

AMENDED IN SENATE MARCH 13, 2025

SENATE BILL

No. 263

Introduced by Senator Gonzalez
(Coauthor: Senator Weber Pierson)
(Coauthor: Assembly Member Lowenthal)

February 3, 2025

An act relating to international trade, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 263, as amended, Gonzalez. International trade: tariffs: impact study.

Existing law requires the Transportation Agency to prepare a state freight plan that provides 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, as provided. Existing law requires the agency to establish a freight advisory committee to, among other things, participate in the development of the state freight plan.

This bill would require the agency, in consultation with the Department of Finance and the Governor's Office of Business and Economic Development, to conduct a study on the impacts that potential future increases in tariffs and reciprocal tariffs on international trade of imports and exports might have on, among other things, California's economic output, as specified. The bill would require the agency to convene the freight advisory committee to discuss the scope of the study upon initiating the study. On or before January 1, 2026, the bill would require the Transportation Agency to submit the study to the Legislature, as specified. The bill would appropriate \$500,000 from the General

Fund to the agency, department, and office, as specified, for purposes of conducting the study.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: yes. Fiscal committee: yes.

State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares all of the
2 following:

3 (a) This act is necessary to provide additional funding to the
4 Transportation Agency, the Department of Finance, and the
5 Governor’s Office of Business and Economic Development to
6 investigate and identify the impacts of potential actions taken to
7 increase federal tariffs on international trade, which is a major
8 component of the California economy, and which is conducted at
9 all 11 of California’s publicly owned seaports, each of California’s
10 airports that maintain cargo operations, and occurs at California’s
11 land ports of entry with Mexico.

12 (b) California’s public seaports exist on granted state tidelands
13 held in trust for the people of the state and managed for the benefit
14 of all of the people of California as a statewide interest, and the
15 seaports exist on property managed by a local government or a
16 local port or harbor district as a dedicated use of publicly owned
17 and operated property.

18 (c) California’s public seaports are enterprise agencies that rely
19 on revenues from cargo volumes and long-term lease revenues to
20 underwrite revenue bonds that finance the infrastructure necessary
21 to facilitate the state’s and the nation’s commerce and trade. These
22 infrastructure investments also include improvements to real
23 property, which are necessary to improve the environment. Many
24 of these improvements are necessary in order to execute and
25 administer the policies, statutes, ordinances, rules, and regulations
26 of the state, which is also the grantor and trustor public owner of
27 the property.

28 (d) Investments in public seaport property generate substantial
29 property taxes.

30 (e) Higher tax burdens, in the form of higher tariffs or other
31 barriers to trade, *including, but not limited to, quotas on specific*

1 *imports and unreasonable or undefined limits on customs reviews*
2 *of products, on the cargo destined for California and on the*
3 *cargo-owner customers of the tenants at public seaports, cargo*
4 *airports, and California’s land ports of entry are likely to create*
5 *substantial direct and indirect increases in the costs of living for*
6 ~~California citizens, Californians,~~ *costs of doing business for*
7 *California companies, and costs on cargo movements, upon which*
8 *improvement of the state’s infrastructure, for purposes of*
9 *improving transportation and environmental outcomes, relies.*

10 (f) The imposition of higher federal tariffs or higher taxes on
11 the seaborne commerce at California’s public ports may increase
12 ~~costs on discretionary intermodal cargo, which may lead to its~~
13 ~~diversion to another maritime gateway.~~ *to cargo owners and lead*
14 *to shifting trade routes, which may lead to loss of cargo at*
15 *California ports and diversion to other gateways.* This diversion
16 of intermodal cargo may, in turn, both increase emissions of
17 greenhouse gases and reduce seaport revenues. These revenues
18 are necessary to fund and finance public seaports’ infrastructure
19 improvements, which better public transportation assets and
20 improve California’s environmental quality.

21 (g) It is imperative that state government has the ability,
22 capacity, and capability to properly assess the impacts that potential
23 increases in the costs of international trade will have on California
24 families, economic development, jobs, affordability, business costs,
25 workers, and the financing and funding of infrastructure
26 development and environmental improvements that rely on trade
27 volumes.

28 (h) As California residents are facing higher costs of living and
29 rising prices for consumer goods, state policy makers must know
30 whether the imposition of higher federal tariffs may result in
31 increased prices for consumer goods and necessities, putting
32 additional financial burdens on Californians.

33 (i) The imposition of higher federal tariffs may increase the
34 costs of doing business for California companies, which may result
35 in decreased employment opportunities for Californians and a
36 decrease in California’s economic output.

37 SEC. 2. (a) The Transportation Agency, in consultation with
38 the Department of Finance and the Governor’s Office of Business
39 and Economic Development, shall conduct a study on the impacts
40 that potential future increases in tariffs and reciprocal tariffs on

1 international trade of imports and exports, generally, and on trade
2 specifically occurring at California’s public seaports, cargo airports,
3 and land ports of entry, specifically, might have on all of the
4 following:

5 (1) California’s economic output.
6 (2) Employment of Californians, both direct and indirect.
7 (3) Affordability of goods for California consumers.
8 (4) State and local tax revenues.
9 (5) Costs and availability of financing and funding of
10 infrastructure projects at California seaports, airports, and land
11 ports of entry.

12 (6) Revenues *at California airports, land ports of entry, and*
13 *seaports*, and the costs and availability of funding, financing, and
14 underwriting of nonrevenue-based ~~expenses at California seaports,~~
15 ~~airports, and land ports of entry,~~ *expenses*, including environmental
16 ~~improvements.~~ *improvements, at these locations.*

17 (7) Specific sector-related impacts, including on manufacturing
18 and agriculture, from both tariffs imposed by the United States on
19 imports and reciprocal tariffs imposed by foreign countries on
20 exports from California.

21 (b) Upon initiating the study, the Transportation Agency shall,
22 within one calendar quarter, convene the California Freight
23 Advisory Committee to discuss the scope of the study. For purposes
24 of this subdivision, “California Freight Advisory Committee”
25 means the freight advisory committee established by Section
26 13978.8 of the Government Code.

27 (c) The study shall ~~identify the bases~~ *provide both of the*
28 *following:*

29 (1) *The model and bases* for the assessment of the potential
30 tariffs and other nontariff-based barriers to ~~trade upon which the~~
31 ~~model for the assessments are based,~~ *so that assessments with*
32 *trade.*

33 (2) *The ability to assess the impacts of* other levels of tariffs ~~or~~
34 *and* other nontariff-based barriers to trade that are imposed on
35 ~~California’s economy and economic factors may be replicated.~~
36 *California.*

37 (d) (1) On or before January 1, 2026, the Transportation Agency
38 shall submit the study to the Legislature.

1 (2) The study to be submitted pursuant to this subdivision shall
2 be submitted in compliance with Section 9795 of the Government
3 Code.

4 (3) Pursuant to Section 10231.5 of the Government Code, this
5 section is repealed on January 1, 2030.

6 SEC. 3. The sum of five hundred thousand dollars (\$500,000)
7 is hereby appropriated from the General Fund for purposes of
8 carrying out the study described in Section 2 of this act, to be
9 allocated in accordance with the following schedule:

10 (a) Three hundred thousand dollars (\$300,000) to the
11 Transportation Agency.

12 (b) One hundred fifty thousand dollars (\$150,000) to the
13 Department of Finance.

14 (c) Fifty thousand dollars (\$50,000) to the Governor’s Office
15 of Business and Economic Development.

16 SEC. 4. This act is an urgency statute necessary for the
17 immediate preservation of the public peace, health, or safety within
18 the meaning of Article IV of the California Constitution and shall
19 go into immediate effect. The facts constituting the necessity are:

20 To *rapidly* fund and implement *data-driven actions and* measures
21 to address the immediate and ongoing threats to ~~the public safety,~~
22 ~~health, and welfare of California’s economy, employment,~~
23 ~~affordability, and other factors critical to the people and~~
24 ~~environment~~ *the economy* of the State of ~~California from climate~~
25 ~~change;~~ *California*, it is necessary for this act to take effect
26 immediately.