

Date of Hearing: March 31, 2022

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT, AND THE ECONOMY

Sabrina Cervantes, Chair

AB 1679 (Fong) – As Amended March 24, 2022

SUBJECT: Governor’s Office of Business and Economic Development: California Business Investment Services Program: Supply Chain Senior Advisor

POLICY FRAME: California’s 11 major commercial seaports move more than 40% of the containerized cargo entering the US, representing nearly 30% of all US exports. This cargo is responsible for more than 1 million California jobs and 3 million jobs nationally. Collectively, the California seaports are the most consequential system of ports in the nation.

Seaports are, however, only one component of the state’s freight system. The production and delivery of products is a multifaceted and highly integrated logistical network of specialized supply chains comprising businesses, skilled workers, and transportation facilities and infrastructure.

As California simultaneously expands out of the COVID-19-induced recession and transitions to a zero-emission economy, the state’s lead agency on economic growth needs to have access to in-house professional expertise on supply chains. AB 1679 authorizes the Director of the Governor’s Office of Business and Economic Development (GO-Biz) to appoint a qualified senior staff member to advise and inform the agency as it addresses the most immediate supply chain issues, as well as the state’s logistical transformation within a rapidly evolving global marketplace.

California’s Freight System

- 12 deep water seaports
- Two Class I railroads and 27 Class III railroads with approximately 6,000 miles of railroad track
- 12 airports with major cargo operations
- Over 5,800 centerline miles of high-traffic volume interstate and state highways
- 3 existing and one future commercial land ports of entry with Mexico
- Approximately 19,390 miles of hazardous liquid and natural gas pipelines
- A large warehousing and distribution sector

Source: Sustainable Freight Action Plan, 2020

The analysis includes information on the California economy, the most recent supply chain disruptions, and GO-Biz. There is no known opposition to this measure. The Assembly Rules Committee referred this measure to the Assembly Committee on Jobs and the Assembly Committee on Transportation. Should this measure pass this committee, it will be referred to the Assembly Committee on Transportation for further policy review.

SUMMARY: This bill establishes the position of the Supply Chain Coordinator within the California Business Investment Services Program at GO-Biz. Specifically, **this bill:**

- 1) Defines “supply chain” to mean participants in the economic supply chain of this state, including seaports, airports, land ports of entry, air carriers, motor carriers, ocean carriers, rail carriers, marine terminals, rail terminals, trucking terminals, warehousing, agriculture, manufacturing, and retailers.
- 2) Requires the Director of GO-Biz to appoint a Supply Chain Senior Advisor who has expertise in commerce, trade, transportation, and supply chain management. The coordinator shall serve at the pleasure of the director.

- 3) Requires the Senior Advisor to:
 - a) Serve as the principal advocate in the state for business and industry interests related to supply chain development and operation.
 - b) Serve as an advisor to the Director of GO-Biz on issues affecting the state's supply chain, including economic strategy, investment, and improvements in technology, including policies, programs, services, legislation, and administrative regulations affecting the state's supply chain.
 - c) Specifies, that among other duties, the Senior Advisor:
 - i) Represents the views and interests of business and industry before other state agencies whose policies and activities may affect supply chains in the state, including, but not limited to, economic strategy, investment, and improvement of technology.
 - ii) Enlists the cooperation and assistance of public and private agencies, businesses, and other organizations in disseminating information about the programs and services provided by the state government that improve the efficiency, capacity, conditions, competitiveness, and excellence of California supply chains, as defined.
 - iii) Consult with experts and authorities in logistics and supply chain management, including, but not limited to, professionals and academics involved in the financing, developing and upgrading, and operating key components of supply chains that serve the people and businesses in the state.
 - iv) Collaborates with state agencies with similar duties and functions or that otherwise support or impact supply chains in the state, including, but not limited to, the Transportation Agency, the Department of Transportation, the Department of General Services, the Department of Food and Agriculture, and the State Air Resources Board.
- 4) Authorizes the Senior Advisor, in consultation with the Director of GO-Biz, to establish and convene one or more advisory groups of stakeholders in the state's supply chain.
 - a) Specifies that membership on in an advisory group is to be based on the issue, which may include, but is not limited to, representatives from each sector that makes up the state's supply chain, including, but not limited to, seaports, airports, land ports of entry, air carriers, motor carriers, ocean carriers, rail carriers, marine terminals, rail terminals, trucking terminals, warehousing, agriculture, manufacturing, and retailers.
 - b) Requires the Senior Advisor to oversee and support the work of any advisory group established and convened pursuant to this bill.
 - c) Authorizes an advisory group to develop and recommend policies that address the challenges and improve the supply chain, including, but not limited to, recommending a California freight policy that identifies additional means of easing congestion in times of crisis.
- 5) Requires each state agency to furnish to the Senior Advisor reports, documents, and information that are public records and that the senior advisor deems necessary to carry out the advisor's duties and functions.

EXISTING LAW:

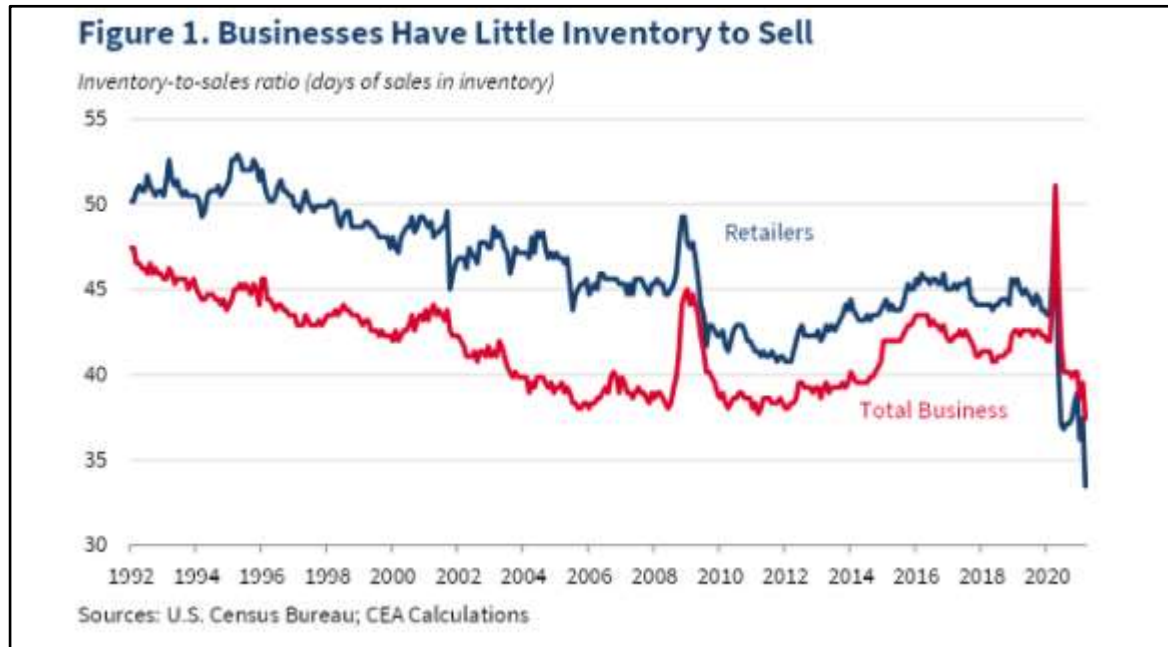
- 1) **GO-Biz:** Establishes GO-Biz to serve the Governor as the lead entity for economic strategy and the marketing of California on issues relating to business development, private sector investment, international trade, and economic growth. Among other duties, GO-Biz is authorized to make recommendations to the Governor and the Legislature on new state policies, programs, and actions, or amendments to existing programs to advance statewide economic goals, respond to emerging economic problems, and ensure that all state policies and programs conform to the state's economic and business development goals.
- 2) **California Business Investment Services Program:** Establishes the California Business Investment Services Program within Go-Biz to serve employers, corporate executives, business owners, and site location consultants considering California for business investment and expansion.
 - a) Among other activities, the Director of GO-Biz is required to have a process in place for the convening of teams on key business development situations, including, but not limited to, attracting new businesses, relocation of large manufacturers, or closure of large business employers.
 - b) In addition to assisting in relocating and expanding businesses, the California Business Investment Services Program is to work cooperatively with local, regional, federal, and other states public and private entities in attracting, retaining, and helping businesses grow and be successful in California.
- 3) **State Freight Plan:** Requires the California State Transportation Agency (CalSTA) to prepare a state freight plan which can serve as a comprehensive plan to govern the immediate and long-range planning activities and capital investments of the state with respect to the movement of freight. The state freight plan is required, among other things, to include an inventory of facilities with freight mobility issues, such as truck bottlenecks within California, and a description of the strategies California is employing to address those freight mobility issues.

FISCAL EFFECT: Unknown

COMMENTS & CONTEXT:

- 1) **COVID-19 and Supply Chain Disruptions:** At the beginning of the pandemic, businesses across the US held billions in unsold goods as consumers abruptly reduced purchasing of new products. This caused the inventory-to-sales ratios to spike for nonperishable goods. Over time, these businesses were able to liquidate inventories, and many elected not to maintain pre-pandemic inventory levels. Pandemic-related worker shortages globally also resulted in disruption and inefficiencies within the production and distribution sectors.

As the most significant economic restrictions due to the COVID-19 pandemic began to be lifted in mid-2021, consumers in the US started making historical levels of purchases. Low inventories, workforce shortages, and rapidly rising wholesale and retail demands created cascading issues all along supply chains. *Figure 1 (following page)* shows that the retail sector's inventory-to-sales ratio was especially short. According to a Small Business Pulse Survey (May 31 to June 6, 2021) administered by the US Census Bureau, 36% of small business respondents reported delays with domestic suppliers, with delays concentrated in the manufacturing, construction, and trade sectors.



Another impact of the shortages, as reported by the White House, has been abrupt price increases. Between May 2020 and May 2021, prices of commodities tracked within the Producer Price Index rose by 19%, the largest year-over-year increase since 1974.

In addition to the direct impacts on retail and lack of component parts for manufacturers, supply chain disruptions also limited business activity in other sectors. As one example, the National Association of Homebuilders reported that shortages of key materials such as framing lumber, wallboard, and roofing impacted a record share of homebuilders, which resulted, in part, by homebuilders delaying new construction.

The production and delivery of products is an integrated system – disruptions at any point in the system impact the overall system’s capacity. According to data compiled by Sea-Intelligence, an international research firm, nearly 13% of the world’s cargo shipping capacity was tied up by delays during the fall of 2021. Below is a list of key features to supply chain disruptions that impacted California:

- COVID-19 shut down manufacturing and port operations in key trading partners, including Southeast Asia.
- Even as the Ports of Los Angeles and Long Beach processed record levels of cargo (throughput), dozens of ships remained waiting to be offloaded.
- There was a shortage of truckers to pick up the unloaded containers at the ports. In September 2021, the LA Port estimated that 30% of truck appointments were not filled.

February 2022 Producer Price Index

A more recent look of the [Producer Price Index for February 2022](#) shows that price increases are lessening with producer prices for final demand goods increased 14.4% over the year ended in February 2022. This increase was driven by both final demand energy prices, which increased 33.8%, and final demand food prices, which were up 13.7%. Final demand prices for goods less foods and energy increased 9.6%.

- Warehouses in Southern California were full, resulting in containers on truck chassis sitting for up to a week waiting to be unloaded. It was reported that warehouse capacity for offloading goods was down to 2% in Los Angeles and 4% in the Inland Empire.
- The lack of warehouse space resulted in:
 - Trucks entering and parking/idling in residential or other nonindustrial areas of cities.
 - A shortage of truck chassis on which to place new containers for distribution.
- While alternative temporary sites to offload products were pursued, some cities in Southern California refused to permit temporary offloading sites.

2) **Federal and State Actions to Address Supply Chain Disruptions:** The earliest actions by the federal and state governments focused on addressing healthcare-related shortages, which later expanded to component parts to manufacturing, including semiconductors. As noted in the earlier comments, eventually supply chain disruptions impacted the delivery of domestic goods to consumers. Below is a timeline of selected actions by the federal and state governments to assess and address these disruptions.

- **February 2021** – President Biden signs E.O. 14017, directing a “whole-of-government approach” to assessing vulnerabilities in and strengthening the resilience of critical supply chains.
- **June 2021** – The Supply Chain Disruptions Task Force [releases 100 day reviews and recommendations](#) to address the short-term disruption of the delivery of goods.
 - The review included four key industrial products: *semiconductor manufacturing* and advanced packaging; *large capacity batteries*, like those for electric vehicles; *critical minerals and materials*; and *pharmaceuticals* and active pharmaceutical ingredients.
 - The review found that COVID-19 amplified the impacts of decades of underinvestment and public policy choices, which have resulted in fragile supply chains across a range of sectors and products.
 - The supply chain review reinforced the need for transformative investments to rebuild US manufacturing capacity in key sectors and value-chains. Among other recommendations, the review called for establishing a new *\$50 billion Supply Chain Resilience Program* at the US Department of Commerce to “monitor, analyze, and forecast supply chain vulnerabilities and partner with industry, labor, and other stakeholders to strengthen resilience.”
 - The second part of E.O. 14017 is due in February 2022, which included the review of six “critical industrial base sectors that underpin America’s economic and national security,” which includes the defense industrial base, public health and biological preparedness industrial base, information and communications technology industrial base, energy sector industrial base, transportation industrial base, and supply chains for production of agricultural commodities and food products.
- **August 2021** – Whitehouse names a senior –level “Port Envoy” to the Supply Chain Disruptions Task Force
- **September 2021** – The Center for International Trade and Transportation at California State University at Long Beach partners with GO-Biz, CalSTA, and the Port of Long Beach to launch the [California Supply Chain SUCCESS Initiative](#) (Initiative). The Initiative used a solutions-based approach to re-engage a broad set of stakeholders with historical differences. According to a summary of the Initiative’s outcomes: “Not only was the Initiative meant to provide a broader

framework for dialogue, but also to emphasize the need for individual stakeholders to identify what they could do as independent actors to add value to the supply chain with or without government facilitation.

- **October 13, 2021** – The White House [announces actions](#) aimed at relieving congestion in the supply chain.
 - This included a plan for the Port of Los Angeles to operate 24/7 and for major US retailers to expand working hours. In addition, a virtual [roundtable](#) was held between the federal and state governments, the LA/LB Ports, labor, and the business community to discuss current logistic challenges.
 - In addition, the Whitehouse reported working with major retailers and domestic shippers, including UPS and Walmart, to increase hours of operation.
- **October 28, 2021** – US Department of Transportation announces a strategic partnership with California to help facilitate innovative projects and financing opportunities for multi-billion infrastructure improvements. The agreement is intended to facilitate the movement of imports and exports, upgrade supply chain processes, and “create resilience throughout the critical trade corridors of California and the US, including around San Pedro Bay and the Inland Empire.” Projects that could receive support through this agreement, according to Governor Newsom’s announcement, include:
 - Port-specific upgrades;
 - Expanding capacity for freight rail;
 - Developing inland port facilities for increased warehouse storage;
 - Railyard and truck electrification;
 - Highway upgrades to improve truck travel times;
 - Grade-separated crossings to reduce the number of rail-street intersections and improve safety and efficiency; and,
 - Land ports of entry to expand trade capacity and cross-border commerce.
- **October 20, 2021** - Governor Newsom issues [Executive Order N-19-21](#) (EO N-19-21), which was the culmination of the state’s extended dialogue with businesses, freight operators, and labor, as well as the White House and the federal Supply Chain Disruptions Task Force. According to the announcement, the Governor particularly singles out GO-Biz and its work of engaging with stakeholders on key challenges and identification of short-term and long-term solutions to supply chain disruptions. Among other directives, the EO stated:
 - The Governor's Office of Business and Economic Development shall identify non-state sites, including private, locally owned, and federally owned parcels, that could be available to address short-term storage needs to address the supply and distribution chain crisis.
 - The Department of General Services shall complete its review of state-owned property in proximity to impacted ports that may be made available to address short-term storage needs to address the supply and distribution chain crisis by no later than December 15, 2021.
 - The Department of General Services shall collaborate with other state agencies to expedite leasing to store cargo containers on state-owned parcels.

- By December 31, 2021, the California Labor and Workforce Development Agency shall take all necessary actions to constitute and announce the membership of the industry panel required by AB 639 (Cervantes). The Secretary of Labor shall convene the panel for its first meeting by March 1, 2022.
- The Department of Finance shall work with state agencies and departments to develop longer-term proposals that support port operations and goods movement for consideration in the January 10 Governor's Budget. Proposals may include port and transportation infrastructure improvements, electrification of the goods movement system from port to delivery, workforce development, and other actions to support goods movement.

As the state's lead on economic development activities, GO-Biz Director and the Governor's Senior Economic Advisor, Dee Dee Myers, played a pivotal role in the state's supply chain mitigation activities. She participated in the federal Supply Chain Disruptions Task Force and represented California in other national, state, and regional meetings. AB 1679 proposes to provide the Director of GO-Biz with a Supply Chain Senior Advisor who will be available to assist and offer their expertise on key issues affecting the resiliency and competitiveness of supply chains that support California's \$3.1 trillion economy.

- 3) **California Goods Movement Investments:** As a follow-up to EO N-19-2, Governor Newsom proposed \$2.3 billion for supply chain investments in his 2022-23 January budget. According to the Budget Summary, these funds are intended to help address congestion and bottlenecks across the West Coast. The proposed supply chain investments for the 2022-23 fiscal year include:
- **Port Infrastructure and Goods Movement:** \$1.2 billion for port-related high-priority projects that increase goods movement capacity on rail and roadways serving ports and at port terminals, including railyard expansions, new bridges, and zero-emission modernization projects.
 - **Zero-Emission Equipment and Infrastructure:** \$875 million for zero-emission port equipment, short-haul (drayage) trucks, and infrastructure.
 - **Workforce Training:** \$110 million for a training campus to support workforce resilience in the face of supply chain disruption and accelerate the deployment of zero-emission equipment and technologies.
 - **Commercial Driver's Licenses:** \$40 million to enhance California's capacity to issue Commercial Driver's Licenses.
 - **Operational and Process Improvements:** \$30 million for the GO-Biz to provide funding for operational and process improvements at the ports. This could include enhancing the movement of goods and improving data interconnectivity between the ports to enable efficient cargo movement, reduce congestion, and create opportunities to increase cargo volume by promoting and building supply chain efficiency.
- 4) **Sustainable Freight Plan:** AB 1679 proposes to address immediate and longer-term state needs. In addition to the most current supply chain disruptions, the Supply Chain Senior Advisor will assist GO-Biz in representing the needs of business as the state moves forward on a range of goods movement strategies, including:
- Implementation of the [California Freight Mobility Plan](#), which provides for governance of the immediate and long-range planning activities and capital investments of the state with respect to

the movement of freight. The plan is prepared by the CalSTA and the Department of Transportation in consultation with the California Freight Advisory Committee.

- Implementation of the *California Sustainable Freight Action Plan*, prepared pursuant to Executive Order No. B-32-15, which directed the Secretary of Transportation, the Secretary for Environmental Protection, and the Secretary of the Natural Resources Agency to lead other relevant state departments (including GO-Biz) in developing an integrated action plan that “establishes clear targets to improve freight efficiency, transition to zero-emission technologies, and increase competitiveness of California’s freight system.”

While the new action plan, referred to as the [California Sustainable Freight Action Plan](#), was intended to provide an integrated set of goals and actions to collectively improve freight efficiency, transition freight movement to zero-emission technologies, and increase the competitiveness of California’s freight system, when published it failed to meet this goal. Instead, the action plan primarily identified state policies, programs, and investments to achieve these zero-emission targets. Since its publication in 2016, GO-Biz has worked with stakeholders to address the economic and social components of meeting the sustainable development goals set out for the plan.

- 5) **The Governor’s Office of Business and Economic Development:** In April 2010, the Governor’s Office of Economic Development was established to provide a one-stop shop for serving the needs of businesses and economic developers. While initially established through Executive Order S-01-10, the office was later codified and renamed GO-Biz. [*AB 29 (John A. Pérez), Chapter 475, Statutes of 2010*]

GO-Biz carries out its mission through nine primary functional areas, including but not limited to the following units: California Business Investment Services (CalBiz), Permit Assistance, the Office of the Small Business Advocate, International Affairs and Business Development, the California Competes Tax Credit Program and the Innovation and Entrepreneurship Program. GO-Biz provides a range of programs and services that support business development, including assisting small businesses in understanding and complying with state regulations, permitting assistance for new and expanding businesses, and assisting the state in building out its zero-emission vehicle infrastructure.

Under CalBiz, businesses interested in relocating to or expanding within California provide GO-Biz with a list of requirements and preferences. Based on this list, GO-Biz issues a request for information (RFI) to local governments and economic development entities serving areas of the state that meet those requirements. The RFI is confidential, meaning the local governments and economic development organizations responding to the RFI do not know the name of the company seeking the information.

Most recently, GO-Biz published and has updated the [California Business Come Back Guide](#) to assist businesses in identifying relevant new and existing state funding resources for recovery and success. State resources are listed by agency, as well as by program. A particularly useful chart includes information on total funds, maximum awards, eligibility, timing, and contact information.

GO-Biz has historically used a service delivery model that flows across and through different GO-Biz units, depending on the business’ needs. For example, a foreign company planning to expand in California may have initially become acquainted with GO-Biz through an in-bound trade mission hosted by the International Trade and Investment Office but may ultimately also be assisted by the California Business Investment Program and the Permit Assistance Office.

As a foundation for undertaking its foreign trade and investment activities, GO-Biz is required to prepare a five-year international trade and investment strategy that sets the policy goals, objectives, and recommendations necessary to implement a comprehensive international trade and investment program for the state. This includes identifying the process the Governor's Office of Business and Economic Development will use to evaluate on an ongoing basis, current workforce, infrastructure, research and development, and other needs of small and large firms, including, but not limited to, highways, logistic hubs, and rail that link businesses with the state's ports of entry and foreign and domestic markets. [AB 1561 (*Quirk-Silva*), Chapter 313, Statutes of 2018]

One of the goals for the 2019 to 2024 Strategy is to “support continued growth of California's role as a gateway state for goods movement.” To accomplish this goal, GO-Biz sets the following operational objective: *Work with international trade infrastructure partners to serve California companies effectively and efficiently. Support the implementation of the state-approved California Sustainable Freight Action Plan.*

AB 1679 is consistent with this goal and objective and addresses a clearly demonstrated challenge to the success of California's economy.

- 6) **California Economy:** California is home to nearly 40 million people, providing the state with one of the most diverse populations in the world, often comprising the single largest concentration of nationals outside their native country. In 2020, this diverse group of business owners and workers produced \$3.0 trillion in goods and services, many of which include parts from or are exported to over 220 countries around the world and across the US.

California's economy ranked fifth largest globally – only the national economies of the United States, China, Japan, and Germany being larger. Historically, a number of factors have contributed to California's significant position within the global marketplace, including its strategic west coast location, the size of its consumer base, the strength of its dominant industry sectors, its economically diverse regional economies, its skilled workforce, and its culture of innovation and entrepreneurship, particularly in the area of technology.

Many policymakers and economists describe California as having not a single economy but having a highly integrated network of a dozen or so regional economies. While biotech has a comparative advantage in some regions, information technology drives growth in others. Another distinguishing characteristic of California's economy is its multiple dominant industry sectors. The state's three largest industry sectors in terms of GDP – finance and insurance; trade, transportation, and utilities; and professional and business services – also provide a foundation to other industry sectors, including manufacturing and information. Further, each of these top-performing industry sectors are also distinguished as being a tradable industry sector, meaning that it is a sector whose output in terms of goods and services is traded internationally or could be traded internationally given a plausible variation in relative prices. In many cases, California's fourth and fifth largest industry sectors rank as the largest of those industry sectors in the US.

In 2020 (most recent annual data), California's largest industry sectors were: Finance, Insurance, Real Estate, Rental, and Leasing (19.0% of state GDP); Trade, Transportation, and Utilities (14.5%); Professional and Business Services (14.2%); Manufacturing (11.8%); Information (10.5%); Education and Health Services (7.5%); and Construction (4.0%). Tourism and Arts, which were heavily

impacted by the COVID-19 pandemic, dropped from contributing 4.5% of GDP in 2019 to 3.3%. **Chart 1** provides additional data on 2020 GDP by industry sector.

Chart 1 - 2020 California GDP by Industry		
Description	2020 GDP (current dollars)	Percent of GDP
All Industry Total	\$3,007,187.7	100%
Resource and Extraction	\$46,819.3	1.50%
Other Services	\$51,440.7	1.70%
Arts, Entertainment, Recreation, Accommodation, and Food Services	\$101,478.7	3.30%
Construction	\$120,389.9	4.00%
Educational and Health Services	\$225,942.2	7.50%
Information	\$317,647.1	10.50%
Government and Government Enterprises	\$350,350.1	11.60%
Manufacturing	\$356,435.8	11.80%
Professional and Business Services	\$427,121.9	14.20%
Trade, Transportation, and Utilities	\$436,368.9	14.50%
Finance, Insurance, Real Estate, Rental, and Leasing	\$573,193.2	19.00%

Source: Bureau of Economic Analysis www.bea.gov

The strength of the economic diversity is one of the reasons California is recovering so quickly from the economic downturn and loss of jobs related to the COVID-19 pandemic. As an example, California has regained 2.2 million, or nearly 83.6%, of the 2.7 million jobs that were lost in March and April 2020 (based on January 2022 employment numbers).

The California recovery has, however, been very unequal with many areas of the state and industry sectors still in distress. COVID-19 served to increase income disparities with lower-wage workers and small businesses being most impacted by business closures, including workers and businesses owned by people of color, as well as women. One estimate that over 19,000 businesses in California permanently closed their doors during the pandemic.

Chart 2 – California Employment by Industry Sectors shows employment data within the same industry sectors as measured in Chart 1, as well as annualized data for 2021. In 2020 (comparable to GDP), the Trade, Transportation, and Utilities sector represented the industry with the largest number of employees in California, followed by jobs in Education and Health Services.

Chart 2 - California Employment by Industry Sectors		
Description	2020	2021
Civilian Labor Force	18,931,100	18,923,200
Civilian Employment	16,996,700	17,541,900
Civilian Unemployment	1,934,500	1,381,200
Civilian Unemployment Rate	10.2%	7.3%
Total, All Industries	16,594,400	17,115,600
Mining and Logging	20,000	19,000
Other Services	477,400	500,700
Information	535,900	566,500
Financial, Insurance, and Real Estate	817,500	823,100
Construction	856,400	880,300

Manufacturing	1,264,400	1,273,200
Leisure & Hospitality	1,483,900	1,632,600
Government	2,493,300	2,469,200
Professional & Business Services	2,600,600	2,702,700
Educational & Health Services	2,736,700	2,809,100
Trade, Transportation & Utilities	2,901,900	3,031,700
Source: California Employment Development Department https://www.labormarketinfo.edd.ca.gov		

- 7) **California's Trade Dominated Global Economy:** International trade and foreign investment are important components of California's \$3.0 trillion economy (2020 most recent data), supporting nearly 5 million California jobs. The importance of trade to the state economy increased as a growing number of California businesses accessed new global markets. In the last three decades, the percentage of California jobs tied to trade more than tripled, moving from 10.6% in 1992 to nearly 30.3% in 2020.

In 2020, the state's diverse group of business owners and workers produced and/or exported \$155.8 billion in goods, representing 10.9% of total U.S. exports, and imported \$396 billion, representing 16.9% of total US imports. In 2021, California exported \$175.1 billion in goods, representing 9.9% of all US exports.

Many of the jobs associated with these major industry sectors are also associated with high wages. Research by the U.S. International Trade Commission undertaken in 2010 and updated in 2015 found a significant earnings premium in jobs within export-intensive manufacturing industries – a 19% premium for blue-collar workers and a 9.9% premium for white-collar workers.

Manufacturing has many economic advantages and is often considered the “gold standard” for jobs because of its high wages, the inclusion of small businesses within its global supply chains, and having a high multiplier effect on related jobs. The Milken Institute estimates that for every job created in manufacturing, 2.5 jobs are created in other sectors. In some industry sectors, such as electronic computer manufacturing, the multiplier effect is 16:1.

As noted earlier in the analysis, California's largest industry sector by employment is Trade, Transportation, and Utilities, which encompasses everything from major retail outlets, to import-export businesses, to transportation and warehousing. These industry sectors support the flow of goods across the US, as well as globally. For their part, California manufacturers have reaped the short-term benefits of global supply chains and just-in-time delivery models.

Advances in transportation and communication technologies are encouraging the development of previously undeveloped markets and expanding multinational business opportunities for California firms. With more than 95% of consumers located **outside** the US and emerging economies experiencing a growing middle class, accessing global markets has been key to California's continued economic growth. Manufacturers have also reaped benefits from global supply chains and just-in-time delivery models. Today, four of California's top five exports include component parts, which leave the state to be combined and assembled into final products in foreign countries.

Chart 3 shows data on the export of goods to the state's top six trade partners, based on the origin of movement. [Please note that federal reporting separates data from China and Hong Kong.] California's largest export market in 2020 was Mexico, which received over \$27.3 billion in

California products. Top-ranking export destinations not shown on the chart include Germany, the Netherlands, and the United Kingdom.

	Partner	2013	2014	2015	2016	2017	2018	2019	2020	2021
	World	\$168.1	\$173.8	\$165.3	\$163.2	\$171.9	\$178.1	\$173.7	\$155.8	\$175.1
1	Mexico	\$23.9	\$25.4	\$26.7	\$25.2	\$26.7	\$30.7	\$27.8	\$24.0	\$27.3
2	Canada	\$18.8	\$18.3	\$17.2	\$16.2	\$16.8	\$17.6	\$16.6	\$16.0	\$17.8
3	China	\$16.2	\$16.0	\$14.3	\$14.3	\$16.4	\$16.3	\$15.8	\$15.0	\$16.7
4	Japan	\$12.7	\$12.2	\$11.7	\$11.7	\$12.8	\$13.0	\$11.8	\$10.5	\$11.8
5	South Korea	\$8.3	\$8.6	\$8.6	\$8.2	\$9.5	\$9.9	\$9.1	\$9.7	\$11.6
6	Taiwan	\$7.5	\$7.4	\$7.7	\$6.9	\$6.3	\$6.8	\$7.2	\$7.3	\$8.9

Source: International Trade Administration, accessed 3/26/22

Many of California's top exports are parts and components. Research shows that California businesses participate in large expanded global supply chains, with components leaving and arriving in the state assembled and/or partially assembled before becoming available for retail and wholesale distribution. California's **top seven exports** in 2020 were: computer and electronic products (\$37.5 billion); transportation equipment (\$17.3 billion); machinery, except electrical (\$16.8 billion); chemicals (\$14.3 billion), agricultural products (\$13.3 billion); miscellaneous manufactured commodities (\$11.0 billion); and food manufactures (\$9.7 billion).

Imports into California were valued at \$395.8 billion in 2020, representing 16.9% of total US imports and ranking the state as one of the top 20 largest importers in the world. China (including Hong Kong) is the **largest source** of imports to California, valued at 130.6 billion in 2020. Chinese imports totaled \$130.1 billion, followed by Mexico (\$47.8 billion), South Korea (\$21.1 billion); and Canada (\$26.5 billion).

The **largest amount of products imported** in 2020 by dollar: computer and electronic products (\$113.0 billion); transportation equipment (\$55.9 billion); miscellaneous manufactured commodities (\$24.0 billion); electrical equipment, appliances and components (\$26.7 billion); and machinery, except electrical (\$19.7 billion); oil and gas (\$10.8 billion); and apparel manufacturing products (\$16.9 billion).

8) **Service Exports and Other Benefits to Global Markets:** While the focus of AB 1679 is on the movement of goods, having a more comprehensive view of California's economy is also important. Between 2006 and 2020, the export of California services has increased by 59.8%, increasing from \$422 billion to \$705 billion in services. California's largest export service sectors in 2020 included:

- Other Business Services at \$183.1 billion
- Financial Services at \$144.3 billion
- Charges for the Use of Intellectual Property (*not included elsewhere*) at \$113.7 billion
- Travel Services at \$72.8 billion
- Telecommunications, Computer, and Information Services at \$56.6 billion
- Transport Services at \$56.7 billion

The United Kingdom was California's largest service export market receiving \$62.6 billion in services in 2020 and supported an estimated 427,000 jobs in 2015 (most recent data). California's second-

largest service export market was Canada, with \$53.6 billion in services in 2020 and supporting 360,000 jobs in 2015 (most recent data). Service exports from California to Mexico ranked seventh among all countries, with \$23.4 billion in services in 2020 exported, which supported 201,000 jobs in 2015 (most recent data).

In addition to exporting goods and services, the California economy benefits from foreign-owned firms. The Federal International Trade Administration estimates that in 2015 (most recent data), 769,200 California workers have benefited from jobs with foreign-owned firms.

California has had the highest level of employment in foreign-owned firms in the nation since at least 1997. In 2015 (most recent data), jobs in California foreign-owned firms represented 5.1% of all private-sector jobs in the state, up from 4.1% in 2013. Along with employment, foreign-owned firms own more property, plants, and equipment in California than any other state.

- 9) **Related Legislation:** Below is a list of bills from the current and prior sessions.
- a) **AB 245 (Muratsuchi) Aerospace and Aviation Commission:** This bill would have established the 17-member California Aerospace and Aviation Commission to serve as a central point of contact for related industries and supporting the health and competitiveness of these industries in California. Status: Held in the Senate Committee on Governmental Organization, 2020.
 - b) **AB 427 (Muratsuchi) Aerospace and Aviation Commission:** This bill would have established the California Aerospace and Aviation Commission to serve as a central point of contact for related industries and support the health and competitiveness of these industries in California. Status: Vetoed by the Governor, 2018. The Governor's veto message stated: "This bill enacts the California Aerospace and Aviation Act of 2018, which establishes the California Aerospace and Aviation Commission within the Governor's Office of Business and Economic Development. While the value of the aviation and aerospace industry is critical to the economy of this state, this bill would create a new bureaucracy that replicates many of the things the state is already doing. I think the goals of this bill can be easily handled under current law by the Governor's Office of Business and Economic Development."
 - c) **AB 538 (Muratsuchi) Aerospace Commission:** This bill would have enacted the California Aerospace and Aviation Act of 2021 (Act), which would have established the 15-member California Aerospace Commission to serve as a central point of contact for related industries and support the health and competitiveness of these industries in California. Status: Held in Senate Committee on Appropriations, 2021.
 - d) **AB 886 (Allen and Ian Calderon) Importer-Exporter Tax Credit:** This bill would have authorized a five-year \$500 million tax credit program for importers and exporters that increase cargo through in-state airports and seaports, hire additional staff, or incur capital costs at a California cargo facility. Status: Held on the Suspense File of the Assembly Committee on Appropriations, 2013.
 - e) **AB 962 (Allen and Quirk-Silva) Port Infrastructure Financing:** This bill would have established a process by which a harbor agency can monetize the future financial value of installing and operating a port using technology and processes that result in the reduction of mobile source emissions. This valuation would be used to establish the amount of a future state appropriation, the repayment of which occurs through the payment of state taxes and fees. Status: Held in the Assembly Committee on Appropriations, 2018.
 - f) **AB 1561 (Quirk-Silva) Logistical Hubs and Inland Ports:** This bill expands and updates the mandatory elements of the state's international trade and investment strategy to include the role of

logistical hubs and inland ports and streamline reporting requirements. The bill also authorizes the California Infrastructure and Economic Development Bank to finance inland port facilities. Status: Signed by the Governor, Chapter 313, Statutes of 2018.

- g) **AB 2841 (Allen) Port Infrastructure Finance:** This bill would have established a process by which a harbor agency can monetize the future financial value of installing and operating a port using technology and processes that reduce mobile source emissions. This valuation would be used to establish the amount of a future state appropriation, the repayment of which occurs through the payment of state taxes and fees. Status: Held on the Suspense File of the Assembly Committee on Appropriations, 2016.
 - h) **SB 63 (Hall) Seaport Infrastructure Districts:** This bill authorizes cities and counties to establish Seaport Infrastructure Financing Districts and allows these districts to finance certain port or harbor facilities, as specified. Status: Signed by the Governor, Chapter 793, Statutes of 2015.
 - i) **SB 308 (Seymour) Infrastructure Financing Districts:** This bill authorizes cities and counties to create infrastructure financing districts (IFDs) and issue bonds to pay for community-scale public works: highways, transit, water systems, sewer projects, flood control, child care facilities, libraries, parks, and solid waste facilities. To repay the bonds, IFDs can divert property tax increment revenues, which are revenues generated from increases in property values within the IFD above property values in the base year when the IFD was formed. However, IFDs cannot divert property tax increment revenues from schools. Status: Signed by the Governor, Chapter 1575, Statutes of 1990.
 - j) **SB 628 (Beall) Enhanced Infrastructure Financing Districts:** This bill authorizes local officials to create Enhanced Infrastructure Financing Districts (EIFDs), which augment the tax increment financing powers that are available to local government under the IFD statutes. City or county officials can create an EIFD, governed by a public finance authority, to finance public capital facilities or other specified projects of communitywide significance that provide significant benefits to the district or the surrounding community. Status: Signed by the Governor, Chapter 785, Statutes of 2014.
 - k) **SB 1215 (Allen) California Aerospace Commission:** This bill would have established the California Aerospace Commission to foster the development of aerospace-related activities, including, but not limited to, aviation, commercial and governmental space travel, unmanned aerial vehicles, aerospace education and job training, infrastructure and research launches, manufacturing, academic research, applied research, economic diversification, business development, tourism, and education. Status: Held on the Suspense File of the Senate Committee on Appropriations, 2016.
- 10) **Double Referral:** The Assembly Committee on Rules has referred this measure to the Assembly Committee on Jobs, Economic Development, and the Economy and to the Assembly Committee on Transportation. Should this measure pass the committee, it will be referred to Assembly Committee on Transportation for further policy consideration.

REGISTERED SUPPORT / OPPOSITION:

Support

California Association of Port Authorities
Pacific Merchant Shipping Association

Opposition

None on File

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