

Doubt over high-speed rail clouds Fresno region's economic forecast

BY TIM SHEEHAN

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A view of a train moving through a wind farm in the proposed high-speed rail network. **NEWLANDS AND COMPANY INC.**

Uncertainty over the fate of high-speed rail is casting a shadow on a 2014 economic and employment forecast for the Fresno region, according to a report issued Thursday by the University of the Pacific.

"Our forecast for Fresno would be increased somewhat if the high-speed rail construction begins as scheduled," said economist Jeff Michael, director of the Stockton university's Business Forecasting Center. But a ruling in a court challenge of the project's financing plan makes the start of construction "highly uncertain at this point."

Concern over continued delays of the \$68 billion, statewide bullet-train network -- for which construction was planned to start late this year or early next year in the Fresno area -- is one of the major reasons that Michael is predicting slower employment growth for Fresno County through 2014 than other metro regions throughout Northern California.

The UOP forecast suggests that nonfarm employment in Fresno County will grow at a rate of 1.6% in 2014. By contrast, employment growth for other parts of the Central Valley is forecast to be 2% in Modesto, 2.5% in Stockton, and 2.8% in both Sacramento and Merced. Statewide employment growth is projected at 1.9% next year.

"Big infrastructure projects create a lot of jobs and additional stimulus," Michael said. "It's certainly part of the reason why our forecast for the Fresno area is a little slower than other parts of Northern California."

Kings County and two of its residents are challenging the validity of the California High-Speed Rail Authority's 2011 financing plan. They allege that the plan violates Proposition 1A, the \$9.9

billion high-speed rail bond measure approved by California voters in 2008. Last month, a Sacramento County Superior Court judge agreed, but wants to hear arguments in November from Kings County and the rail authority before deciding what legal remedies to impose.

Michael said that if the judge allows construction to proceed, "it certainly has the potential to put Fresno's employment growth up over 2% and more in line with the rest of the state."

But high-speed rail isn't the only uncertainty affecting the region's forecast. Michael said that Fresno, as a regional hub for government and with more people receiving federal benefits, is more susceptible than other areas to cuts in federal spending. And the county's economic reliance on agriculture means that the potential for another dry year with reduced water for irrigation "means a lot of worries about next year and could put a little damper on economic activity, too," he said.

The lackluster pace of job growth means that the Fresno area isn't expected to regain its pre-recession employment levels until about 2016 or 2017, Michael said. In 2007, nonfarm employment was estimated at about 306,400 in Fresno County. That dipped to a low of 297,500 in 2010. The UOP report predicts that the figures will reach almost 304,000 in 2016 and more than 309,000 in 2017.

Discounting the prospect of immediate high-speed rail jobs, construction is expected to be the leading sector for job growth in Fresno County in 2014, forecast to increase by about 7%. "You're seeing a rebounding housing market and an increase in housing starts," Michael said. "We're forecasting about 1,000 more housing starts next year in Fresno County than the year before. That's certainly going to drive growth in construction employment, particularly when you look at how far it's fallen."

The construction industry "was beaten down so badly, it doesn't take a lot of growth in order to have a high percentage of growth," he added.

The reporter can be reached at (559) 441-6319, tsheehan@fresnobee.com or @tsheehan on Twitter.