

Date of Hearing: April 23, 2013

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT AND THE ECONOMY

Jose Medina, Chair

AB 1400 (Jobs, Economic Development and the Economy) – As Amended: April 16, 2013

SUBJECT: Export Label Certificates

SUMMARY: Makes changes in the state's administration of the Export Document Program to address an existing backlog and streamline the process in the future. Specifically, this bill:

- 1) Requires the Department of Public Health (DPH), to accept requests for an export document through electronic methods, including email.
- 2) Requires DPH to develop procedures to expedite approval of export document requests when the department previously approved a request and the label remains unchanged.
- 3) Extends the term of the export document from 180 days (six months) to one year.

EXISTING LAW, the Sherman Food, Drug, and Cosmetic Law, authorizes a person who ships to another state or country to request the DPH to issue a specified export document, which states that the department does not object to the sale of the food, drug, device, or cosmetic in this state or the shipment of the product to any state or country.

In order to make the request, the food, drug, device, or cosmetic is required to be manufactured or produced in this state by an individual who has a valid registration, license, certificate, or permit, as specified. The document request must include all labels and advertising relating to the product, and the approximate date of the shipment. Applicants may also request and additional statements be incorporated into the export document. The export label is required to be provided within five days of application and expires after 180 days.

FISCAL EFFECT: Unknown

COMMENTS:

- 1) Framing the Policy Issue: This measure, a committee bill, was introduced to address the significant backlog of requests for export documents from the DPH. Statute requires export documents to be provided within five days, however, the department admits to delays of up to five to eight weeks.

While businesses are not required to obtain certificates under California law, other countries often require the certificates for imported products in order to certify that the manufacturer and its products are subject to the health standards required by the DPH. Prior to applying for these export documents, the manufacturer must already hold valid permits, certificates, registrations, and licenses to produce products in California.

By improving the process times and extending the term of the export document, businesses will be able to arrange export transportation with more certainty and thereby reduce costs and meet contractual obligations. The analysis includes information on the Export Document Program, a

pending budget change proposal (BCP) to increase program staffing, and California's trade related economy.

- 2) Export Document Program: The Export Document Program was established in 1991 for the purpose of ensuring the public of the safety of foods, drugs, medical devices, and cosmetics. There are two factors that the Food and Drug Branch (FDB) of the DPH uses to determine whether an export document should be issued to manufacturers. First, following inspections of the state's manufacturers, distributors, and wholesalers, FDB determines whether the system of manufacture and quality control used to produce the product is adequate. The second factor the FDB considers is whether the product is labeled properly, which is determined by a review of the product at the time the export document is requested.

Foreign countries are increasingly requiring export documents. In 2001, there were 1,731 requests vs. 9,500 requests in 2012. Although the program has seen significant increases in export document requests, the staffing levels have remained at their initial 1991 levels of one full-time staff service analyst and a half-time office technician. As described below, funding for the program is provided through user fees, which draws into question why the backlog hasn't been addressed sooner.

- 3) Special Funds: The Export Label Program is funded through user fees, which are deposited in the Export Document Program Fund and available through an appropriation by the Legislature. By statute, applicants pay a one-time fee of \$100 and a service charge at the rate of \$80 per hour, at a minimum of \$25 per request. Additional costs incurred by DPH may also be required, such as the need for additional inspection, priority mailing, or notary services. All fees are required to be itemized and disclosed on the statement or invoice. In no case can the fees exceed the reasonable costs of administering the program.
- 4) Budget Change Proposal: According to Budget Committee documents, the FDB believes that the eight week backlog is, in part, due to the increase in specialized applications, which require multiple product labels, labeling and advertising, special wording, and notary services. These requests are further complicated by FDB's lack of scientific or research staff to assist in the more technical and specialized label reviews.

The FDB has requested permanent expenditure authority from Special Funds of \$287,000 in 2013-14 and \$281,000 ongoing and three full-time permanent positions for the Export Document Program. The Legislative Analyst Office analysis has reviewed the proposal and states that they have not identified any issues. The Assembly Budget Subcommittee 1 on Health and Human Services took testimony on the issue at their March 1, 2013 hearing.

Hearing testimony in support of the budget augmentation by the Grocery Manufacturer Association also included recommendations to extend the term of the certificate from 180 day to one year and to allow for electronic, on-line submittal of applications. AB 1400 makes the statutory changes to implement these recommendations.

- 5) California's Global Economy: International trade and foreign investment are very important components of California's \$1.9 trillion economy. If California were a country, it would be the 11th largest exporter in the world. Exports from California accounted for over 10.5% of total U.S. exports in goods, shipping to over 220 foreign destinations in 2012.

California's land, sea, and air ports of entry serve as key international commercial gateways for products entering the country. California exported \$161 billion in goods in 2012 (up from \$159 billion in 2011), ranking only second to Texas with \$265.3 billion in export goods. Computers and electronic products were California's top exports in 2012, accounting for 27.6% of all state exports, or \$44.5 billion.

2012 Exports From California to the World		
Product	Value (\$ billions)	Percent
334 Computers & Electronic Prod.	44.5	27.6 %
333 Machinery (except electrical)	14.8	9.2 %
336 Transportation Equipment	16.1	10.0 %
325 Chemical Manufactures	12.7	7.9 %
339 Misc. Manufacture Commodities	13.8	8.6 %
111 Agricultural Products	11.9	7.4 %
All Others	47.2	29.3 %
Total	\$161	100 %

Source: Tradestates.com

Manufacturing is California's most export-intensive activity. Overall, manufacturing exports represent 9.4% of California's gross domestic product. More than one-fifth (21.9%) of all manufacturing workers in California directly depend on exports for their jobs.

Small- and medium-sized firms generated more than two-fifths (43%) of California's total exports of merchandise. This represents the seventh highest percentage among states and is well above the 29% national average export share for these firms.

Mexico is California's top trading partner, receiving \$26.3 billion (16%) in goods in 2012. The state's second and third largest trading partners are Canada and China with \$17.3 billion (10.7%) and \$13.9 billion (8.6%), respectively. Other top-ranking export destinations include Japan, South Korea, Taiwan, the United Kingdom, Hong Kong, Germany, and Singapore.

REGISTERED SUPPORT / OPPOSITION:

Support

The Grocery Manufacturers Association

Opposition

None received

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