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CONSTRUCTION

Bonds may help get state economy moving

Gov. Schwarzenegger hopes transit and building project bond issues will create jobs.

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SACRAMENTO — Two years ago, California voters approved the sale of nearly \$43 billion in state bonds for housing, transportation, education and water projects. Today, the borrowing is beginning to pay off, one job at a time.

A pot of bond money is now delivering road jobs in Santee in San Diego County, in Lincoln in the Sierra foothills and in Marysville in the Sacramento Valley. Hundreds more projects are in the works in Southern California now that the governor and the Legislature have agreed on a state budget, almost three months after the constitutional deadline.

These bonds -- OK'd by voters in November 2006

-- are part of what Gov. Arnold Schwarzenegger considers a state economic stimulus program. The governor said he was working to shove billions of dollars "out the door as quickly as possible" to stimulate California's sputtering economy by building highways, housing, schools and flood control levees.

The spending -- about half a billion dollars in contracts so far -- is just starting to roll through the economy, and the rest of the \$43 billion is expected to start soon now that the budget impasse is over.

At least \$9 billion more in borrowed money could go into the construction pipeline if voters in November approve a bond to build a bullet train system between Los Angeles and San Francisco.

In his annual State of the State speech in January, Schwarzenegger pledged to put Californians back to work in the spirit of President Franklin Delano Roosevelt's Depression-era Works Progress Administration.

The works administration "built 650,000 miles of roads, 78,000 bridges and 125,000 buildings. All of those things we are still enjoying today," the governor said. "So we must act boldly on behalf of the people and the state."

Schwarzenegger's program may be only a fraction of the size of the works administration, which gave jobs to 8.5 million people in 1934, but it could be a big help to a state that's been hit by a downturn and an unemployment rate that reached a 12-year high in July, economists say.

The money is crucial for the Golden State's construction industry, which has lost 83,000 jobs, almost 10% of its workforce, in the last year after being rocked by a housing bust and mortgage credit crunch.

Without this money, "the construction industry would be out of business," said Rich Gates, president and general partner of Silva Gates Construction in Dublin, Calif. "This is kind of the drip of the IV to keep us going."

The governor's decision to turn on the bond money tap allowed Silva Gates to bid successfully for three freeway projects in the Sacramento and San Francisco Bay areas.

Every \$1 billion in public works spending creates approximately 18,000 jobs, according to a formula developed by the Commerce Department.

Schwarzenegger's spending plans, though substantial, won't do more than soften the blow to construction that's left thousands of houses half-built in abandoned tracts up and down the state, said Stephen Levy, director and senior economist at the Center for the Continuing Study of the California Economy in Palo Alto.

"This is one of the few things that state and local government can do to help in the short run" and to invest in improvements that will be in place once the economy turns around, he said. But, "if you're down by a dollar, and this helps by a penny or two, you don't want to overstate its magnitude."

Getting money quickly through the transportation planning and approval process helps the construction industry, business in general and the state as a whole because of California's need for more roads and less traffic congestion, said Dan Dunmoyer, the governor's cabinet secretary

and a key liaison to industry. "It's very useful now, but we would be doing this even if our economy was roaring," he said.

"Construction jobs are what you'd call high-powered jobs," said Jack Kyser, chief economist at the Los Angeles County Development Corp. Highway projects not only pay good wages to carpenters, ironworkers and operating engineers but also create a ripple effect for a slew of people working for companies that supply building materials, heavy equipment and related goods and services, he said.

There's nothing new about governments trying to boost an ailing economy by building more roads and bridges, economists agree. It's textbook fiscal policy aimed at breaking "a vicious cycle" of spiraling job losses and weakening consumer demand, said Christopher Thornberg, principal of Beacon Economics, a Los Angeles consultancy.

A contract for excavation work on a six-lane freeway project near Santee, for instance, could mean economic survival for grading contractor Erreca's Inc. of Lakeside in San Diego County, project manager Duff Joseph said.

Business grading residential streets and pads for houses came to a near halt 18 months ago. But now the company expects to have as many as 50 people on its payroll through 2010 on the state Route 52 extension, Joseph said. "This will keep me working," he said.

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