



CALIFORNIA LABOR FEDERATION FACT SHEET AB 2437 (V. Perez) REVOLVING LOAN FUND

Purpose

To establish a Revolving Loan Fund in the State Treasurer's office to provide "gap-financing" loans to manufacturers that create and retain jobs in California.

Background

Since 2000, California, and the nation, have experienced large and continuing job losses in the manufacturing sector. Between January 2000 and 2009 California lost 471,000 manufacturing jobs, equal to 25.6% of all manufacturing jobs in the state.

The loss of manufacturing jobs makes California's economic woes even worse. Manufacturing has historically been part of the foundation of California's economy, and the decline in manufacturing has long-term consequences for the economic health of the state.

The decline in manufacturing is exacerbated by the global credit crisis. Despite the government bank bailout, business still cannot access credit. Venture capital, which has been instrumental in funding technological innovation, is increasingly reluctant to fund manufacturing.

The lack of capital and credit slows economic recovery. Manufacturers that want to expand, retool or start new enterprises can't access the credit they need to do so.

As credit disappears, so do jobs—shrinking the state's tax revenues. Falling tax revenues increase the state's budget shortfall that has led to cuts to social services, infrastructure investment and state worker wages and benefits.

California's working families are struggling just to get by. The only way for California to emerge from this deep, dark recession is to invest in the creation of good jobs with decent pay and benefits.

Investment in manufacturing, in particular, is a smart way to spur economic recovery. Manufacturing jobs have the highest multiplier effect of any job classification in any industry—for every manufacturing job created, an additional 2.5 jobs are created in the broader economy.

The presence of one manufacturing firm gives rise to an entire supply chain creating business opportunities for suppliers, component manufacturers, contractors and professionals. In addition, producing goods in state spurs economic activity in the transportation and shipping industries.

Jobs in manufacturing are also good for working families. The average wage for a manufacturing job in California is \$25,000 higher than that of a service sector employee and \$35,000 higher than retail trade wages.

California has great potential to generate new manufacturing activity, especially in the green economy. The state is home to some of the best research universities and innovation clusters in the country, such as Silicon Valley,

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California's technological innovation, research capacity and highly skilled, productive workforce make it ideal for manufacturing. The state has the potential to turn innovation into manufactured products. However, there is a gap between innovation and the capacity to commercialize those innovations and produce in state.

A revolving loan fund will give business access to the capital it needs to thrive. Prioritizing manufacturers that pay good wages and benefits ensures that the jobs that are created from the Fund are good jobs. Manufacturers would be able to create and retain jobs in California--revitalizing the manufacturing sector and spurring long-term economic growth in the state.

What This Bill Will Do

This bill creates a Revolving Loan Fund in the State Treasurer's office that would be capitalized by existing state and federal funds. It's modeled after a federal bill to create a Revolving Loan Fund program for states for manufacturers of clean tech and green products and components. The Fund will give low-interest loans to manufacturers that plan to create or retain jobs in California. Priority for loans will be given to applicants that meet wage goals, provide good health benefits and submit joint labor/management applications. Firms that do not meet job creation goals or that move jobs out of state will have to pay back the loan in full plus interest.

Support

~ California Labor Federation, AFL-CIO
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