

# California budget crisis triggers halt to infrastructure projects

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A panel of high-ranking California officials agreed unanimously Wednesday to cut funding to over 2000 infrastructure projects due to the intensifying state budget crisis. The abrupt funding cut-off arrives less than one week after the estimated state budget deficit was increased from \$26 billion to \$41.8 billion through July 2010. The funding cut-off will last until at least June 2009.

It is projected that the nation's most populous state may run out of funding for state projects altogether by next February, prompting Governor Arnold Schwarzenegger to announce that the remainder of state spending might be paid with IOU's for the first time since the Great Depression.

The three-member Pooled Money Investment Board (PMIB), composed of the state treasurer, state controller, and director of finance, acted without any oversight to shut off more than \$3.8 billion to state project funding. As the state finds itself increasingly unable to sell bonds to private investors due to its deepening fiscal woes, the infrastructure projects dependent upon those bonds are made to suffer.

State Treasurer Bill Lockyer simply stated, "With the state unable to sell bonds, continued lending for infrastructure projects would substantially reduce the resources available to the PMIA [Pooled Money Investment Account] to keep the state afloat. We don't have the money to loan, so we're stopping the projects."

The impact of the funding cut-off will be devastating. Over \$70 million in levee repair work in flood-threatened regions around the state capital of Sacramento will be discontinued. The loss of funds for the levees will put the lives and livelihoods of hundreds of thousands of Californians in these areas at risk.

Potential floods are only one of several heightened natural disaster risks Californians face as a result of the budget crisis.

Last Monday, the California Department of Forestry and Fire Protection announced that it would save \$6.3 million by laying off hundreds of firefighters in the Southern California area, which suffer the worst wildfires in the country on a yearly basis. The layoffs underscore the irrationality of the present crisis and the capitalist system underlying it, as damage caused by the wildfires will exceed by far the funds saved by laying off the firefighters.

Other projects losing funding include unfinished veterans' homes in Los Angeles and Ventura counties, which together will lose \$20 million with one-fifth of their budgets suspended. Affordable housing projects in Santa Paula, Oxnard, and Ventura counties will also be affected.

The funding cut will also cancel repairs to schools, roads, housing projects, parks, fire stations, and planned environmental clean-ups.

The state treasurer's office estimates that the funding cuts will cost the state over 200,000 jobs, most of them in construction and related industries that would have received state contracts as a result of the planned and ongoing infrastructure projects.

Last October, the state procured only \$5 billion of a needed \$7 billion in Revenue Anticipation Notes that it normally relies on to pay for state programs during the autumn and winter months. California now has the lowest credit rating of any state in the nation and faces another potential downgrade by Standard & Poor's, one of the three largest rating agencies. The \$2 billion difference will most likely not be met due to the fact that the state is now unable to sell its bonds to outside

investors, due in part to the current budget impasse, despite the fact that California has never in its history defaulted on its bond obligations.

California has been at the center of both the housing boom and its subsequent bust. The same financial players who made hundreds of billions in speculative investments in the state's housing market now refuse to play any part in fixing a crisis of their own making. This fact must be kept in mind as various political dramas play out between state Democrats and Republicans, who are united, whatever their tactical differences, in making working people pay for the state's fiscal crisis.



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