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Investors flock to buy California bonds

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SACRAMENTO — Investors this week flocked to California's first major bond sale in nine months, a development that will soon free up billions of dollars for public works projects put on hold because of the state's budget mess.

State Treasurer Bill Lockyer announced that the state sold \$6.54 billion in general obligation bonds on Monday and Tuesday, easily surpassing a \$4 billion target he had set going into the sale. His office said late Tuesday it was the largest long-term general obligation bond sale "ever in the country."

The tax-exempt bonds carry yields ranging from 3.2 to 6.1 percent, depending on when they mature (from 2013 to 2038).

"This is a great result for California's workers, businesses and economy," Lockyer said in a statement.

California has been shut out of the debt market because of its budget mess and the tight national credit market. And without the ability to sell bonds, the state was forced to freeze about \$2.6 billion in financing since December for more than 5,000 infrastructure projects.

With the deficit addressed for the time being with the plan signed by Gov. Arnold Schwarzenegger last month, officials said recently that they expect soon to unfreeze \$500 million in infrastructure funds that had been put on hold. But after this week's

sale, they are expected to unlock an additional \$2.6 billion for public works projects, although it could take several weeks to disburse the money.

The treasurer may follow this week's bond sale with another late next month. The combined effect, Lockyer's spokesman Tom Dresslar said, hopefully will be "to get the state's infrastructure program back on its feet."

Roxanne Miller, a lobbyist for the city of San Jose, said that can't happen soon enough. Dozens of projects in San Jose are awaiting financing from the state's so-called Pooled Money Investment Account, including a \$15 million traffic light synchronization project; \$5.5 million for improvements to public trails; and several million dollars for affordable housing projects.

With the state's finances in shambles, San Jose has had to front the money to keep many of those projects going, Miller said. But that can continue only for so long.

"We're getting to the point where everyone needs some indication, some certainty that the money will be there," she said. Miller added that a \$10 million project to upgrade Highway 101 at Tully Road, scheduled to begin construction within months, will be put on hold if state infrastructure funds aren't unleashed soon.

She called the successful bond sale "a big deal for all of us."

The state's move to freeze infrastructure funds was at odds not only with Schwarzenegger's stated priorities but with the federal stimulus package approved last month. Last week, the governor held a news conference to tout 57 projects in line to receive the first injection of federal stimulus dollars for transportation, totaling \$626

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million.

Santa Clara County projects on that list include \$33 million for a rehab of Highway 280 from the Cypress Avenue pedestrian over-crossing to Tantau Avenue, and maintenance of a stretch of Highway 35 near Los Gatos.

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