

Date of Hearing: June 21, 2022

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT, AND THE ECONOMY

Sabrina Cervantes, Chair

AJR 30 (Gipson) – As Introduced April 21, 2022

SUBJECT: Freight transportation: federal funding

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.

California's simultaneous expansion out of the COVID-19-induced recession and transition to a zero-emission economy has led to increased port congestion and supply chain disruptions. Long-standing imbalance in federal transportation funding, especially regarding seaports, limits the ability to meet its economic, workforce, and environmental goals.

AJR 30 calls on the federal government to reverse its prior unfair practices and begin to deploy federal freight funding under an allocation framework that reflects California and the West Coast's significant container volume and contribution to the overall US economy.

The analysis includes information on California and the Federal Infrastructure Package, the state'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.

SUMMARY: Memorializes the California Legislature's request to the US Congress to pass and the US President to sign legislation into law providing for a fair allocation of federal transportation funding for freight projects in California, specifically, and on the US Pacific Coast, generally, based on the volume of containerized freight moved. It further calls on the US Department of Transportation and all federal agencies implementing any federal funding statute or regulation for ports or multimodal freight transportation to provide a fair allocation to California and the US Pacific Coast, as specified. Specifically, **this bill**:

1) Makes legislative findings and declarations:

- a) The national supply chain, national economy, and international standing of the US benefit from and depend on the airport, land port of entry, and seaport infrastructure developed to facilitate interstate and international trade by California, its local governments, and its residents.
- b) While there are many important benefits from facilitating international trade, and California recognizes the need to continue to invest in its trade and freight infrastructure, the appropriate development of California's trade and freight infrastructure is impeded due to the lack of federal funding and federal funding not being allocated fairly to California and the Pacific Coast of the US.

- c) A lack of significant federal investment in interstate and international trade infrastructure in California has significant disproportionate costs, most notably the additional impacts of traffic congestion on California's local roads, highways, and railways and the emissions from heavy-duty equipment, trains, trucks, and ships on air quality and public health.
- d) Additional costs include the imposition of heavy local and state revenue bonding, public financing, and unfair private sector costs in California, which are burdens associated with building and maintaining the transportation infrastructure necessary to grow and facilitate interstate and international trade, costs that are not borne to the same degree in other states competing for the same international and interstate trade as California.
- e) California's 11 public seaports, whose numbers include the busiest container ports in the nation, facilitate interstate and international trade in the national interest, are locally financed entities that do not receive regular federal assistance or benefit from a fair percentage of the customs revenue generated in the state or a fair share of the percentage from the federal Harbor Maintenance Tax.
- f) Even as total federal spending on seaports has increased over the past decade, ports on the Pacific Coast of the US, including California's public seaports, have lagged behind ports on the East and Gulf Coasts of the US in receipt of federal funding by an overwhelming and unfair ratio.
- g) The Port of Long Beach alone, for example, handles approximately 36 percent of all US loaded imported container traffic.
- h) Ports on the Pacific Coast of the US, including ports in California, Oregon, Washington, Alaska, and Hawaii, have received less than 10 percent of federal port-specific funding over the past decade.
- i) Ports on the Pacific Coast of the US have received approximately \$1,200,000,000 out of over \$12,000,000,000 in federal port-specific funding over the past decade compared to ports on the Atlantic Coast of the US, which have received \$7,500,000,000, ports on the Gulf Coast of the US, which have received \$3,300,000,000, and ports on the Great Lakes of the US, which have received \$235,000,000, in federal port-specific funding over the same period.
- j) California's taxpayers have generated billions of dollars in taxpayer funds to improve the international goods movement infrastructure and reduce air pollution from international goods movement in the state above federal levels of support for the same infrastructure and environmental improvements.
- k) The significant costs, both direct and indirect, of facilitating interstate and international trade should not rest primarily with California, its local governments, or its citizens.
- l) The primary responsibility for facilitating interstate and international trade and mitigating the costly impacts of interstate and international trade rests with the federal government.
- m) On November 15, 2021, the US Congress passed, and the US President signed into law, the federal Infrastructure Investment and Jobs Act (Public Law 117-58).
- n) The federal Infrastructure Investment and Jobs Act includes over \$5 billion in port-specific funding programs, including approximately \$1.5 billion for the US Army Corps of Engineers' coastal navigation construction, approximately \$1.2 billion for US Army Corps of Engineers' operations and maintenance dredging, \$2.2 billion for a port infrastructure development program, \$25 million for marine highways, and \$250 million for reducing emissions from trucks at ports, in addition to the creation of a new port electrification grant program.

- o) The federal Infrastructure Investment and Jobs Act includes an additional \$27 billion in infrastructure assistance funding for eligible port projects.
 - p) The federal Infrastructure Investment and Jobs Act includes a surface transportation reauthorization with increased infrastructure grants with port eligibility and multimodal caps for eligible programs.
 - q) California ports are entitled to a fair share of the newly authorized and funded federal programs under the federal Infrastructure Investment and Jobs Act.
 - r) California is experiencing the effects of an unprecedented global supply chain crisis, with disruptions to goods movement caused and exacerbated by the COVID-19 pandemic and surges in product demand, which outstrip equipment supply and availability.
 - s) The impacts of the global supply chain crisis are increasing costs and threatening access of California exporters to foreign markets, which in turn threatens the sustainable economic growth of California.
 - t) It is in the nation's best interests to encourage the development and growth of California-originated export cargoes, improve access to foreign markets for California's exported goods by reducing the real costs of freight transportation, and create and support jobs provided by California's employers who can grow their export businesses or maintain their export markets.
 - u) California's exporters and the international trade they facilitate are critical components of California and the national economy, directly or indirectly employing millions of Californians, contributing billions of dollars in economic activity, and generating significant local and state tax revenues as a result of this activity.
 - v) The development, improvement, expansion, and maintenance of California's exports cargoes from farming, distribution, manufacturing, fabrication, assembly, processing, and warehousing sites in the state are essential to the growth of the state's economic well-being and the ability of those businesses and workers associated with trade-related industries to continue to compete cost-effectively on a regional, national, and global scale.
 - w) The global pandemic has demonstrated that access to the global supply chain in times of excessive demand can be limited by extenuating factors beyond the control of Californians and that the impacts of a lack of access to equipment, vessels, and foreign markets on the California exporter and the California export economy can be significant.
 - x) It is in the federal interest to assist California exporters in weathering increased costs of access to foreign markets.
- 2) Declares that the California Legislature respectfully requests the US Congress to pass legislation and the US President to sign into law a statute providing, and US Department of Transportation and all federal agencies implementing any federal funding statute or regulation for ports or multimodal freight transportation to provide, a fair allocation of federal transportation funding for freight projects in California, specifically, and on the US Pacific Coast, generally, based on the volume of containerized freight moved.
- 3) Requires the Chief Clerk of the Assembly to transmit copies of this resolution to the President and Vice President of the US, the Speaker of the House of Representatives, the Majority Leader of the US Senate, each Senator and Representative representing California in the US Congress, and the Secretary of the US Department of Transportation.

FISCAL EFFECT: None

COMMENTS & CONTEXT:

- 1) **California and the Federal Infrastructure Package:** The federal Infrastructure Investment and Jobs Act (IIJA) includes \$1.2 trillion in new infrastructure funds. This represents a \$550 billion increase in federal government spending above baseline funding levels. Among other funding, the IIJA includes:
- \$621 billion on roads, bridges, public transit, rail, ports, waterways, airports, and electric vehicles to improve air quality, reduce congestion, and limit greenhouse gas emissions;
 - \$400 billion to bolster caregiving for aging and disabled Americans;
 - \$300 billion toward boosting manufacturing, specifically semiconductor, medical, and clean manufacturing;
 - \$111 billion to rebuild water infrastructure and replace all of the nation's lead pipes and service lines; and
 - \$100 billion to give every American access to affordable, reliable, and high-speed broadband.

For the movement of goods, the IIJA authorizes \$16.7 billion in port infrastructure and waterways with the primary objective of addressing maintenance backlogs, reducing congestion and bottlenecks to strengthen supply chains and expedite commerce, cutting emissions near ports by boosting electrification and investing in other low-carbon technologies to reduce environmental impacts on neighboring communities.

A significant portion of this funding will be allocated through funding formulas, while others will be awarded competitively based on specific criteria. AJR 30 proposes to send a message to the US Congress and implementing agencies, such as the US Department of Transportation, that “business as usual” is not acceptable to the 12% of the US population that lives in California.

The federal government has created a Building a Better American [guidebook](#) with details on each program funded through the IIJA. Below is a summary of some of these programs, as described in the guidebook.

- ***The Army Corps of Engineers’*** funding will support construction projects, operations, and maintenance. Construction funding will be used for the construction of coastal ports, inland waterways, and other water infrastructure. Operations and maintenance funds will be used to dredge Federal navigation projects and to operate and maintain authorized Army Corps projects, including the repair of damages caused by natural disasters.
- ***The Land Ports of Entry Modernization and Construction Program*** (\$3.85 billion) provides funds to modernize and improve Land Ports of Entry at our Northern and Southwest Borders. Funds will be split between the General Services Administration and Customs and Border Protection.
- ***The Port Infrastructure Development Program*** (\$2.25 billion) [funds improvements](#) of the infrastructure needed to move cargo to, through, and around ports. The IIJA significantly expands funding for this program and expands eligibility to include projects that will improve resiliency to address sea-level rise, flooding, extreme weather events, earthquakes, and tsunami inundation, as

well as projects that will help reduce or eliminate criteria pollutants and greenhouse gas emissions associated with port operations, including projects for port electrification.

The US Department of Transportation also offers a number of ongoing funding opportunities, including grants (BUILD and INFRA) and loans (TIFIA and RRIF), to develop and expand port infrastructure and waterways, and promote the growth and modernization of the US maritime industry.

The Governor's proposed budget for 2022-23 anticipates \$20 billion in federal funding, which he proposes to use to accelerate the transition to zero-emission vehicles, modernize the state's transportation system, spur clean energy innovation, advance the state's housing goals, reduce wildfire risk to communities, and support drought resilience and response.

One estimate is that this new federal funding represents \$14 billion in additional formula funding to California over the five-year funding period, compared to *existing* formula funding levels. In presenting the 2022-23 budget, the Governor asks for "administrative flexibility so matching fund requirements for unanticipated formula or competitive programs can be provided in a timely manner to bolster the state's competitiveness when applying for these programs." Local agencies may also need funding flexibility to draw down all available federal funding.

This federal funding represents an important opportunity for California to redress decades of underinvestment in the state's infrastructure. Getting the state's fair share of federal funding is essential in advancing the state's zero-emission transition goals and remaining globally competitive with other areas of the US and around the world.

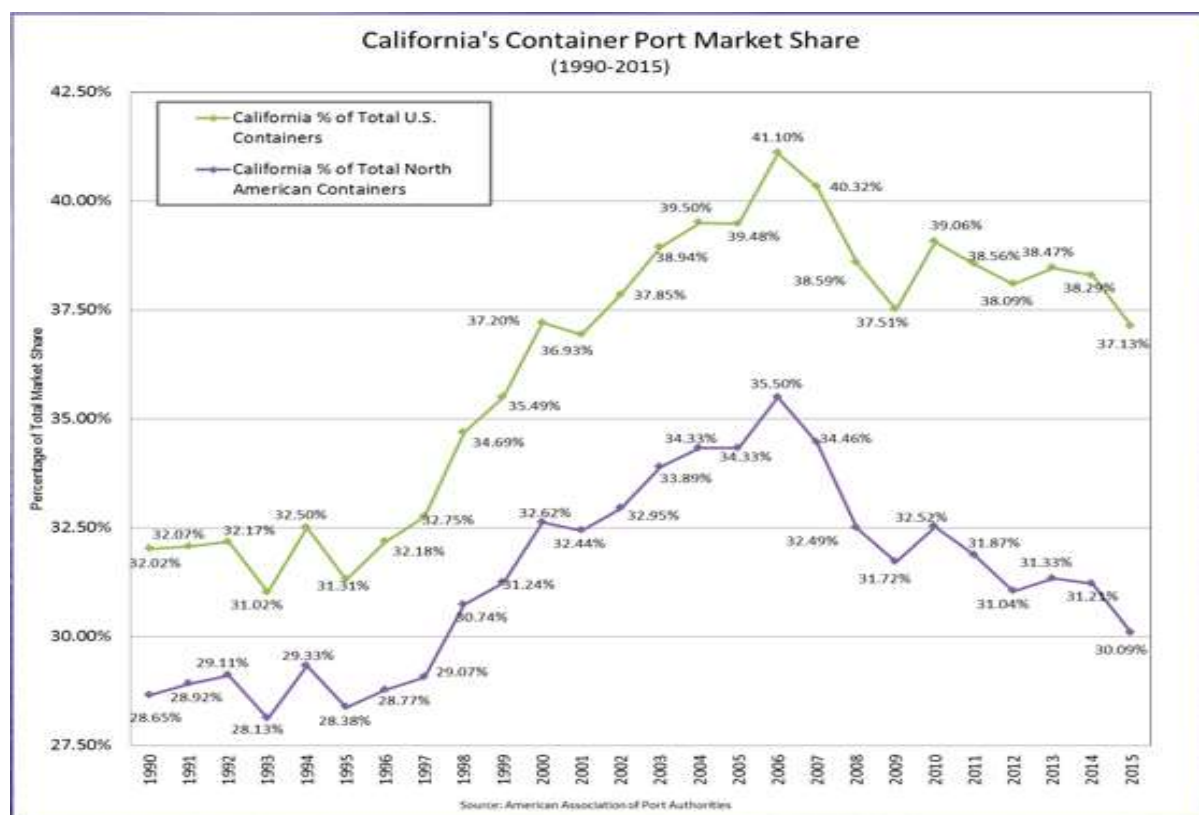
- 2) **Unfair Federal Transportation Allocations:** According to the sponsors, the California Association of Port Authorities and Pacific Merchant Shipping Association, its resolution is important to ensure California advocates from a "position of strength" and proactively addresses the state's need for federal infrastructure funding. Historic federal spending patterns have resulted in "an overwhelming majority of seaport investment dollars diverted away from the US West Coast."

While California ports account for 40%-45% of all US containerized imports, over the past decade, the West Coast of the US received roughly 10% of all seaport investment dollars nationally. This imbalance in federal funding directly relates to economic opportunity.

The **chart below**, provided by the Port of Los Angeles, shows the current funding disparities.



The **chart below**, provided by the Pacific Merchant Shipping Association, illustrates how California's share of containerized activity has decreased as higher federally invested ports in the South East of the US, as well as the development of the ports in Mexico and Canada, have gained a greater share.



The US Secretary of Transportation Pete Buttigieg stated that “the once-in-a-generation investments in the Bipartisan Infrastructure Law will improve people’s lives in every state in the nation by increasing access to safe, clean, reliable transportation.” However, without a change in federal transportation allocation policies, these historic funding levels will only deepen the funding disparities and limit California’s global competitiveness.

- 3) **Small Business Public Works:** Federal transportation funding represents important state contracting opportunities for California businesses that supply the materials and contract work. In 2019, DGS implemented a new small business certification category - Small Business Certification for the Purpose of Public Works [SB 605, Chapter 673, Statute of 2017]. This new certification includes small businesses in the public works arena with three-year annual average gross receipts not exceeding \$36 million and fewer than 200 employees.

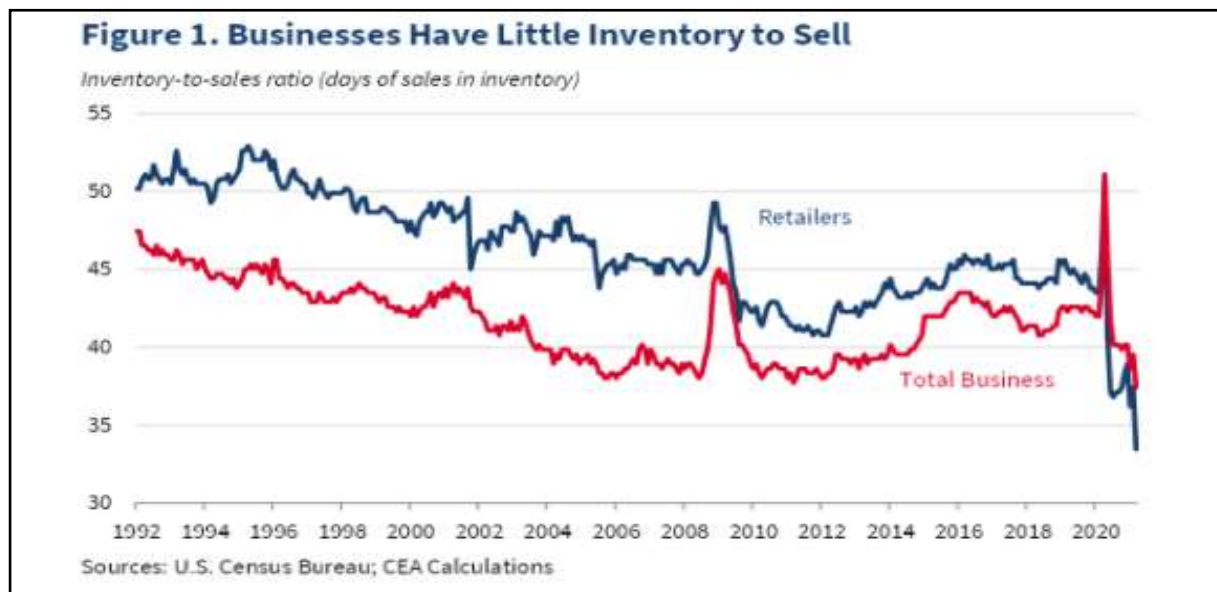
At the end of 2018-19 (six months after the bill took effect), 422 firms had applied for and received the small business-public works certification. Of those 422, 292 were exclusively SB-PWs, while 130 others added this certification to other certifications they used in applying for state contracts. In addition to a new certification category, SB 605 also increased and codified the certification eligibility threshold for firms based on their three-year average of gross annual receipts. The microbusiness designation was increased to \$5 million, and \$15 million was set for the small business certification cap. The *chart below* displays data on the number of California-certified small businesses and DVBEs in all certification categories for 2019-20.

Small Business, Micro Firms, and DVBE by Certification Type	Firm Count	Percent of Small Businesses	Percent of DVBEs
DVBE (only)	247	--	13.76%
Small Business	1,998	11.50%	
Dual Certifies Small Business and DVBE	82	0.47%	4.57%
Dual Certified Small Business and Small Business-Public Works	164	0.94%	--
Small Business Micro	12,014	69.15%	--
Dual Certified Small Business Micro and Small Business-Public Works	1,311	7.55%	--
Dual Certified Small Business Micro and DVBE	1,283	7.38%	71.48%
Small Business-Public Works	339	1.95%	--
Dual Certified Small Business-Public Works and DVBE	21	0.12%	8.36%
Triple Certified Small Business, DVBE, and Small Business-Public Works	12	0.07%	0.07%
Triple Certified Small Business (Micro), Small Business-Public Works and DVBE	150	0.86%	1.17%
Total Small Business, Micro Businesses, and Public Works	17,374	100%	--
Total DVBEs	1,795	--	100%

Source: 2019-20 California Consolidated Report

The new category of small business certification reflects the Legislature’s understanding that participating in public works projects can require slightly more robust small businesses.

- 4) **COVID-19 and Supply Chain Disruptions Explained:** To move forward, it is important to understand how pre-pandemic deficits affected California consumers and producers during the pandemic.



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 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 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 results 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.

- 5) **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 30 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.

6) **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 will address congestion and bottlenecks across the West Coast. The proposed supply chain investments in the January release of the 2022-23 budget 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.
- **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 Revision, 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 funding for climate actions 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.

The LAO has completed an analysis of the Governor's budget proposals on [supply chain](#) and the \$4.1 billion [Transportation Infrastructure Package](#), which provide additional details on his strategy for integrating state and federal funds to meet important California needs. This includes: \$3.4 billion that was agreed to in concept in the 2021-22 budget package but reverted to the General Fund when

subsequent legislation was not enacted; and \$1.5 billion that would be allocated between programs from last year’s package and a new set of proposed programs.

- 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 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 on the next page 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.

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 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) **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

California Association of Port Authorities (co-sponsor)
Pacific Merchant Shipping Association (co-sponsor)

Opposition

None on File

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