

Testimony of

**Angela Driscoll - Government Affairs Manager
Vulcan Materials Company, Western Division**

Hearing on:

Putting California Back to Work: Moving towards Recovery?

Submitted to:

**State of California
Senate Labor and Industrial Relations Committee**

November 17, 2009

Good Afternoon.

Thank you Chairman DeSaulnier and Vice Chairman Wyland for inviting me to testify today before the Labor and Industrial Relations Committee. I am Angela Driscoll, Government Affairs Manager for Vulcan Materials Company, Western Division.

Today I wish to offer the point of view of our company as it relates to proactive legislative and regulatory actions that state government can take to lower unemployment and move California towards recovery.

Vulcan Materials is the largest producer of construction aggregates in the nation - primarily crushed stone, sand and gravel - as well as asphalt and ready-mixed concrete, which are used in the construction of our nation's highways, roads and bridges, buildings, erosion control, water treatment plants and other major infrastructure.

In California, our Western Division employs over 1,000 men and women at 38 facilities. We are proud of our record as an award-winning industry leader in safety, environmental stewardship and climate change initiatives.

In 2008, for the eighth time, Vulcan was named to *Fortune* magazine's list of the *America's Most Admired Companies*. Vulcan has also been recognized twice as one of the Top 10 of all *Fortune 1000* companies for Social Responsibility, while *Newsweek* magazine recently ranked Vulcan as one the Top 500 Green Companies in the country.

We are experiencing many challenges in this current economic climate. Today I will focus on three areas: first, how creating construction jobs will help restart all sectors of the economy; second, the need to secure sustained, significant federal funding for transportation infrastructure; and finally, the need to reduce over-regulation of business to add jobs and reduce uncertainty in a time when confidence in the economy is crucial.

The decline in California's construction industry is staggering, reflecting a steep slowdown in public and private construction projects. As a materials supplier to contractors, slowing rates of contract awards have had a direct impact on our employees and our industry overall – more so than on any other employment sectors of the economy.

The industry has thrived on a vibrant business enterprise over the years with a near equal mix of public and private projects. This raises the question: what can legislators and regulators do to foster a vibrant economy and bring back jobs?

In our experience one of the biggest challenges we face is the uncertainty of reliable funding for road and highway projects. With the failure of the U.S. Congress to pass a fully-funded extension of the previous federal highway transportation bill, which expired on September 30th, transportation construction activity from the regular multi-year federal highway program is in doubt.

This uncertainty has led many state departments of transportation, including Caltrans, to suspend, postpone and even cancel scheduled construction and maintenance. Even worse, it has led to work curtailments and widespread job losses. Fundamentally, the business of successfully building and maintaining our surface transportation infrastructure depends largely on the funding stability and year-over-year predictability of programs funded by the federal highway bill.

When there are doubts - as there clearly are today - construction project awards slow because states are unsure there will be federal reimbursement. When states must wait for Congressional action, the pipeline of project awards slows. This inevitably leads to job losses in the construction and related support industries, losses that have been staggering since the recession began.

With the state's massive budget deficits, securing long-term funding for roads, highways and infrastructure will help lead California out of this crisis.

Building infrastructure is a tried and true way to restart the economy.

Here's why:

- For every one billion dollars invested in highway and transportation projects, more than 28,000 jobs are generated;
- For each construction job created in California an employment multiplier of 1.76 in other sectors results; and
- For every dollar spent on highway construction, \$5.70 in economic benefits result.

This is why we strongly believe the legislature needs to move California's federal delegation to support highway funding legislation that could make a critical difference in California's economic recovery.

Public works projects alone, however, cannot sustain California's economy. It depends on a diverse business structure to thrive. There must be robust government incentives to create and maintain small businesses. All of us are benefactors of small business enterprises since they employ millions, provide innovation, and drive a major part of the state's overall economy.

Finally, California manufacturers face an overwhelming number of local, state and federal regulations, directly resulting in higher material costs, fewer available resources and the loss of thousands of high-paying jobs.

For example, to assure compliance with water regulations – companies like ours must work within the guidelines of multiple local, state and federal agencies that quite frankly often overlap.

Such overlapping regulatory jurisdiction has become too burdensome, too costly and hinders business viability in California. In a difficult economic climate in which businesses are forced to take increasingly drastic action to control costs, this bureaucracy is a prime example of how the state needs to streamline its own programs and reduce its expenses; instead, it should focus on creating a more efficient and effective regulatory process.

In a speech last week, Attorney General Jerry Brown said the state's regulatory framework quote "burdens" businesses and the courts, adding that, "We're overlaid too much with too many rules. The real challenge for lawyers and legislators and chief executives is to do no harm and to add to the system ways that give more elbow room, more flexibility, more discretion, more judgment."

We agree with the Attorney General and strongly urge your committee and the legislature to add flexibility to our regulatory system by adopting recent guidelines for Regulatory Reform put forth by CMTA.

There are also existing state laws that allow for flexibility during times of emergency to temporarily ease regulatory burdens on businesses. It is imperative in light of the current economic crisis.

Regulatory proceedings related to California's Global Warming Solutions Act of 2006, for example, are creating significant uncertainty for California businesses. The law's long timelines and shifting of power from the legislature to regulators has raised significant concerns throughout California's business community, largely because of serious uncertainty about how the law will be implemented.

Given the severe impact the new regulations will have on California business, legislators should consider Section 38599 of AB 32, which in the event of extraordinary circumstance allows the Governor to adjust applicable deadlines for the regulation.

Given the current economic climate, such an action by the Governor is not unprecedented. As you know, the Governor recently signed a bill waiving a CEQA challenge to allow the construction of a 75,000-seat stadium complex in Los Angeles. The governor stressed that the "shovel-ready" project was an ideal solution to coping with the recession because quote "it creates 18,000 jobs at a time when we really need jobs" in the area.

While the action was perhaps controversial, it does demonstrate that flexibility in the enforcement of burdensome regulation can be a creative solution to get California back to work.

[CONCLUSION]

Investment in transportation infrastructure is an investment that works. The Stimulus was intended in part to save or create jobs through the funding of transportation infrastructure projects, creating tangible value for our economy. While the number of infrastructure jobs resulting from the Stimulus is unknown, we believe the best economic stimulant is a robust, multi-year highway bill. To build and sustain job growth, California would benefit greatly from a well-funded long-term federal transportation bill. Such a bill – combined with incentives for small businesses and a focused effort to reduce over-regulation in California - will be the most important steps needed to put California back work.

Thank you for the opportunity to share with you our recommendations to reduce unemployment and move California toward recovery.