

News Release

George McQuade or Aida Mayo
(818) 340-5300 or (818) 618-9229



www.MayoCommunications.com

PR@MayoCommunications.com

IMMEDIATE RELEASE

August 21, 2008

Economic Stimulus Key to Solving State's Budget Crisis

Southern California Leadership Council Responds to The Governor's Budget Compromise, which among other things develops public-private partnerships and releases bond funds to stimulate the economy

Los Angeles- "California's budget crisis underscores the state's critical need for a long term modernization and global competitiveness strategy before it is too late," said a letter today (Thursday, August 21, 2008) to the legislature from Southern California Leadership Council (SCLC), a business-led-and-sponsored public policy partnership for the Southern California region. The letter was signed by SCLC Co-Chair Floyd Wicks, Co-Chair David Fleming and Ambassador George Argyros.

Governor Arnold Schwarzenegger today is offering the Legislature a compromise proposal on a state budget that SCLC contends is a responsible way to address California's remaining \$15.2 billion budget shortfall.

The governor, among his list of budget compromise reforms, proposes an economic stimulus package to stem job losses, facilitate creation of new jobs, and improve tax revenues. The SCLC overwhelmingly supports these key economic stimulus solutions because it:

- Provides statutory authority to develop public-private partnerships with design-build authority to add new, and accelerate existing, infrastructure projects (Caballero (AB 1261) and Niello (AB 2600) bills).
- Expedites the allocation and disbursement of existing transportation, housing and water bond funds to stimulate economic growth and job creation immediately.

The SCLC letter states that, "needed improvement in state tax revenues depends on a vibrant, growing economy and jobs base. The impacts and inefficiencies of our infrastructure backlog threaten not only the state's economic vitality and our quality of life, but the jobs of state employees if declining state revenues and the resulting financial inability to service the debt on state obligation bonds for new infrastructure continue."

The SCLC also believes that more money invested in clean, efficient new transportation, water, energy and other public projects, means more jobs and more state revenues for further reinvestment. A 2005 study by the Los Angeles County Economic Development Corporation (LAEDC) looks at how to address southern California's critical need for new goods movement infrastructure.

The study presented a \$10 billion strategy to address 10 years of infrastructure and environmental improvements on the trade corridors. Using a public private partnership model, California would have funded one third of the cost through revenue bonds, the federal government would have funded one third through a combination of highway funds and tax credits, and private sector investment would have provided the final third of the funds.

For less than \$4 billion of California state and local government investment, the well paying jobs created by the program in the goods movement, construction and transportation sectors would have returned more than \$17 billion in new sales tax and state income tax revenues. These revenues would then be available to the state to invest in more projects and services involving public employees.

“Bond measures that can’t be funded due to the state’s growing fiscal imbalance will likely alienate future voter support,” the letter said. “The mounting backlog of projects, including desperately needed state highway and goods movement efforts, already overwhelms the capacity of a number of state agencies to deliver needed design and construction services if and when the funds become available. Public Private Partnerships, or as the Governor likes to call it, Performance Based Infrastructure, does not require that projects use only private sector employees.

In many cases where these private-public mechanisms have been successfully used, it is public employees who often lead or supply much of the design and construction management services, depending on the nature of the project and the allocation of financial risks.”

About Southern California Leadership Council

The Southern California Leadership Council is a business-led-and-sponsored public policy partnership for the Southern California region. The Council provides proactive leadership for a strong economy, a vital business environment and a better quality of life for everyone who lives here. Founded in 2005 as a voice for the region's business community and like-minded individuals to focus and combine their efforts, the Leadership Council's objective is to help enable public sector officials, policy makers and other civic leaders to address and solve public policy issues critical to the region's economic vitality and quality of life. The Council is comprised of business and community leaders from throughout the seven counties of Southern California and four former California governors.

[Editors note: For media interviews SCLC or for more information about the Southern California Leadership Council’s, please contact George McQuade, 818-340-5300 or 818-618-9229. For more about SCLC visit: <http://www.laedc.org/sc/c/index.html>.]

###