INLAND EMPIRE OUTLOOK

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Ontario Airport Soars

Photo courtesy of Ontario International Airport

We begin this issue of the *Inland Empire Outlook* with an examination of the City of San Bernardino's decade-long saga of working its way through Chapter 9 bankruptcy. It painstakingly developed its Plan of Adjustment to resolve over 1,000 claims and 200 lawsuits, taking the city from insolvency when it filed in 2012 to a budget surplus of $2.5 million in 2022.

Next, we look at the proliferation of ghost guns in California. A ghost gun is a privately made firearm that is not marked with a federally-approved serial number. These guns can legally be made from individually manufactured parts or from cannibalized operational firearm parts. California was one of the first states to take action to regulate ghost guns and privately made firearms. This article outlines those efforts, beginning with AB 857 in 2016, and examines the rise in the number of ghost guns seized by law enforcement in recent years.

For our final article, we present an update on Ontario International Airport (ONT). Since the return to local ownership in 2016, China Airlines, JetBlue, Hawaiian Air, Northern Pacific, and Avianca have all started operations at ONT. It is now the fastest growing airport in the country, with passenger volume for 2022 passing pre-pandemic levels. ONT's freight operations are also booming and are critical to the thriving logistics sector in the Inland Empire.

We hope you find this edition of *Inland Empire Outlook* a useful guide. Please visit our website, www.RoseInstitute.org, for information on more Rose Institute research.

PHOTO CREDIT: Angel Garcia

San Bernardino's Exit from Municipal Bankruptcy

by Sam Johnson-Saeger '26

The City of San Bernardino filed for Chapter 9 bankruptcy protection on August 1, 2012. Its filing occurred as other cities in California – Stockton, Mammoth Lakes – and across the U.S. – most notably Detroit – sought Chapter 9 protections. A decade later, on September 8, 2022, San Bernardino finally exited bankruptcy. This article examines San Bernardino's bankruptcy from start to finish, analyzing the painstakingly developed Plan of Adjustment that allowed San Bernardino to resolve over 1,000 claims and 200 lawsuits.

San Bernardino filed for bankruptcy protection in a disastrous financial state. At the time, the state projected a $45 million annual budget deficit for San Bernardino for the next five years, on a total budget of only $130 million. Unemployment was at 12.7% and the city's workforce had been cut 20% in the past four years. Falling revenues resulting from the end of Redevelopment funding, sinking property tax inflows, and decreased vehicle license fees left the city wanting for cash. (The Rose Institute's Fall 2012 and Fall 2014 editions of the ***Inland Empire Outlook*** detailed the myriad factors that contributed to San Bernardino's insolvency.)

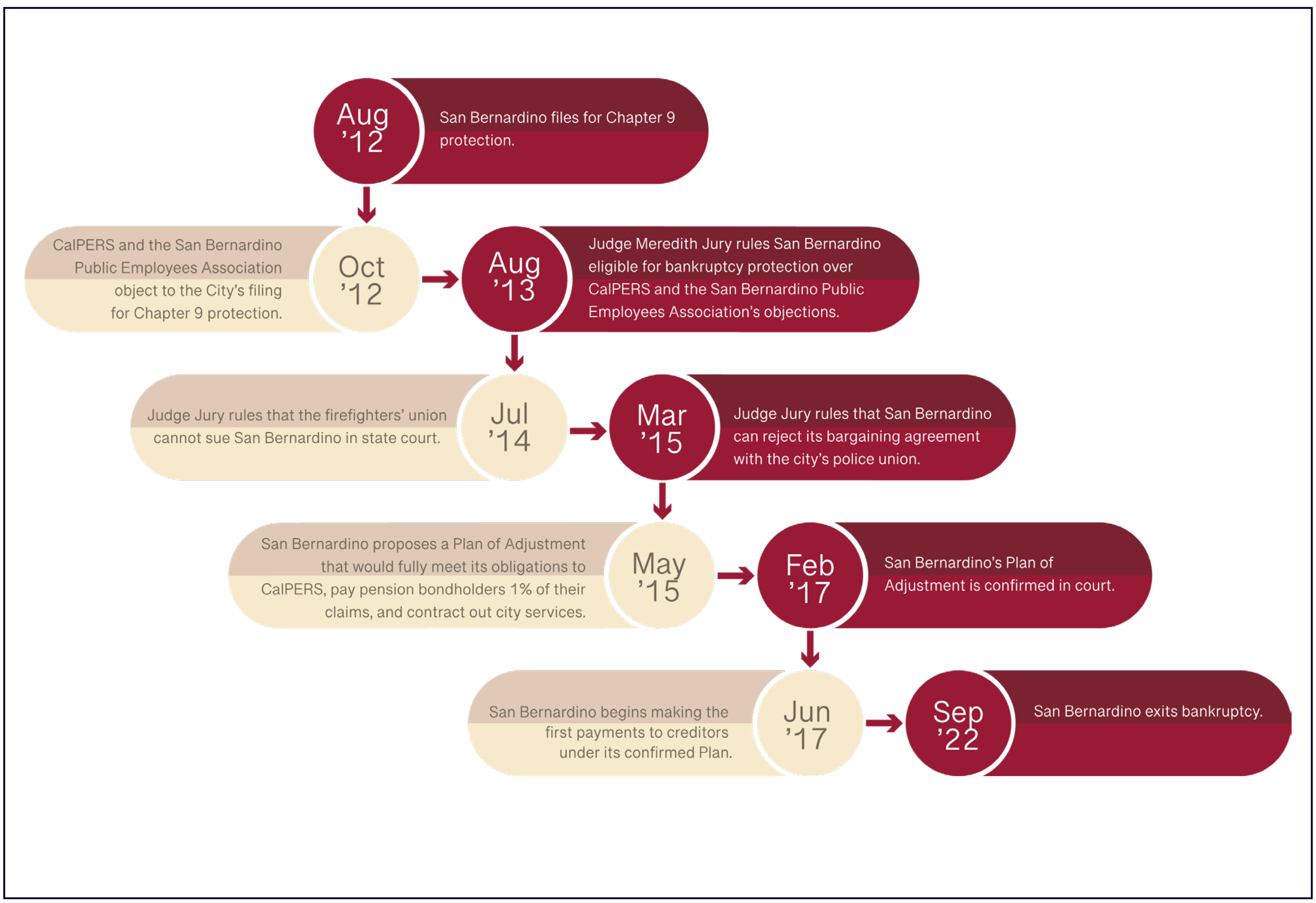
Upon filing for Chapter 9 protection, a locality receives an automatic stay that helps protect it against litigation and provides time to evaluate how to meet its obligations. The bankruptcy court then determines whether or not the locality is eligible for Chapter 9 protection, which is required for the case to continue. Once eligibility is settled, the locality works to develop a Plan of Adjustment that details how it will restructure its obligations to restore its financial stability. The Plan of Adjustment then requires approval of at least one class of impaired creditors, where-upon the locality can seek approval from the court even if other impaired creditors have not agreed to the Plan of Adjustment.

A decade after filing for bankruptcy, San Bernardino proved to the court that it had taken all required actions, made all required payments, and would be able to continue meeting its obligations under the city's Plan of Adjustment. Understanding how San Bernardino – after ten years of negotiations and litigation – resolved its bankruptcy crisis and developed a budget that is projecting surpluses of $2.5 and $1.3 million for FY23 and FY24, respectively, requires careful analysis of the city's Third Amended Plan of Adjustment (the Plan).

The Plan was not confirmed by the United States Bankruptcy Court for the Central District of California, Riverside Division, until February 2017. Disputes with various claimants and litigants, the most important of which included CalPERS (the agency that administers California's public sector pension system) and several powerful public sector unions, specifically the firefighters and police unions, delayed the Plan's development and confirmation. Unsurprisingly, the Plan's confirmation, while a necessary step for the city to exit bankruptcy and begin the process of becoming solvent and meeting its claims, left some stakeholders disgruntled. But Chapter 9 was not designed to make stakeholders happy. As a 2011 Congressional Research Service report explained, instead of being designed to provide for asset liquidation and distribution to creditors, Chapter 9 "provides a legal mechanism through which municipalities may be protected from the claims of their creditors as they attempt to develop and negotiate a plan to adjust their debts." Moreover, Chapter 9 provides specific leeway to municipalities going through the bankruptcy process. Bankruptcy court provides little oversight of municipal bankruptcies compared to claims filed under Chapter 7 or 11 of U.S. Bankruptcy Code (the pathway for individuals or companies that become insolvent). In this sense, Chapter 9 has served its purpose. It enabled San Bernardino to restructure its debts in a way that provided a feasible path back to solvency. An important provision relates to how impaired claims are handled. While the insolvent city usually needs to obtain the agreement of a majority of claims in each impaired (and therefore voting) class, the city can seek for the court to override claimants who disagree if the city has negotiated in good faith, is unable to negotiate, or reasonably believes that a creditor may attempt to obtain an avoidable transfer under Section 547 of Bankruptcy Code (an abnormality that is not relevant to San Bernardino's case).

The path that San Bernardino took is not an uncommon one. A 2015 Reuters article noted that employee pensions are usually left unscathed while unions and bondholders take major hits, a method of resolution that both

San Bernardino Bankruptcy Timeline



Sources: "San Bernardino Bankruptcy Timeline." *San Bernardino Sun*, July 31, 2014; "San Bernardino Exits Bankruptcy." City of San Bernardino, sbcity.org, September 12, 2022; Alan Zarembo and Joe Mozingo. "San Bernardino Offers Plan to Emerge from Bankruptcy." *Los Angeles Times*, May 16, 2015; "San Bernardino Bankruptcy: Judge Rules City Can Reject Police Contract - Labor Relations Information System." Labor Relations Information System, March 20, 2015. | Graphic: Jack Gladson, CMC'25

Stockton and Detroit pursued. But pensions cannot be ignored in identifying the causes of municipal bankruptcy. A report by the Pew Trusts notes that San Bernardino's insolvency was partially fueled by its sale of millions of dollars in pension obligation bonds, a move that would have helped it meet its obligations until interest costs exceeded the bonds' rate of return. San Bernardino's Plan leaves some creditors thankful that their debts have been or will be paid in full by the city; others, such as the city's public unions, only receive payment for 1% of their total claims. While pensions are untouched, San Bernardino's pension bondholders take a hit – roughly 50% – on their claims. A summary of the structure of the city's claims and the obligations it will meet to different classes of creditors is outlined in the table below

This analysis focuses primarily on the treatment of CalPERS, Consenting Unions (formally recognized bargaining units of city employees that have entered new claims by agreements with the city), and several bondholders because they were the classes impacted most by the Plan and presented the most serious obstacles in San Bernardino's exit from bankruptcy.

CalPERS Claims

CalPERS claims escaped the Plan essentially unscathed (though there were delays in payments, the claims are unimpaired and creditors have been or are in the process of being repaid in full by the city). While CalPERS emerged a winner among stakeholders to the Plan, it began by opposing San Bernardino's petition for Chapter 9 protection by suing the city; U.S. Bankruptcy Judge Meredith Jury ruled the city eligible for bankruptcy despite the pension fund's objections. Journalist Ed Mendel reported that San Bernardino took a more aggressive approach to handling CalPERS claims than other cities such as Stockton by ceasing to make payments to the fund during portions of its insolvency. Stockton continued to make payments despite declaring bankruptcy, and both cities ultimately left CalPERS unimpaired and covered its claims in full. CalPERS relative victory is partially due to the legal mechanisms that would have been triggered if it had been impaired by the Plan. An article in the Sacramento Bee explained that cities have little choice other than to fully cover CalPERS claims, as they would otherwise have to slash current and future retiree benefits to a degree that would likely cause city employees to leave en masse.

Consenting Union Claims

Consenting Union claims are treated as General Unsecured claims by the Plan, which leaves creditors with only 1% of their claim being covered. Low coverage is not the only impact that the Plan has on San Bernardino's public sector employees. The city was also annexed into the County Fire District and began contracting out certain city services to Burrtec, a waste industry provider. According to the Plan, the city is also "considering contracting out include fleet maintenance, business licensing, engineering, inspections, information technology, graffiti abatement, traffic signal maintenance, street maintenance, custodial maintenance, code enforcement and more." Agreement to the Plan by consenting unions was reached after they faced a number of setbacks: the firefighters union, for example, suffered a loss when Judge Jury ruled that it could not sue the city for cutting salaries and benefits after rejecting a proposed contract by the union. San Bernardino later exercised its rights estab-

Claim Resolution in San Bernardino's Third Amended Plan of Adjustment

Resolution	Claims settled via this mechanism
Paid in full	Administrative Claims (claims against the City for the administration of the Bankruptcy case), CIEDB Harriman Project Claims, CIEDB Pavement Project Claims, Claims on Restricted Revenue Bonds and Note Payable Obligations, CalPERS Claims, Convenience Class Claims
Reasonability determined by Bankruptcy Court	Professional claims (claims for services rendered to the City during its bankruptcy)
Claims are amended and supplemented in external sources	1996 Refunding Bonds Claims, 1999 Refunding Certificates of Participation Claims, Burgess Claims, PARS (Public Agency Retirement System) Claims, Retiree Health Benefit Claims, POB (Pension Obligation Bond) Claims
1% Distribution (potentially with other provisions)	Police Station AC Financing Claims, Consenting Union Claims, General Unsecured Claims

*For a detailed explanation of the impaired and unimpaired classes impacted by the Plan, see the Definitions and Treatment of Claims sections of the Plan (Exhibit A).

lished by Judge Jury and imposed a contract on its firefighters' union. A similar story played out with San Bernardino's police union: Judge Jury likewise agreed to let the city reject police union contracts. The dynamic with local public safety unions is complex: under its city charter, San Bernardino cannot directly reduce their pay (which is on par with other mid-sized municipalities, which are often much wealthier than San Bernardino). Its approach to reducing spending during bankruptcy has therefore focused on attempting to require fire and police unions to agree to employee contributions to their pension funds. Both unions strongly opposed this move. San Bernardino Police Officers Association attorney Ron Oliner contended that such 'cost-sharing' violates state law and said the union intend[ed] to press 'substantial' claims for rejection damages and an administrative claim.

Both the extensive litigation proceedings and the confirmed Plan demonstrate the intense conflict between San Bernardino, a city beset by public safety challenges, and its public safety employees over the course of the city's insolvency. San Bernardino came out on top in a process that, by design, favors the city.

Bondholder Claims

While CalPERS received payment in full, the entities that loaned tens of millions to San Bernardino in the form of Pension Obligation Bonds (POBs) will only receive partial repayment. Under an earlier version of the Plan, EEPK (a Luxembourg-based bank and a creditor of $50 million to the city) was set to receive only a 1% payout, along with Ambac Insurance Corp and Wells Fargo. In the confirmed plan, however, POB claims are set to be paid back at roughly a 50% rate. Specifically, "The City will make payments of $1.6 to $2.5 million per fiscal year until 2046 instead of the $3.3 million to $4.7 million per fiscal year owed under the terms of the 2005 pension bond agreement." This dramatic shift represents a middle-ground between the payouts for Consenting Unions and CalPERS – but still serves as an example of the pension agency's power, in contrast to that of most other creditors.

Implications

San Bernardino's exit path aligns with a broader pattern that has become common in municipal bankruptcy cases, an implication worth discussing. The pattern has arisen as most municipal bankruptcies have considered two primary classes of debt: pensions and bonds. As Diane Lourdes Dick wrote for the Brookings Institution, pensions have consistently won under principles of fairness and equity that have been lauded in public statements – retirees, after all, face much greater risk from non-repayment than major bondholders (such as EEPK and Wells Fargo in San Bernardino's case). Lourdes Dick attributes these dynamics not to principled moral arguments made by cities, but to the political economy of Chapter 9. A powerful negotiator such as CalPERS was uniquely able to advance its interests, while San Bernardino slashed retiree health benefits, which are more decentralized and less politically charged. These outcomes

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suggest that the Plan is not solely deferential to retirees above all others, but that it focuses on reaching a restructuring that is agreed to by powerful negotiators such as CalPERS. This trend, as Lourdes Dick argues, also helps explain the broader pattern of municipal bankruptcy restructurings and will likely continue to do so without changes to Chapter 9.

More than a decade after becoming insolvent and a year after exiting bankruptcy, San Bernardino is running a projected budget surplus for Fiscal Years 2022/2023 and 2023/2024, a result of changes made through its long-awaited Plan of Adjustment. While the city will need to continue responding to governance and fiscal health challenges, San Bernardino today seems to be on sound financial ground. ◆

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Proliferation of Ghost Guns in California

by Chad McElroy '26

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Since the founding of our nation, Americans have maintained and exercised their right to bear arms in various forms. Before Remington began large-scale manufacturing in 1816 and Smith & Wesson in 1852, Americans privately manufactured their own rifles, pistols, and other weapons, and despite the rise of the civilian firearms market, some Americans continue to do so. Today, some of these weapons are commonly referred to as "ghost guns."

What makes a "ghost gun" different from a traditional firearm? A ghost gun, as defined by the United States Department of Justice, is a privately made firearm (PMF) that is not marked with a federally approved serial number. These guns can legally be made from scratch, from individually manufactured parts intended to be made into firearms, or from cannibalized operational firearms parts assembled into a complete firearm. Ghost guns are uniquely categorized because they lack a serial number that traditionally would be engraved into the weapon by its manufacturer.

Ghost guns come in many shapes and forms, but the most common fall into two general categories: 3D-printed guns and "80% lowers." The Regional Gun Violence Consortium defines 3D-printed firearms as guns that have been assembled primarily from 3D printed parts acquired through commercially available files. Research by Conor O'Shaughnessy discusses an example called "The Liberator," a single shot .38 caliber pistol created in 2012 and the first 3D-printed pistol to be widely distributed across the Internet. In contrast, "80% lowers" utilize a commercially sold, unfinished frame or receiver that is modified until completion by the user, and then assembled into a completed pistol or rifle using other assorted parts. Often, these parts are sold in kits containing other essential firearm components in addition to the tools needed to construct the complete pistol or rifle.

These kits produce the most common variation of ghost guns. The Los Angeles Police Department reported that in 2021 over 90% of all ghost guns it recovered were assembled from premade kits. Some companies go a step further. For example, Defense Distributed sells the "Ghost Gunner 3" Computerized Numerical Control (CNC) milling machine that is capable of printing 80% complete rifle lower frames at home, negating the need for external and potentially regulatable purchases.

The Gun Control Act of 1968 (GCA) requires that anyone manufacturing, importing, or dealing firearms obtain a Federal Firearms License (FFL) from the United

States Department of Justice. One of the goals of this policy is to curtail the trade of unserialized firearms. Federal law stipulates that FFL dealers must maintain records of every firearm they import or sell, identifying each firearm through its official serialization. The GCA also requires all firearms traded within the United States to have a federally recognized serial number in correspondence to a manufacturer or licensed dealer. However, with the rise of commercially viable means of privately constructing firearms, the line between what legally constitutes a firearm and what is simply a firearm component is blurred.

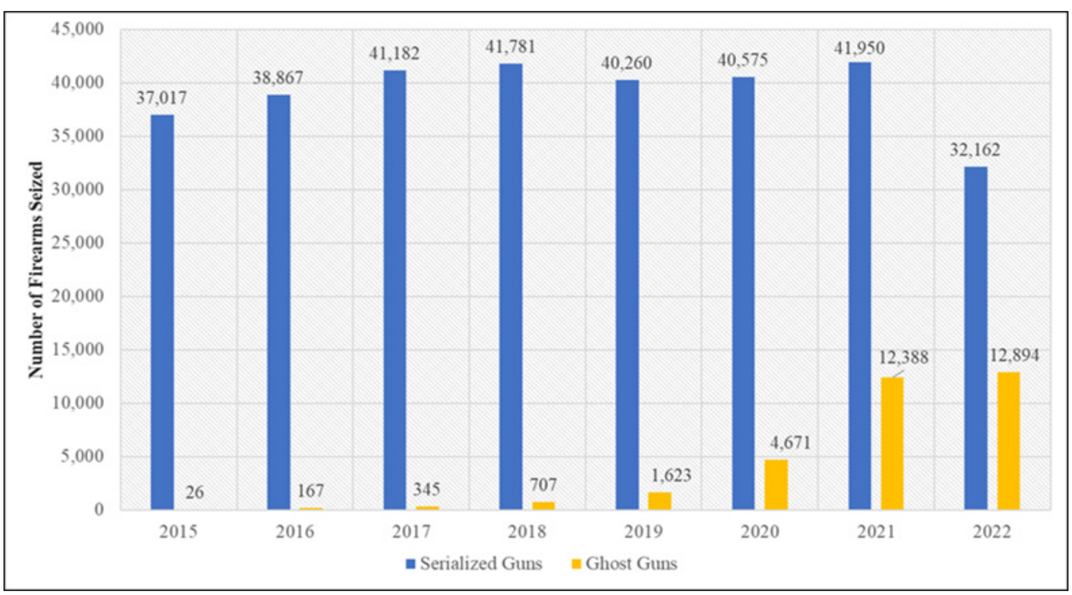
The definition of a firearm in the GCA and subsequent federal law is "any weapon (including a starter gun) which will or is designed to or may readily be converted to expel a projectile by the action of an explosive." Included within this definition of firearm is "the frame or receiver of any such weapon." A "frame or receiver" is not explicitly defined within the GCA, however, leaving open the door for a market of unregulatable partially complete firearms parts.

Recently, the Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF) published Final Ruling 2021-05F to define what constitutes a firearm frame or receiver, with the goal of clarifying what may be considered a regulated firearm. The definition specifies these parts as anything that encloses the weapon's applicable firing mechanism. Additionally, the definition of "frame" or "receiver" includes a partially complete frame or receiver, commercially available part kits, and frames or receivers that are designed to or may readily be completed or otherwise converted to function as a frame or receiver. This expands the definition to include "80%" part kits that contain (1) the frame or receiver and (2) the parts needed to complete them. However, the new ATF rule does not define the manufacturing level to which a frame or receiver is completed, allowing for incomplete yet easily modifiable firearm parts to continue to be sold without serialization. For example, Polymer80 is a Nevada-based online firearm part kit distributor that sells incomplete rifle lowers. In accordance with the law, these lowers do not contain a part "jig" to guide how to complete the part, but do include accessories such as a bolt-catch pin. These elements can be assembled with other commercially available parts into a working rifle. Notably, the Polymer80 webpage notes that the company will not ship AR receivers to the District of Columbia and fourteen states, including California.

California was one of the first states to take action against ghost guns and privately made firearms. In 2016, Governor Jerry Brown signed Assembly Bill 857, which requires anyone assembling or selling privately made firearms to apply for a federally identifiable serial number. This rule went into effect in January 2018. The law also prohibits ownership or sale of an unserialized firearm after January 2019. AB 857 includes the frame or receiver of any firearm under the term 'firearm,' yet like the GCA, the law does not clarify the definition of a frame or receiver.

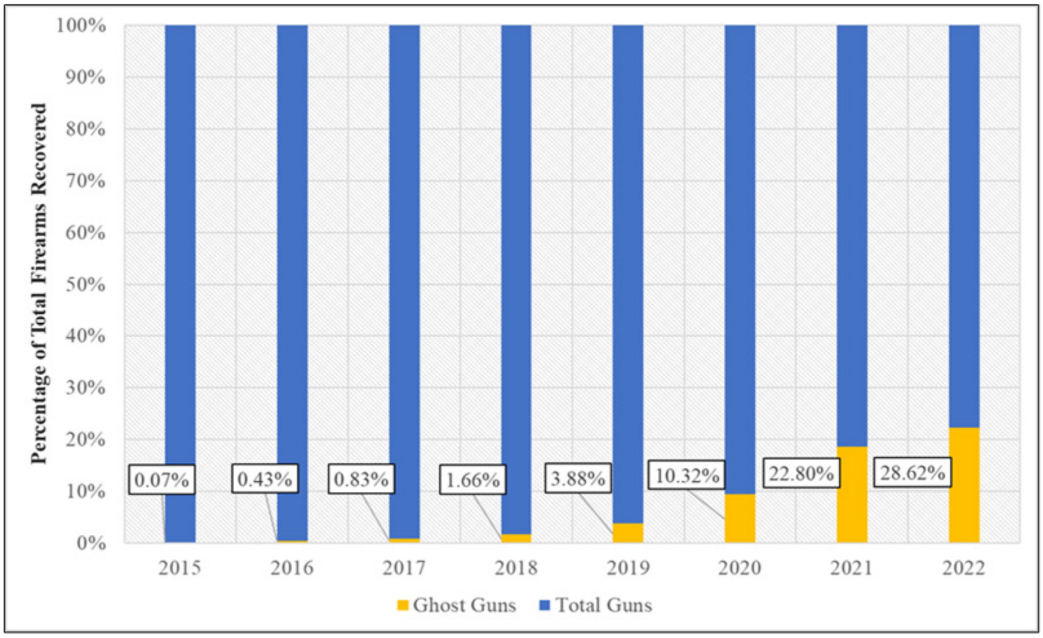
In June 2022, Governor Gavin Newsom signed into law Assembly Bill 1621, which requires that the components often used in privately manufactured firearms receive a serial number by January of 2024. In an effort to close the loophole created by the ambiguous definitions of firearm frames and receivers, the law expanded the term 'firearm precursor part' to include "any forging, casting, printing, extrusion, machined body or similar article that has reached a stage in manufacture where it may readily be completed, assembled or converted to be used as the frame or receiver of a functional firearm, or that is marketed or sold to the

Ghost Guns Seized vs Serialized Firearms in California



Source: "Armed and Prohibited Persons System Report 2022," California Department of Justice, April 3, 2022; "Firearms Trace Data: California -2021," Bureau of Alcohol, Tobacco, Firearms, and Explosives, September 15, 2022.

Ghost Guns as a Portion of Total Firearms Seized in California



Sources: "Armed and Prohibited Persons System Report 2022," California Department of Justice; "Firearms Trace Data: California-2021," Bureau of Alcohol, Tobacco, Firearms, and Explosives; "Crime Guns in California," California Department of Justice.

public to become or be used as the frame or receiver of a functional firearm once completed, assembled or converted."

Other California laws also have sought to regulate the manufacturing and sale of ghost guns. Senate Bill 1327 (2022) prohibited the sale of any unserialized, unfinished frame or receiver if federal law requires that it be serialized, even if it is not defined as a firearm under federal law. AB 2156 (2022) tightened firearm regulations in three ways, requiring that anyone seeking to manufacture a firearm or precursor part must hold a firearm manufacturing license from both the state and the federal government, that anyone manufacturing a firearm or precursor via a 3D printer must be licensed by the state, and that a citizen may only produce up to three firearms for personal use before needing to obtain a state license. Most recently, in September 2023, Governor Newsom signed a new bill taking aim at ghost guns. AB 1089 requires anyone using a 3D printer or CNC milling machine to manufacture firearms to be state licensed (eliminating the three-gun allowance) and adds these devices to the legal definition of firearm related products. Additionally, AB1089 prohibits the sale of 3D printers and CNC machines specifically designed to manufacture firearms, while also establishing civil liability on the part of ghost gun-related instruction distributors, should a firearm produced with those instructions cause personal injury or property damage.

Ghost gun legislation in other states and on the federal level is evolving. Everytown Research has noted that as of 2023, ghost guns are regulated in 13 states: California, Oregon, Washington, Nevada, Hawaii, Colorado, Illinois, Maryland, New Jersey, New York, Delaware, Connecticut, and Rhode Island. In late June, a U.S. District Court judge in Fort Worth, Texas struck down the 2021 ATF updated rule on privately made firearms, holding that the agency had exceeded its jurisdictional authority. However, two months later the Supreme Court temporarily reinstated the ATF regulation by a 5-4 vote, allowing the law to stay in effect as the federal government appeals the lower court ruling.

Meanwhile, some municipalities have taken action to limit the sale and proliferation of ghost guns. Most recently, the City of Los Angeles won a $5 million settlement with ghost gun manufacturer Polymer80, forcing the company to conform to both state and federal ghost gun regulations. As reported by the Los Angeles Times, Polymer80 is now prohibited from selling in California firearm parts kits that lack federal serialization, as required by AB 857, and must additionally perform background checks as part of standard purchases.

Ghost guns are increasingly becoming an issue for federal law enforcement. Research by Garen Wintemute suggests that criminals can take advantage of the ease of manufacturing and the unserialized condition of ghost guns to trade and use firearms without the knowledge of federal authorities. The unserialized nature of ghost guns makes it extremely difficult, if not impossible, to trace them to their producers. A congressional letter sent to the Department of Justice revealed that between January 1, 2016, and March 4, 2021, the ATF attempted to trace almost 23,946 recovered ghost guns, but could only complete 151 traces, a success rate of 0.63%. This contrasts with the 456,571 serialized firearms recovered by the ATF in 2021, with 361,587 being traced back to states and vendors — roughly an 80% success rate.

In California, criminals are more frequently using ghost guns. In June 2020, a member of the 'Boogaloo Boys' gang used a privately made, suppressed, and fully automatic ghost gun to kill one Oakland police officer and wound another. In February 2023, the *Los Angeles Times* reported that a convicted felon used a privately manufactured semi-automatic rifle to kill a Selma Police Department Officer in Fresno. Ghost gun confiscations are on the rise throughout the state, as the San Francisco Police Department noted that in 2021 44% of firearms recovered in homicide investigations were ghost guns. Research by Garen Wintemute found that in that same year, 30% of all firearms the ATF recovered in California trafficking investigations were unserialized. Most notably, the California Department of Justice recently published the 2023 Crime Guns in California Survey, which reported that privately made firearms accounted for 9.55% of all guns used in crimes.

Statewide Analysis

Ghost guns are being seized at increasing rates, especially in comparison to traditional firearms. As noted in Figure 1, until 2019, only 1,245 ghost guns were seized throughout the state. However, since 2019, authorities have seized 31,576 such firearms, a 2,436% increase. Ghost guns are also becoming more common among the total number of firearms seized within the state. As shown in Figure 2, the 167 ghost guns seized across the state in 2016 accounted for less than 1% of total guns seized. However, in 2020, that percentage jumped to nearly 10%, and in 2022, ghost guns accounted for roughly 28% of the total guns recovered in California.

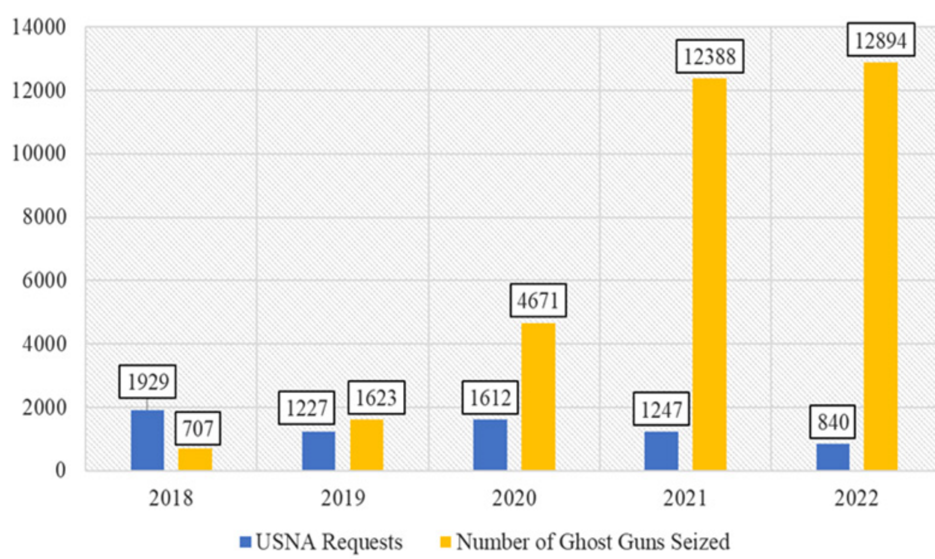
AB 857 required that firearm owners seeking to own or build their own guns apply for a serial number via Unique Serial Number Application (USNA). Data compiled by the California Department of Justice shows that while the number of USNA applications remained roughly steady from 2018 to 2021, the total number of ghost guns seized within the state of California rose dramatically during that period. As indicated in Figure 3, 1,929 USNAs were requested in 2018, and 707 ghost guns were recovered. However, by 2020, only 1,612 serial number applications were submitted, but authorities recovered 4,671 ghost guns state-wide. In 2022, the difference between the two numbers became stark, with only 840 applications filed, compared to 12,894 ghost guns recovered. The number of USNAs has not kept pace with the number of ghost guns being found within the state, suggesting that people are illegally manufacturing and owning ghost guns at an increasingly high rate.

Local-Level Analysis

Since 2020, the Los Angeles Police Department has recovered large numbers of ghost guns, and these weapons have become a greater share of all firearms recovered. The LAPD reported that it seized 813 ghost guns in 2020; in 2021, the number rose to 1,921 guns—an increase of 136%--before dipping in 2022 to 1,706. In 2020, ghost guns represented 13% of total guns seized by the LAPD, while in 2022 they were nearly 23% of all firearms recovered. These figures suggest that ghost guns are being used or possessed illegally with increasing frequency in Los Angeles.

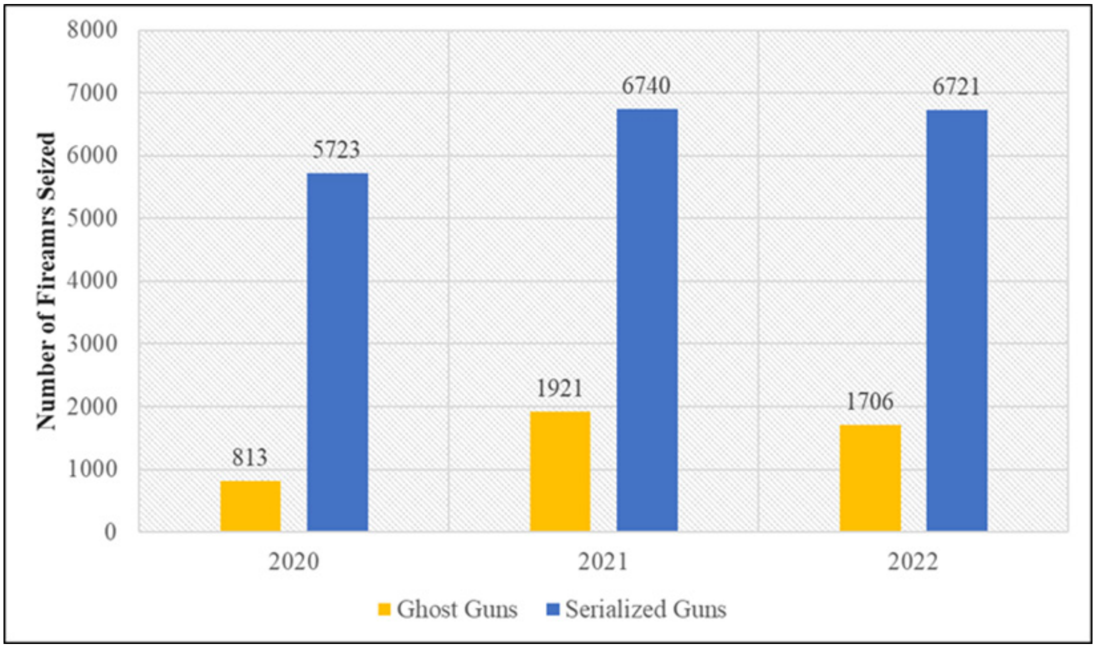
San Francisco is seeing a similar trend. From 2016 to 2018 authorities in that city seized only 73 ghost guns. In the following three years (2019-2021), however, the San Francisco Police Department seized a total of 551 ghost guns. As shown in Figure 5, ghost guns accounted for only 4% of total guns recovered in San Francisco in 2018, but that percentage rose to 16% in 2020 and to 21% in 2021. As in Los Angeles, the number of ghost guns seized in San

USNA Requests vs Ghost Gun Seizures in California



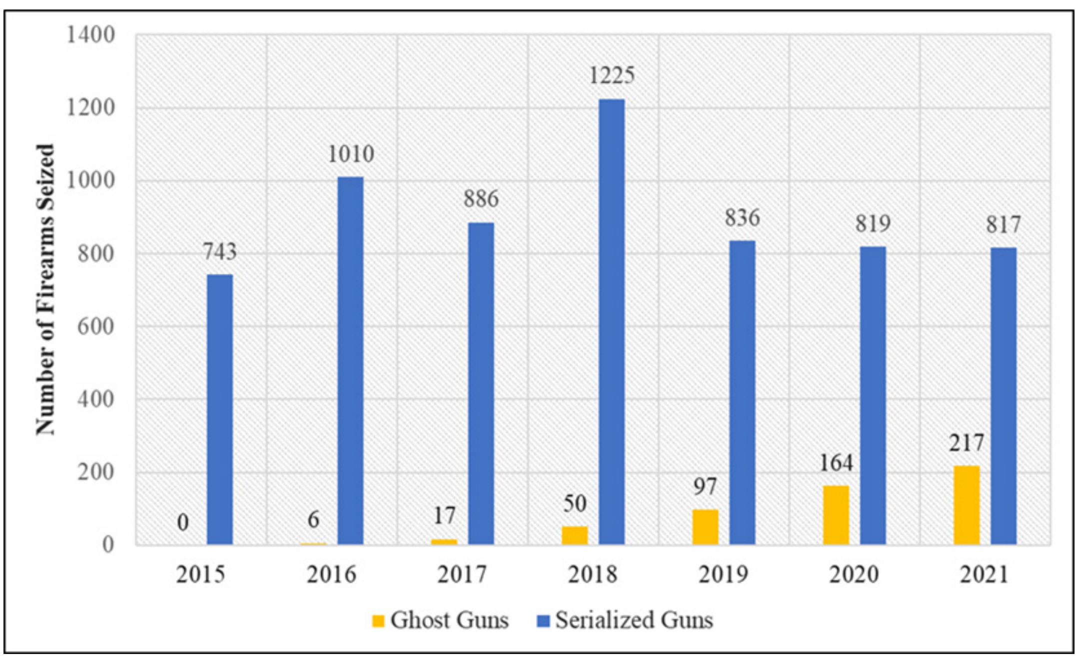
Source: "Armed and Prohibited Persons System Report 2022," California Department of Justice.

Ghost Guns vs Serialized Firearms, Los Angeles



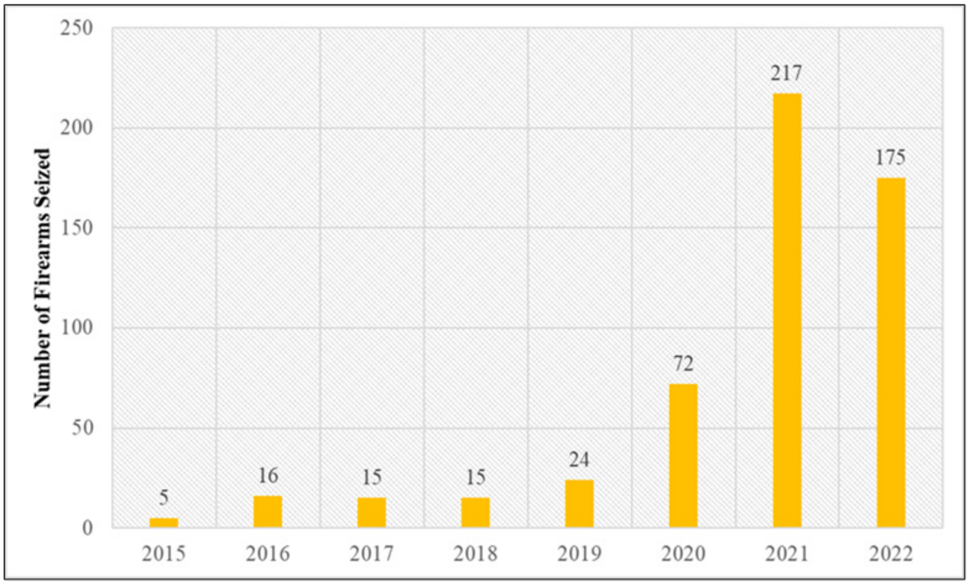
Source: "Homicide Report 2022," Los Angeles Police Department, March 23, 2023

Ghost Guns vs Serialized Firearms, San Francisco



Source: "Oakland, S.F. see spike in untraceable ghost guns: 'Anybody can get these,'" Megan Cassidy, *San Francisco Chronicle*, April 30, 2021; "High number of firearm recoveries underscores America's worsening gun violence epidemic," Priya Krishnakumar, CNN, January 20, 2022.

Ghost Guns Seized in Orange County



Source: Orange County Sheriff's Department, public records request by Chad McElroy, received November 21, 2022.

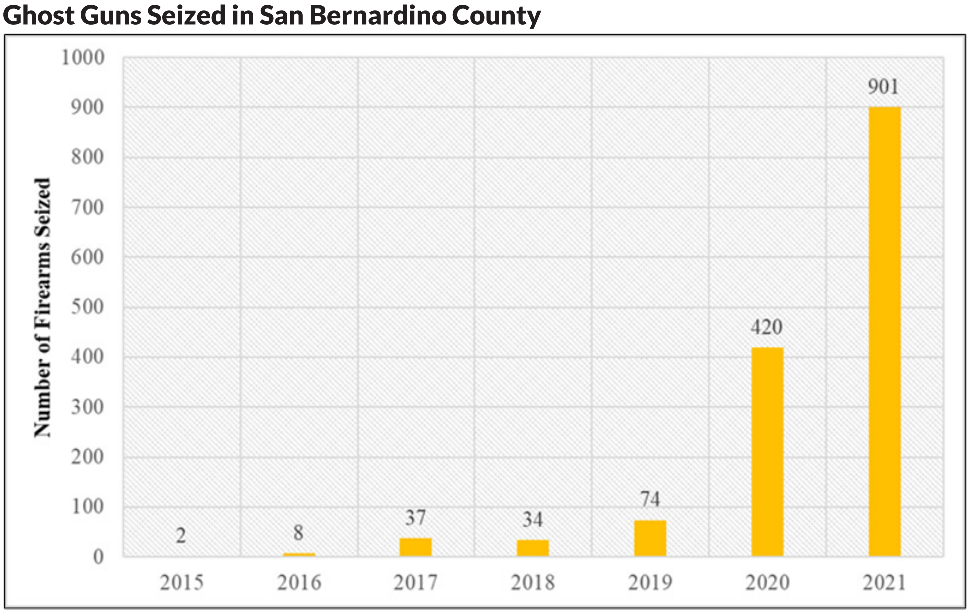
Francisco has risen dramatically. These sharp increases coincide with the criminalization of unserialized firearms by AB 857, which went into effect in 2019.

The Orange County Sheriff's Department has also reported a noticeable increase in ghost gun seizures after the implementation of AB 857. Between 2015 and 2018, the department seized only 51 ghost guns. Between 2019 and 2022, however, the department confiscated 488, with noticeable increases of 200% between 2019 and 2020, and 201% from 2020 to 2021. In 2022, the number of ghost guns seized by Orange County fell to 175, a decrease of about 20% from the peak in 2021.

Ghost gun seizures have spiked in San Bernardino County, as well, following the implementation of AB 857. From 2015 to 2018, only 81 ghost guns were recovered in San Bernardino. The number of recoveries rose sharply each year since then with 74 seized in 2019, 420 in 2020, and 901 in 2021, resulting in a notable increase of 468% between 2019 and 2020 and an increase of 115% the following year. Ghost gun proliferation in San Bernardino appears to follow the trends observed in other California jurisdictions.

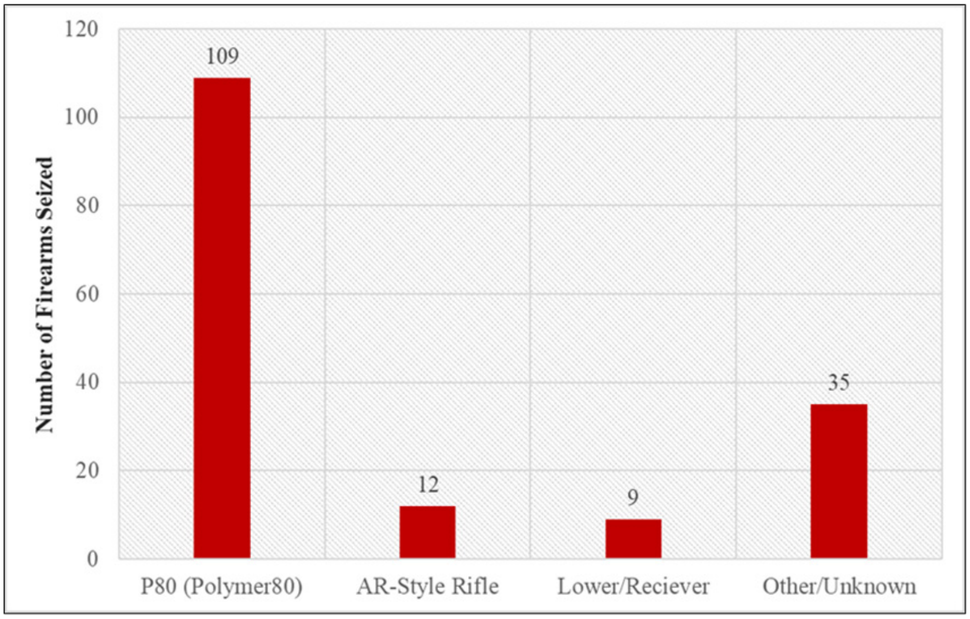
Finally, statistics provided by the Riverside Sheriff's Department tell a similar story. While the department seized only six ghost guns prior to 2020, between 2020

Ghost Guns Seized in San Bernardino County



Source: San Bernardino County Sheriff's Department, public records request by Chad McElroy, received December 13, 2022.

Make/Model of Ghost Guns Seized by Riverside County between 2015 and 2022



Source: Riverside Sheriff's Department, public records request by Chad McElroy, received November 29, 2022.

and 2021 it recovered more than 92 ghost guns, and in 2022 it seized 105. Interestingly, the data provided by Riverside County also recorded the make and model of the firearms seized by authorities. One hundred and nine of the 165 ghost guns the department seized were P80-style handguns, which equaled 66% of all ghost guns confiscated. P80s are sold online either in completed form or as separate parts assembled into the firearm by the company Polymer80. AR-style rifles accounted for only 7% of the ghost guns seized, and individual 80% lowers or receivers accounted for 5%.

The passage and implementation of California Assembly Bill 857 has not succeeded in preventing or slowing the proliferation of ghost guns in California. Applications for unique serial numbers as required by the law have decreased over time, while the numbers of ghost guns in the state continue to rise. The trend continues locally, with Los Angeles, Orange County, as well as San Francisco noting dramatic increases in ghost guns in the time since the law was passed. The Inland Empire is not spared from this trend, as data provided by San Bernardino and Riverside Counties demonstrate steadily increasing ghost gun seizures. It remains to be seen if new bills such as AB 1621, SB 1327, or AB 1089 will have an effect on ghost gun proliferation in the state. ◆

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Photo courtesy of Ontario International Airport

Ontario Airport Roars Back

by Nikhil Agarwal '24

Ontario International Airport (ONT) has experienced highs and lows in the past two decades. Previously owned by the Los Angeles World Airports (LAWA), a department of the City of Los Angeles that also manages the Los Angeles International Airport (LAX) and Van Nuys Airport, ONT suffered a serious setback following the recession of the late 2000s. Annual passenger volume was in decline and airlines were fleeing. High operation costs borne from overstaffing, high administrative fees, and overcompensation of airport employees contributed to the struggles of the airport. The Cost Per Enplaned Passenger (CPE), an industry-standard measure of what it costs the airlines to use an airport, was more than 200% over the U.S median, and higher than every other major airport in the region. As the economy began recovering and other airports in Southern California rebounded, local officials turned their attention to LAWA. Was it paying enough attention to Ontario? Was it funneling air traffic to LAX?

Starting in 2011, local officials led the campaign for local ownership and control of the airport. San Bernardino County and the City of Ontario executed a Joint Powers Agreement in 2012 to form the Ontario International Airport Authority (OIAA). The OIAA was created to form a viable business plan for Ontario Airport. OIAA released its strategic business plan in 2013, proposing to bring down costs by treating the airport like a private entity and taking advantage of the potential economic benefits of regional governance and organization.

In August 2015, the City of Los Angeles agreed to relinquish its ownership of the airport and transfer control to the OIAA, with the transfer closing on November 1, 2016. The OIAA agreed to retain LAWA's current employees at ONT for the first two years. Eager to take advantage of the opportunities afforded by the change in control, Alan Wapner, president of the OIAA, told the Rose Institute in 2016 that the strategy for Ontario's air service development consisted of five elements.

1. Reduce ONT's CPE
2. Show how underserved the Ontario market is relative to other markets of similar size
3. Show the constraints that the other area airports face
4. Show the opportunities for growth that the region has to offer

5. Tailor presentations to the carriers and routes that put ONT's best foot forward.

Behind this ambitious agenda was an optimism that ONT was well positioned to play a critical role in meeting the growing demand for air travel in Southern California. Whereas neighboring airports such as John Wayne International (SNA) in Orange County are bound by upper limits on annual passenger volume, Ontario Airport faces no such constraints. The OIAA worked with the City of Ontario and San Bernardino County to market Ontario Airport as the airport of choice for both residents and businesses in Inland Southern California.

Lowering costs was the most significant goal of the OIAA, and seven years on from the transition to local control, OIAA has met that objective. Reducing the high operating and management costs which had plagued the airport (chiefly overstaffing and overcompensation of airport employees) was seen as paramount to the future success of the airport. Liset Márquez reported on this in the *San Bernardino Sun*, citing a 2010 report released by the City of Ontario. It found that, despite LAWA's best efforts to cut Ontario Airport's bloated staff from 425 to 302, ONT staffing was still far higher than John Wayne Airport's 175, and Long Beach Airport's 124, both of which had a larger volume of passengers at the time. The report found that for comparable medium-sized airports, the ratio of workers to passengers was around 79 employees to 1 million passengers. Ontario however, came in at 163 to 1 million, more than double the average. This overstaffing issue was compounded by the fact that at $102,400 per employee, Ontario Airport workers received the highest benefits and wages of any airport in the region; compensation levels at

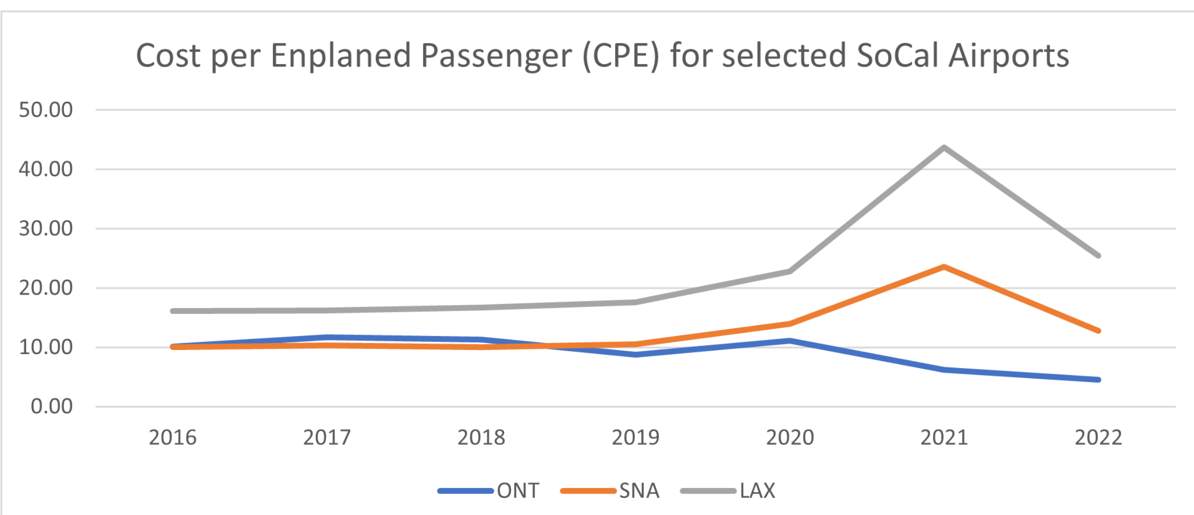
Ontario International Airport Cost Per Enplaned Passenger

YEAR	CPE
2016	$ 10.13
2017	$ 11.69
2018	$ 11.28
2019	$ 8.72
2020	$ 11.12
2021	$ 6.18
2022	$ 4.52

Source: (CATS) Operating and Financial Line-Item Report 127. Certification Activity Tracking System. https://cats.airports.faa.gov/Reports/Form127_Line_Item_Select.cfm.

surrounding airports was approximately 15% lower. Consequently, Ontario Airport was a high-cost airport to the airlines.

The OIAA has made excellent progress in reducing the Cost Per Enplaned Passenger (CPE). CPE is the total cost that an airline pays to use an airport divided by the number of enplaned passengers. These costs include all landing fees, airside usage charges, fuel flowage fees, terminal rents, and other airline payments to airports. In 2010, Ontario Airport's CPE stood at $14.50, over twice that of Long Beach ($5.34), and over three and a half times as much as Palm Springs ($4.07). Ontario Airport's CPE was even higher than that of LAX, which was $11. Since then, Ontario Airport has managed to bring its CPE down to $4.52, where it currently stands after fluctuating around $10-11 from 2016 to 2020. Steve Lambert, ONT's public



Source: (CATS) Operating and Financial Line-Item Report 127. Certification Activity Tracking System. https://cats.airports.faa.gov/Reports/Form127_Line_Item_Select.cfm.

information officer, attributes the dramatic improvement to cost reductions in staffing and operations, as well as a commitment to increasing non-aeronautical revenues such as airport concessions.

In comparison to neighboring airports John Wayne International and LAX, Ontario Airport's CPE today looks good. Since shifting to local control in 2016, ONT has consistently maintained a lower CPE than LAX, and has stayed lower than SNA in each of the past four years.

Annual Passenger Volume under OIAA

In the decade prior to Los Angeles relinquishing its control of Ontario Airport, ONT annual passenger volume was steadily decreasing. Total passenger volume stood at 7 million in 2006. It rose slightly to 7.2 million in 2007 and then dropped to 6.2 million in 2008. Passenger totals at ONT continued to drop for the next four years, reaching a low of 3.9 million in 2013. They then hovered around 4.2 million for the next three years. In the space of nine years passenger totals fell by close to 3 million, from 7 million in 2006 to 4.2 million in 2015.

Theories abounded that LAWA was funneling air traffic from smaller regional airports like Ontario to LAX. Writing in an industry journal, Barbara E. Lichman noted it was clear LAX was getting favorable treatment to the severe detriment of Ontario's future. "LAWA has apparently enticed air carriers to move to LAX by lower costs and fees, in order to pay the cost of its major, ongoing expansion project. Ontario is left the orphan…" LAX's own increase in passenger volume during this period lends strength to those theories. LAX rebounded from a low of 56 million passengers in 2009 by increasing passenger volume every year, hitting a then-high of 74 million in 2015. The statistics for John Wayne International showed that it was possible to maintain passenger volume during this period, as it hovered consistently between 8-9 million passengers per year before breaking the 10 million mark for the first time in 2015.

Total Passenger Volume

YEAR	ONT	SNA	BUR
2006	7,049,904	9,613,480	5,689,291
2007	7,207,150	9,979,699	5,921,336
2008	6,232,975	8,989,603	5,331,404
2009	4,861,110	8,705,199	4,588,433
2010	4,812,578	8,663,452	4,461,271
2011	4,540,694	8,609,008	4,301,568
2012	4,296,459	8,857,944	4,056,416
2013	3,971,136	9,232,789	3,844,092
2014	4,127,280	9,386,033	3,861,179
2015	4,209,311	10,038,466	3,943,629
2016	4,251,903	10,496,511	4,739,466
2017	4,552,225	10,423,578	4,739,466
2018	5,115,894	10,664,038	5,263,972
2019	5,583,732	10,656,986	5,983,737
2020	2,538,482	3,794,850	1,995,348
2021	4,496,592	7,700,489	3,732,971
2022	5,740,593	11,360,959	5,898,736

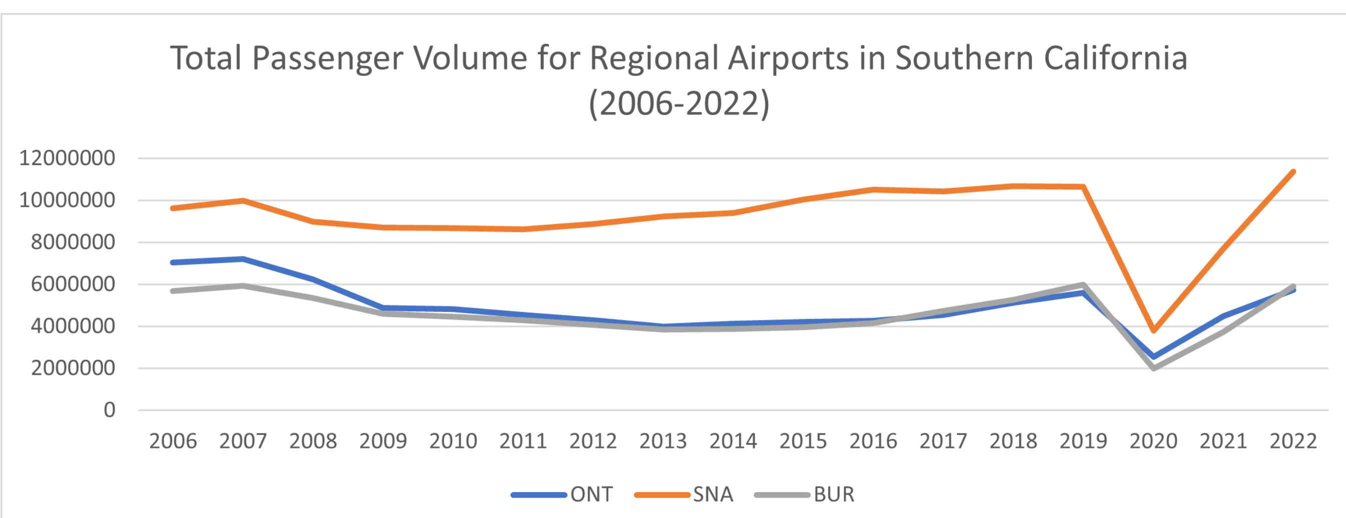
Source: Passenger and Freight Statistics, Ontario International Airport, https://www.flyontario.com/air-service/statistics; Monthly Airport Statistics, John Wayne Airport, Orange County, https://www.ocair.com/about/news-info/statistics/, Airport Statistics, Hollywood Burbank Airport, https://www.hollywoodburbankairport.com/about-us/airport-statistics/.

Photo courtesy of Ontario International Airport

Since gaining local control in 2016, Ontario Airport has by and large steadily increased its annual passenger volume, save for 2020, the year in which the COVID-19 pandemic severely restricted travel. Despite passenger volume dropping to 2.5 million that year, the airport has now rebounded to its pre-Covid level, and had a total of 5.7 million passengers in 2022, its highest number since 2008. Ontario's trajectory looks very similar to both John Wayne International Airport and Hollywood Burbank Airport (BUR), both of which also recovered following marked declines in total passenger volumes in 2020.

Since the return to local ownership in 2016, China Airlines, JetBlue, Hawaiian Air, Northern Pacific and Avianca have all started operation at ONT. The legacy airlines, however, are still the largest carriers. In 2022 Southwest topped the list with 2,294,956 passengers, American Airlines was second with 848,352, and Delta third with 723,876. China Airlines was the fastest growing from 2021 to 2022.

Ontario Airport has continued its steady growth in passenger volume in 2023, recording a YTD passenger volume of 4,696,498 as of September 2023, up 11% from one



Source: Passenger and Freight Statistics, Ontario International Airport, https://www.flyontario.com/air-service/statistics; Monthly Airport Statistics, John Wayne Airport, Orange County, https://www.ocair.com/about/news-info/statistics/, Airport Statistics, Hollywood Burbank Airport, https://www.hollywoodburbankairport.com/about-us/airport-statistics/.

Ontario International Airport
Passenger Volume by Carrier, 2021, 2022

	2021	2022	% Change
aha!	876	4,770	445%
Alaska Airlines	403,608	440,568	9%
American Airlines	886,116	848,352	-4%
Avianca	16,897	42,334	151%
China Airlines	2,114	31,680	1399%
Delta Air Lines	542,023	723,876	34%
Frontier Airlines	446,177	611,010	37%
Hawaiian Airlines Co	82,971	117,590	42%
JetBlue	44,415	106,995	141%
Southwest Airlines Co	1,687,528	2,294,956	36%
United Air Lines Inc	283,105	393,825	39%
Volaris	104,146	120,811	16%
All Other	152	3,826	487%

Source: Ontario International Airport, December 2022 Traffic Report, https://www.flyontario.com/sites/default/files/2023-01/ont_airport_statistics_-_dec_2022.pdf.

Photo courtesy of Ontario International Airport

Photo courtesy of Ontario International Airport

year prior. Among domestic carriers, American Airlines and Frontier Airlines had the largest increase, with each showing 22% YTD increase over September 2022 to 757,908 and 503,086 passengers respectively. Southwest still leads the pack in passenger volume with 1,749,504 YTD, an increase of 2.6%. Although the absolute passenger numbers are small in comparison, passenger volume on direct international flights to Taiwan, Mexico, and Central America show explosive growth. Through the first eight months of 2023, the number of international passengers flying into or out of ONT more than doubled, to nearly 260,000.

Freight

Much of Ontario Airport's success is clearly tied to the success of the logistics sector. Situated close to the intersection of Interstate 10 from Los Angeles to Phoenix, Interstate 15 connecting San Diego to Las Vegas, and State Route 60, Ontario Airport is central to the growth and success of the Inland Empire's logistics industry. As Claremont Graduate University Professor Gary Gaukler pointed out in 2016, shipments by air through Ontario Airport are critical to meet the demand for warehouse and logistics capacity, as e-commerce sales grow at the expense of traditional brick-and-mortar sales. The region's proximity to both the Port of Los Angeles and the Port of Long Beach, as well as to large population centers, and the availability of relatively affordable real estate for distribution and fulfillment centers, gave Ontario Airport strategic advantages.

Ontario Airport Freight

YEAR	Freight
2006	544,600
2007	532,865
2008	481,284
2009	390,060
2010	.92,428
2011	417,686
2012	454,880
2013	465,537
2014	474,502
2015	509,809
2016	567,295
2017	654,378
2018	751,529
2019	781,993
2020	924,160
2021	890,383
2022	851,924

Source: Passenger and Freight Statistics, Ontario International Airport, https://www.flyontario.com/air-service/statistics.

Photo courtesy of Ontario International Airport

In the early 2010s, Ontario Airport saw impressive gains in the volume of cargo (measured in tons) being transported through, rising to 509,810 tons in 2015, up almost 30% from its low of 390,933 tons in 2009. Ontario Airport has continued its upward trajectory, posting increases in freight every year until its peak of 924,160 tons in 2020 as many people turned to e-commerce during the Covid-19 lockdown. As passenger volume fell precipitously in 2020, the large increase in freight saved the Ontario Airport during the pandemic, much as it did during the last recession. As the pandemic subsides, freight volume has fallen in 2021 and 2022, but still exceeds pre-pandemic levels.

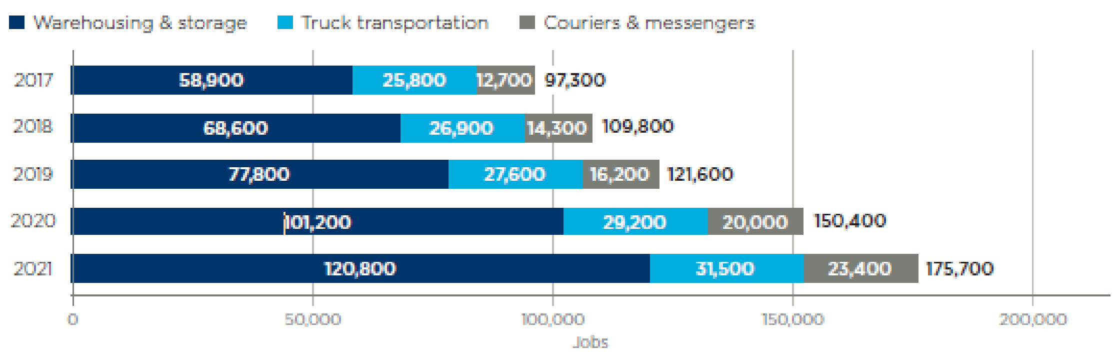
Lambert pointed out that "ONT has long been one of the nation's strongest air-cargo centers and had the infrastructure in place to handle what was about a 20% year-over-year increase in cargo volumes in 2020 and heading into 2022." ONT readiness and capacity works hand in hand with investments made by the industry. According to a study commission by ONT from Oxford Economics, during the first year of the pandemic, FedEx Express announced a $290 million project at ONT designed to improve efficiency. UPS expanded its Western Regional Air Hub at the airport to process over 400,000 packages daily and FedEx Ground also made considerable investments in the IE region with plans to spend over $90 million. Amazon has spent over $19 billion in the Inland Empire since 2010 and is developing its largest warehouse in the world in the city of Ontario.

As Ontario Airport has grown in importance, so too has the number of jobs which flow into the Inland Empire. Oxford Economics reports that Inland Empire employment in the logistics industry grew 44% between 2019 and 2021, from 121,600 to 175,700. A report from the *Orange County Register* found that the logistics businesses employed 486,300 people across Southern California at year-end 2022, up 83,800 in three years, a gain of 21%. Not only do Riverside and San Bernardino counties together have the third largest transportation and warehouse workforce in the nation, but the 42% growth in transportation and warehouse staffing in the Inland Empire also outpaced other sectors within Southern California and was the largest in the nation. The health of the Inland Empire's logistics sector has had positive spillover effects on its broader job market. With 1.71 million workers, the IE is the nation's fifteenth largest job market. Among the 36 biggest U.S employment hubs, its 6.2% job-growth pace over three years was bettered by only Austin, Dallas, Nashville, and Tampa.

This growth is not without critics. Earlier this year, over sixty organizations representing environmental, academic, health, and labor interests wrote a letter to Governor Gavin Newsom calling for a moratorium on new warehouses in the region, arguing that rampant warehouse development results in decreased air quality, in turn leading to increased rates of cardiac, respiratory, and reproductive health impacts, as well as cancer, related to truck emissions.

The logistics industry, however, is a significant economic driver, employing an estimated 200,000 people in the region. According to the Oxford Economics study, the eight zip codes that adjoin the airport generated $17.8 billion in economic output. Lambert points out that "FedEx, UPS and Amazon all have significant cargo operations at the airport, employing thousands of people and supporting families across the region." ◆

Inland Empire Logistics Industry Wage and Salary Employment, 2017-2021



Source: The Economic Impact of Ontario International Airport, Oxford Economics, September 2022, https://www.flyontario.com/airport-authority/economic-impact-report.

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