government Appropriations bill is proposed by the President's Fiscal Year 2017 Budget; and
 - c) Phase 2 will consist of the balance of the expansion of the Calexico West Land Port, including additional site work, an expanded pedestrian processing facility, administrative offices, and six additional northbound privately owned vehicle inspection lanes.
- 3) Makes declarations as to the importance of Mexico as a trade partner, as follows:
 - a) The U.S.' goods and private services trade with Mexico totaled an estimated \$536 billion in 2012, with exports totaling \$243 billion and imports totaling \$293 billion; and

- b) Mexico is currently California's third largest goods trading partner with almost \$507 billion in total goods traded during 2013, with goods exports that totaled \$226 billion and goods imports that totaled \$280 billion;
 - c) Ninety-nine percent of trade between California and Mexico is carried by trucks; and the Calexico East Port of Entry provides nearly all of the international truck traffic crossings through Imperial County, with a total trade value of over \$12 billion in 2012; and
 - d) The San Diego Association of Governments 2050 Comprehensive Freight Gateway Study projects that the nearly two million trucks that crossed the California-Mexico border in 2007 will increase to nearly five million trucks in 2050.
- 4) Resolves that the California Senate and Assembly urge the U.S. Congress to appropriate \$248 million in funding to complete Phase 2 of the Calexico West Land Port of Entry reconfiguration.
 - 5) Resolves that the Secretary of the Senate transmit copies of this resolution to the U.S. President and Vice President and to the leadership of the U.S. Senate and House of Representatives.

FISCAL EFFECT: None

POLICY ISSUE FRAME

Mexico is California's largest trade partner with 99% of the movement of goods being carried by trucks through California's six land-based ports of entry. The Calexico ports of entry serve 15,000 to 20,000 northbound vehicles and 20,000 northbound pedestrians a day. These Imperial County-based ports of entry play an important role in connecting the Mexicali industrial base and other regions of Mexico to the mega-markets throughout the U.S. National, state, and regional evaluations have concluded that the current Calexico West Ports of Entry facilities are inadequate to meet growing traffic demand and are obsolete in terms of inspector safety and border security.

President Barak Obama has included \$248 million in the proposed 2017 federal budget to complete the final phase of the expanded and reconfigured Calexico West Land Port of Entry. This resolution expresses the Legislature's support for these moneys. The analysis includes information on the importance of trade to the California economy, the need for infrastructure investments to keep pace with global competitiveness, and details on the Calexico project. Amendments are discussed in Comment #6.

COMMENTS:

- 1) **Author Purpose:** According to the author, "It is estimated that by 2050, border crossings in San Diego County will exceed 4.4 million truckloads per year and 39 million tons of goods, valued at \$309 billion. On an average day, more than 11,000 privately operated vehicles (POV) and nearly 13,000 pedestrians enter the United States through the Calexico Land Port of Entry. California exports to Mexico amounted to \$26.8 billion in 2015, a 5.5 percent increase from 2014. Moreover, 99 percent of trade between California and Mexico is carried by trucks.

SJR 22 would respectfully urge Congress to appropriate \$248 million in funding as proposed by the President's Fiscal Year 2017 Budget to complete Phase 2 of the Calexico West Land Port of Entry Reconfiguration and Expansion project, due to the benefits the improvements of this project will have on the nation's economy."

2) **Ports of Entry between Mexico and California:** There are six land crossings along the California and Mexico border. The chart below shows the general location of each of the ports. Starting from the Pacific Ocean, trade through the San Diego County-Tijuana/Tecate region flows through the San Ysidro-Puerta México, the Otay Mesa-Mesa de Otay, and the Tecate-Tecate Land Ports of Entry. San Ysidro is the largest port of entry in the western hemisphere, currently processing an average of 50,000 northbound vehicles and 25,000 southbound vehicles per day. The San Diego Association of Governments estimates an 87% increase in vehicle traffic by 2030.

The Imperial County-Mexicali region includes the state's most eastern ports of entry points and abuts Arizona. These crossings include Calexico West-Mexicali, Calexico East-Mexicali II, and Andrade-Los Algodones Land Ports of Entry.

The Calexico East and West Land Ports of Entry serve 15,000 to 20,000 northbound vehicles and 20,000 northbound pedestrians a day. Calexico West was built in 1974 when California trade with Mexico was still in its infancy. As Mexico became an increasingly important trade partner congestion at the ports of entry increased and upgraded facilities were required. Calexico East was built in 1994 to ease the traffic impacts on Calexico West and was designed to primarily serve commercial operations. According to national, state, and regional evaluations, the Calexico West Land Port of Entry facilities are again inadequate to meet traffic demand and obsolete in terms of inspector safety and border security.



The General Services Administration (GSA) is in the final phase of a \$370 million project to expand and realign the Calexico West Land Port of Entry. The U.S. Congress previously appropriated \$24 million for site acquisition and project design and \$98 million for Phase 1 construction. An additional \$248 million is needed to fund phase 2. This money, as noted above, has been included within the President's proposed budget for federal Fiscal Year 2017.

Upon completion of the project, the Calexico West Land Port of Entry will have:

- 10 southbound lanes for privately owned vehicles, including 5 with canopies and booths;
- Southbound bridge over the New River;
- 16 northbound inspection lanes, including 10 with primary and secondary inspection canopies, booths, and inspection equipment;
- A new head house and administrative offices; and
- A new pedestrian processing facility.

While initially designed in 2007 to meet LEED Silver standards, GSA's current goal is to achieve a LEED Gold rating. Energy and sustainability features in the project include, a solar photovoltaic system, solar thermal hot water system, earth bermed administration building, ultra-low flow fixtures, and drought tolerant landscaping. Once complete, the GSA states that the Calexico West Land Port of Entry will have adequate operational space, reduced traffic congestion, and a safe environment for port employees and visitors.

- 3) **California and Mexico Trade:** California's \$2.4 trillion economy is highly dependent on international trade and foreign investment. In 2015, California exported \$165 billion in goods to over 220 foreign markets. Mexico, once again, was the state's top trade partner, accepting \$26.8 billion (16.2%) in goods.

Computers and electronic products have been California's highest single export to Mexico since 2000. The top five exports to Mexico in 2015 were: Computer and Electronic Products (25.1% - \$6.7 billion); Transportation Equipment (\$2.9 billion – 10.9%); Machinery, except Electrical (\$2.0 billion – 7.7%); Chemicals (\$1.7 billion – 6.4%); and Electrical Equipment, Appliances and Components (\$1.6 billion – 6.1%).

Over 90% of trade between California and Mexico occurs by truck, making California's land-based ports of entry very important to the state economy and play a significant role within global supply chains. The Calexico East Land Port of Entry serves as the primary international crossings in Imperial County for trucks with a total trade value of over \$12 billion in 2012.

One report from the Wilson Center on Mexico, states that, on average, products exported from Mexico include more than 40% U.S. components. Research by the California State Library Research Bureau, found that in the late 1990s, a new trade pattern between California and Mexico developed where it was not uncommon that components and partially assembled products passed between the U.S. and Mexico multiple times before becoming a final product. Today, four of the five top California exports to Mexico include components, as well as finished products.

- 4) **Infrastructure: A Major Challenge to California's Competitiveness:** World class infrastructure plays a key role in business attraction, as multinational companies consistently rank the quality of infrastructure among their top four criteria in making investment decisions. Research shows that as U.S. infrastructure has been in decline, infrastructure in other countries is rapidly increasing. The 2015-16 Global Competitiveness Report by the World Economic Forum places U.S. infrastructure 11th in the world, a drop from its rank of 7th in 2000.

California's infrastructure is in a similar state, according to the American Society of Civil Engineers California Infrastructure Report Card 2012, with an estimated \$65 billion a year investment gap. The impact of this underinvestment is compounded by the substantial new investments made in other states and nations, including the expansion of the Panama Canal.

- 5) **Border Delays and Goods Movement Infrastructure:** Goods movement supports employment, business profit, and state and local tax revenue. California businesses rely heavily on the state's ports and their related transportation systems to move manufactured goods. Firms rely on fast, flexible, and reliable shipping to link national and global supply chains and bring products to the retail market. Transportation breakdowns and congestion can idle entire global production networks. As a result, the capacity and efficiency of land ports, seaports, and airports have become critical factors in global trade.

Changes in U.S. and global trade patterns since the enactment of NAFTA and the continuing development of foreign markets in Mexico and Latin America are placing increased challenges on California's southern land-based ports of entry. For California's border region, the increased tourism, as well as the expanded supply chains for manufacturing and product distribution have resulted in significant delays at border crossings, decreased regional air quality, and border crossings that are difficult to secure.

Border Wait Times - June 13, 2016 at 5 p.m.		
Calexico - East		
Commercial Vehicles <i>Maximum Lanes: 3</i>	Standard Lanes	No delay - 2 lanes open
	Fast Lanes	No delay - 1 lane open
Passenger Vehicles <i>Maximum Lanes: 8</i>	Standard Lanes	60 minute wait, 2 lanes open
	ReadyLane	45 minute wait, 4 lanes open
	Sentri Lanes	No delay, 1 lanes open
Pedestrian <i>Maximum Lanes: 4</i>	Standard Lanes	No delay, 2 lanes open
	ReadyLane	N/A
Calexico - West		
Commercial Vehicles <i>Maximum Lanes: N/A</i>	Standard Lanes	N/A
	Fast Lanes	N/A
Passenger Vehicles <i>Maximum Lanes: 10</i>	Standard Lanes	50 minute, 7 lanes open
	ReadyLane	N/A
	Sentri Lanes	10 minute wait, 2 lanes open
Pedestrian <i>Maximum Lanes: 6</i>	Standard Lanes	No delay, 3 lane(s) open
	ReadyLane	No delay, 3 lane(s) open
Source: U.S. Customs and Border Protections; accessed 6/13/2016		

U.S. firms with significant business passing through the three Imperial Valley ports of entry report that their logistics-supply chain is highly time sensitive and long wait times delay access to intermediary goods and ultimately lead to problems in the manufacturing chain. Long wait times (as high as three to four hours) between Imperial County and the Mexico border accounted for an estimated output loss of \$1.4 billion and 11,600 lost jobs nationally in 2007. More recent studies (2011) on the Imperial ports of entry show that losses to California, alone, were \$620 million.

- 6) **Suggested Technical Amendments:** Committee staff have researched and identified more current data relative to the important role Mexico plays within the California and U.S. economy. The author is amenable to amendments that update the resolution.
- 7) **Related Legislation:** Below is a list of the related bills.
 - a) **AJR 4 (Hueso and Pérez) Berryessa Snow Mountain National Monument:** requests that the federal government, including the Department of Homeland Security and the GSA, fund necessary improvements at the San Ysidro, Calexico, and Otay Mesa Ports of Entry. Status: Adopted, Resolution Chapter 24, Statutes of 2013.
 - b) **AB 1545 (V. Manuel Perez) Bi-National Infrastructure and Economic Development Bank:** This bill would have expanded the role of the California Infrastructure and Economic Development Bank (I-Bank) to include facilitating infrastructure and economic development financing activities within the California and Mexico border region. Status: Held in the Senate Committee on Appropriations, 2012.
 - c) **SJR 16 (Vargas) Calexico West Port of Entry:** This resolution declares the Legislature's support for a public-private partnership to renovate and expand the Calexico West Port of Entry and urges Congress to enact guiding legislation to authorize private-public partnerships, such as the one proposed for the expansion of the Calexico West Port of Entry. Status: Approved, Resolution Chapter 124, Statutes of 2012.

REGISTERED SUPPORT / OPPOSITION:

Support

California Chamber of Commerce
Calexico Chamber of Commerce
City of El Centro
City of Holtville
County of Imperial
The Dahm Team Real Estate Company
El Centro Chamber of Commerce
Imperial County Transportation Commission
Imperial Mexicali Binational Alliance
Imperial Valley College
Imperial Valley Economic Development Corporation
Imperial Valley Joint Chambers of Commerce
San Diego Regional Chamber of Commerce

Opposition

None received

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