



Associated Equipment Distributors
650 E. Algonquin Rd., Suite 305
Schaumburg, IL 60173

May 7, 2020

The Honorable Gavin Newsom
Governor of California
State Capitol
Suite 1173
Sacramento, CA 95814

Dear Governor Newsom:

On behalf of Associated Equipment Distributors (AED), I'm writing to urge you to refrain from reductions in planned transportation infrastructure investments as you consider budgetary measures in response to the COVID-19 pandemic and the subsequent economic impact on California.

AED is the trade association representing companies that sell, rent, service and manufacture construction, mining, farm, energy, forestry, industrial equipment and related supplies. Its 500 distributor members, which are predominantly small-medium-sized, family-owned businesses, have over 3,500 locations, employ 150,000 workers and account for more than \$60 billion of annual sales revenue nationally. In California, AED has 174 dealer locations employing many hardworking men and women.

First, thank you for your efforts to protect residents and businesses during these unprecedented times. There's no playbook for leadership during a global pandemic and your willingness to serve California is greatly appreciated.

Unfortunately, dealing with a national public health emergency and a deteriorating economy necessitates tough budget management decisions. While cuts are inevitable, I urge you to avoid reductions to planned transportation infrastructure projects.

Infrastructure investment is exactly the type of government spending that should continue unimpeded as California continues to deal with the COVID-19 and recovers from the resulting economic fallout. Roads and bridges are critical to public safety and commerce, and their upgrade and repair should be prioritized. Further, construction projects are important in that they create self-worth and a sense of accomplishment for the workers who enjoy well-paying jobs that support families and communities. People see the work happening on roads and bridges. It gives us all a sense that "California is back."

A study by researchers at the College of William & Mary detailed the positive impact infrastructure investment has on the economy and government tax receipts. The report found that over two years, one dollar spent on infrastructure construction produces roughly double (\$1.92) the initial spending in direct and indirect economic output. The long-term impact is also significant, with a dollar in aggregate public infrastructure spending generating \$3.21 in economic output (GDP) over a twenty-year period.

The impact of infrastructure investment is felt well beyond the construction industry. The researchers determined each dollar spent on infrastructure generates roughly \$.35 in indirect economic activity for manufacturers, \$.20 for professional and business services providers and \$.10 for the finance, insurance, real estate, rental and leasing sector. Sectors ranging from agriculture to entertainment to retail also benefit.

Beyond encouraging economic activity, infrastructure investment also produces revenue for state and local governments. Over 20 years, one dollar in aggregate infrastructure spending generates \$.96 in taxes. Each dollar invested in highways and streets returns approximately \$0.35 in tax revenue over two decades, of which \$0.12 accrues at the state and local level. There's no better way to put the economy back on track and generate government revenues than transportation infrastructure projects.

AED members are proud to supply and service the equipment necessary to build and maintain critical infrastructure projects during the unpredictable circumstances surrounding COVID-19. We look forward to that continuing and working with you as we chart a course to economic growth and job creation in California.

Thank you for your time, consideration and leadership.

Sincerely,

Brian P. McGuire
President & CEO