

State Weighs New Wave of Borrowing

Hurricane Katrina helps revive interest in large-scale civic works projects. But some observers say debt load could become too great.

By Robert Salladay and Evan Halper, staff writers
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SACRAMENTO - Gov. Arnold Schwarzenegger and legislative leaders are actively considering another round of government borrowing - this time to pay for massive building projects such as fixing freeway and cargo port bottlenecks as well as shoring up delta levees and hospitals that could fail in an earthquake.

A self-described fiscal conservative who has refused to raise taxes, Schwarzenegger believes California needs a long-term plan that includes billions in new spending on infrastructure and changes in how the government allocates such money, administration sources and legislators said.

Last year, Schwarzenegger successfully pushed a \$15-billion bond to help the state balance its shaky budget, but that voter-approved borrowing paid for government services instead of building projects. Currently, about 6% of the state budget goes to paying off debt - close to the limit that some Wall Street credit agencies consider acceptable.

The Republican governor and the Legislature have become more focused on large-scale infrastructure projects since Hurricane Katrina highlighted problems with California's primitive levee system that controls the Sacramento-San Joaquin Delta. In addition, Schwarzenegger heard personally from the Japanese prime minister that California does not unload its goods fast enough in ports and believes more money should be spent to relieve freeway traffic congestion.

Behind the scenes, the administration is drafting a comprehensive infrastructure plan that could include money to inspect and improve 1,600 miles of levees, reduce air pollution and jump-start a long list of road and freeway projects.

Without confirming any specific plans, the governor's spokeswoman Margita Thompson said: "California cities are some of the fastest growing in the country and we absolutely need to plan and prepare for that growth. We'll be looking at what is happening in cities, in other states and other countries to determine what best practices fit California's unique situation."

More than 100 transportation organizations and agencies joined administration officials at a workshop in Monterey on Friday. Participants in the meeting said they got a clear signal that the administration was putting together a bond measure. The officials put together a list of billions of dollars worth of construction initiatives, many more than could be funded with the resources currently available in the state budget.

Caltrans officials said the meetings are continuing and are intended to help the administration set priorities. But they stressed that no decisions have been made about what should be funded or how. "The director told the group, 'Let's not put a price tag on anything yet because we want to find out what it is we want to do,' " California Department of Transportation spokesman Mark DeSio said.

Overall, an infrastructure proposal could include many of the ideas presented earlier this year by Senate Leader Don Perata (D-Oakland), who suggested levee improvements well before Katrina hit. That \$10.3-billion plan fizzled in the Legislature last month amid a political war between Schwarzenegger and Democrats over unrelated issues on his Nov. 8 special election agenda.

But Perata said he believes there is political will in the Capitol and among the public to approve a large-scale bond that could go as high as \$15 billion and be placed on the June 2006 ballot. Perata said he told the governor "an infrastructure bond would be the one thing we could work on in a bipartisan way that would give the voters two things: what they expect from us and what they need through the ballot."

Assembly Speaker Fabian Nuñez (D-Los Angeles), who is working with the administration as well, said: "I think Katrina is forcing us to look at issues that we haven't looked at since 1959 in California: water, infrastructure."

Administration sources said they are gathering information and do not know the breadth and scope of the proposal or the final price tag. Some of the projects could be paid for with state revenues or fee increases on various industries that would benefit from the improvements. They also are looking for better ways to spend such government money, including partnerships with private industry and local governments, and streamlined building and designs.

The governor also is looking at spending at least \$1 billion to repair the state's delta levee system, which protects 2 million acres of farmland and 200,000 homes and businesses with a value of \$47 billion. Schwarzenegger has already asked the federal government for \$90 million to improve critical levees in the delta and Central Valley, a tiny portion of the \$1.3 billion in repairs state officials believe are needed to bring the system up to basic standards.

Randele Kanouse, a lobbyist for the East Bay Municipal Utilities District and a water expert, said there is interest in putting together a bond to deal with the problem. He said a big earthquake could knock out several levees in the Sacramento-San Joaquin Delta region, potentially causing catastrophic damage.

The state's ports could see a big infusion of cash in the plan to fix railroad and freeway links to harbors. Money could also be used to help container delivery companies buy trucks that are less polluting, and create a more comprehensive "cold-ironing" system that allows container ships to turn off their dirty diesel generators while in port, among other environmental plans.

"This really takes a holistic look at the industry and infuses a lot of dollars that are needed," said Carl Kemp, government affairs director for the Port of Long Beach, speaking about legislative plans that are being studied. "It's the state taking responsibility for one of its greatest economic assets."

New government borrowing would pose distinct political problems for Schwarzenegger, particularly among his own party. Senate Republican Leader Dick Ackerman of Irvine said his members rejected the idea of an infrastructure bond this year because they believe California has overextended its debt capacity.

"You have to look each year and say whether the state can afford it anymore," he said. And Republicans decided this year that the state couldn't. Ackerman did not rule out a bond for infrastructure next year, saying: "We sort of look at this on a case-by-case basis."

Schwarzenegger's plan is linked to a Nov. 8 ballot initiative that would limit spending and overhaul the state budget process. The governor has said passage of that initiative, Proposition 76, would head off any tax increases and allow infrastructure improvements because the budget would be more easily managed. The initiative is trailing in the polls, however.

According to the nonpartisan legislative analyst's office, the percentage of the state's budget that goes to pay off debt has reached 6%. Over the next few years even more debts will come due. By 2009, according to the analyst, paying back debt will account for nearly 7% of the state budget.

"Once you reach that 6% range, investors and credit agencies start looking at you a little more seriously," said Brad Williams, director of fiscal forecasting at the analyst's office. But Williams said the sale of the bonds would be staggered, and the financial markets could probably absorb an additional \$10-billion worth of California's long-term debt.

Throughout the behind-the-scenes debate, Schwarzenegger has publicly lamented that the state's fiscal problems have hampered its ability to rebuild. He told the Ventura County Star recently: "We never have a chance to put a program together where we can say, 'OK, let's go build \$100-billion worth of infrastructure to improve our transportation.' Or 'Let's redo our hospitals because they're not earthquake-proof.' Or 'Let's go work on our electricity, our energy.' "

[Stockton Record, Letters to the Editor, Tuesday, Oct. 4, 2005](#)

Carpoolers get bad parking deal

We recently had an unhappy run-in with new mid-week parking fees at San Joaquin County parks.

Two of our home-schooling group families elected not to pay the fee because they thought it was unreasonable.

Aware of the fee hike, they were willing to pay \$3 to get into Micke Grove Park. The attendant told them the fee for their vehicle was \$10.

The van was carrying two families. Had they arrived in separate vehicles, they would have paid \$6. Because they elected to carpool, using less fuel and causing less pollution, their environmentally sound choice was rewarded by being charged \$4 more.

I was told the rate is based on vehicle length and how much parking room the vehicle takes up.

My van seats eight, is 16 feet long, takes up one parking stall and is charged \$3. The other van seats 10, is 19 feet long, still takes up one parking stall and costs \$10.

If they had arrived in two cars, they would have paid less but taken up two parking stalls.

Vehicle length aside, the real injustice is a park penalizing people for carpooling. That's just plain counter-intuitive and silly.

Annette MacKay, Lodi