SENATE THIRD READING
SB 263 (Gonzalez)
As Amended September 4, 2025
2/3 vote. Urgency

SUMMARY

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

Major Provisions

1) *Requires GOBiz, in consultation with the DOF and CalSTA*, to 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 within one calendar quarter of initiating the study.

3) Requires CalSTA to submit the study to the Legislature on or before *January 1, 2029*.

COMMENTS

California has 12 seaports (11 public and one 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.

1) 10% universal baseline tariff.

2) Imports from Canada and Mexico must be United States-Mexico-Canada compliant to avoid new 25% import tariffs.

3) Canada implemented a 25% retaliatory tariff on some US products.

4) 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).

5) 25% auto tariff.

6) 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 Seroka, 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."

Arguments in Opposition
None on file.

FISCAL COMMENTS

According to the Assembly Appropriations Committee, "Cost pressure of a significant amount, likely in the high hundreds of thousands of dollars to low millions of dollars, one time, to fund the study (General Fund and special funds)."

VOTES

SENATE FLOOR: 35-1-4
YES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Hurtado, Jones, Laird, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Padilla, Pérez, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener
NO: Alvarado-Gil
ABS, ABST OR NV: Cervantes, Grove, Limón, Reyes

ASM TRANSPORTATION: 14-0-2
YES: Wilson, Davies, Ahrens, Bennett, Caloza, Hart, Hoover, Jackson, Lackey, Lowenthal, Papan, Ransom, Rogers, Ward
ABS, ABST OR NV: Carrillo, Macedo

ASM ECONOMIC DEVELOPMENT, GROWTH, AND HOUSEHOLD IMPACT: 7-0-1
YES: Solache, Castillo, Patel, Petrie-Norris, Soria, Stefani, Wallis
ABS, ABST OR NV: Bonta

ASM APPROPRIATIONS: 11-1-3
YES: Wicks, Arambula, Calderon, Caloza, Elhawary, Fong, Mark González, Ahrens, Pacheco, Pellerin, Solache
NO: Tangipa

ABS, ABST OR NV: Sanchez, Dixon, Ta

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CONSULTANT: Aaron Kurz / TRANS. / (916) 319-2093 FN: 0001716