

# California budget woes whipsaw highway contractors

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Excuse some mood swings in the construction industry.

On a good day, President-elect Barack Obama says he will spend untold billions of dollars on infrastructure work to wake up the U.S. economy.

Then, on a bad one, California officials say they'll cancel \$5 billion worth of infrastructure projects in two weeks unless there's a fast budget fix.

"One week we're getting fantastic news and this week you wake up and it's complicated. Is it a roller coaster? Absolutely," said Diane Meehan, owner and president of Sacramento's Richard A. Heaps Electrical Contractor Inc. The company works on highway traffic lights from Merced to Oregon.

"There are a couple of things pulling against one another," said Steven Hiatt, Sacramento office director for the engineering firm Nolte Associates Inc. The firm's 500 employees operate in three states and Mexico. "The (federal) economic stimulus package tends to weigh toward some quick projects that may take place next year. But the state's budget problem tends to counter that. How that works out remains to be seen."

This can, indeed, seem like the best and worst of times for an embattled construction industry competing for fewer projects with ever-lower bids. Yet many area construction executives who work throughout California and the West say they're largely looking past the state's budget problems to a coming boom.

If the explosion of work comes "it's going to be huge for firms in the Sacramento area," said Meehan, who has 65 employees.

Collectively, Meehan, Hiatt and many others are watching as an incoming presidential administration considers massive deficit spending to rebuild the nation's bridges, highways, tunnels and schools.

Days ago, Obama promised to create millions of jobs with the "single largest new investment in our national infrastructure since the creation of the federal highway system in the 1950s." He also promised to create new jobs by upgrading schools and making buildings more energy-efficient.

Obama said that such action is necessary – and soon – to offset the loss of 2 million jobs in this recession. In California, the construction industry alone has lost 66,100 jobs in the past year – mostly in the home-building sector.

Ken Kayser, president of Sacramento-based Teichert Construction, said, "It's huge. With the private side all dried up, it really is the only game there is for companies like ours."

Teichert specializes in paving, grading and widening roads and highways from Bakersfield to Marysville. While much of its work was for housing developers during the boom, the collapse of the Central Valley housing market has heightened its need for public infrastructure jobs. The firm has about 3,000 workers.

Sacramento-based highway contractor C.C. Myers said Tuesday that building infrastructure to stimulate the economy "is good for everybody. Other people make and supply the things we need. It puts them to work, too."

But consider this, too, he said. "We need it done. We're way behind the curve in where we should be on maintaining our highways. One of the reasons it doesn't get done is because we haven't had the money for years. This infusion will help."

Myers, like Kayser, is waiting to see a game plan from the California Department of Transportation. Caltrans has outlined plans to spend \$107 billion on transportation projects in the next decade.

Department spokeswoman Tamie McGowen said those plans contain the likeliest candidates for construction under a federal stimulus. For big contractors like Myers, that's a shot at projects like 550 miles of new high-occupancy vehicle lanes and 750 miles of new highway lanes.

Myers said his firm largely depends on public sector work, such as rebuilding a damaged Bay Area freeway interchange and overhauling a section of Interstate 5 last summer in Sacramento. His firm is currently building

what Myers calls "the longest arch bridge in the U.S." on Highway 395 near Carson City, Nev. He employs 450 to 500 people.

While heavy construction firms await stimulus moves by the federal government, the state is proving – at least momentarily – more worrisome. Monday, state Treasurer Bill Lockyer warned the Legislature that cash is running so short that \$5 billion in public works projects are threatened with a halt within two weeks.

He said that could force thousands of layoffs.

"Our ability to give our struggling economy a much-needed shot in the arm will be lost," Lockyer said.

Paul Meyer, executive director of the American Council of Engineering Companies of California, said it's critical that California "get its act together in time" to provide matching funds for the federal stimulus. The Sacramento organization represents 1,100 private consulting, engineering and land-surveying firms in California.

"If California doesn't have the funds available to match, it could delay projects, at a minimum. We could miss out on some," he said. "It's a competitive situation between the states."

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