



# DEBT LINE

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## 2000 CALIFORNIA DEBT ISSUANCE SHOWS SLIGHT DECLINE

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California public agencies issued slightly more than \$30 billion in debt in 2000. This total includes both short- and long-term debt issued by state agencies, local governments, and student loan corporations. Total debt issued during the year decreased by 12 percent from the \$34 billion issued in 1999. State agencies issued \$7.7 billion (an increase of 3 percent from 1999), local agencies issued \$22.5 billion (a decrease of 15 percent from 1999), and student loan corporations issued \$83 million (a decrease of 68 percent from 1999) (Table 1). Thirty percent of all long-term debt issued by public agencies in 2000 was used to refund prior debt.

Table 2 shows the annual amount of public debt issued since 1985. The 2000 debt levels were the third lowest since 1990. The decline in public debt issuance during the past two years may correspond to the State's strong economy and an increase in alternative sources of financing for municipal projects.

Table 1  
**COMPARISON OF TOTAL DEBT ISSUANCE  
1999 and 2000**  
(Dollars in Millions)

Issuer	1999	2000	% Change
State	\$ 7,494	\$ 7,700	3%
Local	26,557	22,583	-15%
SLC*	261	83	-68%
Total	\$34,311	\$30,366	-12%

\*Student Loan Corporation  
Totals may not add due to rounding.

Table 2  
**CALIFORNIA PUBLIC DEBT ISSUANCE  
January 1, 1985 through December 31, 2000**

Year	State Issues	Local Issues	Student Loan Issues	Total	% Change
1985	\$ 7,883,712,020	\$24,329,426,679	\$760,000,000	\$ 32,923,138,699	
1986	7,599,576,464	16,464,931,480	249,400,000	24,313,907,944	-26%
1987	4,155,360,000	12,423,924,702	800,000,000	17,379,284,702	-29%
1988	7,950,675,000	14,315,615,201	220,000,000	22,486,290,201	29%
1989	6,918,090,529	15,438,897,895	0	22,356,988,424	-1%
1990	10,480,381,139	13,696,104,804	0	24,176,485,943	8%
1991	14,521,605,862	20,063,079,556	237,500,000	34,822,185,418	44%
1992	16,748,466,407	26,753,362,092	352,500,000	43,854,328,499	26%
1993	15,291,478,972	41,320,302,474	63,700,000	56,675,481,446	29%
1994	16,110,762,183	25,920,456,676	150,000,000	42,181,218,859	-26%
1995	3,776,058,000	22,978,983,845	260,700,000	27,015,741,845	-36%
1996	12,702,883,318	23,534,124,002	484,500,000	36,721,507,320	36%
1997	10,529,337,417	28,230,074,673	150,000,000	38,909,412,090	6%
1998	11,078,585,635	29,426,363,477	695,000,000	41,199,949,112	6%
1999	7,493,552,199	26,556,790,699	261,000,000	34,311,342,898	-17%
2000	7,700,000,181	22,582,708,187	83,000,000	30,365,708,368	-12%

Statewide long-term debt, for both new money and refundings, was \$23.3 billion in 2000, down 14 percent from the \$27 billion issued in 1999 (Table 3). Refundings decreased 19 percent and long-term new money decreased 11 percent. Of the long-term debt issued in 2000, \$16.2 billion (70 percent) was for new money issues. This compared to 18.3 billion (68 percent) for new money issues in 1999.

Table 3  
**LONG- AND SHORT-TERM DEBT ISSUANCE**  
**1999 and 2000**  
(Dollars in Millions)

Term	1999	2000	% Change
Long-term (new money)	\$18,326	\$16,235	-11%
Long-term (refundings)	<u>8,685</u>	<u>7,081</u>	-19%
Total long-term	\$27,011	\$23,316	-14%
Total short-term	<u>7,300</u>	<u>7,050</u>	-3%
Totals	\$34,311	\$30,366	-12%

Totals may not add due to rounding.

Table 4 shows the total debt issued by the State from 1999 to 2000 by type of debt. Bonds, including general obligation bonds and lease revenue bonds, which represent the largest component, increased by 16 percent during that period. The percentage of all other types of debt, including Certificates of Participation (COPs)/Leases and Notes, issued by the State fell between 1999 and 2000. The decline in the amount of notes issued in 2000 was due mostly to the fact that the State did not issue its annual revenue anticipation note for that year.

Table 4  
**STATE OF CALIFORNIA TYPE OF DEBT**  
(Dollars in Millions)

Type	1999	2000	% Change
Bonds	\$ 6,370	\$ 7,616	16%
COPs/Leases		82	-100%
Notes	<u>1,041</u>	<u>84</u>	-92%
Total	\$ 7,494	\$ 7,700	3%

Totals may not add due to rounding.

### Education Leads State Long-Term Debt Issuance

A review of the State's long-term debt issuance indicates that financings for education-related projects rank highest among all other purposes for the third consecutive year (Table 5). Educational financings totaled over \$3.9 billion in 2000. Financing for college and university facilities totaled \$2.4 billion, \$890 million went towards K-12 facilities, and \$617 million was dedicated to multiple educational uses.

The majority of the categories of state debt issuance experienced decreases in dollar volume levels. While there was a significant decrease in debt sold for interim financing (97 percent decline with \$31 million issued), capital improvements and public works decreased by less than one percent. The State issued \$260 million for health care, a 57 percent decline from the previous year.

Table 5  
**STATE OF CALIFORNIA PURPOSE OF DEBT**  
(Dollars in Millions)

Purpose	1999	2000	% Change
CIPW*	\$1,081	\$1,080	0%
Commercial/Industrial	195	102	-48%
Education	2,957	3,911	24%
Hospital/Health	609	260	-57%
Housing	1,635	2,317	29%
Interim Financing	<u>1,016</u>	<u>31</u>	-97%
<b>Total</b>	<b>\$7,494</b>	<b>\$7,700</b>	<b>3%</b>

\*Capital Improvements and Public Works. Totals may not add due to rounding.

Financing for housing in the amount of \$2.3 billion accounted for 7 percent of the State's total debt issuance (\$30.3 billion). Total issuance for this purpose in 2000 increased 30 percent from 1999.

The State sold 56.7 percent of its debt by competitive bid in 2000. In 1999, 39 percent of the State's debt was sold competitively.

### Local Agency Health Care Financings down in 2000

Table 6 highlights the purpose for which local agencies issued debt between 1999 and 2000. Long-term local debt issuance, as a whole, decreased 23 percent from \$20.2 billion in 1999 to \$15.7 billion in 2000.

Local agencies issued \$600 million for health care or 67 percent less than the \$1.7 billion sold in 1999. Twenty-eight percent of health care financing was used to refund prior debt. In 1999, 40 percent of health care issues was used to refund prior debt. Local debt issued for capital improvement projects dropped 30 percent from \$11 billion sold in 1999 to \$7.7 billion in 2000. The largest categories of capital improvements included multiple capital improvements (\$1.4 billion), power generation/transmission (\$1.2 billion), and wastewater collection and treatment (\$1.1 billion).

Table 6  
**LOCAL AGENCIES PURPOSE OF DEBT**  
(Dollars in Millions)

Purpose	1999	2000	% Change
CIPW*	\$11,047	7,681	-30%
Commercial/Industrial	90	53	-41%
Education	3,163	3,561	11%
Hospital/Health	1,793	600	-67%
Housing	2,538	2,634	4%
Interim Financing	6,283	7,019	10%
Other	278	260	-6%
Redevelopment	<u>1,365</u>	<u>775</u>	-43%
Total	\$26,557	\$22,583	-15%

\*Capital Improvements and Public Works. Totals may not add due to rounding.

Redevelopment financing decreased 43 percent in 2000 to \$775 million, down from \$1.3 billion issued in 1999. Of the redevelopment total, 18 percent was issued to refund prior debt. In 1999, 36 percent of the total redevelopment issuance was for refunding.

Debt issuance for multifamily housing in 2000 decreased slightly to \$1.2 billion from \$1.6 billion in 1999. Of the total housing debt issued in 2000, 18 percent was for refunding prior debt. This is less than the amount (36 percent) of housing debt issued for refunding purposes in 1999.

In 2000, local agencies competitively bid 24 percent of the 1,642 transactions completed that year and negotiated 76 percent of them.

### **Taxable Issuance**

Taxable issuances totaled \$2.8 billion in 2000 or 9 percent of the total statewide volume. This total represents an increase of 7 percent from the \$2.6 billion of taxable debt issued in 1999.

### **Who Issues Debt?**

- Mello-Roos Community Facilities Districts sold 61 issues in 2000 for a total volume of \$636 million. This is a 43 percent decline from the \$1.1 billion sold in 1999. 2000 Mello-Roos financings were used for the following purposes: capital improvements (\$470 million), education (\$104 million) and other (\$61 million).

- The State and its authorities and agencies issued 26 percent of the total dollar volume of short-term and long-term debt for 1999. Local agencies issued 74 percent of the total debt, while student loan corporations issued an amount less than 1 percent. Student loan corporations sold \$83 million in new student loans in 2000. This is a significant decrease from the \$261 million sold in 1999.
- Joint powers authorities issued a total of \$573 million in 2000, down 77 percent from the \$2.5 billion issued in 1999. Of the total issued in 2000, \$4.1 billion was issued under the Marks-Roos Local Bond Pooling Act, down 14 percent from the \$4.8 billion sold in 1999.
- Local agencies in Los Angeles County led the local issuance with \$5.2 billion. Other counties that had total issuance of more than \$1 billion include: Sacramento (\$2.2 billion), Alameda (\$1.5 billion), San Diego (\$1.4 billion), San Francisco (\$1.2 billion), Santa Clara (\$1.2 billion). Multiple county issuers sold \$1.7 billion in debt.

A complete review of all agencies, types, and purposes of debt issues will be published in the Commission's *2000 Summary of Public Debt Issuance*.

*This Offprint was previously published in DEBT LINE, a monthly publication of the California Debt and Investment Advisory Commission (CDIAC). CDIAC was created in 1981 to provide information, education, and technical assistance on public debt and investment to state and local public officials and public finance officers. DEBT LINE serves as a vehicle to reach CDIAC's constituents, providing news and information pertaining to the California municipal finance market. In addition to topical articles, DEBT LINE contains a listing of the proposed and final sales of public debt provided to CDIAC pursuant to Section 8855(g) of the California Government Code. Questions concerning the Commission should be directed to CDIAC at (916) 653-3269 or, by e-mail, at [cdiac@treasurer.ca.gov](mailto:cdiac@treasurer.ca.gov). For a full listing of CDIAC publications, please visit our website at <http://www.treasurer.ca.gov/stocda.htm>.*

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