Assembly Committee on Jobs, Economic Development, and the Economy

February 28, 2014 Field Hearing
The Port of San Diego
Pre Hearing Report

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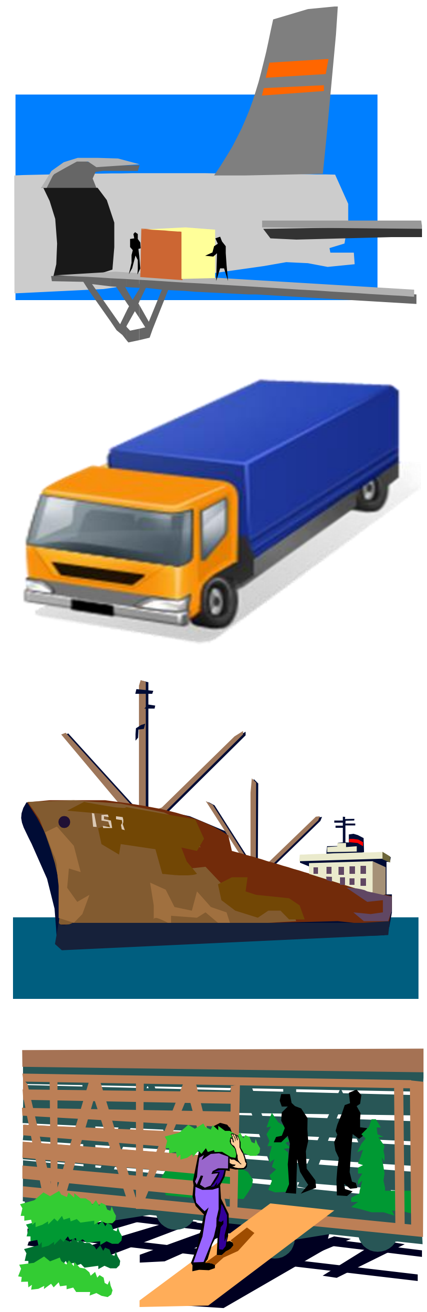
Executive Summary

International trade and foreign investment serve as critical components of California's $2.0 trillion economy. If California were a country, it would be the 17th largest exporter and the 14th largest importer in the world. Merchandise exports from California ($168 billion) accounted for over 10.6% of total U.S. exports in goods, shipping to over 220 foreign destinations in 2013. California's land, sea, and air ports of entry served as key international commercial gateways for the $538 billion in products entering and exiting the U.S. in 2012. Statewide, 4.4 million California jobs are dependent on foreign trade. Over 562,700 California workers benefit from jobs with foreign-owned firms, which accounts for 5.1% of all private sector jobs in the state.

Goods Movement means California Jobs



Trade and foreign investment support new job creation, bring new technologies and skills to California workers, generate local and state revenues, and generally strengthen the state's economic base. In the future, California's economy will become increasingly reliant on accessing foreign markets where a majority of global economic growth is expected to occur.

On Friday, February 28, 2014, the Assembly Committee on Jobs, Economic Development, and the Economy (JEDE Committee) is holding an oversight hearing on how the **Southern California goods movement network impacts the state's global competitiveness and ability to support high wage jobs**. This hearing is a follow-up to a November 2013 JEDE Committee hearing that examined the role of international trade and foreign investment on the regional economy of the Inland Empire.

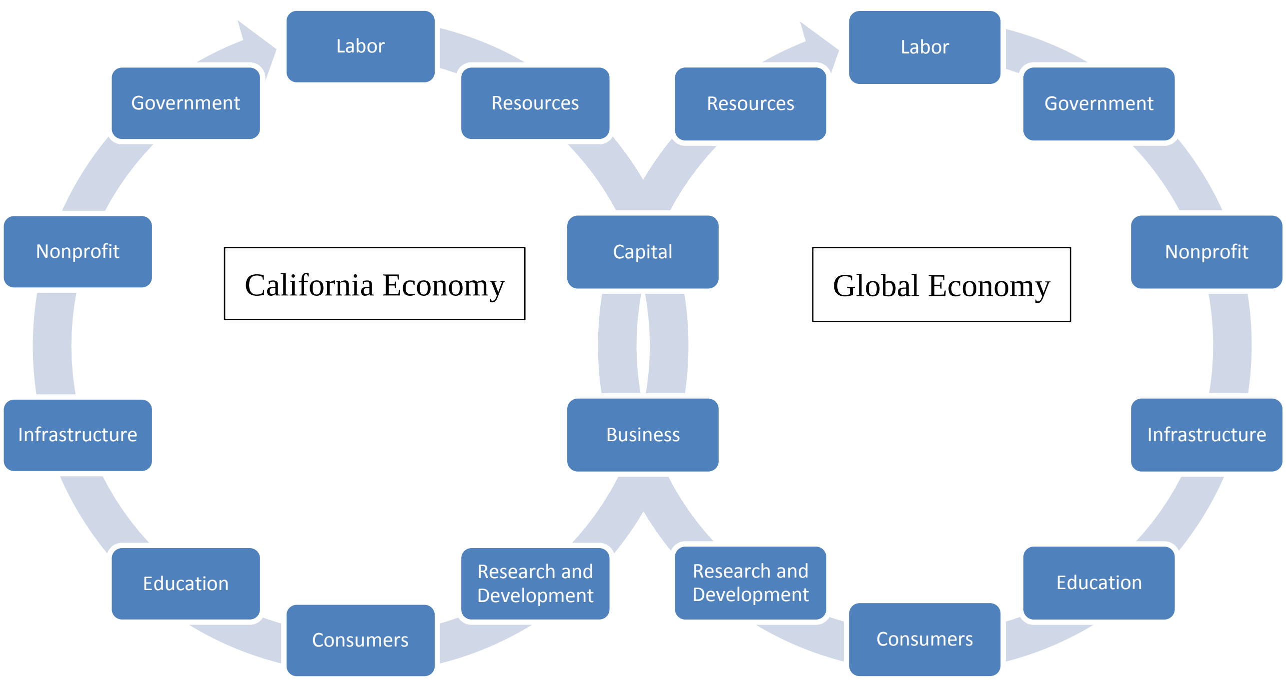
During the course of the hearing, testimony will be provided by economic development experts, business leaders, and other important Southern California stakeholders. The purpose of this report is to provide a context for these presentations and offer possible recommendations for further actions.

Issues for Consideration

Whether it's a cell phone that is produced using minerals from Africa, batteries manufactured with rare earth mined in China, or a morning ritual of strong black coffee from South America, a majority of Californians participate in the global marketplace every day. Some products are produced out-of-the country, others use raw, processed, or manufactured components from a variety of geographic locations, and still others are from companies that are owned by or have major shareholders that are from a foreign country. As participants in one of the 10 largest economies in the world, a majority of California communities are already highly integrated within global markets.

Globalization, as this increasing level of economic integration is often referred to, has brought U.S. products to foreign markets and foreign products at lower costs to U.S. markets. In the past two decades, globalization has also resulted in fundamental shifts in how products are designed, manufactured, assembled, distributed, and sold. Vertically integrated production models are giving way to production networks that rely on global supply chains comprised of foreign and domestic producers that are linked through advanced information technology and multimodal transportation options.

Being successful in this globally connected economy requires state and local governments, as well as businesses, to be innovative, reduce barriers to cross border trade, and consider long-term as well as more immediate impacts on society. The ***diagram below illustrates*** California's multiple internal and external economic drivers, including: capital, for-profit and nonprofit sectors, the public and private education system, available labor, research and development capacity, physical infrastructure, resource limitations, the consumer base, and government actions.



As the diagram shows, conditions and issues within the broader global economy also impact the state. While the state or region may have significant influence over some of the drivers, such as K-12 education, on other drivers government is simply one of several participants, as with business development or capital formation. Over the long term, the economic health of a community, region, and the state is dependent on the quality of all 10 internal and external drivers. This is why globalization has so permanently changed California's economic development paradigm. Where once business and industry primarily served domestic markets, today both large and small businesses are accessing foreign markets to source materials and services related to production and tap into larger consumer bases. As an example, between 2003 and 2012, the contributions that exports made to the California economy increased from $93.9 billion to $161.9 billion. This shift provides both new opportunities for accessing international capital and commerce, as well as government challenges, such as financing infrastructure, providing a competitively skilled workforce, and maintaining a goods movement logistical network suitable to an active and top tier participant within the global economy.

In this hearing, the issue of economic competitiveness and job creation will be examined looking at how the movement of goods to domestic and foreign markets impacts California's economy. Among other issues, the speakers have been asked to address the following:

- What economic opportunities do trade-related industries represent and how can the state support local and regional efforts to capitalize on those advantages?

- How can the state support local and regional efforts to catalyze private investments, especially in historically underserved and emerging areas?

- What opportunities are available to enhance Southern California's global competitiveness and economic integration through smarter use of the trade corridors that link businesses to Southern California air, land, and sea ports?

- What actions can the state take to facilitate cross-border commerce and reduce de facto barriers to foreign investment and the international movement of goods?

Information and research from this hearing will be used by the Members of JEDE in their deliberations on legislation affecting infrastructure development, business attraction and expansion, and the increasingly expanded role international trade and foreign investment play within the state's economic future. *Descriptions of pending measures before the Legislature are included in Appendix B and a list of preliminary recommendations is provided in Section V of the report.*

Organization of the Report

The report is organized into five sections. The first section provides general background on the California economy, highlighting key employment and economic trends. In Section II the report describes in greater detail how trade and foreign investment have being increasing important to the state's overall economy. Section III includes information on California's role in the development and implementation of trade agreements, which set the rules for participating within the global economy. The material in Section IV focuses on the state logistical network that supports the movement of goods into and through California. The fifth section includes a list of possible recommendations to help drive the hearing discussions toward tangible and concrete next steps. Some of the recommendations have been developed by committee staff based on independent research and previous legislative hearings, while others have been suggested by hearing presenters.

In addition to these sections, the report includes a number of appendices that are designed to be useful references including:

- Appendix A includes a fact sheet on the California economy;
- Appendix B provides a list of trade and infrastructure-related legislation;
- Appendix C has a copy of new SoCal Link iHub brochure that highlights the Los Angeles and Inland California trade corridor connection;
- Appendix D includes a summary of key reports related to the hearing;
- Appendix E has a copy of the California law relating to trade agreement reviews;
- Appendix F provides a fact sheet on SB 397 (Hueso) relating to an enhanced driver's license;
- Appendix G has a fact sheet on AB 1081 (Medina) relating to goods movement infrastructure financing;
- Appendix H includes a list of trade corridor projects funded with Proposition 1B (2006) moneys; and
- Glossary of terms used in the report.

Closing Thought

The California Employment Development Department (EDD) assessed the state economy in 2012 and divided the state's 11 core industry sectors into those that have internal population-driven markets and those that have large external markets that are accessed through some form of trade in goods or services.

From this work, EDD projected that the state's ability to attract and retain businesses within the eight trade-related industries would largely determine how fast the state's economy would grow in the future.

Source: The 2012 California Labor Market and Economic Analysis

Section I – The California Economy

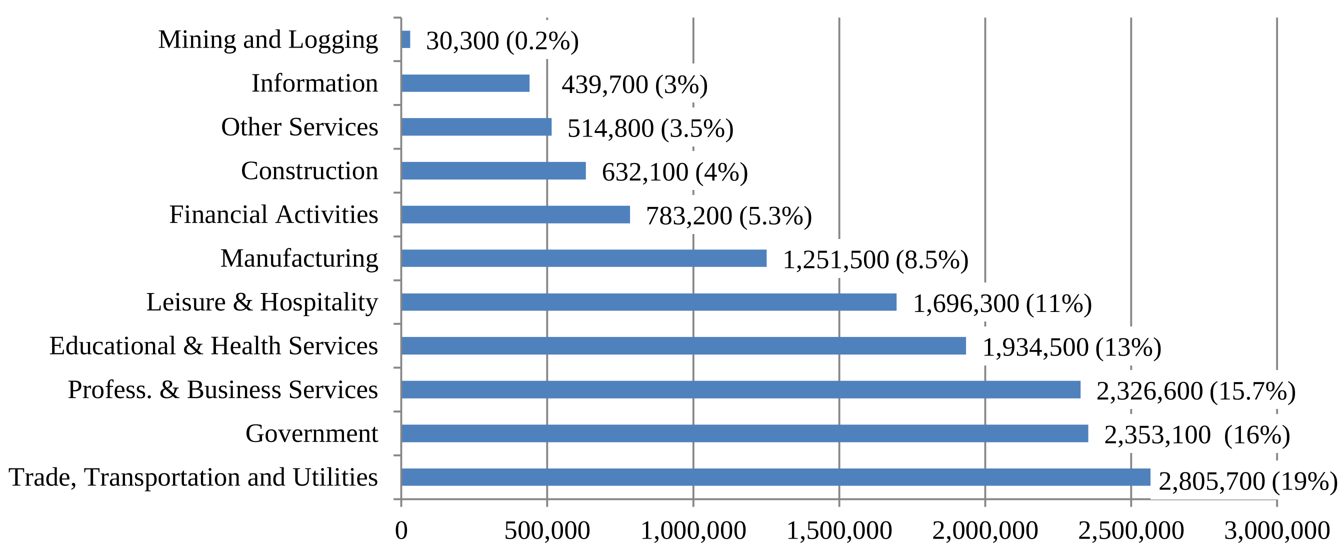
California is one of the largest and most diversified economies in the world with a gross domestic product (GDP) of over $2.0 trillion in 2012. If California were a country, its 2012 GDP would place it 8th among worldwide GDP ranking as follows: United States ($15.7 trillion), China ($8.2 trillion), Japan ($6.0 trillion), Germany ($3.4 trillion), France ($2.6 trillion), United Kingdom ($2.4 trillion), Brazil ($2.3 trillion), Russian Federation ($2.0 trillion), Italy ($2.0 trillion), and California ($2.0 trillion). According to the Center for the Continuing Study of the California Economy, when the 2013 numbers are posted, California's GDP may surpass Italy and possibly Canada and the Russian Federation in the near future.

In the first section of this report, information is provided on the California economy including past, current and future employment trends. *Sources used in the preparation of this section are included in the Bibliography and key reports are summarized in Appendix D.*

Overview of California's Economy

Historically, the state's significance in the global marketplace resulted from a variety of factors, including its strategic west coast location, its economically diverse regional economies, and its culture of innovation and entrepreneurship, particularly in the area of technology. **Chart 1** shows California employment numbers for California's 11 industry sectors.

Chart 1 - Californaia Employment by Industry Sectors December 2013 (percentages rounded)



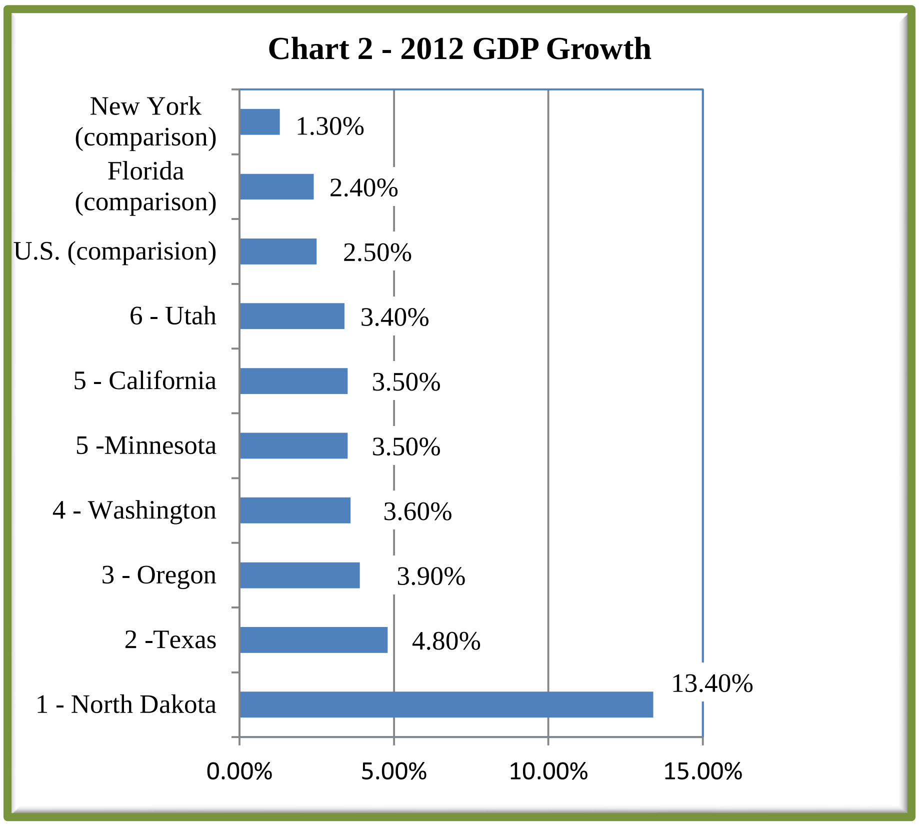
Among other things, Chart 1 illustrates the import role that the Trade, Transportation and Utilities sector plays within the state's overall workforce by employing over 2.8 million people or 19% of all workers in December 2013. In addition, the TTU sector supports and is highly integrated with other industry sectors including Manufacturing (8.5%), Professional Services (15.7%), and Financial Activities (5.3%).

California's 28.6 million working age individuals comprise the single largest workforce in the nation, are comparatively younger, and have an educational achievement level above the national average. As an example, over 32% of the working age population holds at least a bachelor's degree. California's well diversified small business base also provides an economic advantage by meeting the niche needs of the state's dominant and emerging innovation-based industry sectors.

Along with California's competitive advantages, the state also has economic challenges including a large Boomer workforce that is retiring, a growing skilled workforce outside the state, and lower education attainment levels among California's younger workforce.

California's Post-Recession Economic Growth

While many inland areas of the state continued to experience slow economic growth, overall the state had the fifth highest growth in 2012. *[At the time of the writing of this report, the 2013 figures were not available.]* In 2012, the national average growth in GDP was 2.5% and California and Minnesota tied for fifth largest increase in GDP with a reported growth of 3.5%. **Chart 2** shows the top seven states in terms of economic growth, with the U.S. average and Florida, and New York added for comparison.



California's $2.0 trillion economy, as expressed by its GDP, is the largest in the U.S. As noted before, the size of the population, its comparative youth, and its diversity are key economic advantages.

Texas has the second largest economy at $1.3 trillion, with New York ranking third with a 2012 GDP of $1.2 trillion.

Texas and New York would be ranked as the 14th and 15th largest economies in the world, as compared to California's 2012 ranking of eighth.

Closer Look at 2013 Employment Trends

California's economic growth in 2012 is especially noteworthy as the state was particularly hard hit, first by the financial crisis and then with the global recession. While employment growth has been steadily increasing over the past 29 months, July and August 2013 unemployment figures were slightly counter to this prevailing trend, reporting a 0.2% increase in each month. California's seasonally adjusted unemployment rate for December 2013 was 8.3% with 16 counties still reporting unemployment levels above 11% including Imperial County with a reported unemployment rate of 22.5%.

Chart 3 includes information on unemployment within Southern California counties for December 2013 *[most recent]*. Please note that the chart includes monthly unemployment numbers, which are not seasonally adjusted. For comparison, the U.S. unemployment rate was 6.7% in December 2013 which is the lowest national unemployment rate since December 2003.

Chart 3 - Unemployment December 2013 (not seasonally adjusted)

	Labor Force	Employment	Unemployment	Rate
California	18,503,800	17,037,700	1,466,100	7.9%
Imperial County	76,600	59,400	17,200	22.5%
Los Angeles County	4,940,200	4,506,400	433,800	8.8%
Orange County	1,633,100	1,547,500	85,600	5.2%
Riverside County	939,800	854,400	85,500	9.1%
San Bernardino County	855,700	781,300	74,400	8.7%
San Diego County	1,596,900	1,495,200	101,800	6.4%
Ventura	435,900	408,800	30,100	6.9%
Southern California Total	10,478,200	9,653,000	828,400	NA

Source: EDD

In analyzing the July and August 2013 unemployment data, EDD dismissed the repeated 0.2% increase in unemployment as countering California's 23-month consistent drop in unemployment. More importantly, EDD states that between August 2012 and August 2013, unemployment fell by 279,000 people (14.5%), and compared to the recession (September and October of 2010), there were 629,000 (27.7%) fewer unemployed. Further, in the same 23-month period, California's unemployment rate continued to drop at a faster pace than the U.S. rate overall.

By industry sector, seven California industry sectors gained jobs and four lost jobs in December 2013. Employment in the professional and business services (8,400) and the leisure and hospitality (7,800) sectors added the most jobs. Sectors that had the largest job losses from the prior month included manufacturing (6,000); other services (4,300); information (2,800); and construction (1,700). Construction, however, had the largest year over employment gain of 4.8% or 28,900 jobs. *Appendix A includes a summary of the most current economic indicators for California including information on economic outputs, unemployment, trade, and energy costs.*

EDD's ten-year forecast cites the state's continued population growth and the rise of foreign imports and exports to be key contributors to the state's long-term job growth. Employment in California is forecasted to expand to over 18 million jobs by 2018, which would recover the 1.1 million jobs lost during the recession. While these new jobs are a welcome development, they also pose a new challenge. A recent report by the Little Hoover Commission (LHC) forecasts that California’s workforce will be underqualified to meet the needs of the state’s future economy. Based on current student enrollment numbers for certificates and degrees, the deficit of qualified workers will grow to 2.3 million by 2025. In response to this finding, the LHC recommends the development of a new master plan for higher education with the overriding goal of increasing the number of Californians with degrees, certificates, and diplomas to meet the state's future needs.

> *The state's ability to attract and retain businesses within these eight [trade-related] industries largely determines how fast the state will grow relative to other states.*
>
> California Labor Market and Economic Analysis 2012, prepared by Labor Market Division, EDD May 2012

Future Economic Growth and External Markets

For the purposes of developing and analyzing economic growth and competitiveness strategies, EDD assessed the California economy and divided the 11 industry sectors shown on **Chart 1** into those that have internal population-driven markets and those that have large external markets that can be accessed through some form of trade in goods or services.

As an example, some industry sectors, such as Health and Education, are primarily driven by local market needs, while other industry sectors, such as Manufacturing, typically have high levels of engagement within external markets. Providing a good or service that is attractive to external markets means a broader consumer base, as well as having greater location flexibility. EDD considers these trade-related industries as California's economic base industries.

Each of California's eight economic base industry sectors are described in **Chart 4** with examples of the types of businesses that comprise the sector. This information is used for many purposes by the state, including the development of the state Workforce Investment Strategy, which is prepared by the

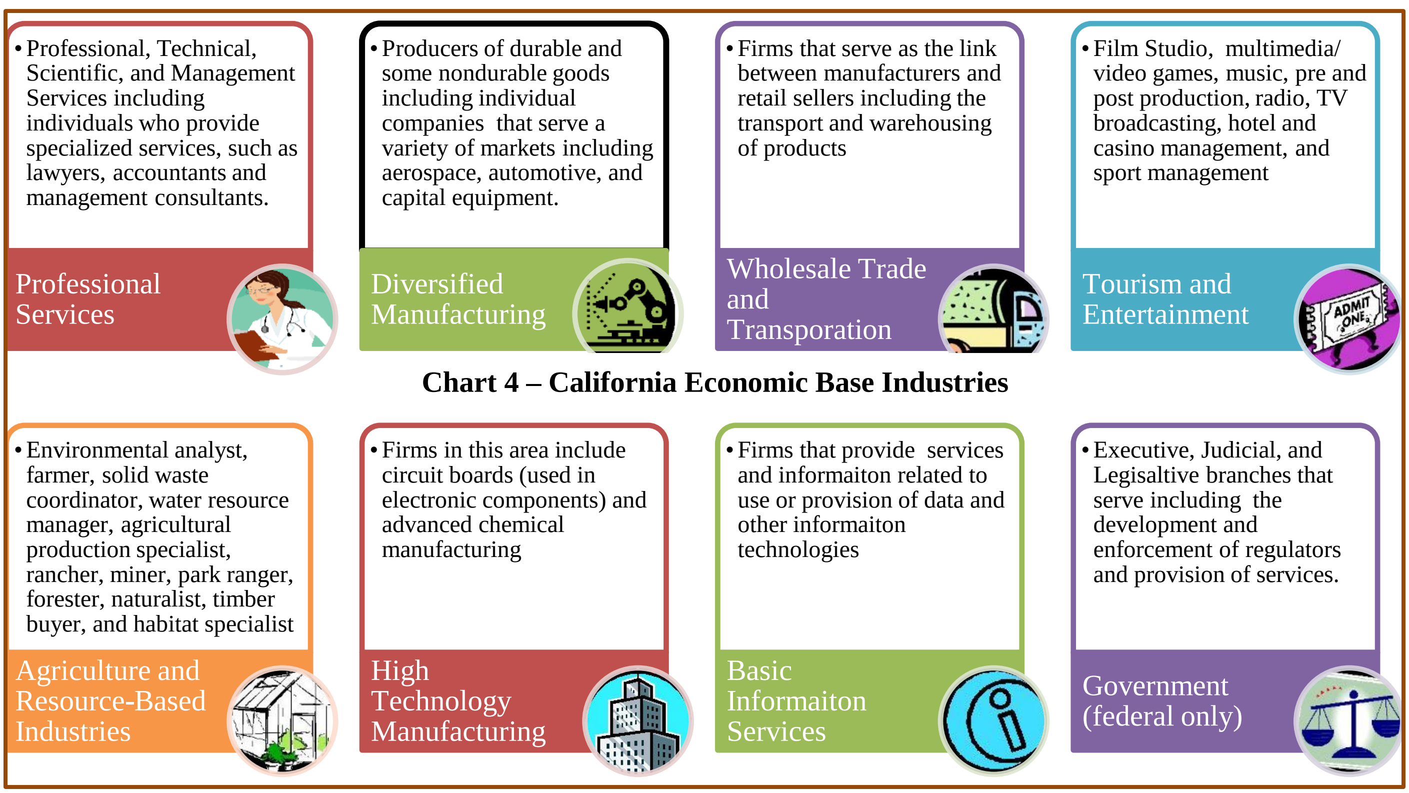


Chart 4 – California Economic Base Industries

California Workforce Investment Board and submitted to the federal Department of Labor for the purpose of drawing down federal Workforce Investment Act funds. Some regions, including Los Angeles and San Diego, have begun to develop specific economic development strategies that leverage these trade-related industry sectors that are especially attractive to external markets.

According to EDD, the state's ability to attract and retain businesses within these eight trade-related industries will largely determine California's economic growth relative to other states. Today, these eight economic base industries employ 37.3% of the state's total employment. Future growth within these industries is expected to be twice that of the overall state economy.

Key National and Global Economic Trends

The post-recession U.S. and global economy will have a number of key characteristics that will differentiate it from that of the latter 20th Century. Remaining competitive will require both the public and private sectors to adopt new and more agile thinking about natural resources and the deployment of human, physical, and financial capital. **Chart 5** describes eight key trends that economic researchers have identified which have redefined the U.S. economy in the post-recession era.

Chart 5 – Key Economic Trends Affecting the California Economy
1- Cities and regions will become more dominant economic players.
2 - Global networks will be supported through more advanced information and transportation technologies.
3 - Barriers to trade will continue to decline among both developed and emerging economies.
4 - The world's largest companies will increasingly be headquartered in emerging foreign markets.
5 - Global and more diversified markets will provide new opportunities for entrepreneurs and smaller size businesses.
6 - Scarcity and rising prices will increase pressure on the development and deployment of cleaner technologies.
7 - The retirement of Boomers will place an even greater need for middle- and high-skilled workers.
8 - The available workforce will be smaller, more ethnically diversified, and have educational backgrounds that are lower than other developed economies.

Most of these trends are not really new, but are the natural consequence of basic demographics and policy choices. Rather, it is the magnitude of their collective impact that distinguishes these eight trends. As an example, trade agreements are a centuries old practice. Open markets between technologically advanced emerging economies that also have an increasing middle-class can be a game changer.

The Global Cities Initiative, a joint project of Brookings and JPMorgan Chase, took an early look at some of these trends when they studied economic development patterns among cities and major metropolitan areas (metro-areas) in North America from the 1990s to 2010. Their report, *Metro North America: Cities and Metros as Hubs of Advanced Industries and Integrated Goods Trade*, found that the top 100 metro-areas in Canada, Mexico, and the U.S. had formed cross border value chains organized around advanced innovation-based industries, which then capable of supporting high wage jobs. Value chains are more than supply chains and include, as described by the economists Michael Porter, both the goods and services necessary to design, produce, market, deliver, and support the firm. Among other findings, the Metro North America report found that:

- Metro-areas in the U.S., Canada, and Mexico contain 77% of the three countries' total population, yet generate 86% of the three nation's combined GDP.

- U.S. metro areas traded $512 billion in goods with Canadian and Mexican metro-areas in 2010. Goods traded represented 58% of the total $885 billion in goods traded among the three counties. Los Angeles traded over one billion in goods to Mexico City.

- Innovation-based industries (including aerospace, pharmaceuticals, and electronics), accounted for 47% of all goods traded in North America and these top metro areas accounted for 69% of the trade in these industries. Further, more than three-quarters of cross border trade originates or terminates in non-border U.S. metro areas.

Concluding Thought

While the post-WWII economy in the U.S. was driven by domestic production and demand, the post-recession economy is highly linked to foreign markets. This new paradigm will require governments to conceive of, approve, and help finance comprehensive infrastructure networks that support both the joint development, as well as the exchange of goods, services, and ideas across rural and urban communities, state-to-state, and state-to-nations.

Section II – California's Trade-Based Economy

International trade is an important component of California's $2.0 trillion economy supporting 4.4 million California jobs. The importance of trade to the California economy is increasing as a percentage of California jobs tied to trade more than doubled from 1992 to 2011, 10.6% v. 22.0%. If California were a country, its $162 billion in exports in 2012 would place the state as the 11th largest exporter in the world. For 2013 (just released at only the aggregate level at the time this report was prepared), California's merchandise export trade was valued at $168.13 billion, up 4% over the 2012 total.

In this section of the report, information is provided on California's trade-based economy including the increased role trade and foreign investment play within the state's economy. Statewide and major metropolitan area-level data is provided on trade-related issues such as imports, exports, manufacturing, and foreign-owned firms. *Sources used in the preparation of this section are included in the Bibliography and key reports are summarized in Appendix D.*

Increases in Export Intensity

As discussed in the prior section, the role of trade within metro area economies has expanded. Cross border collaboration, contracting, and other business relationships are fueling U.S. innovation-based industries. Most recently, the value of trade-related work, as a component of the broader economy was the subject of another study by the Brookings Institute and JP Morgan Chase, *Export Nation 2013*. The report found that between 2003 to 2012 exports drove post-recession growth in the 100 largest metro areas including Los Angeles, San Diego, and the Inland Empire. The study is unique in that it collects data by origin or production rather than origin of export movement, as is the case with the U.S. Department of Commerce export data.

Using the *Export Nation* methodology, total California exports for goods and services in 2012 was $252 billion, as compared to the U.S. Census Bureau's 2012 number of $162 billion for goods only, as measured by origin of movement. Using this methodology, exports represented **8.8% of California GDP** in 2012.

In the Inland Empire, total exports represented 9.2% of total Inland Empire output, meaning that the Inland Empire's economy is more reliant on exports of goods and services than the state in general. Relative to other metro areas in California, the Inland Empire ranks fifth **(**5.2%) in contributing to the state's total share of exports in 2012. Metro areas ahead of the Inland Empire include: (1) Los Angeles (37.1%); (2) San Francisco (15%); (3) San Jose (13.7%); and (4) San Diego (8.5%). **Chart 6** includes more specific data on Southern California exports of goods and services and the growth rate of goods and service, as expressed in 2012 dollars as adjusted for inflation.

Chart 6 – Southern California Largest Metro Areas
Exports (2007-2012)(in millions, adjusted for inflation)

Metropolitan Statistical Area	2003 Exports (millions)	2012 Exports (millions)	Export Share of GDP	Export in Goods 2012	Export in Services 2012	Annualized 2009-2012 Growth in Manufacturing (Post-

						Recession)
El Centro, CA Metropolitan Statistical Area	432.7954	586.8708	9.3%	456.5946	130.2762	8.9%
Los Angeles-Long Beach-Santa Ana, CA Metropolitan Statistical Area	62850.51	93871.65	12.0%	56462.39	37409.26	4.0%
Oxnard-Thousand Oaks-Ventura, CA Metropolitan Statistical Area	3997.99	6462.674	15.2%	4822.016	1640.658	3.8%
Riverside-San Bernardino-Ontario, CA Metropolitan Statistical Area	7999.825	13128.07	9.2%	8407.373	4720.697	5.9%
San Diego-Carlsbad-San Marcos, CA Metropolitan Statistical Area	11996.96	21613.47	11.5%	13702.52	7910.954	7.2%
Source: Export Nation 2013, Global Cities Initiative, a joint project of Brookings Institute and JP Morgan Chase						

Among other findings, the *Export Nation* study found that of the 100 largest metro areas in the U.S.:

- The most export-intensive metro areas are highly specialized in certain industries (i.e. have one or more developed industry clusters).
- Metro areas whose export intensity grew fastest experienced higher economic growth.
- The 10 largest metro areas, by export volume, produced 28% of U.S. exports in 2012. However, two-thirds of the largest metro areas underperformed compared to the U.S. as a whole on export intensity.
- Services accounted for more than half of post-recession export growth in 11 metros, including San Francisco, Washington DC, and New York.
- Certain industries, especially in the services sector, produced almost all of their exports in the top 100 metro areas. [*Service sectors that are appropriate for exports tend to require workers with some level of specialized training, which generally need to be provided within or near the industry cluster. The Community College logistics program is an example of a service-oriented educational program that is designed to support the regional economy]*.

In other words, metro areas with highly developed industry clusters that produce products and services that are attractive to foreign markets did the best and experienced the highest economic growth. Metro areas without developed industry clusters failed to fully leverage trade-related economic opportunities. While diversified economies have certain advantages, there is still good value in helping regional economies deepen the export capability of key industry clusters.

Another relevant aspect of the study is the growing importance of service industries. Export-related services often require workers to have some level of specialized training, which generally need to be provided within or near the industry cluster. Providing access to this type of training is key to the continued growth of the export-related businesses.

California Exports and Imports

Exports from California accounted for over 10.5% ($168 billion) of total U.S. exports in goods, shipping to over 220 foreign destinations in 2013. Trade data for 2013 is not yet currently available beyond the most aggregate level. **Chart 7** includes additional information on the major goods California exported in 2012. Small businesses played a key role in the state's export market by both exporting themselves and in selling goods and services to other companies that ultimately export.

Chart 7 - 2012 Exports From California to the World		
Product	**Value ($ billions)**	**Percent**
334 Computers & Electronic Prod.	44.5	27.6 %
333 Machinery (except electrical)	14.8	9.2 %
336 Transportation Equipment	16.1	10 %
325 Chemical Manufactures	12.7	7.9 %
339 Misc. Manufacture Commodities	13.8	8.6 %
111 Agricultural Products	11.9	7.4 %
All Others	27.2	29.3 %
Total	$162 (rounded)	100 %
		Source: Tradestates.com

The state's top five imports in 2012 were: Computer and Electronic Products ($112 billion); Transportation Equipment ($60 billion); Oil & Gas ($32 billion); Miscellaneous Manufactured Commodities ($19.4 billion); and Apparel Manufacturing Products ($18.8 billion) for a total of $242.2 billion in imported products.

Mexico is California's top trading partner, receiving $26 billion (16%) in goods in 2012. The state's second and third largest trading partners are Canada and China with $17.3 billion (11%) and $14 billion (9%) in exports respectively. Other top-ranking export destinations include Japan, South Korea, Hong Kong, Taiwan, Germany, the Netherlands and the United Kingdom. *Appendix A includes a Fast Facts on California's Trade-Based Economy.*

In January 2010, President Barack Obama announced the National Export Initiative (NEI) which proposes to double the country's total exports by the end of 2014. The initiative also calls for improvements to the U.S. transportation and supply chain infrastructure to enable exporters to transport their goods to ports quickly and inexpensively. In 2012, U.S. exports hit an all-time record of $2.2 trillion, a 40% increase from 2009, supporting 9.8 million U.S. jobs. Additionally, in 2012, California's export shipments of merchandise represented a 35% increase ($168 billion) over 2009. So while the most recent data shows that U.S. exports significantly increased, exports in 2013 were below targets and exports will need to be very robust in order to meet the national goal by the close of 2014. **Chart 8,** on the following page, includes additional information about the National Export Initiative.

Modern production models increasingly include the movement of goods across national borders multiple times. Not only are imports a key part of commercial and retail activities, they also present components to U.S. and California manufacturing. California imported $376 billion in products from other countries in 2012, accounting for 16.5% of total U.S. imports in 2012. China is the largest source of imports into California; the 2012 value of Chinese imports was $128 billion. China is followed by Japan ($41.5 billion); Mexico ($36 billion); Canada ($25.8 billion); and South Korea ($12.3 billion). California's top five imports in 2012 were: Computer & Electronic Products ($112 billion); Transportation Equipment ($60 billion); Oil & Gas ($32 billion); Miscellaneous Manufactured Commodities ($19.4 billion); and Apparel & Accessories ($19 billion). As noted above, data for 2013 is not yet available.

Moving products through California to and from U.S. and foreign markets requires a highly integrated infrastructure and logistical network. *Section IV includes an expended discussion on California's logistical networks*.

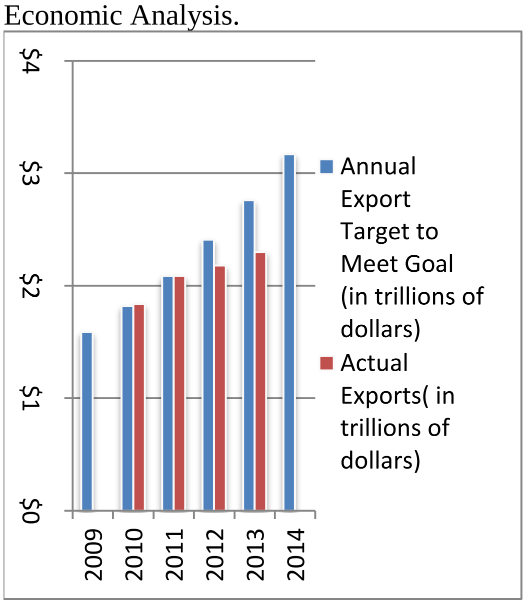
Chart 8 - National Export Initiative

In January 2010, the President launched the National Export Initiative with the goal of doubling U.S. exports over 5 years.

The initiative is directed through a newly established Export Promotion Cabinet and an internal Trade Promotion Coordinating Committee which has been tasked to coordinate and align their export promotion activities including counseling, customer matchmaking services, and financing for exporters. Initiative priorities include:

- Exports by small and medium-sized businesses
- Federal export assistance
- Increased export credit
- Reduced barriers to trade
- Export promotion of services

The chart below illustrates the U.S. progress toward meeting the national export goal. The chart was developed using a GAO analysis based on data from the U.S. Bureau of Economic Analysis.



Foreign Investment in California

Another important component of California's trade economy is foreign investment. California receives more foreign direct investment (FDI) than any other state in the U.S., which is significant since the U.S. is the largest receiver of FDI in the world. The California economy benefits from FDI in many ways, some of which include assisting in the creation of jobs, boosting worker wages, increasing exports, bringing in new technology and skills, and generally strengthening the state's manufacturing base.

The federal International Trade Administration estimates that over 567,000 California workers benefit from jobs with foreign-owned firms, which accounts for 5.1% of all private sector jobs in the state. Approximately 11% of all U.S. workers at foreign-owned firms are located in California, which has had the highest level of employment in foreign-owned firms since at least 1997.

According to the Business Roundtable, there are:

- 110,000 companies in California that are headquartered in Japan;
- 78,500 companies in California that are headquartered in the United Kingdom;
- 59,200 companies in California that are headquartered in France;
- 58,900 companies in California that are headquartered in Switzerland.

Along with employment, foreign-owned firms own more property, plants, and equipment in California than in any other state.

Manufacturing within the California Economy

Manufacturing plays an important role within the U.S. and California economy, supporting high wage jobs, international trade, and small businesses within a global supply chain. 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 to one.

Manufacturing is California's most export-intensive activity, contributing significantly to the value of California's $168 billion in exports in 2013. Overall, manufacturing exports represent 9.4% ($120 billion in goods) of California's GDP, and computers and electronic products constitute 29.3% of the state's total manufacturing exports. More than one-quarter (25.2%) of all manufacturing workers in California directly depend on exports for their jobs. In today's globally linked economy, manufacturing utilizes products from across the U.S., as well as from other nations. In 2012, 61% ($1.3 trillion) of the products imported into the U.S. were inputs and components used by American producers. In addition, U.S. imports often include components and required services provided by U.S. firms, including California semiconductors and design.

Manufacturing in California, however, even prior to the current economic recession, faced many challenges maintaining global and domestic competitiveness, including securing a skilled workforce to support the changing needs of manufacturing and goods movement and maintaining cost-effective productivity in the face of lower safety and wage standards in emerging foreign markets. Between 2001 and 2011, California lost 33% of its manufacturing base, losing 613,000 jobs. Despite this decline, manufacturing is still recognized as one of the most important economic sectors in the California economy.

Site Selection Magazine, a trade publication for the business development community, reports that from 2007 to 2009, California had the slowest growth in manufacturing capacity among the nation's 25 most populous states. While the national average of new manufacturing sites was 28.7 new facilities during this time period, California gained only 3.7. More recently, the California Manufacturers & Technology Association did a survey of companies that expanded or were considering expansion of their manufacturing facilities in 2011 and found that 82% did not consider California for a new or expanded facility, highlighting the many challenges manufacturers face in California.

Site selectors are, of course, not just comparing California to other states, but also other nations. As an example, China has 40 industrial manufacturing subsectors, 34 of which are based in Guangzhou, the capital city of Guangdong. According to its website, 170 Fortune 500 companies have invested in Guangzhou's industrial manufacturing zones including zones that specialize in high-tech industrial development, export processing, technological development, and free trade.

Hearing Discussion Points

The February 28, 2014 hearing will provide an opportunity for the JEDE Committee to hear testimony on a number of trade related challenges facing California, in general, and Southern California, more specifically. Among the key challenges to be discussed are the condition of the state's trade related infrastructure, impediments to capital flow, workforce preparedness, as well as other impacts of globalization.

Witnesses have been asked to provide their own assessments, highlight successful models, and recommend practical solutions for guiding the state's actions in the post-recession economy. While the hearing is focused on the role of goods movement within the Southern California economy, the information gained and lessons learned can be applied to other areas of the state and/or be expended as statewide policies. Related recommendations, as summarized in Section V, may include:

1. *State Infrastructure Plan*: Advocate before the Department of Finance and the Strategic Growth Council for the inclusion of goods movement related infrastructure within the states Five-Year Infrastructure Plan. The Plan, as released in January 2014, does not include specific recommendations for improving the state's trade corridors. The addition of projects within regional goods movement plans and other goods movement infrastructure would better serve the needs of trade-related industries and support quality job creation. This recommendation is similar to AB 1081 (Medina) which passed JEDE on a 9-0 vote in April 2013, but was ultimately held in Senate Appropriations Committee in 2013. Appendix G includes a fact sheet on AB 1081.

2. *State Trade Strategy*: Invite the California Governor's Office of Business and Economic Development to present the 2014 update to the California Trade and Foreign Investment Strategy at a JEDE hearing. More specifically, the presentation could focus on how the strategy supports and enhances the significance of the state's north-south trade corridor from Mexico and the east-west trade corridors between inland California to the Los Angeles/Long Beach/San Diego ports.

3. *Border Coalitions*: Join other states, nations, and border regions in collaborating on border security issues and enhancements of goods movement. Oregon, Washington, Idaho, Montana, and Alaska joined the Pacific Northwest Economic Development Council in order to partner with the Canadian provinces of Alberta, British Columbia, and Yukon, on key trade and economic development issues. Imperial and San Diego Counties have joined the CaliBaja Bi-national Mega-region to address economic development in collaboration with the states of Baja California, Mexico.

4. *Labeling Standards*: Adopt "Made in North America" labeling standards consistent with the U.S. Trade Commission standards. California currently requires virtually all components of products to be made in the U.S. in order to label a product sold in the state as "Made in the U.S." Given the highly integrated markets of the U.S., Canada, and Mexico, a new option for product labeling would reflect and enhance North American market integration.

5. *Comprehensive Trade-Based Strategies*: Encourage regional and large metro areas to develop comprehensive strategies to attract and retain trade-based industries through actions that reflect current and future business development practices. Strategies should include the interrelationships between goods movement, an educated workforce, and innovation-based industries. As a first step, provide a briefing on best practices from communities that have already participated in the Global Cities Initiative.

6. *Multi-Region and Bi-National Marketing*: Engage with the San Diego and Imperial Valley Economic Development Corporations and other members of the CaliBaja Bi-National Mega Region for the purpose of identifying ways that communities in Los Angeles, Orange County and the Inland Empire can meaningfully participate in the bi-national trade and business development activities.

Concluding Thought

"Geographic proximity, a free trade platform, and the tendency for firms in trade-intensive manufacturing sectors to extend their operations regionally have created an abundance of trade within North America. Ongoing efforts to bolster exports and achieve positive trade balances in all three countries must recognize and capitalize on the integrated advanced value chains that drive continental exports to the rest of the world. By embracing each other as partners rather than competitors, the United States, Canada and Mexico would recognize that nascent trends toward reshoring and near shoring, and shifting labor, energy, and technology dynamics, are favorably positioning North American as a production platform for the world."

Excerpt from Metro North America – Cities and Metros as Hubs of Advanced Industries and Integrated Goods Trade (2013) published by the Global Cities Project, a joint project of Brookings and JPMorgan Chase.

Section III – California's Role within U.S. Trade Policy

Within a globally connected economy, trade agreements create the framework by which a significant number of businesses and workers must compete, collaborate, and create economic value. The U.S. is currently negotiating two major trade promotion agreements, the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership. In their current iterations, these trade agreements will cover 21% of the world's population, with the U.S. at the nexus. These agreements are especially important to local and regional governments which have been proactive in using trade promotion activities as a springboard for their own economic program.

In this section, information is provided on the legal and practical basis of U.S. trade policy. A special emphasis has been placed on the unique consultation role of states and other stakeholder groups. *Sources used in the preparation of this section are included in the Bibliography and key reports are summarized in Appendix D.*

U.S. Trade Policy and Fast Track Authority

U.S. trade policy, as provided for by the U.S. Constitution, advances two mechanisms for negotiating and approving treaties and trade promotional agreements. The first (Article II, Section 2, Clause 2, of the U.S. Constitution) empowers the President to chiefly negotiate treaties with the advice and consent of a supermajority of the U.S. Senate. The second method is structured as a congressional-executive agreement in which the U.S. Congress authorizes the President to negotiate trade promotion-related agreements, but ratification is achieved through the adoption of an agreement in the form of a bill by a majority vote of both Houses. This second method is more commonly called Fast Track or Presidential Trade Promotion Authority. When granting Fast Track authority, the U.S. Congress is prohibited from making substantive amendments to the enacting resolution and, instead, participates in an early consultation period with the Administration and then, upon the passage of the ratifying bill, has the option to send the President related legislation to mitigate the potentially negative impacts of the final trade promotion agreement on communities, workers, and businesses.

In recognition of this inability to substantively modify elements of already negotiated trade agreements and their far reaching impact on state and local economies, Congress has also directed the U.S. Trade Representative (USTR) to seek advice from states during the negotiation process through a Governor appointed State Point of Contract (SPOC). California's SPOC is Alexis Podesta, who also serves as the Governor's Director for External Affairs. Under California law, the SPOC is required to share with the Legislature information received from the

Role of the SPOC (Gov §99501)

(b) The state point of contact shall, in addition to any other duties assigned by the Governor, do all of the following:

(1) Promptly disseminate correspondence or information from the United States Trade Representative to the appropriate state agencies and departments and legislative committees.

(2) Work with the appropriate state agencies and departments, and the Legislature, to review the effects on the California environment, and California businesses, workers, and general lawmaking authority, of any proposed or enacted trade agreement provisions, and communicate those findings to the United States Trade Representative.

(3) Serve as liaison to the Legislature on matters of trade policy oversight.

(*Added by Stats. 2006, Ch. 663, Sec. 3. Effective January 1, 2007*)

USTR and then work with the Legislature to assess its impact on California.

In addition to the SPOC process, the USTR maintains nearly 30 trade-related advisory committees, including the Intergovernmental Policy Advisory Committee on Trade (IGPAC). The IGPAC is currently comprised of 24 state and local officials, including members of state legislatures, state trade directors, and related national associations. Former State Senator, and current Los Angeles City Councilmember Curren Price and Carlos J. Valderrama, who represents the Los Angeles Area Chamber of Commerce, are members of IGPAC.

The U.S. has trade agreements in force with 20 countries, including Australia, Bahrain, Canada, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Israel, Jordan, Korea, Mexico, Morocco, Nicaragua, Oman, Panama, Peru, and Singapore. In addition to trade agreements, the U.S. maintains a number of trade preference programs that allow special access to U.S. markets for countries that are considered developing markets and/or where the U.S. wants to cultivate a stronger relationship. The Andean Trade Preference Act (ATPA) and the Andean Trade Promotion and Drug Eradication Act (ATPDEA) are examples of two such trade programs which assist Bolivia, Colombia, Ecuador, and Peru in promoting "broad-based economic development, diversification of exports, consolidation of democracy, and to help defeat the scourge of drug trafficking by providing sustainable economic alternatives to drug-crop production in beneficiary countries."

California's Role in Foreign Trade Agreements

Recent developments have greatly expanded the interests of individual states in the negotiations of international trade agreements. While trade agreements previously concerned themselves with issues exclusively within federal jurisdiction, many trade agreements now include rules on issues that are within the traditional purview of state government. Trade agreements now effect such issues as public procurement, professional licensing, and investor rights, and foreign companies are increasingly using the terms of trade agreements to challenge state laws related to environmental standards, the hiring of local workers, and the purchase of local products.

Previously, the role of state legislatures in trade negotiations was ill-defined; however, the current U.S. trade model now features a clear path for increased state government engagement in the negotiation process through the establishment of the SPOC and IGPAC consultation process as a means to directly engage the USTR.

In the last few years, California Legislative Members and stakeholder groups have emphasized the importance of California's engagement on trade agreements in order to ensure California communities are not disadvantaged. For example, in 2011 the Legislature adopted AJR 15 (Alejo), which urged the U.S. government to consider the potential negative economic impact of the Colombian Free Trade Agreement on the California economy, especially as it related to the California floriculture industry. The issue was raised, not from a protectionist perspective, but based on the U.S.' significant involvement under the ATPA and the ATPDEA in the development of the Colombian cut flower industry. Today, the Colombian cut flower industry, with its U.S. subsidized infrastructure and $333 (589,500 pesos) per month minimum wage, competes directly with California producers.

As illustrated in the Colombian example, the U.S. and California economy is increasingly entwined with business and consumer markets in other counties. These trade agreements and other trade policies can have direct economic impacts on domestic workers and businesses. State consultation and resolutions such as AJR 15 express the state's priorities on the negotiation framework and ratification of U.S. treaties and trade promotion agreements. The policy parameters serve as the economic foundation for the development of new business opportunities and the development of new consumers for California and U.S. products and services.

Trade Agreements Currently Under Discussion

The U.S. is currently negotiating the Trans-Pacific Partnership, which will consists of 12 Pacific Rim nations, and the Transatlantic Trade and Investment Agreement, which will cover 28 European Union (EU) countries. These agreements are intended to provide new business opportunities for U.S. companies and spur economic growth and job creation.

Supporters of free trade agreements believe these agreements can level the playing field for American products entering new markets, and is especially useful for businesses first entering an emerging economy with rapidly increasing consumer base. The success of businesses being able to export into these new markets is well documented. As an example, the U.S. Department of Commerce reports that the existing 20 U.S. trade agreements account for $67.2 billion (40%) of California's exports in 2012. During the past 10 years, exports from California to these markets grew by 52%, with NAFTA, Korea, Chile, Australia, and Israel showing the largest dollar growth during this period. In another way of measuring the impact of trade agreements on California exports, the Business Roundtable reports that per capita 2012 purchases of California goods was $159.21 per capita from countries that have a U.S. trade agreement in place and only $14.57 per capita from countries in which there was no agreement.

Chart 9 has been developed to illustrate California's top 25 trade partners and highlight how many of these key trading partners are already included within U.S. trade agreements. As noted previously in the report, Mexico is California's top trading partner, receiving $26.3 billion (16.3%) in goods in 2012. The state's second and third largest trading partners are Canada and China with $17.4 billion (10.8%) and $13.9 billion (8.6%), respectively. Other top-ranking export destinations include Japan, South Korea, Hong Kong, Taiwan, Germany, the Netherlands, and the United Kingdom.

Chart 9 – California Exports (in millions of dollars)

Rank	Country	2009 Value	2010 Value	2011 Value	2012 Value	2011 % Share	2012 % Share	% Change, 2011 - 2012
Total CALIFORNIA Exports and % Share of U.S. Total		120,080	143,208	159,136	161,880	10.8	10.5	1.7
Total, Top 25 Countries and % Share of State Total		106,816	128,083	142,231	143,694	89.4	88.8	1.0
1	**Mexico**	**17,474**	**20,949**	**25,807**	**26,370**	**16.2**	**16.3**	**2.2**
2	**Canada**	**14,315**	**16,214**	**17,261**	**17,424**	**10.8**	**10.8**	**0.9**
3	China	9,744	12,474	14,194	13,970	8.9	8.6	-1.6
4	Japan	10,902	12,177	13,096	13,033	8.2	8.1	-0.5
5	**Korea, South**	**5,913**	**8,028**	**8,425**	**8,246**	**5.3**	**5.1**	**-2.1**

6	Hong Kong	5,800	6,757	7,664	7,826	4.8	4.8	2.1
7	Taiwan	4,120	6,517	6,245	6,318	3.9	3.9	1.2
8	Germany	4,441	5,123	5,307	4,979	3.3	3.1	-6.2
9	Netherlands	3,566	3,953	4,417	4,344	2.8	2.7	-1.6
10	United Kingdom	3,916	4,181	4,155	4,343	2.6	2.7	4.5
11	**Australia**	**3,445**	**3,149**	**3,716**	**4,062**	**2.3**	**2.5**	**9.3**
12	**Singapore**	**3,222**	**4,028**	**4,139**	**4,010**	**2.6**	**2.5**	**-3.1**
13	India	2,178	3,295	3,793	3,209	2.4	2.0	-15.4
14	Brazil	2,050	2,813	2,931	3,009	1.8	1.9	2.7
15	Belgium	1,983	2,237	2,681	2,765	1.7	1.7	3.1
16	France	2,316	2,343	2,361	2,660	1.5	1.6	12.7
17	**Israel**	**1,219**	**1,953**	**2,680**	**2,656**	**1.7**	**1.6**	**-0.9**
18	Malaysia	1,626	2,209	2,474	2,398	1.6	1.5	-3.0
19	**Chile**	**1,146**	**790**	**1,478**	**2,138**	**0.9**	**1.3**	**44.7**
20	Italy	1,888	1,937	2,065	1,856	1.3	1.1	-10.1
21	United Arab Emirates	1,150	1,360	1,435	1,811	0.9	1.1	26.2
22	Thailand	1,466	1,951	1,926	1,793	1.2	1.1	-6.9
23	Switzerland	1,334	1,573	1,621	1,741	1.0	1.1	7.4
24	Philippines	1,005	1,345	1,414	1,563	0.9	1.0	10.5
25	Saudi Arabia	598	729	946	1,171	0.6	0.7	23.7
* Countries already covered by a U.S. trade agreement are highlighted.								
Source: U.S. Census Bureau, State trade data series, obtained 10/30/13								

Background on the Trans-Pacific Partnership

The Trans-Pacific Partnership currently includes the following Pacific Rim countries: Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, U.S., and Vietnam. Negotiations have been underway for three years and in October 2013, the White House announced they would complete negotiations by the end of the year.

In 2012, $67.5 billion (43%) of California exports went to countries that have free trade agreements with the U.S. Four of the countries that will be included in the Trans-Pacific Partnership do not currently have a free trade agreement with the U.S. including Brunei, Malaysia, New Zealand and Vietnam. In 2011, these countries received $3.9 billion in California exported products.

As noted earlier, U.S. trade promotion agreements include a wider range of issues than simply lowering tariffs and allowing market access. The Trans-Pacific Partnership agreement also includes services, investment, financial services, and government procurement, to name a few. For illustrative purposes, below is a list of business development issues being directly negotiated with Japan relative to its economic relationship to the other 11 Trans-Pacific Partnership counties.

- *Insurance*: Address level playing field issues related to Japan Post. Japan Post Insurance is Japan's primary provider of life insurance policies.

- *Investment*: Facilitate meaningful opportunities for mergers and acquisitions into Japan, including strengthening the role of truly independent directors.

- *Intellectual Property Rights*: Strengthen the protection of and enforcement measures for intellectual property rights, copyright, technological protection measures, and civil and criminal enforcement procedures.
- *Standards*: Provide greater flexibility and transparency in standards setting and use, including greater acceptance of international standards.
- *Government Procurement*: Improve the bidding process and take steps to hinder bid allocation.
- *Express Delivery*: Address level playing field issues related to international express services offered by Japan Post.
- *Sanitary and Phytosanitary Measures*: Accelerate and streamline risk assessments related to common food additives, and address other issues related to fungicides and gelatin/collagen for human consumption.

Transatlantic Trade and Investment Partnership (TTIP)

In February 2013, President Obama announced the initiation of a Transatlantic Trade and Investment Partnership. If successful, this will be the largest free trade agreement in history, covering more than 40% of global GDP. Currently, the European Union is the largest economic market in the world with over 500 million consumers and a 2012 GDP of $17 trillion. U.S. GDP was $15.7 trillion during the same period.

In addition to the agreement, President Obama has also asked for Presidential trade promotion authority (Fast Track) from the U.S. Congress. While no action has been made on the Fast Track authority request, the USTR has already completed its first round of negotiations (July 2013 in Washington D.C.) the second round, scheduled for October 2013 in Brussels was canceled due the a lack of travel authority for federal representatives. While the exact timeline is difficult to define, both parties have set a two-year deadline for the conclusion of the negotiations, meaning the Spring of 2015.

A significant driver of the structure of these negotiations comes from a final report by the joint High-Level Working Group on Jobs and Growth (HLWG). Given that the U.S and European Union already have substantially open economies the focus of the Transatlantic Trade and Investment Partnership is to focus on identifying, removing and establishing trade rules that are globally relevant. In addition to addressing conventional barriers to trade, such as tariffs and tariff rate quotas, HLWG recommendations include:

- Elimination, reduction, or prevention of barriers in goods, services, and investment;
- Enhanced compatibility of regulations and standards;
- Elimination, reduction, or prevention of unnecessary "behind the border" non-tariff barriers to trade in all categories; and
- Enhanced cooperation for the development of rules and principles on global issues of common concern and for the achievement of shared global economic goals.

In advancing these types of trade harmonization issues and requesting Fast Track authority, concerns have been raised by some U.S. stakeholder groups including the National Conference of State

Legislatures, who have asked for deeper consultation among U.S. stakeholders including local and state governments, labor organizations, and small businesses. Several of those challenging issues may include:

1. Regulatory process convergence;
2. Regulation of manufactured goods;
3. GMO and agriculture;
4. Data protection and privacy;
5. Financial services;
6. Investment liberalization;
7. Energy standards;
8. Labor standards;
9. Tariff Reduction and elimination; and
10. Pharmaceuticals.

In addition to sending messages through the SPOC, consultation with the IGPAC, and passing resolutions, the USTR and other federal agencies also sponsor public outreach meetings. Most recently, a Fresno meeting was sponsored by the U.S. Department of Agriculture.

The U.S. trade negotiations with the EU lag behind a newly announced agreement between Canada and the E.U., referred to as the Comprehensive Economic and Trade Agreement. The details of the agreement have yet to be announced, but reports by the negotiators suggests that it is the biggest trade agreement that Canada has negotiated to date and is more sweeping than free trade with the U.S. or the North American Free Trade Agreement (NAFTA). Details of the agreement may take up to 18 months for drafting. Unlike U.S. law where the treaty or agreement becomes effective upon ratification, in Canada the content of the trade agreement must first be incorporated into domestic law. This is a very different process than in the U.S. In the U.S., these interpretations must be discovered through the courts, sometimes foreign extra-governmental court of law convened by the World Trade Organization.

Hearing Discussion Points

The February 28, 2014 hearing will provide an opportunity for the committee to hear testimony on a number of trade related challenges facing California, in general, and Southern California, more specifically. Among the key challenges to be discussed are the trade rules and trade policies that inhibit or do not adequately support domestic business development, local control, and the need to engage on the conditions to be set under fast track and/or the development of a new trade framework.

Witnesses have been asked to provide their own assessments, highlight successful models and recommend practical solutions for guiding the state's actions in the post-recession economy. Related recommendations, as summarized in Section V., may include:

1. *Trade Agreement Equity*: Advocate for fair treatment of California within the context of the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership. The impact of these agreements should strengthen regional economies, enhance foreign investment, provide new economic opportunities to businesses and workers, and improve the state's quality of life. As a first step, call on

the State Point of Contact for a trade agreement update and have the JEDE Committee Members identify priority areas.

2. *State Trade Strategy*: Invite the California Governor's Office of Business and Economic Development to present the 2014 update to the California Trade and Foreign Investment Strategy at a JEDE hearing. More specifically, the presentation could focus on how the strategy supports and enhances the significance of the state's north-south trade corridor from Mexico and the east-west trade corridors between inland California to the Los Angeles/Long Beach/San Diego ports.

3. *Border Coalitions*: Join other states, nations, and border regions in collaborating on border security issues and enhancements of goods movement. Oregon, Washington, Idaho, Montana, and Alaska joined the Pacific Northwest Economic Development Council in order to partner with the Canadian provinces of Alberta, British Columbia, and Yukon, on key trade and economic development issues. Imperial and San Diego Counties have joined the CaliBaja Bi-national Mega-region to address economic development in collaboration with the states of Baja California, Mexico.

4. *Labeling Standards*: Adopt "Made in North America" labeling standards consistent with the U.S. Trade Commission standards. California currently requires virtually all components of products to be made in the U.S. in order to label a product sold in the state as "Made in the U.S." Given the highly integrated markets of the U.S., Canada, and Mexico, a new option for product labeling would reflect and enhance North American market integration.

5. *Enhanced Driver's License*: Authorizes the Department of Motor Vehicles to issue enhanced driver's licenses, which include transmission technology to denote identity and citizenship, for purposes of entering the U.S. at land and sea ports of entry. Similar to SB 397 (Hueso) from the current session, which was held on the Assembly Appropriations Committee Suspense File. Appendix F includes a fact sheet on SB 397.

6. *Multi-Region and Bi-National Marketing*: Engage with the San Diego and Imperial Valley Economic Development Corporations and other members of the CaliBaja Bi-National Mega Region for the purpose of identifying ways that communities in Los Angeles, Orange County and the Inland Empire can meaningfully participate in the bi-national trade and business development activities.

Section IV – Goods Movement and Logistical Networks

Goods movement supports employment, business profit, and state and local tax revenue. California businesses rely heavily on the state's ports and their related transportation networks to link national and global supply chains and bring products to the retail market. Transportation breakdowns and congestion can idle entire production networks. In the future, a key component of the state's economic growth will be derived through greater integration within the global economy and the strength of trade-related industry sectors including advanced manufacturing, biotechnology, and information technologies.

In this fourth section of the report, information is provided on the state's goods movement infrastructure network including the basics of logistical networks, issues of border wait times, financing infrastructure improvements and better freight planning. Witnesses at the hearing will provide more detailed discussion on Southern California goods movement infrastructure needs. *Sources used in the preparation of this section are included in the Bibliography and key reports are summarized in Appendix D.*

Chart 10 - California's Infrastructure Report Card

According to the 2013 Report Card on America's Infrastructure, California's overall infrastructure scored a "C" in 2012, up from a "C-" in 2006. At a more granular level, California scored:

- B- in Ports (down from B+ in 2010)
- C+ in Aviation
- C- in Transportation
- D in Levees/Flood Control
- B- in Solid Waste (down from B in 2010)
- D+ In Urban Runoff
- C+ in Wastewater
- C in Water

California's infrastructure investment gap is estimated at $97.9 billion over the next 20 years. For comparison, the U.S. infrastructure received a D+ with an estimated $3.6 trillion investment gap.

Source: American Society of Civil Engineers

Infrastructure and the Economy

World-class infrastructure plays a key role in business attraction, as multinational companies consistently rank the quality of infrastructure among their top four criteria in making investment decisions. U.S. global competitiveness has suffered as the nation's infrastructure has declined. The 2012-13 Global Competitiveness Report by the World Economic Forum places U.S. infrastructure 25th in the world, down from 23rd in 2010 and 7th in 2000.

A recent report by the American Society of Civil Engineers (ASCE), shows that California's infrastructure is in a similar state. **Chart 10**, shows California's 2013 Infrastructure Report Card and an estimate by the ASCE of a $97.9 billion investment gap in infrastructure over the next 20 years. In 2006, the annual infrastructure investment need was projected to be $37 billion and it has now risen to $65 billion for 2012. The impact of this lack of investment is compounded by the substantial new infrastructure investments made in other states and nations, including the expansion of the Panama Canal. With the logistics sector alone employing over 521,000 workers in Los Angeles, Riverside and San Bernardino counties, failing to remain competitive will impact California jobs.

As the world has globalized and transportation and communication times and costs have shrunk, new business paradigms have evolved. Industry clusters remain important, however, their relationship to other clusters within a region and across borders is becoming increasingly important. Even small businesses can now access foreign markets and participate within global supply chains. In order to remain competitive, regions must demonstrate their external connectivity to other centers of innovation and consumers around the world.

Unfortunately, this increased demand for a high quality and deeply networked infrastructure is occurring at a time of constrained public budgets. Issuing more bonds or even simply adding capacity isn't a realistic answer. New approaches to infrastructure are necessary including new financial structures, more collaborative planning, and an enhanced use of technology.

California's Goods Movement Network

Changes in U.S. and global trade patterns in the past 20 years have placed increasing challenges on California's good movement system. Between 1970 and 2002, for example, imports from Asia, as a share of U.S. trade, increased from 8% to 40%, thereby increasing the flow of imports through California's gateways. Over the same period, U.S. trade shifted toward lighter goods, which are more likely to be shipped by air while rail continued to be an important component of the state's logistic network.

In the next 20 years, California's population is expected to increase by an additional 10 million residents. A significant portion of those new residents will be living and working in Southern California. Transportation infrastructure in Southern California has not kept pace with this growth. Automobiles and trucks regularly drive over freeways that were completed between 1955 and the 1970s. Further slowing of the transportation network is arterial congestion from an imbalance between housing and jobs. Expansion of existing airports and seaports is often met with community opposition and a significant number of rail lines need expensive grade separation projects in order to reduce further congestion on roads and highways.

In order to fully leverage California's trade-related economic opportunities the state needs a modern, robust and multimodal goods movement network. The network includes air cargo facilities, border crossings, maritime facilities, rail, pipelines, and highways that connect to and through ports of entry. Planning for these networks is undertaken by regional planning agencies who facilitate a broad discussion among public and private stakeholders and produce a regional goods movement plan (GMP). Projects within these plans are funded in a variety of ways, including local, state, and federal government moneys. Due to their direct link to business, some projects in GMPs are paid for by the private sector in the form of user fees or other use-based assessments. Private funding can also be driven by state, federal, and local regulations that require mitigation of environmental and community impacts. In the last decade, there has been a growing interest for private investors to develop certain goods movement related projects. Later in this section, private investment options are discussed further.

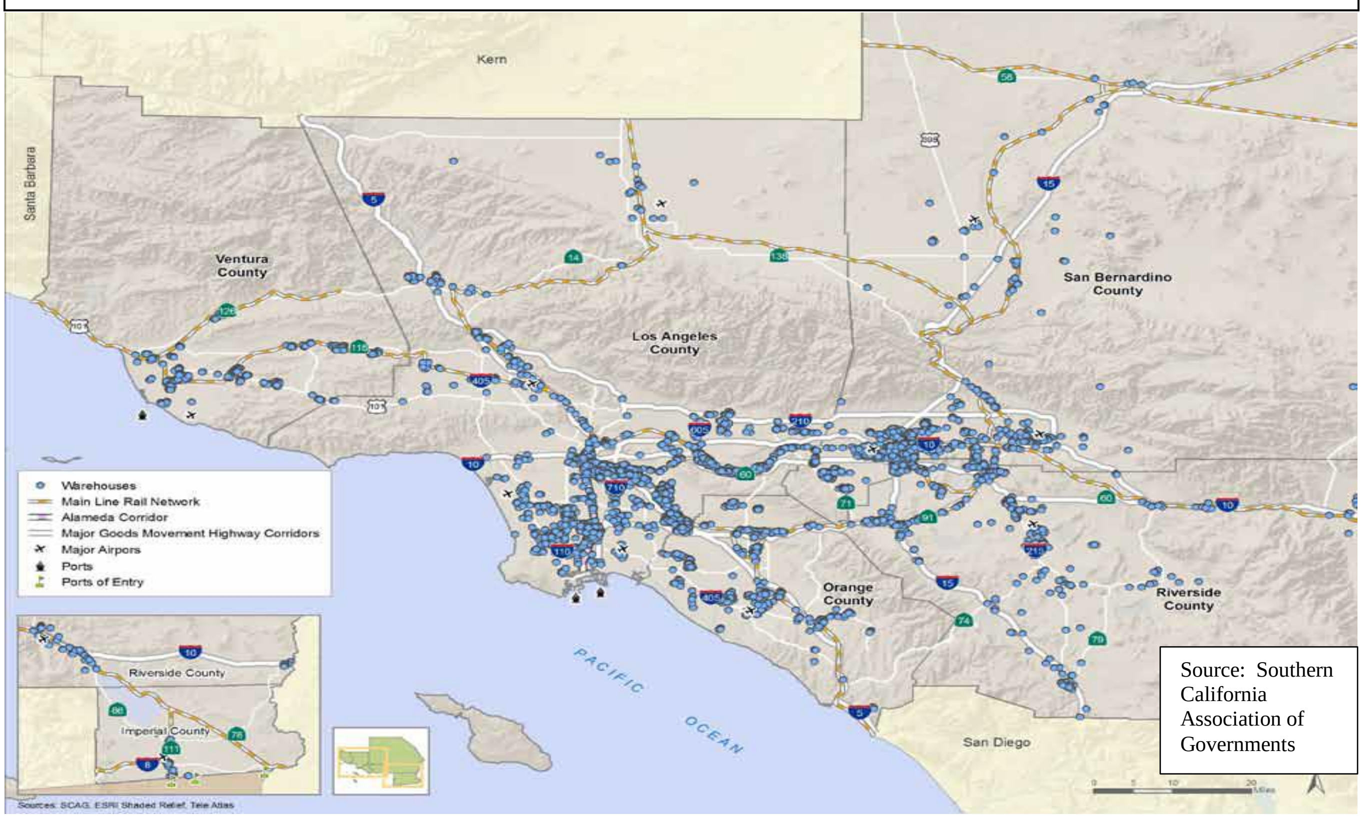
In Southern California, there are two regional planning agencies: Southern California Association of Governments (SCAG) and the San Diego Association of Government (SANDAG). SCAG membership includes local governments within the counties of Imperial, Los Angeles, Orange, Riverside, San Bernardino, and Ventura. Membership in SANDAG is comprised of the local governments in San Diego County.

Chart 11 is from SCAG's 2012 GMP and it shows the goods movement and logistical network for their region. The preponderance of the population within the SCAG region is in the center and along the coast. Two significant north-south trade corridors help to bring goods and people up from Mexico to California and on to other areas of U.S. and Canada. One east-west trade corridor connects Southern California air and sea ports' to businesses across the U.S. In Riverside, San Bernardino, and Los Angeles Counties there are a significant number of warehouses located along the north-south economic trade corridor of Highway 15 and east-west Highways 10 and 60.

These warehouse facilities are central to the global movement of goods. In addition to holding goods for shipment to retail markets, they deconsolidate and reload freight from marine containers to larger domestic containers resulting in significant cost savings to shippers. Trucking access is particularly important to warehousing and logistics businesses, as well as access to rail and air cargo facilities. *Appendix C includes a brochure from the SoCal Link Innovation Hub, which was designated in 2013 by GO-Biz to serve as a facilitator for trade-based industry sector development along the east-west trade corridor between the Inland Empire and the Los Angeles sea port.*

In 2010, the highway and rail system in the SCAG region moved 1.5 billion tons of goods valued at almost $2 trillion within the SCAG region. Approximately 34% of the jobs (2.9 million people) in the SCAG region were reliant on the goods movement industry including people employed in manufacturing, wholesale and retail trade, construction, and warehousing. These related industries added $249 billion to the state's GDP. SCAG estimates that by 2035 manufacturing alone will increase by 130%.

Chart 11 – Goods Movement Related Infrastructure in SCAG Region



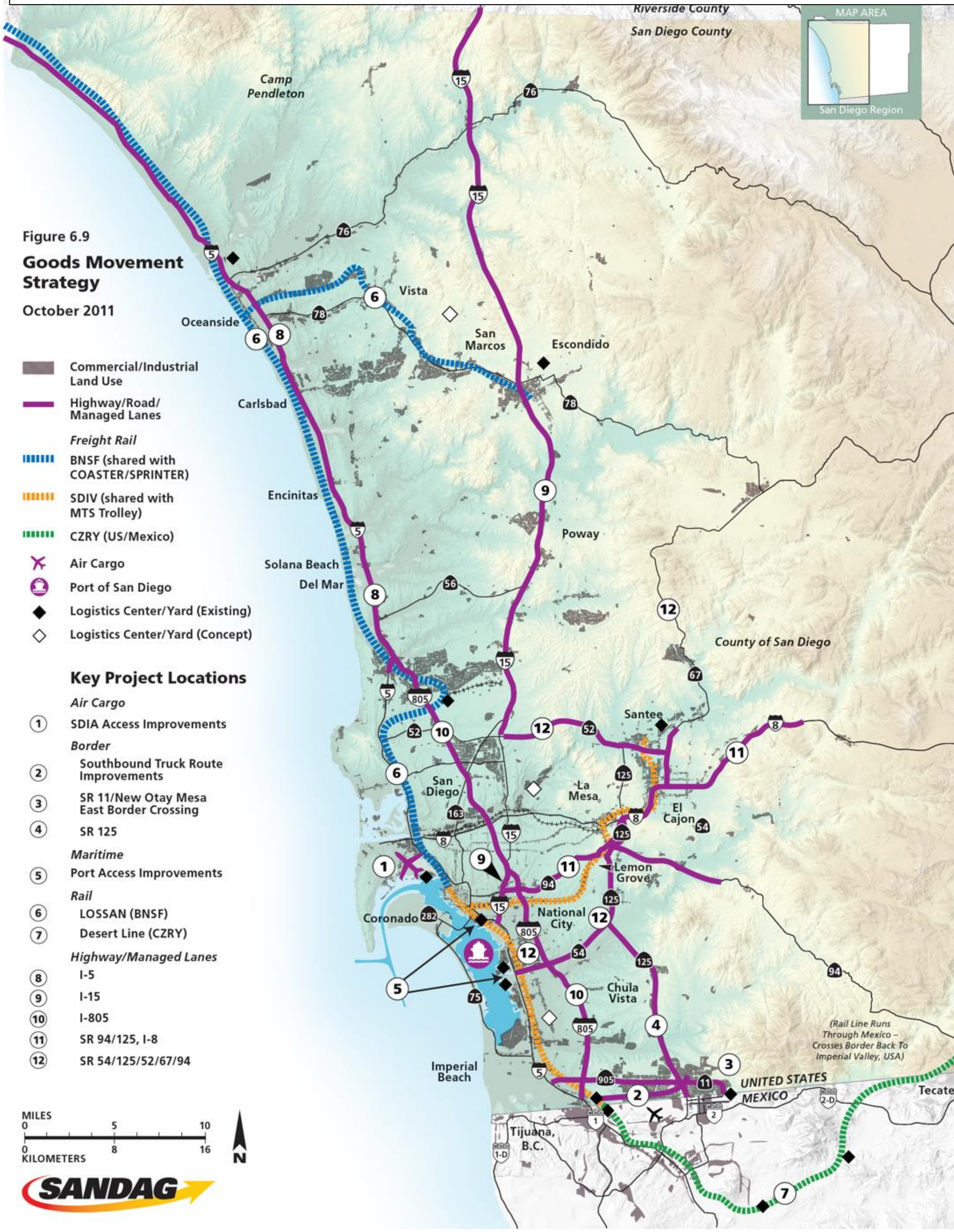
Source: Southern California Association of Governments

Chart 12 is from SANDAG's draft GMP chapter within the region's Regional Transportation Plan. The majority of the population within the SANDAG region is along the coast within the 18 incorporated cities in San Diego County. Strategically located along the border with Mexico and the west coast, the goods movement network includes a marine port with two terminals, an international airport, three rail lines, three land ports of entry, and a major north-south highway trade corridor.

Opportunities to increase capacity within the SANDAG region are mixed. Expansion opportunities at both the sea and air ports is limited. The 2050 Regional Transportation Plan includes rail capacity improvement to reduce current freight rail bottlenecks. Also, rail logistic centers would direct rail and truck transfers facilities to locations where there was high demand by manufacturers and lower land costs. Track improvements are also planned on the San Diego to Tecate line to provide better connections to serve manufacturing centers in Mexico. The extensive delays at the land-based ports of entry with Mexico are so severe that several roadway projects are proposed in the SANDAG GMP. Funding for the completion of Otay Mesa East Port of Entry is a significant regional priority among civic and business leaders, as well as economic developers.

[Chart 12 is most easily read as a full page picture. It appears on the following page.]

Chart 12 – Goods Movement Related Infrastructure in SANDAG Region



More detailed information on the key components of the Southern California goods movement network are provided in **Chart 13** including size, volume, and financial value of seaports, land ports, air cargo, highways, rail, as well as warehousing and distribution centers.

Chart 13 - Key Components of Southern California's Goods Movement Network

		Selected Background
Seaports	***Los Angeles***	The largest container port complex in the U.S. Handled 76 million tons ($269 billion in imports) and 48 million tons ($67 billion) in exports in 2009.
	Long Beach	
	Hueneme	Specializes in the import and export of automobiles, fresh fruit and produce. Serves as the primary support facility for the offshore oil industry.
	San Diego	Has two marine cargo terminals. The Tenth Avenue Marine Terminal supports cool-frozen food storage, break bulk, dry-liquid bulk, small container operations and construction materials. The National City Marine Terminal is a primary port of entry for imported automobiles and lumber. In 2010, the two terminals handled 2.8 million revenue tons of cargo.
	Rail Terminals at San Pedro Port	The Alameda Corridor connects to the San Pedro Port, which includes several on-dock rail terminals along with six major intermodal terminals operated by BNSF and UP.
Air Cargo Facilities	***Los Angeles International Airport (LAX)***	LAX and ONT together handle 96% of the region's air cargo in the SCAG region
	Ontario International Airport (ONT)	
	Burbank	(information provided at the hearing)
	Orange County	(information provided at the hearing)
	San Diego International Airport (SDIA)	Although there are other airports in San Diego, most air cargo is handled through the SDIA. In 2009, SDIA handled 121,000 tons of cargo.
Interstate Highways	***SCAG Total Miles***	SCAG region has 53,400 road miles, 1,630 miles of which are interstate and freeways.
	SANDAG Total Miles	(information provided at the hearing)
	Highest Volume Truck Routes in SCAG Region	Sections I-710, I-605, SR-60, and SR-91 carry the highest volume of truck traffic, averaging 25,000 trucks per day in 2008.
	Highest Volume in SANDAG in Region	Sections I-5, I-805, and I-15 are the major north-south corridors for commercial trucks. SR94/125 and SR905/Otay Mesa Road are the primary east-west truck corridors.
Land Ports of Entry	***Imperial County: 3 Ports of Entry***	Responsible for over $7 billion in imports and $5 billion in exports in 2007.
	San Diego: Four Ports of Entry	In 2010, nearly $27 billion in goods moved between Otay Mesa Port of Entry and the Tecate Port of Entry to the U.S. Nearly 2 million trucks crossed the California and Mexico Border in 2007 and are expected to increase to 5 million annually by 2050.
Rail	***Union Pacific (UP)***	Class I Rail. Mainline operates on the Coast Line, Santa Clarita Line, Alhambra Line, LA Subdivision, and El Paso Line.

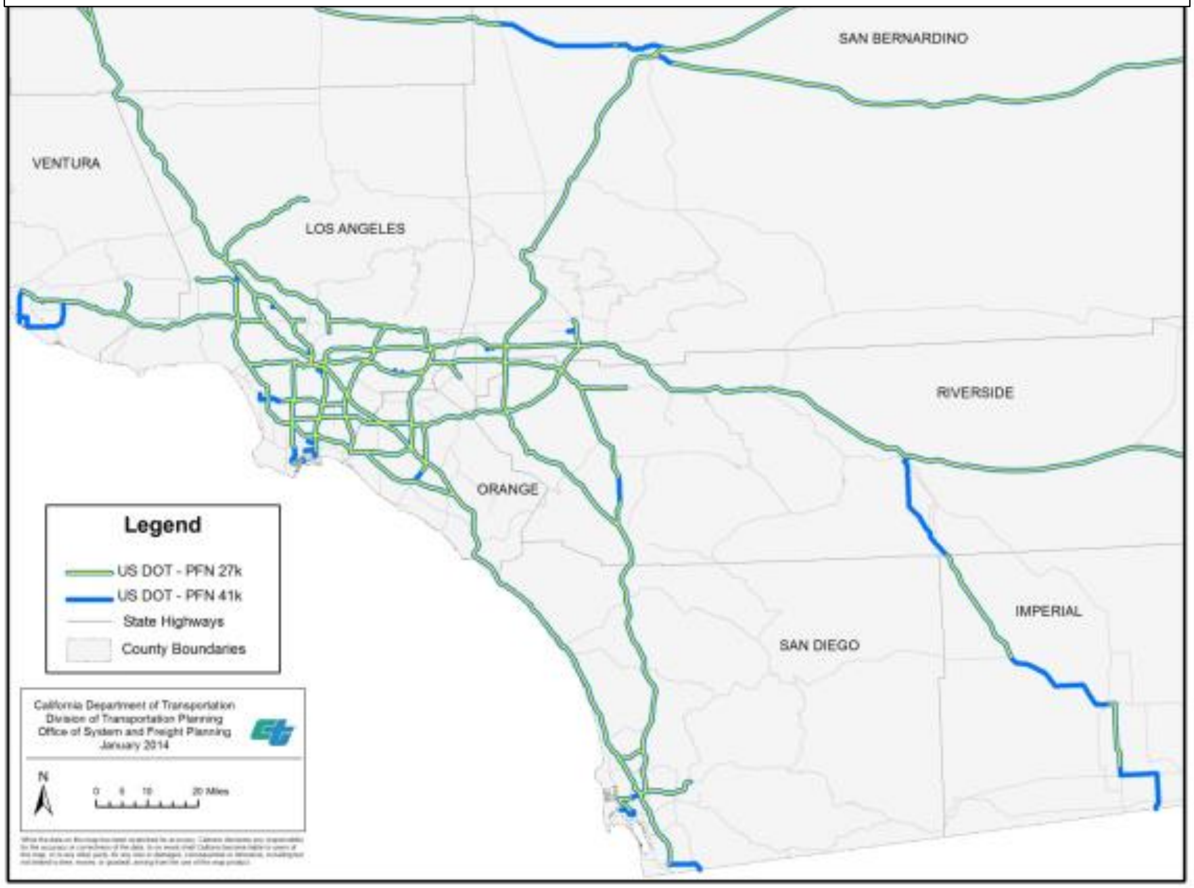
	Burlington Northern Santa Fe Railway (BNSF)	Class I Rail. Mainline operates on the Transcontinental Line and the San Bernardino Subdivision. Also operates in San Diego County utilizing several short line tracks (see below).
	Alameda Corridor	The Alameda Corridor is a 20-mile-long rail cargo expressway linking the ports of Long Beach and Los Angeles to the transcontinental rail network near downtown Los Angeles. It is a series of bridges, underpasses, overpasses and street improvements that separate freight trains from street traffic and passenger trains. Both BNSF and UP operate on the Alameda Corridor that connects to the San Pedro Port.
	Short Line Rail Roads	Class III Rail. There are 27 Short Lines Rail Roads in California, which serve a range of functions including the provision of switching functions at the largest seaports and haul functions for Class I railroads in urban and rural areas. In San Diego County, UP operates on two lines that run from Oceanside to downtown San Diego and also on a segment that runs between downtown San Diego and National City Marine Terminal. The Carrizo Gorge Railway operates limited service from the Mexico border at San Ysidro/Tijuana, through Mexico and back to the U.S. Border at Tecate where it continues to Plaster City in Imperial County.
	Total San Diego Rail	Class I and III: In 2008, the three rail lines that operate in San Diego handled 32,000 carloads, including commodities such as motor vehicles, lumber, chemicals, petroleum, agricultural products, cement, and aggregate.
Pipelines	***Kinder Morgan Energy Partners(KMEP)***	In San Diego County, KMEP, a private company, is the provider of bulk freight transport via pipeline. The pipeline runs between Orange, CA, and the KMEP terminal in San Diego where the petroleum fuel is transferred to trucks, for further transport.
Warehouse and Distribution Centers	***Total Warehousing***	The region has 837 million square feet of warehousing space and another 185 million square feet in developable land.
	Port Related Warehousing	An estimated 15% of occupied warehouse space serves port-related purposes. Some domestic warehouse space may be used by domestic shippers to mix internationally-sourced and domestically-sourced goods.
	Domestic-Related Warehousing	An estimated 85% of occupied warehouse space serves domestic purposes.
		Sources: GMPs and related materials from SCAG and SANDAG

The federal government is developing a National Freight Plan, called MAP-21, for the purpose of assisting states in strategically directing resources within their goods movement network. This national network is comprised of the national highway system, freight intermodal connectors, and *aerotropolis transportation systems. The national freight network is comprised of three parts: (1) primary freight networks (PFN), (2) portions of interstates that are not designated as part of the primary network, and (3) critical rural freight corridors. **Chart 14,** is California's submission to the U.S. Department of Transportation's National Freight Plan relative to PFNs in the state.

***Aerotropolis**

An urban planning model which places airports in the center with cities growing around them. Model is designed to better connect workers, suppliers, executives, and goods to the global marketplace.

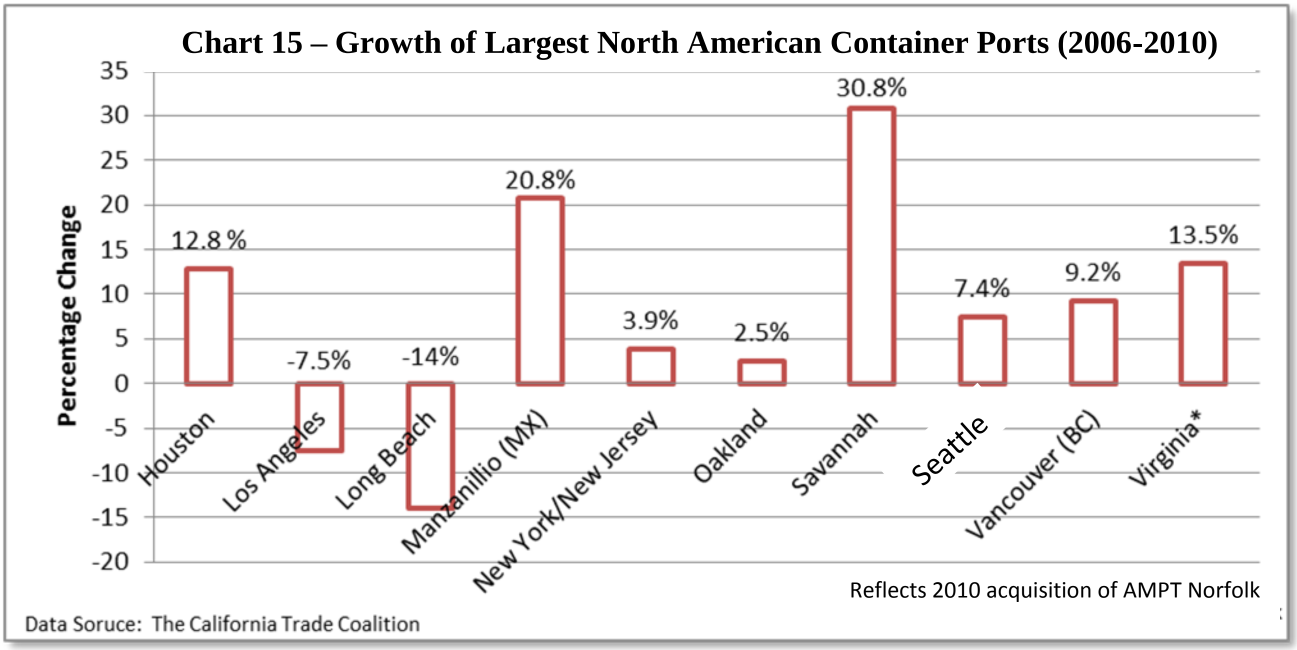
Chart 14 – Draft U.S. DOT Primary Freight Network (PFM)



Ports of Entry

California's land, sea, and air ports of entry serve as key international commercial gateways for products entering and exiting the country. The Port of Los Angeles continues to rank as the nation's most significant port of entry in terms of two-way trade, valued at $273.6 billion in 2011. It is followed by JFK International Airport ($192.3 billion) and the Port of Houston ($168.8 billion).

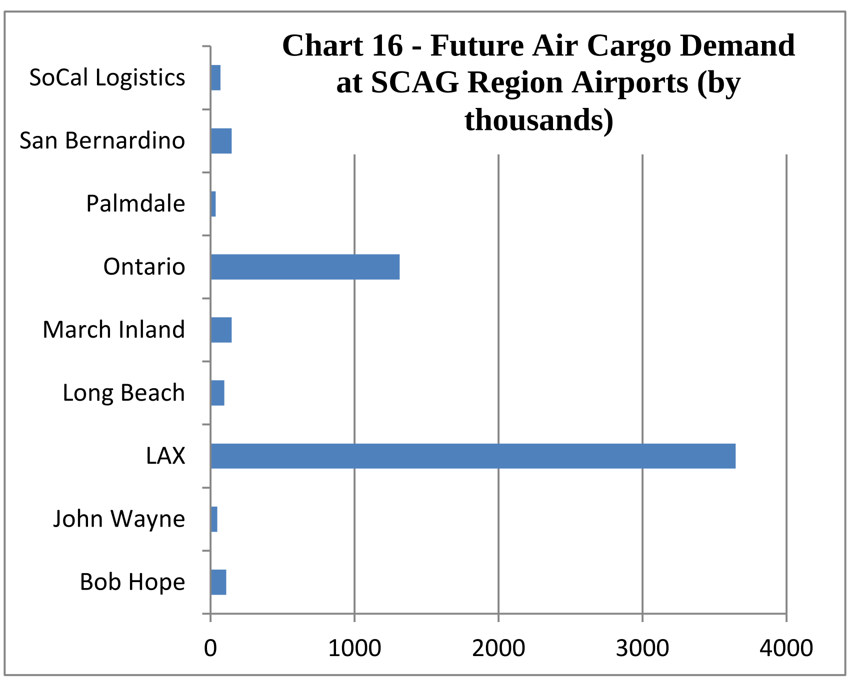
In terms of global container activity, the Los Angeles-Long Beach container port ranked 8th globally, behind Shanghai, China; Singapore, The Republic of Singapore; Hong Kong, China; Shenzhen, China; Busan, South Korea; Ningbo, China; and Guangzhou, China. **Chart 15**, on the following page, shows that California ports actually lost market share between 2006 and 2010.



California is also home to other major ports of entry including: Long Beach ($94.7 billion, ranked 9th); LAX ($84.6 billion, ranked 12th); San Francisco International Airport ($50.5 billion, ranked 21st); Port of Oakland ($45.8 billion, ranked 24th); Otay Mesa Station ($34.2 billion, ranked 30th).

Air Cargo Capacity

For many of California's high value products, transportation through land and seaports is too slow, so these products ship by air. LAX and Ontario airports shipped 96% of all air cargo in the SCAG region in 2010 and this position is expected to increase in the future. **Chart 16** displays the estimated air cargo demand at airports in the SCAG region by 2035 including Ontario.



The 2013 Infrastructure Report Card gave California airports a C+, however, it also stated that significant actions need to be taken to address the anticipated demand driven by increases in the state population, foreign travel (tourism and business-related), and air cargo.

Southern California has two large hub airports (Los Angeles and San Diego) and a number of medium hub airports including Orange County/John Wayne, Ontario, Burbank/Bob Hope, and Long Beach. Given the drop in air passenger volume drop at many of the medium hub airports, air cargo capacity could also be in jeopardy.

According to the Los Angeles World Airport, there is a "strong desire" to grow air service at the medium hubs. Since 2006-2007, however, the large hub airports have seen passenger growth, while the medium hubs have experienced service and passenger service reductions. This trend is occurring across the U.S. including in Northern California and New England.

The 2013 Report Card recommends expanding airports and building regional airports to better distribute the expected increase in passenger and cargo. Without this new investment, the report states California could lose its competitive edge. The cost to move from a C+ to a B is estimated to be $300 million per year over the next ten years.

Congestion at the Land Ports of Entry

There are seven land crossings referred to as Points of Entry (POEs). The San Diego County-Tijuana/Tecate region is home to the San Ysidro-Puerta México, the Otay Mesa-Mesa de Otay, and the Tecate-Tecate port of entry, Otay Mesa East (proposed) while the Imperial County-Mexicali region hosts the Calexico-Mexicali, Calexico East-Mexicali II, and Andrade-Los Algodones.

Changes in U.S. and global trade patterns since the enactment of NAFTA and the continuing development of foreign markets in Mexico and Latin America are placing increased challenges on California's southern land-based ports of entry. Congestion has led to significant negative impacts on neighboring communities, businesses, tourists, and employees traveling to work.

U.S. firms with significant business passing through the three Imperial Valley ports of entry report that their logistics-supply chain is highly time sensitive and these long wait times delay access to intermediary goods and ultimately lead to problems in the manufacturing chain. Long wait times (as high as three to four hours) between Imperial County and the Mexico border accounted for an estimated output loss of $1.4 billion and 11,600 lost jobs nationally in 2007. More recent studies on the Imperial POEs show that losses to California, alone, were $620 million. The San Diego POEs have similarly been impacted, with 2005 estimated output losses of $716 million and $204 million in labor income losses (or more than 3,600 jobs).

Chart 17 includes a map of Southern California to the Mexico Border showing the inland north-south trade corridor from Mexico through Imperial County and into the Inland Empire where goods can then move to the air and sea ports in Riverside, Los Angeles, Orange, and Ventura Counties. Both SCAG and SANDAG have key projects identified in their GMP to improve the economic trade corridors that originate at the border with Mexico.

Chart 17 – SCAG Map of Inland Empire to the Mexico Border

Source: Southern California Association of Governments

These congestion challenges are only expected to become greater as the rate of innovation within the manufacturing, transportation, and the communication technology sectors increases and the ability of multiple geographic locations to successfully use these technologies expands. Remaining competitive in this new global marketplace will require California to be more aggressive about marketing, attracting, and retaining business activities at the ports.

Border Security

Since September 11, 2001, maintaining border security has become a top national priority. Tighter borders, however, also impact commerce and have added to the weight times at California's land, sea, and air ports. Given that North America is a $1 trillion marketplace, finding ways to facilitate the legal flow of individuals and goods is important to the overall U.S. economy.

Modern global supply chains mean components of a single product cross national borders multiple times before being received by its final customer. Most recent data estimates, at the aggregate level, Mexican imports contain 40% U.S. components and Canadian imports contain 20%, as compared to Chinese imports that contain less than 5% of U.S. content.

U.S. Customs and Border Protection (CBP) is the federal agency responsible for protecting the U.S.'s 5,000 mile Canadian border, 1,900 miles of border with Mexico, and 95,000 miles of shoreline. In addition to enforcing U.S. trade laws, the CBP is charged with facilitating compliant trade, collecting revenues, and protecting U.S. consumers from harmful imports and unfair trade practices.

In undertaking these duties, the CBP utilizes a number of strategies that include engaging shippers and receivers well in advance of products reaching the physical border, using technology to analyze data and identify threats, and participating in cross border law enforcement activities. One approach is to have pre-entry and post-entry shipment verification for shippers and receivers that frequently move similar shipments and agree to provide early documentation. CBP has found that tracking the "import lifecycle" of the product along the supply chain is a key element in distinguishing trusted traders from potential treats.

Southern California's unique geographic location including two key north-south trade corridors and two east-west trade corridors make the region a prime location for pilot projects to improve border wait times between California and Mexico, and to facilitate the flow of goods to and from the seaports in San Diego, Los Angeles, Long Beach and Ventura Counties. New technologies that allow for electronic locks, electronic filing of transport manifestos, and tracking of previously inspected containers can be used to reduce border crossing times through pre-clearance of trucks and railcars at inland border security checkpoints. Southern California already has several federally approved and state-recognized foreign trade zones, which could serve as possible locations for pre-clearance centers for the air and land ports of entry.

Modern Supply Chain Management

In today's highly connected and economically integrated global economy, businesses increasingly rely on logistic professionals. Competitive advantage requires both the ability to access raw materials and semi-processed materials to produce products, provide services, warehouse products and ultimately deliver to the final product to the consumer. Effective supply chain management is a combination of people, technology, and networks/systems.

The professional field of supply chain management is emerging and includes both entry-level to advanced positions in senior management. The logistics industry comprises businesses related to warehousing and storage, wholesale trade, couriers, and support activities for transportation, as well as firms that move goods through air, sea, rail, and truck. Wages within this broad set of activities are estimated to be about $45,000 a year.

Logistic professionals may specialize in the internal management of the distribution center, while others work globally and may focus on facilitating the movement of goods along the larger network. One executive quoted in "Inbound Logistics" stated that "we've moved out of the age of warehousing into the age of throughput centers." Examples of best industry practices that illustrate the important integration of product movement from factories and warehouse and through ports, highways, and rail, include, but are not limited to, the use of:

- Advanced electronic shipping notification to let receivers know when products are shipped and when they should expect the arrival. Done effectively, a receiver would be able to cross-dock the arriving products to a waiting truck that delivers the product directly to the final costumer.

- Sharing transport capacity by linking shipments of dense freight with lower density freight. As an example, by combining high-density floor times with another shippers' low-density freight a company can simultaneously fill both weight and cube volume of the container, thereby optimizing the utilization of transportation capacity. This results in lower logistics cost and a combined carbon footprint.

- Specialized vendor labeling requirements that help products move more quickly through border crossings including security and phytosanitary inspections.

- Automated data collection technology including bar codes and radio frequency identification, which provides support border security requirements, as well as the sort and dispatch of products at warehouses and transportation transfer facilities.

In the last few years, professional programs have developed including, certificate and two year programs through California Community Colleges to masters programs at California State Universities. These professionals work within large corporations, small firms, and as independent contractors.

Goods Movement Means California Jobs

Freight Mobility Plan

Improving California's goods movement logistical system will take a major coordinated effort between economic developers, local governments, businesses, as well as traditional transportation stakeholders. Global connectivity must be center stage when assessing and developing metro-level and regional transportation strategies. Without this focus, the state's overall economic growth could be limited and the economic opportunity for business development and quality job creation within the state's eight trade-related economic base industries could be unrealized.

Caltrans is currently updating the Goods Movement Action Plan (GMAP), which was originally issued by the Business, Transportation, and Housing Agency and the California Environmental Protection Agency in two phases in 2005 and 2007. The GMAP was a comprehensive plan to address economic and environmental issues associated with moving goods via the state's highways, railways, and ports. It also provided guidance for allocating $3.1 billion of the $19.9 billion approved by voters in Proposition 1B, the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006.

State Planning and Funding

California's community and economic development policy has historically been driven by a number of statutory mandates including the Environmental Goals and Policy Report (EGPR), Five-Year Infrastructure Plan (Infrastructure Plan), the ITI Strategy, and the Economic Development Strategic Plan.

Collectively, these four policy mandates form the foundation for the state's short-, middle-, and long-term economic success. The EGPR sets the overall long-term framework in which individual departments and agencies develop more detailed plans, including elements of the state transportation and state housing plans. The Infrastructure Plan allows the state to keep track of its infrastructure needs and set a rational infrastructure development agenda that supports the long-term economic and population growth assessments outlined in the EGPR.

The ITI Strategy sets measureable economic objectives relative to the state's position within the global economy. Finally, the development of the state Economic Development Strategic Plan is built on the information and policies provided in the EGPR, the Infrastructure Plan, and the ITI Strategy.

The Infrastructure Plan was released in January 2014. The ITI Strategy is expected to be released in the next week and the EGPR is currently under public review.

The requirement for an Economic Development Strategic Plan was removed in a 2010 budget action.

The new plan, known as the **Freight Mobility Plan**, will expand beyond the GMAP to address additional issues such as greenhouse gas emissions goals, as well as to meet the parameters outlined in the federal MAP-21 process. The Freight Mobility Plan, [**AB 14 (Lowenthal)**, Chapter 223, Statutes of 2013], will focus more attention on community impact issues, take a more in-depth look at trucking, and provide an economic context for freight planning. The Freight Mobility Plan will be submitted to the Legislature and the Governor by December 31, 2014.

In addition to AB 14, the Legislature also considered **AB 1081 (Medina)**, which would have included goods movement related infrastructure to be identified in the Freight Mobility Plan and the ITI Strategy on the state's five-year infrastructure plan. The five-year infrastructure plan was released in January 2014, however it did not specifically address goods movement.

Financing Infrastructure Cash and Bonds

In the past five decades, capital investment in California infrastructure have declined dramatically, according to the 2013 California Infrastructure Report Card. In the 1950s and 60s, California spent 20 cents of every dollar on capital projects. That figure dropped to less than five cents on the dollar by the 1980s. Current estimates put infrastructure investment at around a penny on the dollar.

The Legislative Analyst's Office (LAO) estimates that between 2000-2010, California spent $102 billion from state funds on infrastructure. The state uses two methods for paying for infrastructure development: (1) Direct "pay-as-you-go" spending, where the state funds infrastructure upfront through appropriations from the General Fund or Special Funds accounts, and (2) Debt or leverage, where the state finances infrastructure through the use of bonds.

Between 2000-2010, the state appropriated $35.7 billion in pay-as-you-go financing, including $1.9 billion from the General Fund (2% of all infrastructure spending) and $33.8 billion from Special Funds (35% of all infrastructure spending). During the same period the state spent $66.6 billion in bond financing, including $59.1 billion from general obligation bonds (representing 58% of total infrastructure spending), $5.5 billion from lease-revenue bonds (representing 5% of total infrastructure spending), and $2 billion from traditional revenue bonds (representing 2% of infrastructure spending).

Transportation spending represented the largest infrastructure spending category with $56 billion of the $81 billion going toward highway infrastructure between 2000-2010. California cities and counties own and operate 81% of the state's roads. Almost three-fifths of the state's total infrastructure spending between 2000-2010 was distributed to and administered by local agencies.

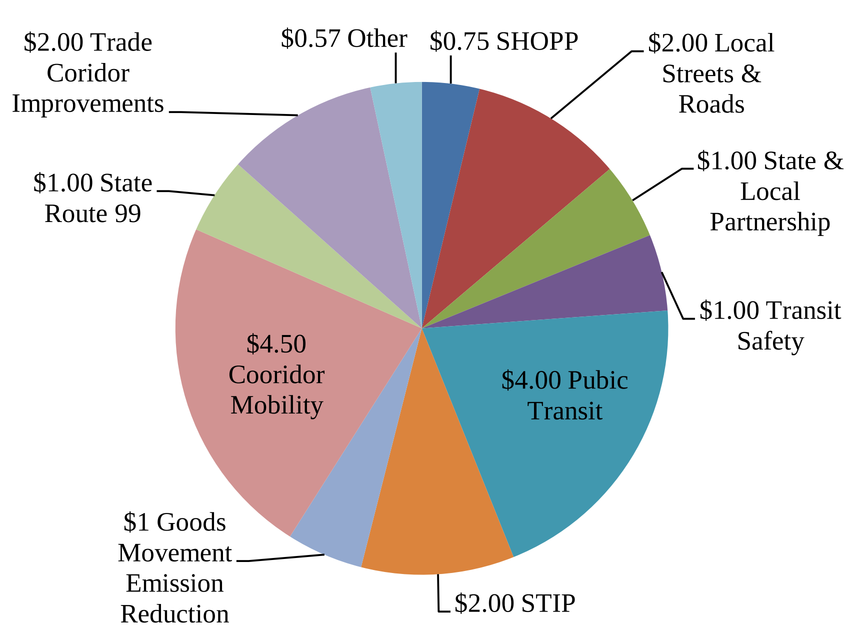
2006 Infrastructure Bond

The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 was approved by the voters in the November 2006 general elections and authorized $19.925 billion of state general obligation bonds for specified purposes, including high-priority transportation corridor improvements, State Route 99 corridor enhancements, trade infrastructure and port security projects, state transportation improvement program augmentation, state-local partnership transportation projects, local bridge seismic retrofit projects, highway-railroad grade separation, and local street and road improvements. **Chart 18** provides a more specific break down of projects.

According to the bond accountability website maintained, there is currently $1.5 billion of the initial nearly $20 billion authorized. Areas were moneys are still available for drawdown include: Route 99 Corridor improvements ($10 million); public transportation ($815 million); local streets and roads ($50 million); transit system safety and security ($457 million); and goods movement emission reduction program ($240 million).

As shown in **Chart 18**, $2 billion was allocated to trade corridor infrastructure improvements along federally designated "Trade Corridors of National Significance" or along

Chart 18 - Proposition 1B (in thousands)



other corridors that have a high volume of freight movement. Funds were allocated by the California Transportation Commission (CTC), upon appropriation in the annual Budget Bill by the Legislature. In determining awards, the CTC consulted the Trade Infrastructure and Goods Movement Plan, trade infrastructure and goods movement plans adopted by regional transportation planning agencies, regional transportation plans, and Statewide Port Master Plan. Total project costs of $6,492,278, with approximately $2.2 billion in bond funding. *A full list of trade corridor projects in Southern California in from Prop 1B funds is included in Appendix H*

Current Infrastructure Financing

More recently, the Legislature took actions that reduced the impact of infrastructure expenditures on the General Fund by adopting legislation to permanently off-set debt-service costs with transportation funds. Further, the Administration slowed the pace of bond sales over the past three years and refinanced some of the existing debt at a lower interest rate. The Legislative Analyst Office (LAO) estimates General Fund costs for debt service on infrastructure bonds will be $5.4 billion in 2013-14.

Concerns have been raised within the transportation planning and economic development communities that the loss of public funding for infrastructure expansion and maintenance is limiting the state economic growth and quality of life. The LAO estimates that in 2013-14, statewide transportation funding will be about $27 billion coming from a combination of federal highway funding ($3.3 billion), base gasoline excise tax ($2.6 billion), and base diesel excise tax ($330 million). Self-Help Counties, which include all Southern California counties, have passed county-wide initiatives to tax themselves to raise local revenues for transportation funding. Statewide, Self-Help Counties have expended over $980 million.

One of the challenges of relying on base gasoline and diesel taxes for transportation funding is that fuel efficiencies and inflation are, in real terms, turning 18¢ for every dollar spent on a gallon of gasoline to be worth only 9¢. With relatively no more Prop 1B moneys left, gas tax revenues declining, and federal transportation contributions to states decreasing, there are important policy questions about how to keep the state's economy competitive without adding funding. A world class transportation network is critical to California's long term economic growth.

Alternative Financing Models

In order to obtain world class goods movement infrastructure there is a need to consider alternative financing models. One such model is seeking infrastructure investment funding through the **West Coast Infrastructure Exchange**.

Launched in 2012 with the support of the California State Treasurer and the California Public Employees Retirement System (CalPERS), the West Coast Infrastructure Exchange was designed to overcome some of the challenges private investors were having in identifying viable infrastructure projects. In the last decade, private investment and public pension fund investments have increasingly diversified their portfolios to include infrastructure investments. Kearsarge Global Advisors reported that as of 2010 over $190 billion of global equity capital had been committed for infrastructure investment – up from only $60 billion in 2007.

As an example, CalPERS currently has over $525 million invested in a combination of physical infrastructure investments, infrastructure-targeted private equity funds, and credit enhancement for infrastructure bonds. This is in addition to the $800 million available for project finance including transportation, energy, natural resources, utilities, water, communications and other social support services.

Members of the West Coast Infrastructure Exchange include California, Oregon, Washington, and British Columbia. Several states in Mexico are considering joining. The West Coast Infrastructure Exchange is designed to both support financing innovations and to serve as a clearinghouse for investment ready projects. **AB 1272 (Medina)**, which was held in the Assembly Appropriations Committee in 2013, would have authorized the California Infrastructure and Economic Development Bank to join the West Coast Exchange as a means to assist other state agencies list infrastructure projects on the Exchange.

In November 2013, the California State Treasurer, the Pro Tempore of the Senate, and the Chair of JEDE Committee attended the **California Economic Summit** where they discussed, among other things, alternate methods for financing infrastructure including the West Coast Infrastructure Exchange and a new public private partnership model that would remove barriers to private investors engagement.

Hearing Discussion Points

The February 2014 hearing will provide an opportunity for the committee to hear testimony on a number of trade related challenges facing California, in general, and the Inland Empire, more specifically. Among the key challenges to be discussed are the condition of the state's trade related infrastructure, impediments to capital flow, workforce preparedness, as well as other impacts of globalization.

Witnesses have been asked to provide their own assessments, highlight successful models and recommend practical solutions for guiding the state's actions in the post-recession economy. Related recommendations, as summarized in Section V. - Recommendations for Future Actions, may include:

1. *Freight Mobility Plan*: Advocate before the California Transportation Agency for the inclusion of key Southern California goods movement related infrastructure within the 2014 Freight Mobility Plan. The Plan should prioritize transportation infrastructure that facilities the interregional, domestic, and international connectivity that is necessary for Southern California communities to access and participate within expanded global supply chains.

2. *Federal and State Priority Areas*: Advocate before the California Transportation Agency and the U.S. Department of Transportation for designating key goods movement corridors as priority areas. [Cindy Gompper Graves]

3. *Local Roads that Move Goods*: Engage with the California Transportation Agency on how to address the extra-ordinary impacts of goods movement on local streets and roads. As the transport of goods has increased, the ability of Southern California trade corridors to accommodate the additional traffic has not kept pace. This has resulted in significant congestion and ware on local streets and roads from trucks.

4. *State Infrastructure Plan*: Advocate before the Department of Finance and the Strategic Growth Council for the inclusion of goods movement related infrastructure within the states Five-Year Infrastructure Plan. The Plan, as released in January 2014, does not include specific recommendations for improving the state's trade corridors. The addition of projects within regional goods movement plans and other goods movement infrastructure would better serve the needs of trade-related industries and support quality job creation. This recommendation is similar to AB 1081 (Medina) which passed JEDE on a 9-0 vote in April 2013, but was ultimately held in Senate Appropriations Committee in 2013. Appendix G includes a fact sheet on AB 1081.

5. *State Trade Strategy*: Invite the California Governor's Office of Business and Economic Development to present the 2014 update to the California Trade and Foreign Investment Strategy at a JEDE hearing. More specifically, the presentation could focus on how the strategy supports and enhances the significance of the state's north-south trade corridor from Mexico and the east-west trade corridors between inland California to the Los Angeles/Long Beach/San Diego ports.

6. *Border Coalitions*: Join other states, nations, and border regions in collaborating on border security issues and enhancements of goods movement. Oregon, Washington, Idaho, Montana, and Alaska joined the Pacific Northwest Economic Development Council in order to partner with the Canadian provinces of Alberta, British Columbia, and Yukon, on key trade and economic development issues. Imperial and San Diego Counties have joined the CaliBaja Bi-national Mega-region to address economic development in collaboration with the states of Baja California, Mexico.

7. *Labeling Standards*: Adopt "Made in North America" labeling standards consistent with the U.S. Trade Commission standards. California currently requires virtually all components of products to be made in the U.S. in order to label a product sold in the state as "Made in the U.S." Given the highly integrated markets of the U.S., Canada, and Mexico, a new option for product labeling would reflect and enhance North American market integration.

8. *Enhanced Driver's License*: Authorizes the Department of Motor Vehicles to issue enhanced driver's licenses, which include transmission technology to denote identity and citizenship, for purposes of entering the U.S. at land and sea ports of entry. Similar to SB 397 (Hueso) from the current session, which was held on the Assembly Appropriations Committee Suspense File. Appendix F includes a fact sheet on SB 397.

9. *Federal Point of Contact on Permitting*: Call on President Barack Obama to designate a point person to facilitate the permitting process among federal agencies for ports of entry and other issues related to goods movement.

10. *State Permit Streamlining*: Establish a pilot project administered through the Permit Assistance Office at GO-Biz to streamline state permitting and early CEQA consultation by state agencies of port facility enhancements along the Mexico border and California land and sea ports.

11. *Inland Border Inspection Pilot*: Establish a pilot project that examines how inland border pre-clearance security inspection sites can be used to increase border security and expedite the

transport of goods to and from the Los Angeles/Long Beach sea port and the land ports of entry in San Diego and Imperial Counties.

12. *Comprehensive Trade-Based Strategies*: Encourage regional and large metro areas to develop comprehensive strategies to attract and retain trade-based industries through actions that reflect current and future business development practices. Strategies should include the interrelationships between goods movement, an educated workforce, and innovation-based industries. As a first step, provide a briefing on best practices from communities that have already participated in the Global Cities Initiative.

13. *Private Investment in State Infrastructure*: Facilitate the participation of the California Infrastructure and Economic Development Bank as a mentor to other state agencies that are looking to place state infrastructure projects on the West Coast Infrastructure Exchange for private sector financing. Similar to AB 1067 (Medina) which passed JEDE on a 9-0 vote in April 2013.

Section V – Recommendations for Further Actions

The February 28, 2014 hearing will offer an opportunity to identify potential actions that can strengthen existing networks and contribute to the economic competitiveness of California. Key themes discussed in the hearing include the increasing importance of trade-related industries within the California economy, economic development plans that leverage trade-based industries, regional goods movements plans, and opportunities to remove barriers to trade through infrastructure improvements.

A list of preliminary recommendations have been developed around three themes: Advocating for California, expediting goods movement, and enhancing linkages to global logistical networks. *Sources used in the preparation of this section are included in the Bibliography and key reports are summarized in Appendix D.*

Advocating for Southern California

1. *Freight Mobility Plan*: Advocate before the California Transportation Agency for the inclusion of key Southern California goods movement related infrastructure within the 2014 Freight Mobility Plan. The Plan should prioritize transportation infrastructure that facilities the interregional, domestic, and international connectivity that is necessary for Southern California communities to access and participate within expanded global supply chains.

2. *Federal and State Priority Areas*: Advocate before the California Transportation Agency and the U.S. Department of Transportation for designating key goods movement corridors as priority areas. [Cindy Gompper Graves]

3. *Trade Agreement Equity*: Advocate for fair treatment of California within the context of the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership. The impact of these agreements should strengthen regional economies, enhance foreign investment, provide new economic opportunities to businesses and workers, and improve the state's quality of life. As a first step, call on the State Point of Contact for a trade agreement update and have the JEDE Committee Members identify priority areas.

4. *Local Roads that Move Goods*: Engage with the California Transportation Agency on how to address the extra-ordinary impacts of goods movement on local streets and roads. As the transport of goods has increased, the ability of Southern California trade corridors to accommodate the additional traffic has not kept pace. This has resulted in significant congestion and ware on local streets and roads from trucks.

5. *State Infrastructure Plan*: Advocate before the Department of Finance and the Strategic Growth Council for the inclusion of goods movement related infrastructure within the states Five-Year Infrastructure Plan. The Plan, as released in January 2014, does not include specific recommendations for improving the state's trade corridors. The addition of projects within regional goods movement plans and other goods movement infrastructure would better serve the needs of trade-related industries and support quality job creation. This recommendation is similar to AB

1081 (Medina) which passed JEDE on a 9-0 vote in April 2013, but was ultimately held in Senate Appropriations Committee in 2013. Appendix G includes a fact sheet on AB 1081.

6. *State Trade Strategy*: Invite the California Governor's Office of Business and Economic Development to present the 2014 update to the California Trade and Foreign Investment Strategy at a JEDE hearing. More specifically, the presentation could focus on how the strategy supports and enhances the significance of the state's north-south trade corridor from Mexico and the east-west trade corridors between inland California to the Los Angeles/Long Beach/San Diego ports.

Expediting Goods Movement

7. *Border Coalitions*: Join other states, nations, and border regions in collaborating on border security issues and enhancements of goods movement. Oregon, Washington, Idaho, Montana, and Alaska joined the Pacific Northwest Economic Development Council in order to partner with the Canadian provinces of Alberta, British Columbia, and Yukon, on key trade and economic development issues. Imperial and San Diego Counties have joined the CaliBaja Bi-national Mega-region to address economic development in collaboration with the states of Baja California, Mexico.

8. *Labeling Standards*: Adopt "Made in North America" labeling standards consistent with the U.S. Trade Commission standards. California currently requires virtually all components of products to be made in the U.S. in order to label a product sold in the state as "Made in the U.S." Given the highly integrated markets of the U.S., Canada, and Mexico, a new option for product labeling would reflect and enhance North American market integration.

9. *Enhanced Driver's License*: Authorizes the Department of Motor Vehicles to issue enhanced driver's licenses, which include transmission technology to denote identity and citizenship, for purposes of entering the U.S. at land and sea ports of entry. Similar to SB 397 (Hueso) from the current session, which was held on the Assembly Appropriations Committee Suspense File. Appendix F includes a fact sheet on SB 397.

Enhancing Linkages to Global Logistical Networks

10. *Federal Point of Contact on Permitting*: Call on President Barack Obama to designate a point person to facilitate the permitting process among federal agencies for ports of entry and other issues related to goods movement.

11. *State Permit Streamlining*: Establish a pilot project administered through the Permit Assistance Office at GO-Biz to streamline state permitting and early CEQA consultation by state agencies of port facility enhancements along the Mexico border and California land and sea ports.

12. *Inland Border Inspection Pilot*: Establish a pilot project that examines how inland border pre-clearance security inspection sites can be used to increase border security and expedite the transport of goods to and from the Los Angeles/Long Beach sea port and the land ports of entry in San Diego and Imperial Counties.

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14. *Private Investment in State Infrastructure*: Facilitate the participation of the California Infrastructure and Economic Development Bank as a mentor to other state agencies that are looking to place state infrastructure projects on the West Coast Infrastructure Exchange for private sector financing. Similar to AB 1067 (Medina) which passed JEDE on a 9-0 vote in April 2013.

15. *Multi-Region and Bi-National Marketing*: Engage with the San Diego and Imperial Valley Economic Development Corporations and other members of the CaliBaja Bi-National Mega Region for the purpose of identifying ways that communities in Los Angeles, Orange County and the Inland Empire can meaningfully participate in the bi-national trade and business development activities.

Appendices

- Appendix A – Fast Facts on California's Trade-Based Economy
- Appendix B – Economic Development and International Trade-Related Legislation
- Appendix C – Inland Southern California (SoCal) Link iHub
- Appendix D – Significant Hearing Related Reports
- Appendix E – California Law on Trade Agreements and Foreign Relations
- Appendix F – Fact Sheet on SB 397 (Hueso) Enhanced Driver's License
- Appendix G – Fact Sheet on AB 1081 (Medina) Goods Movement Funding
- Appendix H – Trade Corridor Projects Funded Through Prop 1B
- Glossary of Terms
- Bibliography
- End Notes

Appendix A
Fast Facts on California's Economy

California's economy is the eighth largest in the world with a 2012 state GDP of $2.0 trillion.[i] In December 2013, the California seasonally adjusted unemployment rate was 8.3%, down from 8.5% the previous month. This figure represents 1.53 million unemployed workers. Over the same period, the national unemployment rate fell from 7.0% to 6.7%.[ii]

California's Global Economy

- In 2012, California's total GDP was $2 trillion, as compared to the U.S. total GDP of $15.7 trillion.[iii]

- If California were a country, its 2012 GDP would place tied with Italy and the Russian Federation for 8th in the world. Worldwide GDP ranking are as follows: United States ($15.7 trillion), China ($8.2 trillion), Japan ($6.0 trillion), Germany ($3.4 trillion), France ($2.6 trillion), United Kingdom ($2.4 trillion), Brazil ($2.3 trillion), Russian Federation ($2.0 trillion), Italy ($2.0 trillion), and California (2.0 trillion).; India and Canada ($1.8 trillion); Australia ($1.5 trillion); Spain ($1.4 trillion); and Mexico ($1.2 trillion).[iv]

- With the European economies still in recession, California is expected to surpass both Italy and the Russian Federation in 2013 due to recent strong job growth and move closer to the GDP's of France and the United Kingdom. However, it is expected that India will surpass California in the near future, and that Canada and the Russian Federation will remain close.[v]

Job Market in December 2013

- California civilian employment in December 2013 increased by 24,000 workers from the prior month, raising total civilian employment in the state to 17,036,000 persons. Between December 2012 and December 2013, civilian employment increased by 281,000 persons, an increase of 15.5%.[vi]

- In December 2013, nonfarm employment rose in seven major industry sectors: professional and business services (+8,400); leisure and hospitality (+7,800); trade, transportation and utilities (+5,800); educational and health services (+4,000); financial activities (+1,100); government (+800); and mining and logging (+500). Sectors that lost jobs in December were: manufacturing (+6,000); other services (+4,300); information (+2,800); and construction (+1,700).[vii]

- In 2012, California's major industry sectors accounted for $140 billion worth of wages: professional and business services ($38.6 billion); government ($34.3 billion); trade, transportation, and utilities ($29.5 billion); education and health services ($23.6 billion); leisure and hospitality ($9.3 billion); and other services ($4.8 billion).[viii]

Unemployment Rates for Largest Areas: December 2013. *The following figures are not seasonally adjusted (as compared to the seasonally adjusted unemployment number above.) Monthly unemployment numbers by their nature are not seasonally adjusted.*[ix]

Statewide: 7.9%
Los Angeles-Long Beach-Glendale: 8.8%
Santa Ana-Anaheim-Irvine: 5.2%
San Francisco-San Mateo-Redwood City: 4.6%
Oakland-Fremont-Hayward: 6.3%
San Jose-Sunnyvale-Santa Clara: 5.8%

San Diego-Carlsbad-San Marcos: 6.4%
Riverside-San Bernardino-Ontario: 8.9%
Oxnard-Thousand Oaks-Ventura: 6.9%
Sacramento-Arden Arcade-Roseville: 7.6%
Fresno: 12.5%

The highest unemployment rates by race and ethnicity was among blacks (15.7%), then Hispanics (10.2%), and then whites (8.6%).[x] By age group, the highest unemployment was among workers 16 to 19 (29.8%), a 0.6 percentage point decrease from the prior month. [10] The largest group of unemployed persons when sorted by duration were those unemployed for 52 weeks or more (468,000 persons, 28.3% of all unemployed). [xi]The number of persons not in the labor force increased by 36,000 (0.3%) in December to 10,979,000. The number of persons not in the labor force but want a job decreased by 21,000 (2.3%) to 908,000.[xii]

Manufacturing in California (Q2, 2012)

- In California, total employment in manufacturing is 1,233,817, accounting for approximately 9% of total employment.[xiii]
- Employment in manufacturing expanded by 5,412 jobs on average each quarter between 2012 and 2011.[xiv]
- The average monthly earnings for employees in manufacturing are $6,143, which is 36% higher than the average monthly earnings of $4,509 for employees across all sectors.[xv]
- New hires in manufacturing have average monthly earnings of $4,131.00, 40% higher than the average monthly earnings of $2,952 for new hires across all sectors.[xvi]

California Imports and Exports

- California exported $168 billion in products in 2013, up 4% over the 2012 total.[xvii] California imported $376 billion in products from other countries in 2012, accounting for 16.5% of total U.S. imports in 2012.[xviii]
- California's largest export market is Mexico, where the value of exports totaled $26.3 billion in 2012. After Mexico, California's top export markets in 2012 were: Canada ($17.4 billion); China ($13.9 billion); Japan ($13 billion); and South Korea ($8.2 billion).[xix] Data for 2013 is not yet available.
- California's top five exports in 2012 were: Computer & Electronic Products ($44.7 billion); Transportation Equipment ($16.1 billion); Machinery, Except Electrical ($14.8 billion); Miscellaneous Manufactured Commodities ($13.8 billion); and Chemicals ($12.7 billion).[xx] Data for 2013 is not yet available.
- China is the largest source of imports into California; the 2012 value of Chinese imports was $128 billion. China is followed by Japan ($41.5 billion); Mexico ($36 billion); Canada ($25.8 billion); and South Korea ($12.3 billion).[xxi] Data for 2013 is not yet available.
- California's top five imports in 2012 were: Computer & Electronic Products ($112 billion); Transportation Equipment ($60 billion); Oil & Gas ($32 billion); Miscellaneous Manufactured Commodities ($19.4 billion); and Apparel & Accessories ($19 billion).[xxii] Data for 2013 is not yet available.

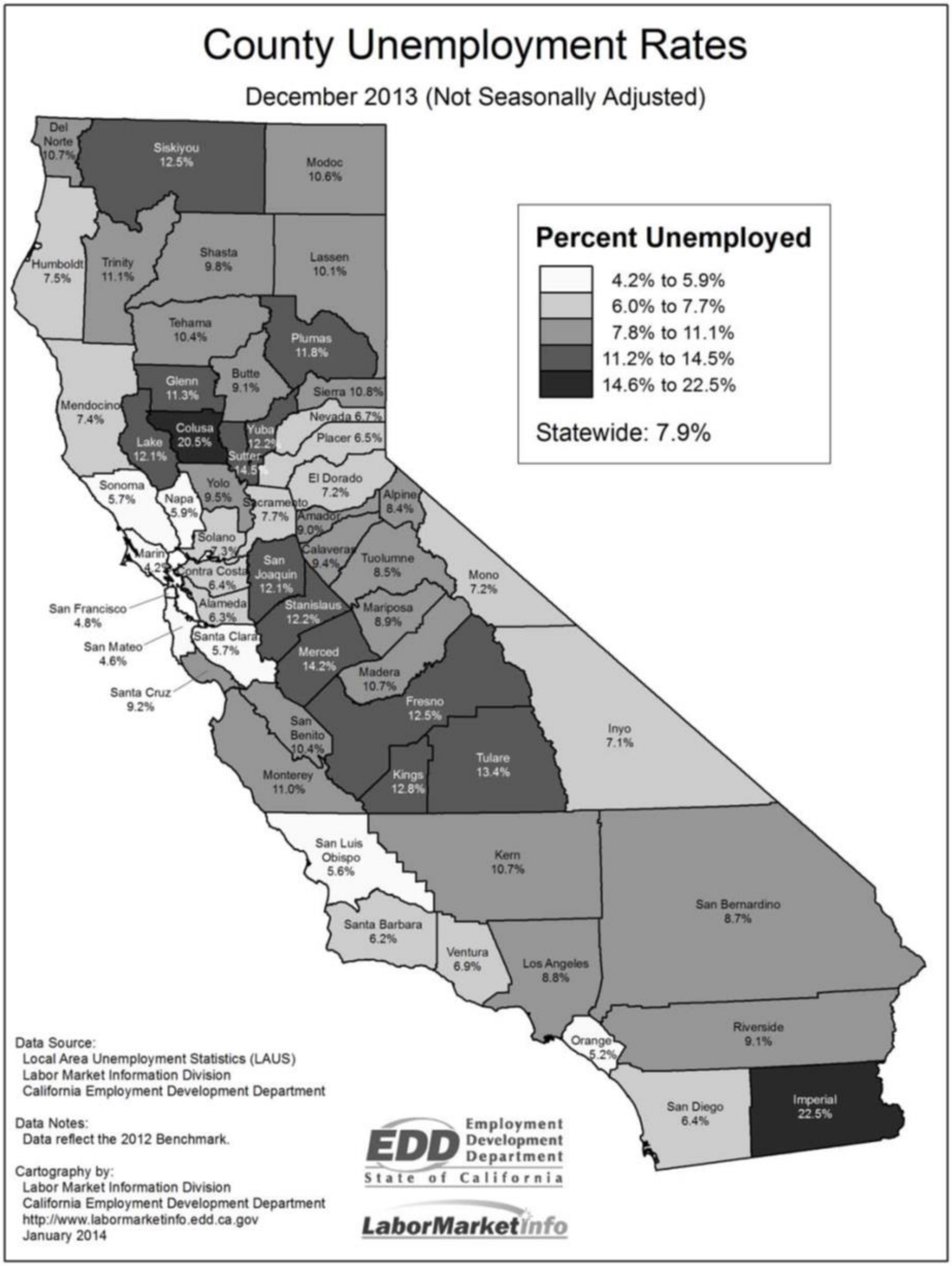
California Energy Market

- In 2012, California consumed 619 million barrels of crude oil, of which 36.8% was produced in California (228 million barrels), 12.5% was produced in Alaska (77 million barrels), and 50.7% came from foreign sources (314 million barrels).[xxiii]

- In 2012, California total system power amounted to 302,000 gigawatt-hours of electricity, a 3% increase from the previous year. 199,101 GWh was produced in-state, while the rest is imported from the Pacific Northwest or the U.S. Southwest.[xxiv]

- The majority of California's in-state electricity generation comes from natural gas, which accounted for 121,716 GWh in 2012, 61.1% of total in-state generation. Renewable sources, including biomass, geothermal, small hydro, solar, and wind, accounted for provided 17.1% of California's in-state electricity production, while electricity production from large hydroelectric facilities fell by 37% due to a dry winter in 2012, the third driest winter in 118 years. [xxv]

- In-state electricity generation from coal dropped by 50% in 2012 due to the closure 7 petroleum coke plants, 5 of which were in Contra Costa County. [xxvi]


County Unemployment Rates
December 2013 (Not Seasonally Adjusted)
Percent Unemployed
4.2% to 5.9%
6.0% to 7.7%
7.8% to 11.1%
11.2% to 14.5%
14.6% to 22.5%
Statewide: 7.9%
Del Norte 10.7%
Siskiyou 12.5%
Modoc 10.6%
Humboldt 7.5%
Trinity 11.1%
Shasta 9.8%
Lassen 10.1%
Tehama 10.4%
Plumas 11.8%
Glenn 11.3%
Butte 9.1%
Sierra 10.8%
Mendocino 7.4%
Colusa 20.5%
Nevada 6.7%
Lake 12.1%
Placer 6.5%
El Dorado 7.2%
Sonoma 5.7%
Napa 5.9%
Yolo 9.5%
Sacramento 7.7%
Alpine 8.4%
Solano
Marin
Contra Costa 6.4%
San Joaquin 12.1%
Tuolumne 8.5%
Mono 7.2%
San Francisco 4.8%
Alameda 6.3%
Stanislaus 12.2%
Mariposa 8.9%
San Mateo 4.6%
Santa Clara 5.7%
Merced 14.2%
Madera 10.7%
Santa Cruz 9.2%
Fresno 12.5%
San Benito 10.4%
Inyo 7.1%
Tulare 13.4%
Kings 12.8%
Monterey 11.0%
San Luis Obispo 5.6%
Kern 10.7%
San Bernardino 8.7%
Santa Barbara 6.2%
Ventura 6.9%
Los Angeles 8.8%
Orange 5.2%
Riverside 9.1%
San Diego 6.4%
Imperial 22.5%
Data Source:
Local Area Unemployment Statistics (LAUS)
Labor Market Information Division
California Employment Development Department
Data Notes:
Data reflect the 2012 Benchmark.
Cartography by:
Labor Market Information Division
California Employment Development Department
http://www.labormarketinfo.edd.ca.gov
January 2014
EDD Employment Development Department
State of California
LaborMarketInfo

Appendix B
Economic Development and International Trade-Related Legislation

- **AB 14 (Lowenthal) State Freight Plan**: This bill requires the state's Transportation Agency to prepare a state freight plan and establish a freight advisory committee. Status: Signed by the Governor, Chapter 223, Statues of 2013.

- **AB 29 (John A. Pérez, Feuer and V. Manuel Pérez) Governor's Office of Business and Economic Development**: This bill establishes the Governor's Office of Business and Economic Development for the purpose of serving as the lead entity for economic strategy and marketing of California on issues relating to business development, private sector investment and economic growth. Status: Singed by the Governor, Chapter 475, Statutes of 2011.

- ***AB 53 (John A. Pérez) California Economic Development Strategic Plan***: This bill would have required GO-Biz to lead the preparation of the biennial California Economic Development Strategic Plan, as specified. In addition, the bill required a copy of the federally required Worker Adjustment and Retraining Notification Act notice be posted on the EDD website and be provided to GO-Biz. Status: Vetoed by the Governor, 2013.

- **AB 93 (Assembly Committee on Budget) California Competes Tax Credit and State Sales and Use Tax Exemption**: This bill institutes two new tax programs, a Sales and Use Tax exemption for manufacturing and bio-tech equipment and similar purchases, and a hiring credit under the Personal Income Tax and Corporation Tax for employment in specified geographic areas. Additionally, the bill would result in phasing-out and ending certain tax provisions related Enterprise Zones and similar tax incentive areas, and ending the current New Jobs Credit tax incentive program. The bill also provides for allocating income tax credits through the Governor's Office of Business and Economic Development to assist in retaining existing and attracting new business activity in the state. Status: Signed by the Governor, Chapter 69, Statues of 2013.

- **AB 250 (Holden and V. Manuel Pérez) California Innovation Hubs**: This bill codifies and expands the California Innovation Hub Program at GO-Biz for the purpose of stimulating economic development and job creation through the regional coordination of federal, state, and local innovation-supporting resources. Status: Signed by the Governor, Chapter 530, Statutes of 2013.

- **AB 311 (V. Manuel Perez) Bi-National Infrastructure and Economic Development Bank**: This bill would have expanded the role of the I-Bank to include facilitating infrastructure and economic development financing activities within the California and Mexico border region. Status: Held in Assembly Committee on Appropriations in 2013.

- **AB 337 (Allen) ITI Strategy and Ports**: This bill adds a required element to the state's ITI Strategy. The new requirement is an evaluation of the ports of entry to the state and their capacity for handling international trade, including industrial and postconsumer secondary materials, originated in or destined for other states. Status: Pending in the Senate.

- **AB 653 (V. Manuel Pérez) California Innovation and Jobs Act**: This bill establishes the California Innovation and Jobs Act, which increases the maximum value of the research and development credit and codifies the California Innovation Hub Program. Status: Pending in the Assembly Committee on Appropriations.

- **AB 690 (Campos and Medina) Office of California and Mexico Affairs**: This bill repeals and recasts statutory provisions within the Government Code relating to California and Mexico relations including adding the Director of the Governor's Office of Business and Economic Development to the membership of the California-Mexico Border Relations Council and designating him or her as Chair. Status: Pending in the Senate.

- **AB 886 (Allen) Export and Import Credit**: This bill would have established a capped and allocated tax credit for importers and exporters that increase cargo through California air and sea ports, hire additional staff, or incur capital costs at a California cargo facility. Status: Held in the Assembly Committee on Appropriations in 2013.

- **AB 1081(Medina) Moving Goods to Market**: This bill integrates goods movement within the states infrastructure planning including the Five-Year Infrastructure Plan and the ITI Strategy. Status: Pending in the Senate Committee on Transportation and Housing Committee.

- **AB 1399 (Medina and V. Manuel Pérez) New Markets Tax Credits**: This bill creates a $200 million state New Markets Tax Credit Program for the purpose of stimulating economic development and hasten California's economic recovery, generally paralleling the federal New Markets Tax Credit. Tax expenditure authority for this measure is provided through the reallocation of previously authorized expenditures from the California State Sales and Use Tax Exclusion Program. Status: Pending in the Senate Committee on Governance and Finance.

- **AB 1400 (Assembly Committee on Jobs, Economic Development, and the Economy) Export Document Certificates**: This bill modifies the state's Export Document Program to accept requests electronically, expedite approval of existing labels, and extend the term of the export labels from 180 days to 365 days, in order to alleviate backlog of exports of food, drug, and medical devices. Status: Signed by the Governor, Chapter 539, Statues of 2013.

- **AB 1422 (Assembly Committee on Jobs, Economic Development and the Economy) California Alternative Energy and Advanced Transportation Financing Authority**: California Alternative Energy and Advanced Transportation Financing Authority: This bill clarifies the definition of "participating party", used by the California Alternative Energy and Advanced Transportation Financing Authority (Authority) for their Sales and Use Tax Exclusion Program, to include out-of-state entities that demonstrably commit to opening a manufacturing facility within California. The bill also repeals a requirement that GO-Biz issue a report about advanced manufacturing and a report by the Authority on net benefits. Status: Signed by the Governor, Chapter 540, Statues of 2013.

- **AB 2012 (John A. Pérez) Economic Development Reorganization**: This bill transferred the authority for undertaking international trade and foreign investment activities from the Business, Transportation and Housing Agency to GO-Biz. In addition, the bill transfers the responsibility for establishing an Internet-based permit assistance center from the Secretary of the California

Environmental Protection Agency to GO-Biz. Status: Signed by the Governor, Chapter 294, Statutes of 2012.

- **AB 2443 (V. Manuel Pérez) State Point of Contact on Trade**: This bill would have required the State Point of Contact to provide specified Legislative committees with copies of any official position taken or comments that any entity within the executive branch of state government provided to the USTR relating to a pending trade agreement. Status: Vetoed by the Governor, in 2010.

- **AB 1276 (Skinner) Binding the State to Foreign Trade Agreements**: This bill would have prohibited a state official, including the Governor, from binding the state, or giving consent to the federal government to bind the state to provisions of a proposed International Trade Agreement, including the government procurement rules, unless a statute is enacted that explicitly authorizes a state official to bind the state or to give consent to bind the state to that trade agreement. Status: Vetoed by the Governor in 2009.

- **AB 2113 (Hueso) Enhanced Driver's License**: This bill authorizes the Department of Motor Vehicles to issue enhanced driver's licenses, which include transmission technology to denote identity and citizenship, for purposes of entering the U.S. at land and sea ports of entry. Status: Held in Senate Appropriations Committee, 2012.

- **AJR 27 (Torrico) Colombian Free Trade Agreement**: This resolution memorializes that the California Legislature opposes the United States-Colombia Trade Promotion Agreement. The primary basis for this position, as documented through bill analyses, was Colombia's record on human rights, particularly as it related to trade unionists. This resolution proposes that the Legislature transmit additional information to the U.S. Government and the President relative to the Colombia Agreement. In the case of AJR 27, the new information focuses on the potential negative impact to the domestic cut flower industry, its workers, and the communities in which they are located stemming from the Colombia Agreement. Status: Adopted, Resolution Chapter 145, Statutes of 2010.

- **AJR 55 (Villines) Colombian Free Trade Agreement**: This resolution would have memorialized to Congress that the California Legislature supports the United States-Colombia Trade Promotion Agreement. Status: The measure was refused adoption in the Assembly Committee on Jobs, Economic Development, and the Economy in 2008.

- **AJR 12 (Gatto) Rising Minimum Wages**: This resolution memorializes the California Legislature's request to the U.S. President to include a provision within future international treaties, trade agreements, and other international protocols relating to the raising of foreign minimum wages. Status: Approved by both Houses, September 11, 2013.

- **SB 397 (Hueso) Enhanced Driver's License**: This bill authorizes the Department of Motor Vehicles to issue enhanced driver's licenses, which include transmission technology to denote identity and citizenship, for purposes of entering the U.S. at land and sea ports of entry. Status: Held in Assembly Appropriations Committee, 2013.

- **SB 460 (Price) International Trade and Marketing and Promotion**: This bill would have required the Secretary of the Business, Transportation and Housing Agency to convene a statewide business partnership for international trade marketing and promotion. Status: Held in the Assembly Committee on Appropriations in 2012.

- **SB 592 (Lieu) International Trade and Marketing and Promotion**: This bill requires the Governor's Office Business and Economic Development to convene a statewide business partnership for international trade marketing and promotion. Status: Pending on the Governor's desk, 2013.

- **SB 907 (Evans) 20-Year Infrastructure Master Plan**: This bill would have established an 11-member Master Plan for Infrastructure Financing and Development Commission. The Commission is required to submit to the Governor and Legislature, by December 1, 2013, a long-term plan and strategy for the state's infrastructure needs and a prioritized plan to meet those needs. The Commission would have been required to submit periodic progress reports. Status: Held in the Assembly Committee on Jobs, Economic Development and the Economy, 2012.

- **SB 1762 (Figueroa) Binding the State to Foreign Trade Agreements**: This bill would have prohibited the Governor from binding California to provisions of international trade agreements without consent from the Legislature. Status: The measure was held in the Assembly Committee on Jobs, Economic Development and the Economy in 2006.

Appendix C
Inland Southern California (SoCal) Link iHUB

CALIFORNIA
INNOVATION HUB

Inland SoCal Link iHub

What is the InLand SoCal Link iHUB ?

In the Spring of 2010, the State of California launched its new, forward – thinking Innovation Hub (iHub) program in an effort to harness and enhance California's Innovative spirit. The iHubs leverage assets such as research parks, technology incubators, universities and federal laboratories to provide an innovation platform for startup companies, economic development organizations, business groups and venture capitalists. The iHub will promote economic development and innovation based opportunities in the Inland SoCal Link Corridor.

The Port of Los Angeles has joined with the County of Riverside and the County of San Bernardino to cooperatively promote economic development and attract foreign direct investment for job creation and retention. The purpose of the Inland Socal Link Ihub is to maximize the opportunities within the transportation and distribution corridor linking the Los Angeles port gateway with the Inland Southern California region.

The IHub will promote economic development and innovation based opportunities in the Inland SoCal Link corridor

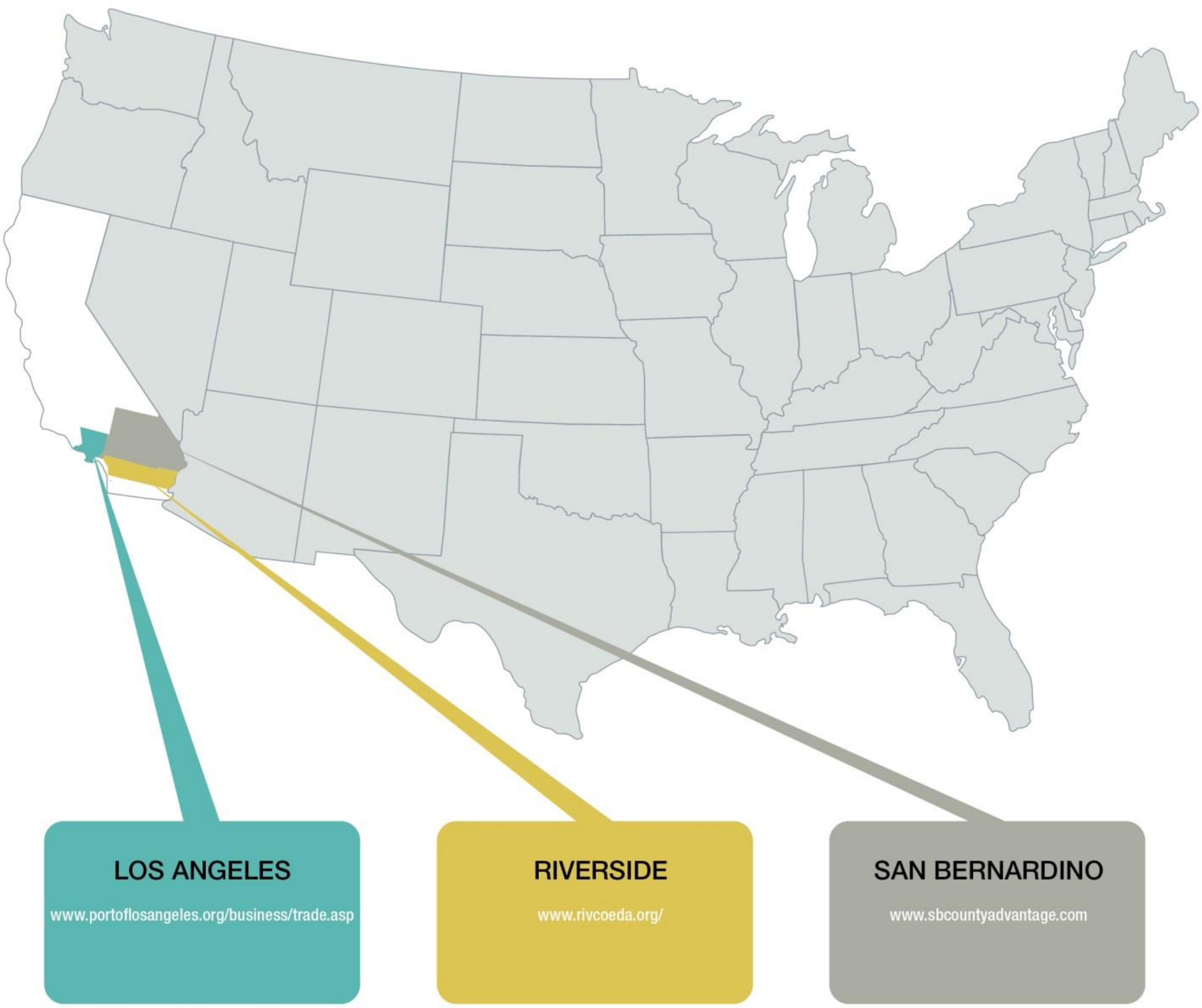
It will also boost the area's effort to create additional programs and institutions that will foster new research and knowledge centers with a focus on advanced logistics.

These goals include:

- Promoting collaboration and industry development in the advanced manufacturing and logistics sectors.
- Expanding the volume and value of exports through the Port of Los Angeles that are manufactured or produced from Inland Southern California.
- Encouraging foreign direct investment as a mechanism for regional job creation.
- Forming a sustainable platform to support federal, state and local legislative matters that are mutually aligned between Inland Southern California and the Port of Los Angeles.

REGIONAL LOCATION OF THE INLAND SO CAL LINK iHUB

INNOVATION HUB PROGRAM



iHub
California Innovation @ Work
REGIONAL INNOVATION HUBS

Los Angeles

Economic Development Advantages – Los Angeles

The size of Los Angeles' markets, transportation access to the world, the breadth of resources, quality of the region's labor pool and the great climate – these are just some of the reasons why businesses of all kinds come here, stay here and thrive.

LA's economic strengths stem from numerous factors, including the explosive growth of international trade between the US and Asia, making this America's # 1 Gateway to the Pacific Rim and the global economy.

The Case for LA

1. **Access to Markets**
   - Very large local consumer market
   - Quick access to northern California and the southwestern US
   - Best access to US and international markets
2. **R & D Expertise**
   - World class universities, think tanks and research labs
   - International creative and design centers
3. **Access to Workforce**
   - Large and diverse labor pool
   - Talented, well - educated and multi – lingual professionals
   - Government funded training programs
4. **Extensive Transportation Network**
   - Largest Port in the Western Hemisphere
   - World's 6th largest Airport
   - Extensive rail system and highway system
5. **Diverse Industry Clusters**
   - Aerospace
   - Architecture and Engineering
   - Automotive Design and Wholesaling
   - Education
   - Entertainment
   - Environmental Sciences and Management
   - Fashion and Accessories
   - Financial Services
   - Food and Beverage Products and Services
   - Furniture and Home Furnishings
   - Health, Medical and Dental Services
   - Jewelry
   - Tourism and Hospitality
   - Toys

6. LA Business Friendly Incentives and Assistance

- Department of Water and Power electrical rate discount for new businesses
- Site Plan Review Fee Waiver
- Reduced Parking Requirements
- Business Site Selection Assistance
- Workforce Training Assistance
- Mayor's Office of International Trade assists foreign companies interested in locating locally

Size and Reach

- LA County has a population of 10 million which is larger than many States with a rich diversity which is second to none.
- LA has a $ 670 billion GDP (19th largest worldwide) which is larger than Belgium, Saudi Arabia, Norway or Taiwan.
- There is a large consumer base in the region which consumes more than half of all goods imported through the LA Customs District.
- LA County has the largest manufacturing base in the U.S.
- LA has a diverse demographic (46 % are foreign born): 96 languages spoken, 49 foreign language publications and hundreds of foreign language radio and TV stations.
- Outside of their countries of origin, LA is home to the world's largest communities of Koreans, Armenians, Persians, Filipinos, Japanese, Mexicans and Salvadorians.
- LA is a world leader in aerospace, clean technology, entertainment, fashion, healthcare and tourism.

Where East Meets West and North Meets South

Trade and Transportation Advantages:

- US Customs District is the largest in the nation with a record $414 billion of trade in 2013
- 1.7 billion sq. ft. of warehousing and distribution facilities within the region
- Talented and skilled professionals with multi – language and multi – cultural experience

Port

- Foreign Trade Zone 202 serves our region, including Los Angeles, Riverside, San Bernardino and Orange Counties.
- 100 trains per day to and from the port complex via the Alameda Corridor, the busiest freight corridor in the nation
- 80 + weekly sailings to and from the Pacific Rim
- Widest variety of destination ports
- 53' deep draft waterways to accommodate the world's largest ships
- On dock and near dock rail facilities for trains to and from 14 key U.S. markets
- Trade Connect program educates businesses on how to export
- PortTech LA is a maritime technology and business incubator

Airport

- LAWA has more than 1000 flights per day with cargo capacity
- The world's 6th largest Airport linking Los Angeles to every corner of the world
- LAX is home to a 12,700 sq. ft. refrigeration facility, the largest of any West Coast airport

iHub

California Innovation @ Work

REGIONAL INNOVATION HUBS

Riverside

Economic Development Assets – Riverside County

Office of Foreign Trade

Riverside County EDA manages California's only full time Office of Foreign Trade (OFT). The OFT has helped thousands of business clients from around the globe with exclusive services for the international investor, importers, exporters, academics, and researchers. Since 2009, the OFT has assisted in the creation of billions of dollars in investment and thousands in new job creation.

Bilateral Trade Agreements have been executed with the nations of Canada, Japan and Croatia. Riverside County is the United States' first county to approve bilateral trade agreements that lead to two way trade and investment resulting in mutual benefit to all parties.

There are four Foreign Trade Zone (FTZ) designations in Riverside County and more on the way:

Riverside County Office of Foreign Trade was successful this year in expanding the following Foreign Trade Zones:

- FTZ #153, to include the cities of Murrieta and Temecula,
- FTZ #202, where Riverside County hosts site 20, including companies such as Kwikset, Black & Decker, Komar and Quicksilver,
- FTZ #244, to include the cities of Corona, Eastvale, Jurupa, Moreno Valley, Norco, Perris, Riverside and surrounding unincorporated areas, and the ongoing effort to expand the
- FTZ #236, which now covers the Palm Springs Airport, to in the future, include the Cities of the Coachella Valley, Hemet, San Jacinto and City of Banning.

Recycling Market Development Zone (RMDZ)

The Riverside County Recycling Market Development Zone strives to attract businesses using recycled materials in their manufacturing process. The state has established a low-interest rate revolving loan fund which may be used for land acquisition, leasehold improvements, equipment purchases, and working capital for up to 75 percent of the project cost to a maximum of $2 million.

Fast Track Permit Processing

Under the direction of the Board of Supervisors and Executive Office and with the support and partnership of the County's development review departments, EDA is able to reduce the time-to-market for customers in the program. This is an important benefit to reducing the time-to-market and costs associated with development and permitting.

Industrial Development Bonds

EDA provides tax-exempt Industrial Development Bond (IDB) financing to manufacturing businesses. IDBs are tax-exempt securities issued by a government entity that provides money for the acquisition, construction, rehabilitation and equipping of manufacturing and processing facilities for private companies.

Export-Import Bank (Ex-Im Bank) of the United States

Riverside County is an Exclusive Agent and has a partnership with the Ex-Im Bank of the United States. Together, we provide export underwriting, lines of credit, insurance services and loan guarantees for Riverside County businesses that export to over 180 countries around the world. In 2013, Riverside County and the Ex-Im Bank provided $110 million in loans and other assistance to dozens of small businesses in Riverside County and its 28 cities.

EB-5 Program

Riverside County is the nation's leader in EB-5 Regional Centers and international investment. Dollars from international investors through the EB-5 program have an attached requirement to create ten U.S. Jobs for every half million invested in regions with high unemployment, like parts of Riverside County. For the international investor the EB-5 program provides Work Visas for the investor and his/her immediate family. Each applicant is fully vetted by Homeland Security before a Visa is issued.

The EB-5 regional centers in Riverside County had little trouble finding willing investors to lend money for building projects like a resort project in Palm Desert, a medical clinic in Murrieta, a 300 bed and board care facility in Moreno Valley and an office building in Temecula. International investors have pumped an estimated $1.8 billion into our Regional Centers in Riverside County since 2009, and we have the distinction of hosting more EB-5 Regional Centers than 49 states.

Riverside County EDA/Workforce Development Division Business Resource Programs

EDA/WDD programs can assist with hiring and training new employees, as well as customized programs to meet your workforce needs.

Access to rail connections, major trucking routes, modern spaces and lower costs for regional distribution and warehouse centers

The County's local, regional, and national access is highlighted by its strategic positioning as a gateway of key interstate highways (I-10, I-15, I-215) and a network of state highways (SR-91, SR-60).

The busiest rail corridors in the U.S. run through the County, featuring rail service from Union Pacific and BNSF. These rail lines connect the ports of Los Angeles/Long Beach with destinations east of the Rockies providing even more reason that the County is a great location for U.S. regional distribution centers.

The County and its businesses also benefit from three large airports with spare capacity and available space nearby LA/Ontario International Airport (ONT); Palm Springs International Airport (PSP); and March Air Reserve Base/Global Port. ONT and PSP are full-service airports with commercial passenger service to major U.S. cities and international destinations. ONT is also a major cargo airport and serves as the UPS West Coast air hub.

Current available industrial, retail and office space (as of Dec 2013):

Sector	Existing SF	Total Available SF	1 Year Deliveries	Vacancy Rate	Rent per SF
Industrial	176,750,415	18,947,762	1,158,550	5.9%	$0.47
Office	33,111,075	5,118,057	41,623	11.6%	$1.66
Retail	98,750,492	10,952,716	261,988	8.7%	$1.35

Demographics and Other Data

Geographic area covers over 7,300 square miles

A skilled and abundant workforce of 939,300

More than 20 universities and colleges

2011 GDP of 52 billion with access to 23 million within a 3-hour drive

2013 Population of 2,265,252

Median age of 33.9

Median home value of $275,000 (Nov. 2013)

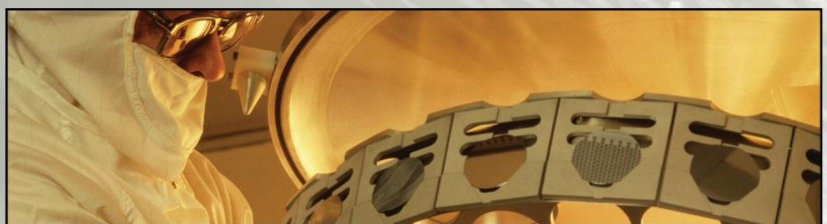
2013 Median household income of $57,777

2018 Projected median household income of $68,161

iHub

California Innovation @ Work

REGIONAL INNOVATION HUBS



San Bernardino

There are three Foreign Trade Zone (FTZ) designations in San Bernardino County:

- FTZ #50 covers the San Bernardino International Airport and portions of San Bernardino, Los Angeles and Orange Counties.
- FTZ #202 covers a portion of San Bernardino, Riverside, Los Angeles, and Orange Counties.
- FTZ #243 covers the Southern California Logistics Airport and various sites in the cities of Ontario, Chino, and Rialto.

There are four Recycling Market Development Zones (RMDZ) in San Bernardino County:

- San Bernardino County Zone. Includes the cities of Colton, Montclair, Ontario, Rancho Cucamonga, Rialto, San Bernardino, Yucaipa, and adjacent unincorporated communities.
- Chino Valley Zone. Includes the industrial-zoned areas of the cities of Chino and Chino Hills.
- High Desert Zone. Includes the five municipalities of Apple Valley, Barstow, Twentynine Palms, Victorville, and Yucca Valley.
- Hesperia Zone. Includes the city of Hesperia.

EB-5 Visa Program availability at regionalized local EB-5 centers

As an incentive to investing within the County and the American economy in general, foreign nationals may receive permanent resident status through qualified investments in new commercial enterprises. A foreign national may obtain an EB-5 Visa through the U.S. Citizenship and Immigration Services after a qualified investment of at least $1,000,000; or, $500,000, and creation of a minimum of 10 jobs, if invested in a designated Regional Center.

Site Selection Assistance, Custom Site Tours & Community Introductions

An important concierge level service San Bernardino County Economic Development Agency provides is customized site selection tailored to a business prospect's needs. If desired, a tour of the county and buildings/properties is provided in order to facilitate selection of the appropriate site. Introductions are provided to land owners, developers, brokers, and city representatives as needed. Business to business meetings are arranged as needed if desired.

Business Assistance Programs

The Workforce Development Department programs can assist with hiring and training new employees, as well as develop customized programs to meet your current workforce needs. Services include worker recruitment and advertising, tax credit verification for hired applicants, and space to conduct interviews. Services include:

- Recruitment services to post job openings, find qualified candidates, and access a variety of information designed to help a business succeed.
- Labor Market Information services provide access to information about labor market trends, statistics, and economic and demographic data.

- Employer Incentives assist the employers to find out if the business qualifies for local, state, or federal incentives, such as Work Opportunity Tax Credits.
- Educational Services provide information on suitable training or educational programs to assist employer's workforce needs, and information on local training providers and schools.
- Additional Services include providing information on HR-related topics, Equal Employment Opportunity topics, and resources to access labor relations laws, practices and issues.

Access to rail connections, major trucking routes, modern spaces and lower costs for regional distribution and warehouse centers

Billions of dollars are being invested into the local transportation corridors of San Bernardino County. The County's local, regional, and national access is highlighted by its strategic positioning as a gateway of key interstate highways (I-10, I-15, and I-40). This infrastructure asset makes this County a perfect location for a western U.S. regional distribution center for national brands.

The busiest rail corridors in the U.S. run through the County, featuring rail service from Union Pacific and BNSF. These rail lines connect the ports of Los Angeles/Long Beach with destinations east of the Rockies providing even more reason that the County is a great location for U.S. regional distribution centers.

The region is the nation's leading logistics, warehouse, and distribution market for a multitude of Fortune 500 firms thanks to a location of approximately 40 miles from the seaports of Los Angeles/Long Beach, which are known as the nation's busiest and among the most bustling in the world.

The County and its businesses also benefit from three large airports with spare capacity and available space nearby LA/Ontario International Airport (ONT); San Bernardino International Airport (SBIA); and Southern California Logistics Airport (SCLA). ONT is a medium-hub, full-service airport with commercial passenger service to major U.S. cities. ONT is also a major cargo airport and serves as the UPS West Coast air hub.

Millions of square feet of new office, industrial and commercial development real estate

Developers with investments and assets include Majestic Realty; Hillwood; DCT Industrial; Alere; Panattoni , and many others. Current available industrial, retail and office space (as of Dec 2013):

Industry	Existing SF	Total SF Available	12 Month Deliveries	Vacancy Rate	Rent per SF
Industrial	329,552,986	26,047,850	5,755,140	4.9%	$0.40
Retail	89,168,709	10,425,582	362,722	8.8%	$1.26
Office	37,544,582	5,732,290	98,898	12.5%	$1.50

Demographics and Other Data:

Geographic area covers over 20,000 square miles
Averages 340 days of sunshine a year
A skilled and abundant workforce of over 900,000
24 cities and 60 unincorporated areas
More than 20 universities and colleges
A $1 trillion local GDP with access to 23 million within a 3-hour drive
Close proximity to seaports of Los Angeles and Long Beach (approx. 80 miles to County seat)
Home to a nationally recognized entrepreneurship program at California State University San Bernardino
Population over 2 million
Median age of 31.6
Median home value of $224,500
Median household income of $53,496
2015 projected median household income of $60,971

Riverside County
http://www.rivcoeda.org/

San Bernardino County
http://www.sbcountyadvantage.com/

Port of Los Angeles
http://www.portoflosangeles.org/business/trade.asp

City of Los Angeles, Mayor's Office of International Trade
http://www.losangelesworks.org/internationalBusiness/

For more information on iHubs, visit our website: http://bit.ly/CAiHubs or email GoBiz.Innovation@gov.ca.gov

Appendix D
Significant Hearing Related Reports

1. **2010 Inland Empire Infrastructure Report Card**. This report provides a comprehensive assessment of current infrastructure conditions and needs. Grades are assigned by experts in various fields based on eight criteria: capacity, condition, funding, future need, operation and maintenance, public safety, resilience, and innovation.

2. **2012 San Diego Infrastructure Report Card**. This report provides a comprehensive assessment of current infrastructure conditions and needs. Grades are assigned by experts in various fields based on eight criteria: capacity, condition, funding, future need, operation and maintenance, public safety, resilience, and innovation. San Diego County found four major areas that needed the most attention: land and sea ports of entry, levees/flood control/urban drainage, parks/recreation/environment, and surface transportation.

3. **2013 Report Card for American Infrastructure, American Society of Civil Engineers, 2013**. This report provides a comprehensive assessment of current infrastructure conditions and needs. The report is prepared every four years by the American Society of Civil Engineers. Grades are assigned based on eight criteria: capacity, condition, funding, future need, operation and maintenance, public safety, resilience, and innovation. The U.S. received a D+ and has an estimated investment need of $3.6 trillion by 2020. The accompanying materials include individual state scores and background. California received a C.

4. **California Infrastructure and Economic Development Bank 2012/2013**. This report is the I-Bank's Annual Activity Report. It provides a list and summary of applications accepted; a specification of bonds sold; the amount of public and private funds leveraged by the assistance provided; a report of revenues and expenditures by program for the preceding fiscal year; and recommendations for changes in state and federal law necessary to meet statutory objectives.

5. **California Statewide Local Streets and Roads Needs Assessment, 2013**. This needs assessment provides an analysis of the local transportation network's condition and funding needs, finding deterioration and a growing funding shortfall.

6. **Export Nation 2013, U.S. Growth Post recession, Global Cities Initiative – a Joint project by Brookings Institute and JP Morgan Chase, 2013**. This report analyzes key export trends between 2003 and 2012 for the 100 largest metro areas in the U.S. Key findings from the report include:

   - Exports drove post-recession growth in the 100 largest metro areas.
   - Few metro areas are on track to achieve the NEI goal of doubling exports in five years.
   - The 10 largest metro areas, by export volume, produced 28 percent of U.S. exports in 2012.
   - Two-thirds of the largest metro areas underperformed the United States as a whole on export intensity.
   - The most export-intensive metro areas are highly specialized in certain industries.
   - Metro areas whose export intensity grew fastest experienced higher economic growth.
   - Metro area manufacturing exports grew to record levels in 2012.

- Services accounted for more than half of post-recession export growth in 11 metros, including San Francisco, Washington DC, and New York.
- Certain industries, especially in the services sector, produce almost all of their exports in the top 100 metro areas.
- Both highly specialized and highly diversified metros performed well from 2003 to 2012.

7. **California Labor Market and Economic Analysis, California Employment Development Department, 2012**. This report provides a comprehensive economic and labor market analysis which was used, among other things, to inform the development of the state workforce investment strategy. Highlights from the report include: The California economy is recovering having added 327,600 jobs between September 2009-Decemebr 2011; identification of the states eight economic base industries; profile of the California workforce; industry and occupational employment projections for 2010-2018; and identification of growth industries and high-demand occupations.

8. **Export Nation 2013: U.S. Growth Post-Recession**. This report provides an analysis of key export trends between 2003 and 2012 for the 100 largest metro areas. It provides 10 findings on the topic.

9. **Game Changers: Five Opportunities for US Growth and Renewal, McKensey Global Institute, 2013**. This report defines a game changer as a catalyst that can reignite growth and reestablish a higher potential trajectory for the US economy. The report focuses specifically on energy, trade, big data, infrastructure, and talent.

10. **Growing Together – Canada and Los Angeles County, Los Angeles County Economic Development Corporation, 2012**. This report, sponsored by Canada, highlights the bond between Canada and Los Angeles County and the impact that has had on development in both places. It provides a comparison of the two places as well as analyses of economic links and trade. It then provides a list of recommendations to address predicted future challenges.

11. **The Global Competitiveness Report 2012-13, World Economic Forum, 2013**. This report provides a comprehensive assessment of 144 world economies through the use of over 100 indicators spread out among 12 basic categories. The findings of this report show that, despite an excellent university system that encourages public-private collaboration and flexible labor markets, the U.S. has become increasingly less competitive on the world stage in recent years due to macroeconomic instability related to political disputes.

12. **A Matter of Degrees: The Effect of Educational Attainment on Regional Economic Prosperity, The Milken Institute, 2013**. This report examines the relationship between human capital and regional economic prosperity. The study, which assessed the top 50 metropolitan statistical areas in the U.S., found that educational attainment increases regional prosperity, that there are quantifiable benefits to regional economies for adding even one year of education to its residents, that the regional impact is greatest when the additional year is added in certain technology industries, and that MSAs with clusters of high skilled occupations tend to attract more higher education attained workers.

13. **Metro Freight: The Global Goods Trade that Moves Metro Economies.** This report establishes the economic rationale for metropolitan goods trade, describing why, how, and what these areas exchange with each other.

14. **A New Plan for a New Economy: Reimagining Higher Education, Little Hoover Commission, 2013**. This report found that Californians are not adequately served by the current higher education system and, that given the state's finite resources, it needs to develop a way to achieve better outcomes for more students. To address these findings the Commission recommends (1) the development of a new master plan; (2) provide incentives for colleges and districts to collaborate and expand counseling and outreach to middle and high schools; (3) link a portion of funding to achieving specific goals; (4) require the UC to adopt standardized and comprehensive budgeting processes; (5) provide incentives for developing high-demand introductory courses and bottle-neck courses (traditional and online) that can be transferred to all campuses in all three higher education segments; and, (6) provide incentives for the creation of a student-focused Internet portal that aggregates individual student records into master transcripts of classes that have been taken at different institutions.

15. **Panama Canal Expansion: Changing the Channel, Inbound Logistics, 2013**. This editorial addresses and answers the following question: Will the Panama Canal expansion significantly impact supply chain flows and distribution patterns?

16. **A Public-Private Infrastructure Cooperative for California, Global Projects Center, 2012**. This paper is published by the Global Projects Center and proposes a public-private infrastructure cooperative (I Co-op) to address early phase funding risks for the public-private partnership (P3) market in California. The paper offers 10 potential benefits to creating an I Co-op.

17. **On The Move: Southern California Delivers the Goods. Southern California Association of Governments, 2012**. This report provides a comprehensive regional goods movement plan and implementation strategy for Southern California, and draws up certain key conclusions, including the need for completion of the regional freight corridor system, rail improvements, and the establishing a foothold for zero-emissions technology. The report concludes that these are needed in order for the region to stay integrated with global supply chains, and that funding, while challenging, can be realized through efficient and creative usage of local and federal sources.

18. **Realizing the Strategic National Value of our Trade, Tourism and Ports of Entry with Mexico, New Policy Institute, 2013**. This report provides a comprehensive analysis of trade, tourism, and ports of entry between the U.S. and Mexico. The report suggests that the border needs better developed infrastructure and lists four bills proposed to either the U.S. Senate or House that would facilitate this.

19. **Remaking the Industrial Economy, McKinsey Quarterly, 2014**. This report focuses on the issue of unprecedented prices and volatility in natural-resource markets and the pressure this places on the traditional "take, make, and dispose" approach to manufacturing. The report provides 4 key solutions to this problem.

20. **The State of the Border Report., Border Research Partnership-Wilson Center Mexico Institute and El Colegio de la Frontesa Norte, 2013**. This report provides a comprehensive analysis of the state of the U.S.-Mexico border in the following areas: quality of life, sustainability,

competitiveness, and security. It suggests that programs should be implemented in Mexico aimed at crime prevention, better youth educational opportunities, and the elimination of barriers preventing women from participating in economic life. The report also suggests the implementation of programs in the U.S. aimed at reducing infant mortality rates and poverty.

21. **The State of Orange County's Infrastructure 2010: A Citizen's Guide**. This report card is generated by the UC Irvine Civil & Environmental Engineering Affiliates and grades Orange County's infrastructure. It provides a letter grade that is an average of letter grades in 10 different public infrastructure categories. Orange County received a C+ average grade.

22. **Working Together – Economic Ties between the United States and Mexico, Woodrow Wilson International Center for Scholars, 2011**. This report provides a comprehensive analysis of the economic ties between the U.S. and Mexico, highlighting how reliant the U.S. economy and jobs are on Mexican investment.

Appendix E
California Law on Trade Agreements and Foreign Relations

Government Code: TITLE 20. INTERNATIONAL RELATIONS [99500 - 99503] (Title 20 added by Stats. 2006, Ch. 663, Sec. 3.)

99500. (a) The Governor is the primary state officer representing California's interest in international affairs, to the extent that representation is not in conflict with federal law or the California Constitution, and except as otherwise specified in this title, to the extent this title is not in conflict with federal law or the California Constitution.

(b) The Lieutenant Governor is the Chair of the California Commission for Economic Development, to improve trade opportunities for California. The Legislature finds that the commission has developed international partnerships that provide venues for foreign companies to do business in the state and for California-based companies to access foreign markets.

(c) The Attorney General is the chief law officer of California and as such assists the federal government in defending against international challenges to California laws.

(d) The Secretary of State oversees the International Business Relations Program, which aims to develop stronger connections between the international business community and the state by assisting foreign business entities with the various filing processes and procedures in California.

(e) The Department of Food and Agriculture is the primary state agency for the promotion of California agriculture, fish, and forest exports.

(f) The Natural Resources Agency and the California Environmental Protection Agency are the primary state agencies for the promotion of international exchange of environmental protection technologies, alternative energy technologies, and the promotion of the transfer of environmental technology to and from the state.

(g) The Governor's Office of Business and Economic Development is the primary state agency responsible for international trade and investment activities in areas other than those covered by the Department of Food and Agriculture.

(h) Subdivisions (a) to (f), inclusive, are declaratory of, and do not constitute a change in, existing law.

(*Amended by Stats. 2012, Ch. 294, Sec. 12. Effective September 11, 2012.)*

99501. (a) (1) The state point of contact, within the executive branch, acts, in compliance with federal practice, as the liaison between the state and the Office of the United States Trade Representative on trade-related matters.

(2) The state point of contact who, in compliance with federal practice, receives updates from the federal government on trade policies, is often provided the opportunity to review and comment on ongoing trade negotiations.

(b) The state point of contact shall, in addition to any other duties assigned by the Governor, do all of the following:

(1) Promptly disseminate correspondence or information from the United States Trade Representative to the appropriate state agencies and departments and legislative committees.

(2) Work with the appropriate state agencies and departments, and the Legislature, to review the effects on the California environment, and California businesses, workers, and general lawmaking authority, of any proposed or enacted trade agreement provisions, and communicate those findings to the United States Trade Representative.

(3) Serve as liaison to the Legislature on matters of trade policy oversight.

(*Added by Stats. 2006, Ch. 663, Sec. 3. Effective January 1, 2007*.)

99502. (a) The Office of Planning and Research shall maintain and update, a full and comprehensive list of all state agreements made with foreign governments. The list shall be updated within 30 days of the effective date of each new agreement. The list shall include at least all of the following:

(1) The dates of enactment or approval and termination.

(2) The agency, department, board, commission, or other governmental entity responsible for implementation.

(3) Activities proposed.

(4) Expected outcomes.

(b) Agencies may separately maintain detailed information or reports on these activities as those agencies determine to be appropriate, but that information or those reports shall not be deemed to meet the requirements of this section.

(*Added by Stats. 2006, Ch. 663, Sec. 3. Effective January 1, 2007*.)

Appendix F
Fact Sheet on SB 397 (Hueso) Enhanced Driver's License

Summary

This bill allows for the creation of an Enhanced Driver's License (EDL) to reduce border wait times and increase economic gain produced by efficient and secure cross-border travel.

EDLs

The EDL is a standard driver's license that is enhanced in process, technology and security to denote identity and citizenship for purposes of entering the U.S. at land and sea ports of entry. It would be issued by the state of California's Department of Motor Vehicles (DMV).

An EDL may be used in "Ready Lanes", at the border, which are primary vehicle lanes created by U.S. Customs and Border Protection (CBP). These lanes are dedicated to travelers who possess Radio Frequency Identification (RFID) travel documents. RFID-enabled travel documents allow information contained in a wireless device or "tag" to be read from a distance at Ready Lanes, similar to those contained in car keys and employee identifications. This technology eliminates the need to key-in travelers and would translate into 60% faster processing than manual queries.

EDL's provide significant economic benefits to California, while strengthening border security. They greatly reduce wait times at the border thereby incentivizing more cross-border travel.

Background

Due to the need for heightened security measures after the 9/11 terrorist attacks, Congress passed the Intelligence Reform and Terrorism Prevention Act of 2004 (IRTPA), which created the Western Hemisphere Travel Initiative (WHTI). WHTI requires U.S. and Canadian travelers to present a passport or other document that denotes identity and citizenship when entering the U.S.

WHTI went into effect **June 1, 2009** for land and sea travel into the U.S and in 2007 for air travel.

The goal of WHTI is to facilitate entry for U.S. citizens and legitimate foreign visitors, while increasing U.S. border security. The states of Washington, New York, Michigan and Vermont have all successfully implemented EDL's**.**

Why this bill is needed

Each year, 45 million vehicle passengers and 15 million pedestrians cross the border into California from the six ports of entry -- San Ysidro, Otay Mesa, Tecate, Calexico, Calexico East and Andrade. In San Ysidro, the busiest port of entry in the world, an astounding 50,000 vehicles and 25,000 pedestrians are processed into the U.S. each day. At today's average wait time of 70 minutes, more than 8 million trips are lost due to traffic congestion. This is a loss of nearly $1.3 billion in revenues, three million potential working hours, 35,000 jobs and $42 million in wages annually in the San Diego region alone. There is an urgent economic need to responsibly expedite the movement of people across the California-Mexico border.

EDL's will help decrease border wait times by at least 30 minutes and encourage people to travel from Mexico into California using CBP's Ready Lanes. As more travelers obtain RFID-enabled travel documents, CBP converts more vehicle lanes into Ready Lanes. California's economy will benefit greatly from this expedited travel.

SB 397

This bill authorizes the DMV to enter into a memorandum of understanding with a federal agency for the purposes of obtaining approval for the issuance of an enhanced driver's license that is acceptable as proof of identity and citizenship pursuant to the federal WHTI.

For More Information Call

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Appendix G
Fact Sheet on AB 1081 (Medina) Goods Movement Funding

Background:
Historically, California's significance in the global marketplace resulted from a variety of factors, including its strategic west coast location, its economically diverse regional economies, its skilled workforce and its culture of innovation and entrepreneurship, particularly in the area of technology and world class infrastructure. Traditionally, innovation infrastructure has been based around the idea of "Industry Clusters," areas where multiple firms and organizations working in the same, or similar, fields can draw on each other's discoveries, products, and in some cases workforces leading to a highly focused and productive innovation center with prodigious output. Silicon Valley and Hollywood are archetypical examples, specializing in electronics and cinema, respectively.

Problem:
As the world has globalized, transportation and communication times and costs have shrunk. A new global business paradigm is emerging in which location is less relevant and competitive advantage is important. World class infrastructure plays a key role in business attraction, as multinational companies consistently rank the quality of infrastructure among their top four criteria in making investment decisions. According to the California Infrastructure Report Card, the state's overall infrastructure scored a "C" in 2010 and California's infrastructure investment gap is estimated at $65 billion a year. This means California's Infrastructure is lagging.

Because firms rely on fast, flexible, and reliable shipping to link national and global supply chains and bring products to the retail market, California's expanded supply chains for manufacturing and product distribution have resulted in transportation breakdowns and congestion, which can idle entire global production networks and as a result, problems such a congested seaports, truck idling, trucking delays, and truck access while making deliveries to and from international airports create large economic losses in the hundreds of millions of dollars, the loss of many supply chain related jobs, as well as having an impact on air quality for the people living in the surrounding communities.

Proposal:
In order to address some of these issues **AB 1081** would require interstate goods-movement-related infrastructure plans to do the following:

1) Require the ***5-year infrastructure plan*** to include information related to infrastructure identified by state and federal transportation authorities and a recommendation for public sector financing, as specified.

California businesses rely heavily on the state's air/sea ports and their related transportation systems to move manufactured good. Inclusion of goods-movement-related infrastructure within the state's five-year plan would enhance the state's ability to develop a more efficient goods movement and logistical network, attract private capital, and support the retention and expansion of jobs while also helping to improve the air quality.

Support: Riverside County Transportation Commission *Opposition:* None known

Appendix H
Trade Corridor Projects Funded Through Prop 1B

Proposition 1B was approved by the California voters in November 2006. It approved the issuance of up to $19.9 billion in state general obligation bonds for a range of infrastructure projects including $2 billion in improvements along the state's major trade corridors. The state's trade corridor investment is estimated to have resulted in $6.5 billion in total projects. This Appendix includes information on the nearly $1.6 billion allocated toward trade corridor projects in Southern California funded through Prop 1B funds.

Title	County	State Route		Total Bond Funding* (x1000)	Planned Construction Start	Planned Construction Finish
Brawley Bypass (State Route 78 and 111 Expressway) Stage 3	Imperial	78	$70,305	$43,122	Nov 30, 2010	Mar 31, 2014
Tehachapi Trade Corridor Project	Kern	58	$26,040	$12,270	Dec 01, 2013	Dec 01, 2015
Alameda Corridor West Terminus Intermodal Railyard-West Basin Railyard Extension	Los Angeles		$72,987	$20,712	Nov 21, 2013	Feb 28, 2016
Baldwin Avenue Grade Separation	Los Angeles		$77,391	$33,559	Aug 31, 2012	Aug 31, 2014
C Street Access Ramps Improvement	Los Angeles	110	$39,385	$8,300	Nov 01, 2013	Oct 31, 2016
Cargo Transportation Improvement Emission Reduction Program	Los Angeles		$169,695	$39,369	Jan 31, 2013	Sep 30, 2017
Gateway (Valley View Grade Separation)	Los Angeles		$65,077	$19,092	May 31, 2012	Aug 31, 2014
Gerald Desmond Bridge Replacement	Los Angeles	710	$960,203	$299,795	Jun 07, 2013	Jun 27, 2016
I-110 Freeway Access Ramp State Route 47 and 110 Northbound Connector Widening	Los Angeles	47, 110, 110	$42,268	$14,700	Jun 30, 2013	Jun 30, 2015
New Freight Siding Antelope Valley Line	Los Angeles		$14,700	$7,200	Aug 27, 2010	Mar 30, 2011
Ports Rail System Tier 1 (West Basin Rail Access Improvements	Los Angeles		$137,656	$51,230	Jun 01, 2012	Jul 01, 2014
Ports Rail System Tier I (Pier F Support Yard)	Los Angeles		$30,176	$6,936	Nov 29, 2012	May 15, 2014
Ports Rail System Tier I (Track Realignment at Ocean Boulevard)	Los Angeles		$44,756	$16,216	Nov 29, 2012	May 15, 2014
San Gabriel Valley Grade Separation Program	Los Angeles		$732,190	$267,938	Jun 30, 2004	Sep 30, 2017
South Wilmington Grade Separation	Los Angeles		$76,823	$17,000	Nov 01, 2012	Nov 01, 2014
Washington Boulevard Widening and Reconstruction Project	Los Angeles		$32,000	$5,800	Feb 01, 2014	Feb 01, 2015
Kraemer Blvd Undercrossing	Orange		$68,799	$21,009	Oct 01, 2011	May 01, 2014
Lakeview Avenue Overcrossing	Orange		$99,763	$39,519	Sep 01, 2013	Dec 01, 2015
Orangethorpe Avenue Grade Separation	Orange		$108,595	$41,632	Mar 01, 2013	Jul 01, 2016

Placentia Avenue Undercrossing	Orange			$72,843	$9,548	Oct 01, 2011	May 01, 2014
State College Grade Separation	Orange			$74,644	$35,890	Nov 01, 2013	Aug 01, 2016
State Route 91 (Auxiliary Lanes on Westbound State Route 91 between State Route 57 and I-5)	Orange	91		$62,977	$27,227	Dec 01, 2012	Dec 01, 2015
Tustin Avenue and Rose Drive Overcrossing	Orange			$88,175	$30,862	Mar 01, 2013	Sep 01, 2015
Auto Center Drive Grade Separation	Riverside			$32,675	$16,000	Nov 01, 2011	Apr 30, 2013
Avenue 52 Grade Separation Project	Riverside			$29,866	$10,000	Oct 15, 2013	Mar 31, 2015
Avenue 56 Grade Separation Union Pacific Yuma Subdivision	Riverside			$31,658	$15,066	Dec 01, 2013	Feb 28, 2016
Clay Street Grade Separation	Riverside			$30,806	$13,247	Dec 01, 2013	Jun 15, 2016
Columbia Avenue Grade Separation	Riverside			$33,003	$4,953	Sep 01, 2008	Dec 01, 2009
Iowa Avenue Grade Separation	Riverside			$32,000	$13,000	Jun 26, 2012	Nov 01, 2013
Magnolia Avenue Grade Separation (Burlington Northern and Santa Fe Railroad)	Riverside			$51,632	$17,696	Dec 01, 2013	Jun 01, 2016
Magnolia Avenue Grade Separation (Union Pacific Railroad)	Riverside			$50,248	$17,288	Feb 01, 2010	Jan 01, 2012
March Island Cargo Port Airport (I-215 and Van Buren Boulevard Ground Access Improvements)	Riverside	215		$66,776	$8,835	Apr 30, 2012	Apr 30, 2014
Riverside Avenue Grade Separation	Riverside			$33,820	$12,100	Oct 01, 2013	Apr 01, 2015
Streeter Avenue Grade Separation	Riverside			$36,000	$15,500	Nov 30, 2012	May 30, 2014
Sunset Avenue Grade Separation	Riverside			$34,764	$10,000	Dec 01, 2013	Feb 28, 2016
Colton Crossing Grade Separation Project	San Bernardino			$151,917	$41,228	Sep 30, 2011	Mar 30, 2014
Glen Helen Parkway Railroad Grade Separation	San Bernardino			$25,885	$7,172	Apr 05, 2013	Aug 22, 2014
I-10 and Cherry Avenue Interchange Reconstruction	San Bernardino	10		$77,806	$30,773	Aug 01, 2011	Dec 31, 2013
I-10 and Riverside Avenue Interchange Reconstruction	San Bernardino	10		$29,741	$9,837	Jan 01, 2010	Jan 01, 2012
Laurel Street Grade Separation (Burlington Northern and Santa Fe Railroad)	San Bernardino			$59,855	$24,713	Sep 04, 2013	Sep 06, 2015
Lenwood Road Grade Separation	San Bernardino	66		$31,733	$8,855	Sep 13, 2013	Oct 01, 2015
Palm Avenue Railroad Grade Separation	San Bernardino			$26,398	$4,560	Jun 01, 2013	Jun 30, 2015
South Milliken Avenue Grade Separation at Union Pacific Los Angeles Subdivision	San Bernardino			$82,016	$28,213	Dec 11, 2013	Jun 01, 2016
10th Avenue at Harbor Drive Grade Separation Improvements	San Diego			$5,353	$1,550	Nov 07, 2013	Aug 25, 2016
Bay Marina Drive at I-5 At-Grade Improvement	San Diego	5		$3,172	$792	Jun 14, 2012	Nov 07, 2013
Civic Center Drive at Harbor Drive and I-5 At-Grade Improvements	San Diego	5		$2,193	$361	Jun 14, 2012	Nov 07, 2013

LOSSAN North Rail Corridor (Sorrento to Miramar Double Track Project) Phase I	San Diego		$39,000	$10,800	Sep 01, 2011	Sep 30, 2014
Sorrento Valley Double Track Project	San Diego		$37,700	$14,313	Nov 01, 2013	Nov 01, 2015
Southline Rail Improvement Project (Mainline Improvements)	San Diego		$51,183	$42,213	Jun 02, 2010	Jul 01, 2015
Southline Rail Improvements (San Ysidro Yard Expansion Project)	San Diego		$40,460	$25,900	Jan 04, 2013	Jan 01, 2015
State Route 11 and Otay Mesa East Port of Entry	San Diego	11	$719,700	$79,700	Jul 15, 2013	Jun 30, 2016
State Route 905	San Diego	905	$82,953	$66,804	Jul 13, 2009	Jul 11, 2012
Hueneme Road Widening	Ventura		$2,924	$1,462	Feb 15, 2013	Feb 15, 2014
Route 101 Improvements	Ventura	101	$49,297	$13,118	Aug 12, 2013	Aug 10, 2015
US 101 Rice Avenue Interchange	Ventura	101	$73,597	$14,194	Oct 20, 2009	Sep 30, 2012
Source: California Transportation Agency website						

Glossary of Terms

Abbreviations (if applicable) and Terms

BTH: Business Transportation and Housing Agency.

CAEZ: California Association of Enterprise Zones.

CalBIS: California Business Investment Services.

CalED: California Association for Local Economic Development.

Cal EMA: California Emergency Management Agency.

CALGOLD: California Government Online to Desktops.

CALWORKS: California Work Opportunity and Responsibility to Kids Program.

CDFI: Community Development Financial Institution.

CEDP: California Economic Development Partnership.

CWIB: California Workforce Investment Board.

DGS: Department of General Services.

DOL: Department of Labor.

DVBE: Disabled Veterans Business Enterprise.

EDC: Economic Development Corporation.

EDD: Employment Development Department.

ETP: Employment Training Panel.

EZ: Enterprise Zone.

FDI: Foreign Direct Investment.

GDP: Gross Domestic Product.

G-TEDA: Geographically-Targeted Economic Development Area.

GO-BIZ: Governor's Office of Business and Economic Development.

GOED: Governor's Office of Economic Development.

HCD: Department of Housing and Community Development.

I-BANK: Infrastructure and Economic Development Bank.

IEEP: Inland Empire Economic Partnership.

IHUB: Innovation Hub Program.

IGPAC: Intergovernmental Policy Advisory Committee on Trade.

ITA: International Trade Administration.

JEDE: Jobs, Economic Development and the Economy Committee.

JTPA: Job Training Partnership Act.

LAMBRA: Local Agency Military Base Recovery Area.

LHC: Little Hoover Commission.

MASA: Military and Aerospace Support Act.

MEA: Manufacturing Enhancement Area.

MOU: Memorandum of Understanding.

MSA: Metropolitan Statistical Area.

NAICS: North American Industry Classification System.

NEI: National Export Initiative.

PACE: Property Assessed Clean Energy.

REAL: Regional Economic Association of Leaders Coalition.

ROI: Return on Investment.

SBA: Small Business Administration.

SBE: Small Business Enterprise.

SBLGP: Small Business Loan Guarantee Program.

SBDC: Small Business Development Center.

SPOC: State Point of Contact.

STEP: State Trade and Export Promotion Program.

TEA: Targeted Employment Area.

TPP: Trans-Pacific Partnership

TTA: Targeted Tax Area.

TTIP: Transatlantic Trade and Investment Partnership.

USTR: United States Trade Representative.

WIA: Workforce Investment Act.

WIB: Workforce Investment Board.

<u>Definitions</u>:

BUSINESS TRANSPORTATION AND HOUSING AGENCY (BTH): BTH oversees the activities of 14 departments consisting of more than 45,000 employees, a budget greater than $18 billion, plus several economic development programs and commissions. Its operations address financial services, transportation, affordable housing, tourism, managed health care plans and public safety.

CALIFORNIA ASSOCIATION OF ENTERPRISE ZONES (CAEZ): Non-profit organization that lobbies on behalf of Enterprise Zones and works to foster economic development within those zones.

CALIFORNIA BUSINESS INVESTMENT SERVICES (CalBIS): Housed in the Governor's Office of Economic Development (GOED), CalBIS serves employers, corporate real estate executives, and site location consultants considering California for new business investment and expansion.

CALIFORNIA ASSOCIATION FOR LOCAL ECONOMIC DEVELOPMENT (CALED):
CALED is a statewide professional economic development organization dedicated to advancing its members' ability to achieve excellence in delivering economic development services to their communities and business clients. CALED's membership consists of public and private organizations and individuals involved in economic development.

CALIFORNIA EMERGENCY MANAGEMENT AGENCY (Cal EMA): Cal EMA merged the duties and powers of the former Governor's Office of Emergency Services with those of the Governor's office of Homeland Security.

CALIFORNIA GOVERNMENT ONLINE TO DESKTOPS (CalGOLD): The CalGOLD database is housed on the Governor's Office of Economic Development website and provides links and contact information that direct businesses to agencies that administer and issue business permits, licenses, and registration requirements from all levels of government. The CalGOLD listings include descriptions of the requirements, the names, addresses, and telephone numbers of the agencies that administer those requirements and issue the permits and licenses, and in most cases a direct link to the agencies' Internet web pages.

CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS PROGRAM (CALWORKS): Provides temporary financial assistance and employment focused services to families with minor-age children who have income and property below state maximum limits for their family size. Most able-bodied aided parents are also required to participate in the CALWORKs GAIN employment services program.

CALIFORNIA WORKFORCE INVESTMENT BOARD (CWIB): The California Workforce Investment Board is responsible for assisting the Governor in preforming duties and responsibilities required by the federal Workforce Investment Act of 1998. All members of the Board are appointed by the Governor and represent the many facets of workforce development – business, labor, public education, higher education, economic development, youth activities, employment and training, as well as the Legislature.

CALIFORNIA ECONOMIC DEVELOPMENT PARTNERSHIP (CEDP): The CEDP was formed by Governor Schwarzenegger in 2005 as an interagency team to coordinate state government economic development activities. It seeks seamless coordination between the state, regional/local economic development organizations, and public/private resources for the retention, expansion and attraction of jobs in California.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION (CDFI): Nationwide, over 1000 CDFIs serve economically distressed communities by providing credit, capital and financial services that are often unavailable from mainstream financial institutions. CDFIs have loaned and invested in distressed communities. Their loans and investments have leveraged billions more dollars from the private sector for development activities in low wealth communities across the nation. California offers tax credits for investments in CDFI's under the Insurance Tax Law, as well as under the Personal and Corporate Income Tax Laws.

DEPARTMENT OF GENERAL SERVICES (DGS): The department employs over 4,000 employees and has a budget in excess of one billion dollars. Its functions include e-commerce and telecommunications; siting, acquisition, development, leasing, disposal and management of state properties; architectural approval of local schools and other state-responsibility buildings; printing services provided by the second largest government printing plant in the U.S.; procurement of supplies needed by other state agencies; and maintenance of the vast fleet of state vehicles. The director serves on several state boards and commissions.

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (HCD): HCD was one of many departments within BTH. As California's principal housing agency, the mission of HCD is to provide leadership, policies and programs to expand and preserve safe and affordable housing opportunities and promote strong communities for all Californians. HCD is responsible for oversight of California's G-TEDA programs.

DEPARTMENT OF LABOR (DOL): A U.S. government cabinet body responsible for standards in occupational safety, wages and number of hours worked, unemployment insurance benefits, re-employment services and a portion of the country's economic statistics.

DISABLED VETERAN BUSINESS ENTERPRISE (DVBE): Certified DVBE's that meet eligibility requirements are eligible to receive bid preferences on state contracts. DGS's Procurement Division certifies DVBEs and participates in the DVBE Council.

ECONOMIC DEVELOPMENT CORPORATION (EDC): Locally-based corporations whose mission is to promote investment and economic growth in their region.

EMPLOYMENT DEVELOPMENT DEPARTMENT (EDD): EDD offers a wide variety of services under the Job Service, Unemployment Insurance, Disability Insurance, Workforce Investment, and Labor Market Information programs. As California's largest tax collection agency, EDD also handles the audit and collection of payroll taxes and maintains employment records for more than 16 million California workers.

EMPLOYMENT TRAINING PANEL (ETP): ETP is a California State agency that began in 1983 and is designed to fund training that meets the needs of employers for skilled workers and the need of workers for long-term jobs. The program funds the retraining of incumbent, frontline workers in companies challenged by out-of-state competition. ETP also funds training for unemployed workers, and prioritizes training to small businesses, employers, workers in high unemployment areas of the state. ETP is funded by a tax on business.

ENTERPRISE ZONE (EZ): Geographically-based economic incentive areas in California that provide regulatory or tax benefits to businesses. There are 42 Enterprise Zones in California.

FOREGIN DIRECT INVESTMENT (FDI): A direct investment into production or business in a country by an individual or company of another country, either by buying a company in the target country or by expanding operations of an existing business in that country.

GROSS DOMESTIC PRODUCT (GDP): The monetary value of all the finished goods and services produced within a country's borders in a specific time period, usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments, exports, and imports that occur within a defined territory.

GEOGRAPHICALLY-TARGETED ECONOMIC DEVELOPMENT AREA (G-TEDA): A generic term for all geographically-based economic incentive areas in California, including Targeted Tax Areas (TTAs), Local Agency Military Base Recovery Areas (LAMBRAs), Enterprise Zones (EZs), and Manufacturing Enhancement Areas (MEAs). This program was terminated in 2013.

GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT (GO-BIZ): GO-BIZ is a one-stop shop intended to help businesses invest and expand in California.

GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT (GOED): GOED is a one-stop shop intended to help businesses to invest and expand in California. It was established in 2010 by Executive Order S-05-10. GOED was later codified to become GO-Biz.

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (HCD): The mission is to provide leadership, policies and programs to preserve and expand safe and affordable housing opportunities, and promote strong communities for all Californians.

INNOVATION HUB PROGRAM (IHUB): The iHub Program improves the state's national and global competitiveness by stimulating partnerships, economic development, and job creation around specific research clusters through state-designated iHubs.

INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-BANK): The I-Bank is a state financing authority that provides low-cost financing to public agencies, manufacturing companies, nonprofit organizations and other entities eligible for tax-exempt financing. Since January 1, 1999, the I-Bank has financed more than $32 billion in tax-exempt bonds and loans for economic development and public infrastructure projects throughout the state, and various other financings.

INLAND EMPIRE ECONOMIC PARTNERSHIP (IEEP): The mission of the IEEP is to help create a voice for the two-county region of Riverside and San Bernardino Counties. The membership, a collection of important organizations in the private and public sector, give the organization the knowledge and perspective needed to advocate and provide a vibrant business living environment in the region.

INTERNATIONAL TRADE ADMINSTRATION (ITA): The International Trade Administration strengthens the competitiveness of U.S. industry, promotes trade and investment, and ensures fair trade through the rigorous enforcement of our trade laws and agreements. ITA works to improve the global business environment and helps U.S. organizations compete at home and abroad.

INTERGOVERNMENTAL POLICY ADVISORY COMMITTEE ON TRADE (IGPAC): A federal advisory committee that provides the United States Trade Representative advice on matters of international trade from the perspective of state and local governments. Current membership includes former State Senator/current Los Angeles City Councilmember Curren Price, and Carlos J. Valderrama of the Los Angeles Area Chamber of Commerce.

JOB TRAINING PARTNERSHIP ACT (JTPA): JTPA is a federal law that authorizes and funds a number of employment and training programs in California. JTPA's primary purpose is to establish programs to provide job training services for economically disadvantaged adults and youth, dislocated workers and others who face significant employment barriers. These programs help prepare individuals in California for participation in the state's workforce, increasing their employment and earnings potential, improving their educational and occupational skills and reducing their dependency on welfare.

JOBS, ECONOMIC DEVELOPMENT, AND THE ECONOMY (JEDE): JEDE is the policy committee in the California State Assembly responsible for reviewing policies and legislation related to small business development, international trade, and other economic development related issues.

LITTLE HOOVER COMMISSION (LHC): The Little Hoover Commission is an independent state oversight agency that was created in 1962. The Commission's creation and membership, purpose and duties, and powers are enumerated in statute. By statute, the Commission is a balanced bipartisan board composed of five citizen members appointed by the Governor, four citizen members appointed by the Legislature, two Senators and two Assemblymembers.

LOCAL AGENCY MILITARY BASE RECOVERY AREA (LAMBRA): A LAMBRA is an area located in California that is designated as such by the Business, Transportation and Housing Agency. LAMBRAs are established to stimulate growth and development in areas that experience military base closures. Taxpayers investing, operating, or located within a LAMBRA may qualify for special tax incentives. There are currently eight LAMBRAs: Southern California Logistics Airport, Castle Airport, Mare Island, San Bernardino International Airport, Alameda Point, Mather/McClellan, San Diego Naval Training Center, and Tustin Legacy.

MANUFACTURING ENHANCEMENT AREA (MEA): Incentives available to businesses located in an MEA are streamlining local regulatory controls, reduced local permitting fees and eligibility to earn $29,234 or more in state tax credits for each qualified employee hired. All manufacturing businesses that are engaged in those lines of business described in Codes 2011 to 3999, inclusive, of the Standard Industrial Classification (SIC) and are located in the MEA are eligible for program benefits. There are 2 MEAs located in California. They are in the Cities of Brawley and Calexico. Each community is located in Imperial County. An MEA designation lasts until December 31, 2012.

MICROBUSINESS: A small business which, together with affiliates, have annual gross receipts of less than $3,500,000 or is a manufacturer with 25 or fewer employees.

METROPOLITAN STATISTICAL AREA (MSA): In the United States a metropolitan statistical area is a geographical region with a relatively high population density at its core and close economic ties throughout the area.

NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM (NAICS): NAICS is the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy.

NATIONAL EXPORT INITATIVE (NEI): In January 2010, the President launched the National Export Initiative with the goal of doubling U.S. exports over 5 years. The initiative is directed through a newly established Export Promotion Cabinet and an internal Trade Promotion Coordinating Committee which has been tasked to coordinate and align their export promotion activities including counseling, customer matchmaking services, and financing for exporters.

NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM (NAICS): The North American Industry Classification System (NAICS) has replaced the U.S. Standard Industrial Classification (SIC) system. NAICS was developed jointly by the U.S., Canada, and Mexico to provide new comparability in statistics about business activity across North America. The NAICS and SIC manuals provide code number for every industry. These codes are frequently used in legislation to identify industries, especially those benefiting from certain tax legislation like the Manufacturers Investment Credit (MIC).

PROPERTY ASSESSED CLEAN ENERGY (PACE): PACE Programs allow local government entities to offer sustainable energy project loans to eligible property owners. Through the creation of financing districts, property owners can finance renewable onsite generation installations and energy efficiency improvements through a voluntary assessment on their property tax bills.

SMALL BUSINESS ADMINISTRATION (SBA): Since its founding in 1976 the U.S. Small Business Administration has delivered about 20 million loans, loan guarantees, contracts, counseling sessions and other forms of assistance to small businesses.

SMALL BUSINESS DEVELOPMENT CENTERS (SBDC): The SBDC Program is the leader in providing small business owners and entrepreneurs with the tools and guidance needed to become successful in today's challenging economic climate. Each regional center offers comprehensive business guidance on business issues including, but not limited to; business plan development, startup basics, financing, regulatory compliance, international trade, and manufacturing assistance. Funding for the program is provided, in part, by the U.S. Small Business Administration and local partners.

SMALL BUSINESS ENTERPRISE (SBE): A business with 100 or fewer employees, and an average annual gross receipts of $14 million or less over the previous three tax years, or a manufacturer with 100 or fewer employees. SBE's are eligible to receive a 5% bid preference on state contracts.

SMALL BUSINESS LOAN GUARANTEE PROGRAM (SBLGP): The state Small Business Loan Guarantee Program (SBLGP) provides guarantees on bank loans to small businesses that would otherwise not be made. A network of 11 Small Business Financial Development Corporations - working closely with small business borrowers and local community banks - issues the guarantees on behalf of the state.

SPECIAL FUND FOR ECONOMIC UNCERTAINTIES: A fund in the General Fund (a similar reserve is included in each special fund) authorized to be established by statutes and Budget Act control sections to provide for emergency situations. (GC 16418)

STATE POINT OF CONTACT (SPOC): Funding applications submitted to the federal government will often require the applicant to comply with the state's SPOC requirements. The SPOC is responsible for reviewing specific types of grants for federal funds, loans, or financial assistance.

STATE TRADE AND EXPORT PROMOTION PROGRAM (STEP): The STEP Program is a 3-year pilot trade and export initiative authorized by the Small Business Jobs Act of 2010. Funded by federal grants and matching funds from the states, the STEP Program is designed to help increase the number of small businesses that are exporting and to raise the value of exports for those small businesses that are currently exporting.

TARGETED EMPLOYMENT AREA (TEA): One of many options to voucher an employee, TEA allow residents of certain designated low-income areas to qualify Enterprise Zone employers for substantial hiring credits.

TARGETED TAX AREA (TTA): The TTA is a program very similar to Enterprise Zones. TTA offers incentives that are only available to companies located in Tulare County and are engaged in a trade or business within certain Standard Industrial Codes. State incentives include tax credits for sales and use taxes paid on certain machinery, machinery parts, and equipment; tax credits for hiring qualified employees; and a fifteen year net operating loss carry-forward.

TRANSATLANTIC TRADE AND INVESTMENT PARTNERSHIP (TTIP): A proposed trade agreement between the two largest economies in the world: the U.S. and the European Union. If realized, the TTIP will create a free trade zone that encompasses 46% of the world's GDP.

TRANS-PACIFIC PARTNERSHIP (TPP): A proposed free trade agreement that includes economies from within the Pacific region. Negotiations began in 2010, and currently include 12 countries: Australia, Brunei, Chile, Canada, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the U.S., and Vietnam.

UNITED STATES TRADE REPRESENTATIVE (USTR): The USTR is an agency of more than 200 committed professionals with specialized experience in trade issues and regions of the world. The agency directly negotiates with foreign governments to create trade agreements, to resolve disputes, and to participate in global trade policy organizations.

WORKFORCE INVESTMENT ACT (WIA): The WIA which superseded the Job Training Partnership Act, offers a comprehensive range of workforce development activities through statewide and local organizations. Available workforce development activities provided in local communities can benefit job seekers, laid off workers, youth, incumbent workers, new entrants to the workforce, veterans, persons with disabilities, and employers. The purpose of these activities is to promote an increase in the employment, job retention, earnings, and occupational skills improvement by participants.

WORKFORCE INVESTMENT BOARD (WIB): The Governor has appointed a WIB consisting primarily of representatives from businesses, labor organizations, educational institutions, and community organizations. The State WIB assists the Governor in designing a statewide plan and establishing appropriate program policy.

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