Los Angeles Area Chamber of Commerce

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THE BUSINESS PERSPECTIVE:

Thinking Out Loud on Infrastructure

Looking at the crop of infrastructure bond proposals, there is so much to talk about — and so little time. The Legislature has until March 15 to place bonds on the June 6 ballot.

Last year, it looked like Sen. Don Perata's $12 billion transportation-housing-water infrastructure bond, SB 1024, would produce the most drama this year in Sacramento. It wasn't much, but an extra $4 billion for California's transportation problems couldn't hurt. But could California absorb more debt? Would Perata get enough—if any—Republican votes to qualify it for the June ballot?

But then Gov. Schwarzenegger announced a comprehensive infrastructure plan to the tune of $60 billion in bonds over 10 years for transportation, water levees, prisons and more. His State of the State speech brought back memories of Pat Brown urging Californians to invest in the future, except that the future Brown prepared us for has already come and gone. Our infrastructure needs are now up to $300 billion, and we need to plan for another 20 million people living here by 2025. Assembly Speaker Fabian Nuñez also joined the call for new infrastructure investments in legislation he has introduced. Kudos to both the Governor and the Legislative leadership for recognizing this urgent need and making infrastructure investment a top priority.

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So, while legislators hustle to come together on the first of what is expected to be a series of General Obligation bonds, I want to ask some questions to help them make decisions that are right for California. I do not pretend to have all the answers, so instead I'll just say I'm thinking out loud.

What should be our top infrastructure priority? I think I speak for most Californians when I say that transportation is the most pressing need. Transportation is an economic issue, an air quality issue, a public health issue and a quality of life issue. Moreover, I would even argue that affordable housing is a transportation issue, as more and more families are purchasing homes further and further away from where the jobs are, and therefore, clogging our freeways.

Where should the bond monies be allocated? Given that more than half of the state's population lives south of Ventura County; most of the state's growth is occurring in San Bernardino and Riverside counties; and at least half of the money needed to pay off the bond is expected to be raised in Southern California, it stands to reason that half of the bond monies should be allocated south of Ventura County. From a goods movement perspective, perhaps transportation dollars for goods movement projects could be allocated based on the volume of containers moving through each region.

Who should allocate the bond monies? It all depends on what the money is for—transportation, housing, water, etc. I will say that if we want regional solutions to regional problems, then the monies should probably be administered by state agencies, in accordance with voter-approved criteria and existing regional plans. I am concerned that if monies are distributed just to local planning agencies, then the proceeds will fund community-based projects as opposed to regional solutions. I will also say that criteria could be included to reward regional partnerships and municipalities that have already stepped up to address problems that have regional impact.

How can we maximize the value of bond dollars? This answer is easy, but implementing it is not. Lawmakers need to review mandates that make it more costly to build needed infrastructure, including certain burdensome environmental study requirements mandated by the California Environmental Quality Act (CEQA). For instance, if an existing structure only needs repairs, why must we waste money on another CEQA study?

According to public opinion surveys, the public has lost confidence in both Gov. Schwarzenegger and the Legislature. They can — and already have begun to—regain our trust if they focus on the task at hand and build consensus to place a thoughtful bond on the June ballot.

At the same time, lawmakers must also refrain from temptations to derail the entire process for political gain. Our future should be more important than any politician's ambition.

Lawmakers must also think strategically and provide a long-term vision we can understand and support. If they really want two-thirds of the voters to support their infrastructure bond, the bond should be direct and simple. What I'm saying is no pet projects and no laundry

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WED | Feb. 8
Trade Briefing: Doing Business with China
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FRI | Feb. 10
Health Care Committee Meeting
more info

TUE | Feb. 14
Referral Network
A Growing Companies program sponsored by Wells Fargo
more info

WED | Feb. 15
Technology Industry Council
more info

THU | Feb. 16
Land Use, Construction and Housing Committee Meeting
more info

FRI | Feb. 17
Accenture Pancakes and Politics
with L.A. City Council President Eric Garcetti
more info

WED | Feb. 22
Transportation & Goods Movement Committee Meeting
more info

THU | Feb. 23
California Identity Theft Summit
more info

THU | Feb. 23
Finding Export Markets
more info

TUE | Feb. 28
Referral Network
A Growing Companies program sponsored by Wells Fargo
more info

TUE-WED | Mar. 7-8
Access Sacramento 2006
more info

FRI | Mar. 10
Health Care Committee Meeting
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The Business Perspective is an award-winning weekly opinion column by Rusty Hammer, President & CEO, L.A. Area Chamber

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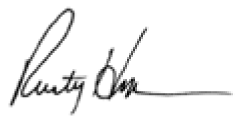
list of problems to fix. If a $13 billion bond has too many themes, it is unlikely to pass. And even if it did, there would not be enough money in it for any of us to see any real benefit. Lawmakers need to keep us on board to support more infrastructure bonds down the road.

Like I said, I am just thinking out loud. As the L.A. Area Chamber prepares to take positions on the questions I posed in this column, tell me what you think are the answers. I want to hear from you.

And that's *The Business Perspective*.



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