

Date of Hearing: July 7, 2025

**ASSEMBLY COMMITTEE ON TRANSPORTATION**

Lori D. Wilson, Chair

SB 263 (Gonzalez) – As Amended May 23, 2025

**SENATE VOTE:** 35-1

**SUBJECT:** International trade: tariffs: impact study

**SUMMARY:** Requires the California State Transportation Agency (CalSTA), in consultation with the Department of Finance (DOF) and the Governor's office of Business and Economic Development (GOBiz) to conduct a study on the impacts of potential future increases in tariffs and reciprocal tariffs on international trade. Specifically, **this bill:**

- 1) Requires CalSTA, in consultation with the DOF and GOBiz, conduct a study on the impacts that potential future increases in tariffs and reciprocal tariffs on international trade of imports and exports, generally, and on trade specifically occurring at California's public seaports, cargo airports, and land ports of entry, might have on the following:
  - a) California's economic output;
  - b) Employment of Californians, both direct and indirect;
  - c) Affordability of goods for California consumers;
  - d) State and local tax revenues;
  - e) Revenues at California airports, land ports of entry, and seaports, and the costs and availability of funding, financing, and underwriting of nonrevenue-based expenses, including environmental improvements, at these locations; and,
  - f) Specific sector-related impacts, including on manufacturing and agriculture, from both tariffs imposed by the United States on imports and reciprocal tariffs imposed by foreign countries on exports from California.
- 2) Requires CalSTA to convene the California Freight Advisory Committee to discuss the scope of the study.
- 3) Requires CalSTA to submit the study to the Legislature on or before January 1, 2026.
- 4) Appropriates \$500,000 General Fund for the study, dividing as follows:
  - a) \$300,000 to CalSTA;
  - b) \$150,000 to DOF; and,
  - c) \$50,000 to GOBiz
- 5) Includes an urgency provision.

**EXISTING LAW:**

- 1) Requires CalSTA to prepare a state freight plan that directs the immediate and long-range planning activities and capital investments of the state with respect to the movement of freight. (Government Code (GOV) Section 13978.8(a))

- 2) Requires CalSTA to establish a freight advisory committee to, among other responsibilities, participate in the development of the state freight plan. (GOV 13978.8(b))
- 3) Requires GOBiz to develop a strategy for international trade and investment. (GOV 13996.55(a))

**FISCAL EFFECT:** According to the Senate Appropriations Committee: “One-time General Fund appropriation of \$500,000 in 2026-27 to be allocated as follows: \$300,000 to CalSTA; \$150,000 to DOF; and \$50,000 to GO-Biz. There could be additional one-time General Fund cost pressures, potentially in the hundreds of thousands of dollars, to the extent the funds appropriated to each state entity are insufficient to cover their costs.”

**COMMENTS:** California has 12 seaports (11 public and 1 private), 12 airports with major cargo operations, and three existing (Otay Mesa, Calexico East, and Tecate) and one future (Otay Mesa East) commercial land border ports of entry with Mexico. The Port of Los Angeles (POLA) and the Port of Long Beach rank number one and number two in national container volume and together make up the largest port complex in the US. Additionally, California is home to two of the top ten cargo airports (Los Angeles International Airport and Ontario International Airport) by landed weight, and the third busiest commercial land port of entry (Otay Mesa) in the US. In short, these facilities are critical components of California’s economy, accounting for an estimated \$664 billion of international goods movement in 2024 according to the Bureau of Transportation Statistic’s Freight Analysis Framework.

*2025 Federal Tariffs.* Since taking office, President Trump has enacted tariffs on various countries and commodities. Implementation of the tariffs is in flux as negotiations with trading partners continue. However, below is a snapshot of the current tariff landscape.

- 10% universal baseline tariff.
- Imports from Canada and Mexico must be United States-Mexico-Canada compliant to avoid new 25% import tariffs.
- Canada implemented a 25% retaliatory tariff on some US products.
- 50% steel and aluminum tariff. Additional steel derivative products including washing machines, dishwashers, and cooking stoves will be subject to the tariff (announced by the Department of Commerce on June 16, 2025).
- 25% auto tariff.
- 10% tariff on China plus 20% tariff imposed in response to the fentanyl national emergency invoked pursuant to the International Emergency Economic Powers Act.

*Economic impacts.* The currently implemented and proposed tariffs have caused major disruptions at California’s ports. Gene Seroke, Executive Director of POLA said, “May marked our lowest monthly volume in over two years.” Since this statement, the US and China agreed to maintain lower tariff rates, providing some reprieve to the ports and consumers. An additional wrinkle is highlighted by the American Association of Port Authorities (AAPA) sounding the alarm over a proposed 100% tariff on Chinese-manufactured ship-to-shore (STS) cranes,

warning it could impose billions in additional costs on US ports. The on-again-off-again nature of this current trade war highlights the uncertainty ahead for the US freight industry and the business and consumers downstream.

Tariffs are widely viewed to have negative economic impacts, such as increasing the costs of certain goods, causing economic slowdowns, and potentially raising unemployment. Considering the number of California trade facilities and the annual throughput of goods, the rapid implementation of federal tariffs and reciprocal tariffs on imports and exports will have an impact on California's economy. However, it is currently unclear what the comprehensive economic impacts of the fluctuating tariffs will be for the state.

*According to the author.* "Since taking office, President Trump has announced -- and in many cases later paused, retracted, or changed -- numerous sweeping tariffs on other nations, including some of our allies and main trading partners. International trade accounts for a significant portion of California's economy -- it supports millions of jobs, is critical to California's key industries, and produces billions of dollars in tax revenue. The proposed tariffs, some of which have already gone into effect, are already having serious impacts on California's economic output, the affordability of consumer goods, employment, tax revenues, and revenues at California's sea ports, cargo airports, and land ports of entry. SB 263 will direct specified state agencies to conduct a study on the impacts of tariffs, which will inform policy decisions that promote California's trade competitiveness, address affordability concerns, protect California jobs, and prioritize protecting key state programs in the face of lower-than-expected revenues."

*Arguments in support.* According to the Pacific Merchant Shipping Association, supporters of this bill, "International trade plays a major role in California's economy. Roughly 40% of containerized imports entering the United States and 30% of U.S. exports are shipped through California ports, generating an estimated \$38.1 billion in tax revenue and 3.1 million jobs. Recent federal trade policy changes are jeopardizing these essential underpinnings of California's economy."

Given these profound economic impacts posed to befall the state, it is imperative that the state have a clear picture of what is at risk. This study is needed to provide a clear picture of the role of trade for the state and how trade policy changes can impact California positively or negatively. This critical information will enable more advance economic planning, budgeting, and agility in responding to trade policy changes, volatility and to evaluate future proposals and fluctuations. It is a prudent investment in protecting the state and will ultimately provide California with a stronger foundation for policy and fiscal decision making."

*Double referral.* This bill is double referred to the Assembly Committee on Economic Development, Growth, and Household Impact and will be heard in that committee on matters under its jurisdiction.

*Previous and related legislation:* SB 671 (Gonzalez) Chapter 769, Statutes of 2021 requires CalSTA to prepare a state freight plan, which includes a comprehensive plan to govern the immediate and long-range planning activities and capital investments of the state with respect to the movement of freight.

AB 1561 (Quirk-Silva) Chapter 663, Statutes of 2018 requires and the Governor's Office of Business and Economic Development to develop and provide to the Legislature a strategy for international trade and investment every five years.

AB 14 (Lowenthal) Chapter 223, Statutes of 2013 requires CalSTA to prepare a state freight plan, update it every five years, and establish a freight advisory committee.

**REGISTERED SUPPORT / OPPOSITION:****Support**

Associated General Contractors, California Chapters  
California Association of Port Authorities  
California Building Industry Association  
California Chamber of Commerce  
California Grocers Association  
California Manufacturers and Technology Association  
California Retailers Association  
California Trucking Association  
California YIMBY  
City of Long Beach  
Consumers for Auto Reliability & Safety  
Consumer Watchdog  
Harbor Association of Industry and Commerce  
Inland Empire Economic Partnership  
International Longshore and Warehouse Union, Local 13  
Long Beach Area Chamber of Commerce  
Los Angeles County Business Federation  
Pacific Maritime Association  
Pacific Merchant Shipping Association  
Port of Long Beach  
Port of Oakland  
San Francisco Bar Pilots  
Supply Chain Federation  
Western Growers Association  
One Individual

**Opposition**

None on file

**Analysis Prepared by:** Aaron Kurz / TRANS. / (916) 319-2093