

Date of Hearing: April 18, 2022

ASSEMBLY COMMITTEE ON TRANSPORTATION

Laura Friedman, Chair

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

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

**SUMMARY:** This bill establishes the position of the Supply Chain Senior Advisor within the California Business Investment Services Program at the Governor’s Office of Business and Economic Development (GO-Biz). Specifically, **this bill:**

- 1) Defines “supply chain” to mean participants in the economic supply chain of this state, including seaports, airports, land ports of entry, air carriers, motor carriers, ocean carriers, rail carriers, marine terminals, rail terminals, trucking terminals, warehousing, agriculture, manufacturing, and retailers.
- 2) Requires the Director of GO-Biz to appoint a Supply Chain Senior Advisor who has expertise in commerce, trade, transportation, and supply chain management. The senior advisor shall serve at the pleasure of the director.
- 3) Requires the Senior Advisor to:
  - a) Serve as the principal advocate in the state for business and industry interests related to supply chain development and operation.
  - b) Serve as an advisor to the Director of GO-Biz on issues affecting the state’s supply chain, including economic strategy, investment, improvements in technology, legislation, and administrative regulations.
  - c) Specifies, that among other duties, the Senior Advisor:
    - i) Represents the views and interests of business and industry before other state agencies whose policies and activities may affect supply chains in the state, including, but not limited to, economic strategy, investment, and improvement of technology.
    - ii) Enlists the cooperation and assistance of public and private agencies, businesses, and other organizations in disseminating information about the programs and services provided by state government that improve the efficiency, capacity, conditions, competitiveness, and excellence of California supply chains, as defined.
    - iii) Consult with experts and authorities in logistics and supply chain management, including, but not limited to, professionals and academics involved in the financing, developing and upgrading, and operating key components of supply chains that serve the people and businesses in the state.
    - iv) Collaborates with state agencies with similar duties and functions or that otherwise support or impact supply chains in the state, including, but not limited to, the Transportation Agency (CalSTA), the Department of Transportation (Caltrans), the

Department of General Services (DGS), the Department of Food and Agriculture (CDFA), and the State Air Resources Board (CARB).

- 4) Authorizes the Senior Advisor, in consultation with the Director of GO-Biz, to establish and convene one or more advisory groups of stakeholders in the state's supply chain.
  - a) Specifies that membership in an advisory group may include, but is not limited to, representatives from each sector that makes up the state's supply chain as defined.
  - b) Requires the Senior Advisor to oversee and support the work of any advisory established and convened.
  - c) Authorizes an advisory group to develop and recommend policies that address challenges to, and that improve, the supply chain, including recommending a California freight policy that identifies additional means of easing congestion in times of crisis.
- 5) Requires each state agency to furnish to the Senior Advisor reports, documents, and information that are public records and that the Senior Advisor deems necessary to carry out the advisor's duties and functions.

**EXISTING LAW:**

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

**FISCAL EFFECT:** Unknown

**COMMENTS:**

*Freight is a critical component of the global, national, and state economies.* Californians depend on a goods movement system that provides communities with their most vital necessities including food, medicine, and inputs for manufacturing in a timely, efficient manner. However, the world has been experiencing global disruptions to the goods movement supply chain, which have been exacerbated by changes in the practices of numerous industry sectors during the COVID-19 pandemic and by changes in consumer demand during the ensuing economic recovery.

*California's ports are critical to the national supply chain.* The Ports of Los Angeles and Long Beach move roughly 35% of all containers in the United States, approximately 40% of U.S. imports, and 25% of U.S. exports through the San Pedro Bay. California's nationally significant regional supply chains and goods movement networks have been negatively impacted by global disruptions, resulting in port congestion, extended shipping container dwell times, and bottlenecks farther downstream in the supply chain.

*The state has taken several actions to reduce congestion at California's ports.* California currently has near and long-term actions under way, in partnership with the Supply Chain Disruptions Task Force established by the Biden-Harris Administration, to strengthen the resilience of California's and the Nation's supply chain:

- 1) The 2021 Budget included \$250 million to help ports offset COVID-19 related losses and \$280 million for port infrastructure projects at and around the Port of Oakland. The Budget also included \$1.3 billion over three years for zero-emission trucks, transit buses and school buses, including the deployment of over 1,000 zero-emission port drayage trucks.
- 2) In August 2021, California launched the California Supply Chain Success Initiative—a partnership with the Port of Long Beach and the California State University, Long Beach Center for International Trade and Transportation to engage the diverse network of stakeholders along the supply chain to discuss key challenges and identify creative solutions.
- 3) In October 2021, Governor Newsom issued Executive Order N-19-21, which directed state agencies to identify additional ways to alleviate congestion at California ports and expanded efforts to ease supply chain issues by engaging stakeholders to discuss challenges created by record demand for imported goods and capacity issues which have slowed distribution at ports along the coast.
- 4) This year's proposed budget includes an additional \$1.2 billion (\$600 million in 2022-23 and \$600 million in 2023-24) to be administered by CalSTA, in collaboration with Caltrans, for port-specific high priority projects that increase goods movement capacity on rail and roadways at port terminals, including railyard expansions, new bridges, and zero-emission modernization deployment.

*Freight Policy Oversight in California.* The responsibility and authority for freight transportation is spread among three departments: (1) Caltrans, (2) CARB, and (3) GO-Biz. Caltrans oversees the Office of Freight Planning, which develops the California Freight Mobility Plan. CARB

regulates freight transportation generally and Regional Transportation Plans under SB 375 (Steinberg), Chapter 728, Statutes of 2008. CARB is also responsible for the California Sustainable Freight Action Plan which establishes targets to improve freight efficiency, transition to zero-emission technologies, and increase competitiveness of California's freight system. GO-Biz administers the economic competitiveness portion of the Sustainable Freight Action Plan.

*This bill proposes the creation of a Supply Chain Advisor within the California Business Investment Services Program at GO-Biz.* This bill clearly identifies the role of the Senior Advisor to advise the Director of GO-Biz on issues affecting the state's supply chain and the authority of the Advisor to bring together stakeholder advisory groups to develop and recommend policies addressing challenges to the supply chain.

*The Administration has an alternative proposal to coordinate state freight policy and planning.* This year's proposed budget requests three new positions to establish a freight policy team at CalSTA that would oversee and coordinate freight policy across the state. The budget request aligns with the recent Bipartisan Infrastructure and Jobs Act creation of an Office of Multimodal Freight infrastructure and Policy at the U.S. Department of Transportation.

*Reconciliation between this bill and the Administration's efforts may be necessary.* The need for a more coordinated state effort related to freight, goods movement, and the supply chain is evident; the solution is not. (See also related legislation). The Administration states in a budget change proposal that "the current freight policy oversight structure among Caltrans, CARB, and GO-Biz results in several challenges. Under the current state organizational structure freight does not have sufficient visibility. In addition, there is no formal mechanism for cooperation among the agencies and departments that have responsibility. Outside of long-term planning and programming of infrastructure projects, the existing state freight organizational structure does not respond quickly or coordinate effectively with stakeholders to address emerging freight industry issues."

*According to the author,* "With so many moving parts and entities involved, better collaboration and coordination will ensure the supply chain is functioning. Obstacles impacting the supply chain operations such as faulty regulations and poor decisions must be prevented. [This bill] creates a high-level advisor to advocate, expedite and swiftly remove hurdles in the supply chain to ensure efficiency and address choke points. This individual will be tasked to make sure that long term solutions are implemented. The fact that there is not a supply chain advisor with expertise has allowed supply chain problems to intensify and worsen."

*In support,* the California Association of Port Authorities writes, "The position created by [this bill], housed in GO-Biz, is a needed point of contact for the ports and our partners to ensure coordinated efforts to address the current supply chain crisis, advocacy for future supply chain issues, and leadership within state government to ensure policy, regulatory and fiscal concerns of our supply chain community remain elevated."

*In opposition,* Pacific Environment writes, "Increased supply chain activities have created an outsized environmental and health impact on communities around shipping corridors. Already, even before 2021's supply chain crisis, port-adjacent families, including those in San Pedro, Wilmington, and West Long Beach, experience an average of 8 years lower life expectancy than the Los Angeles County average and the highest risk of cancer regionally. *Any discussion regarding expansion or modernization of supply chain should include the communities impacted*

*by this increase activities.* We urge the Assembly Transportation committee to add in community and environmental representation to the advisory group that Governor’s Office of Business and Economic Development (GO-Biz) might convene – they are consumers in the supply chain and need representation as well.”

*Double referral:* This bill passed out of the Jobs, Economic Development, and The Economy committee on 3/31 with a 6-0 vote. See that policy committee analysis for additional details.

*Related and previous legislation:* SB 1104 (Gonzalez) of this session would establish the Office of Freight within GO-Biz. SB 1104 passed out of the Senate Business, Professions, and Economic Development committee 12-0 and is set for hearing in the Senate Transportation committee on April 19.

AB 371 (Frazier) of 2019 would have required GO-Biz, in consultation with CARB, the California Transportation Commission, CalSTA, and representatives from public and private sector freight stakeholders, to prepare a statewide economic growth, prosperity, and resiliency assessment of the California freight sector on or before December 31, 2021, and to update the assessment every 5 years. AB 371 died in the Assembly Appropriations committee.

## **REGISTERED SUPPORT / OPPOSITION:**

### **Support**

California Association of Port Authorities  
California Business Roundtable  
California Retailers Association  
California Trucking Association  
Pacific Merchant Shipping Association

### **Opposition**

Coalition for Clean Air  
Pacific Environment  
Sierra Club

**Analysis Prepared by:** Christine Casey / TRANS. / (916) 319-2093