



224 Airport Parkway, Suite 620  
San Jose, CA 95110  
PH | 408.501.7864  
FAX | 408.501.7861  
www.realcoalition.org

LUCY DUNN  
Co-Chair  
Orange County Business Council

CARL GUARDINO  
Co-Chair  
Silicon Valley Leadership Group

RON ADDINGTON  
Business Council of San Joaquin County

BILL ALLEN  
Los Angeles County Economic  
Development Corporation

RUBEN BARRALES  
San Diego Chamber of Commerce

LINDA BEST  
Contra Costa Council

PAT DANDO  
San Jose Silicon Valley Chamber  
of Commerce

KAREN ENGEL  
East Bay Economic Development Alliance

STEVE FALK  
San Francisco Chamber of Commerce

HEIDI GALLEGOS  
Regional Chamber of Commerce  
San Gabriel Valley

RANDY GORDON  
Long Beach Area Chamber of Commerce

JOE HARABURDA  
Oakland Metropolitan Chamber of  
Commerce

LEE HARRINGTON  
Southern California Leadership Council

CYNTHIA KURTZ  
San Gabriel Valley  
Economic Partnership

MATTHEW MAHOOD  
Sacramento Metro Chamber of Commerce

JULIE MEIER WRIGHT  
San Diego Regional Economic  
Development Corporation

CYNTHIA MURRAY  
North Bay Leadership Council

AL SMITH  
Greater Fresno Area Chamber  
of Commerce

GARY TOEBBEN  
Los Angeles Area Chamber of Commerce

JIM WUNDERMAN  
Bay Area Council

February 17, 2011

Governor Jerry Brown  
State Capitol Building  
Sacramento, CA 95814

Senate President Pro Tempore Darrell Steinberg  
State Capitol Building, Room 205  
Sacramento, CA 95814

Assembly Speaker John Perez  
State Capitol Building, Room 3160  
Sacramento, CA 95814

Senator Bob Dutton, Senate Republican Leader  
State Capitol Building, Room 5094  
Sacramento, CA 95814

Assembly Member Connie Conway, Assembly Republican Leader  
State Capitol Building, P.O. Box 942849  
Sacramento, CA 95814

**Re: Expedited Office of Statewide Health Planning and Development Plan  
Review for California Hospitals and Health Facilities**

Dear Governor Brown and California State Senate and Assembly Leaders:

The undersigned members of the Regional Economic Association Leaders (R.E.A.L.) Coalition, an association of California's most influential business associations, representing more than 11,000 employers providing more than 3 million jobs, respectfully ask you take the following three actions – which will cost the state nothing since they are fee-supported by hospitals – to unclog the multi-billion dollar backlog of delayed Office of Statewide Health Planning and Development (OSHPD) hospital and health facility capital improvement project entitlements:

1. Provide OSHPD with an exemption from mandatory staff furloughs;
2. Authorize OSHPD to fill 30 engineer and architect vacancies; and
3. Authorize OSHPD to contract out project reviews until such vacancies are filled.

Although OSHPD has as one of its articulated core service values "the efficient processing of approvals for health facility construction," many California hospitals seeking to perform capital improvement projects, employing many thousands of

construction workers in California's severely decimated construction sector (over 300,000 construction-related jobs have been lost since the current Recession began), have been met by unremitting postponements and holdups in their plan review and approval process. Some projects have required an approval process of two or more years before construction can even begin. In total, OSHPD is holding up approximately \$23 billion in hospital and health-related construction work in California.

From an economic development perspective, this multi-billion dollar backlog is unacceptable. The \$23 billion in construction activity will **sustain direct, indirect, and induced impacts including 232,000 jobs with \$15.1 billion in wages and will generate approximately \$1.7 billion in state and local tax revenue**. With California's construction sector having been cut in half and in desperate need of additional work; the state's unemployment rate lingering around 12.5 percent – third worst in the entire nation and well above the national average of about 9.0 percent; and the state facing yet another multi-billion dollar fiscal crisis, these construction projects need to be brought online as soon as possible.

In California, hospitals and related health industries play a vital and leading role in our economy. They directly employ almost 550,000 people, with an average wage of over \$66,000 and total wages of about \$36.5 billion. There are over 1,550 hospitals in the state, which (in 2009) generated more than \$72 billion in revenues. The sector has been one of the few bright spots during these bad economic times, and its expansion is almost certain to accelerate as our state's population continues to age and swell from about 37.3 million residents currently to more than 44 million by 2020.

Even so, this vital economic sector is in a "lifeblood" struggle for survival against threats that include deep budget cuts, unfunded seismic retrofit mandates, an emergency room network under siege and laboring on the fringe of unprofitability, and a rapid increase in the number of uninsured. According to the California Hospital Association, we have already lost at least 100 hospitals in the last decade and half in California, and with two out of every five hospitals losing money, we are in grave danger of quickly losing several more. To make matters worse, hospitals are also now running up against an average OSHPD approval time of greater than 15 months before construction can begin on many critical capital improvement projects. All the while, increased demand for health care services attributable to a growing elderly population is expected to increase by 75 percent in California by the close of this decade.

Throughout the state there are numerous examples of an OSHPD entitlement approval processes that have gone awry. This has been further exacerbated by mandatory furloughs, personnel reductions and increased plan submission activity in general. These delays, which force hospitals to extend their construction schedules indefinitely, are very costly. This is not to mention the patient (and visitor) safety issues associated with having an active construction site on a hospital campus as well as the diminution of operational efficiency stemming from the constant interruption and disruption that lengthy and drawn-out construction causes a hospital.

In conclusion, hospitals and healthcare facilities play a critical economic development and quality of life role in our communities. Consequently, we must work together to discharge the backlog of \$23 billion worth of stalled hospital construction projects, reverse this worsening trend of project entitlement delays and interruptions, and reduce the time it takes for a project to navigate OSHPD's plan review and permitting process, which is so costly for hospitals.

For the above reasons, the R.E.A.L. Coalition urges you to immediately implement the three aforementioned actions to expedite plan reviews and entitlement approval processes for California hospitals and health facilities. By doing so, you will at-once put hundreds of thousands of Californians back to work, set a path to putting the state's economy on the road to recovery, and improve our state's fiscal situation.

Sincerely,



Lucy Dunn  
President & CEO  
Orange County Business Council



Ron Addington  
President & CEO  
Business Council, Inc.



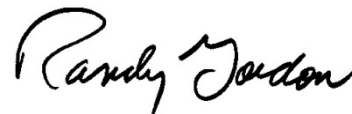
Bill Allen  
President & CEO  
Los Angeles County Economic  
Development Corporation



Pat Dando  
President & CEO  
San Jose Silicon Valley Chamber of  
Commerce



Steve Falk  
President & CEO  
San Francisco Chamber of  
Commerce



Randy Gordon  
President & CEO  
Long Beach Area Chamber of  
Commerce



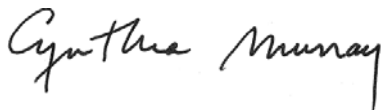
Joseph J. Haraburda  
President & CEO  
Oakland Metropolitan Chamber of  
Commerce



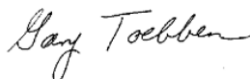
Cynthia Kurtz  
President & CEO  
San Gabriel Valley Economic Partnership



Andrew Poat  
Vice President of Public Policy  
San Diego Regional Economic  
Development Corporation



Cynthia Murray  
President & CEO  
North Bay Leadership Council



Gary Toebben  
President & CEO  
Los Angeles Area Chamber of  
Commerce



Matthew R. Mahood  
President & CEO  
Sacramento Metro Chamber

cc: Members of the California Senate Health Committee  
Members of the California Assembly Committee on Health