

Date of Hearing: June 21, 2022

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT, AND THE ECONOMY

Sabrina Cervantes, Chair

AJR 29 (Mathis) – As Amended May 18, 2022

SUBJECT: The Ocean Shipping Reform Act

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 significant 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, it has increased port congestion and supply chain disruptions. Long-standing issues regarding business practices of vessel-operating common carriers have boiled over, especially among exporters of agricultural products who have been patricianly vocal about their lack of reasonable access to empty shipping containers.

In addition to access, concerns have been raised regarding spiking shipping costs. According to a press announcement from a meeting at the Port of Los Angeles on June 10, 2022, the port has “nine multinational ocean shipping companies that formed three consortiums and raised prices on American businesses and consumers by over 1,000% on goods coming from Asia. This allowed these foreign companies to make \$190 billion in profits—a sevenfold increase in one year.”

These and related issues have resulted in federal legislation, investigations by the Federal Maritime Commission, and the establishment of a Federal Supply Chain Task Force. AJR 29 expresses the Legislature’s support for the Ocean Shipping Reform Act of 2021, HR 4996, and Ocean Shipping Reform Act of 2022, S. 3580, of the 117th Congress (collectively “Ocean Shipping Reform Act”).

The analysis includes information on Ocean Shipping Reform Acts, the Federal Maritime Commission, California’s trade-based economy, and state and federal actions to address the most recent supply chain disruptions. There is no known opposition to this bill. Suggested amendments are included in Comment 7.

SUMMARY: Memorializes the Legislature’s support for the *Ocean Shipping Reform Act of 2021* to alleviate and remedy the congestion of California’s ports and ensure that the state’s importing and exporting capabilities return to pre-pandemic levels. Specifically, **this bill:**

- 1) Makes findings and declarations:
 - a) Shipping is the backbone of the United States economy. In 2019, more than \$2.5 billion of goods were imported, and approximately \$1.6 billion were exported from the US.
 - b) California is a coastal state, where ports are essential to the economy. In 2019, over \$174 million of goods were exported from California’s ports.

- c) Due to the impact of the COVID-19 pandemic on the shipping industry, California's ports are congested and overwhelmed with goods that cannot be timely received or shipped. The congestion in California's ports is triggering delays in product removal and distribution from affected ships, causing imported goods to be destroyed and perishable items to expire.
 - d) In conjunction with the backlog of imported goods, there is a severe bottleneck in the export process for goods to be exported from California's ports, including items that are perishable or otherwise have a limited timeframe to be shipped, causing these items to rot or deteriorate.
 - e) The Ocean Shipping Reform Act 2021, HR 4996, and Ocean Shipping Reform Act of 2022, S. 3580, of the 117th Congress (collectively "Ocean Shipping Reform Act") helps alleviate California's congested ports by allowing for the efficient export, import, and distribution of goods.
 - f) The Ocean Shipping Reform Act ensures an efficient and competitive transportation system for the common carriage of imported goods by water in the foreign commerce of the United States that, as far as possible, is in harmony with fair and equitable international shipping practices.
 - g) The Ocean Shipping Reform Act supports the growth and development of US exports through a competitive and efficient system for the common carriage of goods by water in the foreign commerce of the United States and places greater reliance on the marketplace.
- 2) Memorializes that the Assembly and the Senate of the State of California strongly encourage the US Congress to enact the *Ocean Shipping Reform Act* to alleviate and remedy the congestion of California's ports and ensure that the state's importing and exporting capabilities are returned to pre-pandemic levels.
 - 3) Directs the Chief Clerk of the Assembly to transmit copies of this resolution to the US President and Vice President, the Speaker of the US House of Representatives, the Majority Leader of the Senate, to each Senator and US Representative of California in the US Congress, and the author for appropriate distribution.

FISCAL EFFECT: None

COMMENTS & CONTEXT:

- 1) **Ocean Shipping Reform Act:** Two bills comprise the Ocean Shipping Reform Act: House Resolution 4996 introduced by US Congressman John Garamendi (D-CA) and Congressman Dusty Johnson (R-SD) and [Senate Resolution 3580](#) introduced by US Senator Amy Klobuchar (D-MN) and John Thune (R-ND). If and when passed, this will be the first major overhaul of US ocean shipping laws since 1998 and the enactment of the *Ocean Shipping Reform Act of 1998* ([Public Law 105-258](#)).
- a) In August 2021, US Congressman John Garamendi (D-CA) introduced the *Ocean Shipping Reform Act of 2021* (HR 4996) with Congressman Dusty Johnson (R-SD) to provide the Federal Maritime Commission "with the necessary tools to support American exporters, protect consumers, and establish reciprocal trade opportunities to reduce America's longstanding trade imbalance with China and other countries."

HR 4996 passed the House of Representatives in December 2021 and is pending in the Senate Committee on Commerce, Science, and Transportation. This legislation was a follow-up to a [March 2021 letter submitted to the Federal Maritime Commission](#) by over 100 Members of Congress, including Congressmen Garamendi, Jim Costa (D-CA), and Johnson, calling on the

Commission to take action on “unfair, anti-competitive, and likely illegal business practices by some ocean carriers.” In his district, Congressman Garamendi reports having heard from dozens of agricultural exporters about ocean carriers refusing to accept cargo bookings for US exports and instead choosing to send empty canisters back to the Asia-Pacific as quickly as possible to refill with foreign exports during the pandemic.

According to the official summary of the bill prepared by the Congressional Research Bureau, the *Ocean Shipping Reform Act of 2021* ([HR 4996](#)) revises provisions related to ocean shipping policies and is designed to support the growth and development of US exports and promote reciprocal trade in the common carriage of goods by water in the foreign commerce of the United States. Among other provisions, the bill

- Sets forth requirements for operating a shipping exchange involving ocean transportation in the foreign commerce of the US.
 - Requires ocean common carriers to report to the Federal Maritime Commission each calendar quarter on total import and export tonnage and the total loaded and empty 20-foot equivalent units per vessel that makes port in the US.
 - Requires the Federal Maritime Commission to publish and annually update all its findings of false certifications by ocean common carriers or marine terminal operators and all penalties assessed against such carriers or operators.
 - Revises annual reporting requirements for the FMC on foreign laws and practices to include practices by ocean common carriers.
 - Prohibits ocean common carriers and marine terminal operators from retaliating or discriminating against shippers because such shippers have patronized another carrier, or filed a complaint.
 - Directs the Federal Maritime Commission to establish rules prohibiting ocean common carriers and marine terminal operators from adopting and applying unjust and unreasonable demurrage and detention fees.
 - Authorizes the Federal Maritime Commission to initiate investigations of an ocean common carrier's fees or charges and apply enforcement measures, as appropriate.
 - Directs the Department of Transportation to seek to enter into an agreement with the National Academy of Sciences to study the US supply chain industry, including data constraints that impede the flow of maritime cargo and add to supply chain inefficiencies.
 - Provides authority for the Federal Maritime Commission to issue an emergency order requiring ocean common carriers or marine terminal operators to share directly with relevant shippers, rail carriers, or motor carriers information relating to cargo throughput and availability.
- b) In February 2022, Senator Klobuchar and Thune introduced the *Ocean Shipping Act of 2022* ([S 3580](#)). The measure passed the Senate in March 2022 and is currently being held at the House Desk. According to the official summary of the bill prepared by the Congressional Research Bureau, S 3580 revises requirements governing ocean shipping to increase the authority of the Federal Maritime Commission to promote the growth and development of US exports through an ocean transportation system that is competitive, efficient, and economical. Among other changes, S 3580:

- Requires the Federal Maritime Commission to:
 - Investigate complaints about detention and demurrage charges (i.e., late fees) by common ocean carriers.
 - Determine whether those charges are reasonable.
 - Order refunds for unreasonable charges.
- Prohibits common ocean carriers, marine terminal operators, or ocean transportation intermediaries from unreasonably refusing cargo space when available or resorting to other unfair or unjustly discriminatory methods.

According to an April 1, 2022, press release, “Lawmakers have accused foreign-owned shipping companies during the pandemic of sailing out of US ports with empty shipping containers. The Senate bill grants the Federal Maritime Commission more power to oversee cargo rates and force shipping companies to prioritize carrying US goods when leaving American ports.”

- 2) **Port Bottlenecks Pre-date COVID-19:** In April 2020, the Federal Maritime Commission issued the International Ocean Transportation Supply Chain Engagement Order – [Fact Finding 29](#), which states that previous “congestion and bottlenecks at ports and other points in the Nation's supply chain have become a serious risk to the growth of the U.S. economy, job growth, and to our Nation's competitive position in the world.” This resulted in the 2016 convening of industry leaders to develop process innovations to enhance supply chain reliability and resilience. The result of this investigation was published in a 2017 report.

Fact Finding Order 29 further states, “recent global events have only highlighted the economic urgency of responsive port and terminal operations to the effectiveness of the US international freight delivery system...Accordingly, the Commission has determined there is a compelling need to convene new supply chain innovation teams to address these challenges.” In November 2020, Fact Finding 29 was expanded to follow up on reports of certain vessel-operating common carriers delivering shipments to US ports and then electing to leave without refilling empty containers with American goods for export.

On May 31, 2022, the Federal Maritime Commission [released its final report](#), which included 12 recommendations, including but not limited to:

1. A new Commission “International Ocean Shipping Supply Chain Program”;
2. A rulemaking to provide coherence and clarity on Empty Container Return practices and the Earliest Return Date practices;
3. Enhanced cooperation with the federal agency most experienced in agricultural export promotion, the Department of Agriculture, concerning container availability and other issues;
4. A Commission Investigation into practices relating to the numerous charges assessed by ocean common carriers and seaports and marine terminals through tariffs;
5. A revival of the Export Rapid Response Team program as agreed by all ocean carrier alliance CEOs;

6. Continued Commission support for the new FMC “Ocean Carrier Compliance Program,” including a new requirement for ocean common carriers, seaports, and marine terminals to employ an FMC Compliance Officer;
7. An FMC Supply Chain Innovation Teams engagement to discuss blank sailing coordination and information availability; and

This report contains the second set of recommendations arising from the work of Fact Finding 29. The first eight interim recommendations were presented to the Commission in July 2021, and of those that did not require legislative action, all have been implemented.

In June 2022, the Federal Maritime Commission announced the implementation of three recommendations in the final report that intend to provide “enhanced assistance to shippers, continue to improve legal and regulatory compliance of regulated entities, and focus on remedies to supply chain problems.” These include recommendations #1, #5, and #6.

- 3) **COVID-19 and Supply Chain Disruptions Explained:** 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 could 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 lift 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 May 2022, the unadjusted Producer Price Index for goods and services rose 0.8% from the prior month and 10.8% year-over (*see sidebar on the next page for more details*).

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. For example, the National Association of Homebuilders reported that shortages of key materials such as framing lumber, wallboard, and roofing impacted many homebuilders, which resulted in 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.
- 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.
- Empty containers stacked up at ports and nearby sites, competing with space to offload full containers.

Six months into 2022, some of these factors are resolving, while others like the lack of chasses and trailers continue. Another example of a continuing challenge is work stoppages attributed to China’s continued reliance on a “Zero COVID” policy, resulting in strict lockdowns across a growing number of economic regions, disrupting manufacturing and the delivery of parts, components, and finished products to foreign markets. New supply chain issues have also arisen including the escalation of the Ukraine-Russia war and failures in the domestic production of baby formula. Sanctions on Russia in response to its unprovoked attack on Ukraine are driving energy costs higher globally, including in the US.

- 4) **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 includes 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 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 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, labor, and the White House and its 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.
- **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 intends 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.
- **November 10, 2021** – The California Department of Motor Vehicles [announces](#) it will be doubling its capacity to conduct commercial driving licenses to address the national commercial truck

driver shortage and support the efficient movement of goods between California's largest ports and major distribution centers.

- **November 17, 2021** – Governor Newsom toured the Ports of Los Angeles and Long Beach and [announced](#) that Caltrans would begin issuing temporary permits to allow trucks to carry overweight loads of up to 88,000 on state highways and interstate routes between the Ports of Long Beach and Los Angeles, other ports, and key distribution centers. Other participants in the tour included Port Envoy to the Biden-Harris Administration Supply Chain Disruptions Task Force John D. Porcari, ILWU International President Willie Adams, port leadership, local legislators, and elected officials.

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.

AJR 29 expresses the Legislature's support for the Ocean Shipping Reform Act to alleviate and remedy the congestion of California's ports and to ensure that the state's importing and exporting capabilities return to pre-pandemic levels.

- 5) **California Goods Movement Investments:** Additional funding has been provided through the 2021-22 budget, with \$250 million awarded for ports, \$280 million for infrastructure projects in and around the Port of Long Beach, and \$1.3 billion over three years for zero-emission trucks and buses, including funding for more than 1,000 zero-emission port drayage trucks. Governor Newsom proposed an additional \$2.3 billion for supply chain investments in his 2022-23 January budget. According to the Governor's Budget Summary, these funds help address congestion and bottlenecks across the West Coast. Proposed supply chain investments in the January release of the 2022-23 budget included:

- **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.
- **Supply Chain Policy Unit:** \$1.15 million ongoing and three positions to the California Transportation Agency to establish a freight policy team to oversee and coordinate freight policy across the state, including freight transportation research projects.

In the May Revisé, the Governor proposed additional actions to address rising fuels prices and utility bills:

- **Energy Mitigation:** \$9.5 billion from various fund sources over four years, which brings the total proposed for climate actions by the Governor to \$32 billion, including climate solutions and support energy reliability.
- **Inflation Relief:** \$18.1 billion in direct payments to help address inflation, help people pay their utility bills and rent, and reduce costs like health care and child care.

- 6) **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 encourage the development of previously undeveloped markets and expand 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 2021 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.

Chart 3 - California Exports of Goods 2013-2021 (billions of dollars)										
	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 2021 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).

- 7) **Proposed Amendments:** Below is a list of amendments the committee members may wish to review when considering the bill.
 - a) Add findings to the resolution relative to the work of the Federal Maritime Commission and the Federal Supply Chain Disruptions Task Force.
 - b) Modify the resolved clause to be more inclusive of all legislative actions that are needed to alleviate the disruptions along the US and global supply chain.
- 8) **Related Legislation:** Below is a list of bills from the current and prior sessions.
 - a) Current Session Legislation:

- i) **AB 1678 (V. Fong) Blue Ribbon Commission:** This bill, an urgency measure, requires the Department of Food and Agriculture to establish and convene the Blue Ribbon Commission on Port Congestion and Supply Chain Deficiencies. Status: Held on the Suspense File of the Assembly Appropriations Committee, 2022.
 - ii) **AB 1679 (Fong) Supply Chain Coordinator:** This bill establishes the position of the Supply Chain Coordinator within the California Business Investment Services Program at GO-Biz. Status: Held in the Assembly Committee on Appropriations.
 - iii) **ACR 140 (O'Donnell) Freight Transport and Supply Chain:** This bill memorializes the Legislature's declaration that the state is currently suffering a supply chain crisis and therefore urges the state's public agencies, departments, and local governments to provide all due and proper assistance to carriers, cargo owners, public seaports, terminals, workers, and facilities to facilitate the essential service of delivering goods to Californians. Status: Pending in the Assembly Committee on Jobs, Economic Development, and the Economy.
 - iv) **AJR 29 (Mathis) Ocean Shipping Reform Act:** This bill memorializes the Legislature's support for the Ocean Shipping Reform Act to alleviate and remedy the congestion of California's ports and ensure the state's importing and exporting capabilities are returned to pre-pandemic levels. Status: Pending in the Assembly Committee on Jobs, Economic Development, and the Economy.
 - v) **AJR 30 (Gipson) Freight Transportation Federal Funds:** This bill memorializes the Legislature's request to the US Congress to pass legislation and the US President to sign into law a statute providing for the fair allocation of federal transportation funding for freight projects in California, specifically, and on the Pacific Coast of the US, generally, based on the volume of containerized freight moved. The Legislature further calls on the US Department of Transportation and all federal agencies implementing any federal statute or regulation related to federal funding for ports or multimodal freight transportation to similarly provide a fair allocation of in California and other states on the Pacific Coast of the US. Status: Pending in the Assembly Committee on Jobs, Economic Development, and the Economy.
 - vi) **SB 1104 (Gonzales) GO-Biz Office of Freight:** This bill establishes the Office of Freight within GO-Biz to serve as the coordinating entity to steer the growth, competitiveness, and sustainability of freight and ports across the state and to promote and assess the continued economic vitality and sustainability of the freight sector. The bill also requires GO-Biz, in coordination with specified state agencies, to prepare an assessment of statewide economic growth, competitiveness, prosperity, resiliency, and sustainability for the state's ports and freight sector. Status: Pending in the Assembly Committee on Jobs, Economic Development, and the Economy.
- b) **Prior Session Legislation:**
- i) **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.
 - ii) **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.

- iii) **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.
- iv) **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.
- v) **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.
- vi) **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.
- vii) **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.

REGISTERED SUPPORT / OPPOSITION:

Support

None on File

Opposition

None on File

Analysis Prepared by: Toni Symonds / J., E.D., & E. / (916) 319-2090