



CALIFORNIA DEBT ISSUANCE INCREASES IN FIRST SIX MONTHS OF 2002

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Low interest rates appear to have had an appreciable effect on total California debt issuance reported in the first six months of 2002. Debt issuance is up 55 percent from the same time period in 2001. State and local agencies issued short- and long-term debt totaling \$28.4 billion from January 1 through June 30, 2002, compared to \$18.4 billion in 2001.

As Table 1 reflects, in the first six months of 2002, debt issuance for the State of California, including its departments and authorities, totaled almost \$13.3 billion, representing an increase of 219 percent. Local agency issuance of \$15 billion, increased 5.7 percent. Student loan corporations (SLCs) issued bonds totaling \$86 million in the first six months of 2002.

money and to refund existing debt totaled approximately \$18.8 billion. This represents an increase of approximately 18 percent from \$16.0 billion issued during the same time period in 2001 (see Table 2).

Table 2
COMPARISON OF
LONG-TERM AND SHORT-TERM DEBT ISSUANCE
JANUARY - JUNE
(Millions \$)

Year	2001	2002	% of Change
Long-term new	\$ 9,352	\$ 10,491	12.2%
Long-term refunding	6,608	8,304	25.7%
Total long-term	\$15,960	\$18,795	17.8%
Total short-term	\$ 2,439	\$ 9,626	294.7%
Total Long-Term and Short-Term	\$18,399	\$28,421	54.5%

Source: CDIAC

Table 1
COMPARISON OF TOTAL DEBT ISSUANCE
JANUARY - JUNE
(Millions \$)

Issuer Type	2001	2002	% of Change
State	\$ 4,169	\$ 13,288	218.7%
Local	14,230	15,046	5.7%
SLC	0	86	100.0%
Total	\$18,399	\$28,421	54.5%

Source: CDIAC

New long-term money issues totaled \$10.5 billion, or 56 percent of the total \$18.8 billion in long-term debt issued in the first six months of 2002. The amount of new long-term debt issued is up 12 percent from 2001. Similarly, long-term refunding totaled \$8.3 billion, an increase of approximately 26 percent from 2001.

State agencies issued \$5.5 billion in long-term debt, representing a increase of 45 percent from the \$3.8 billion issued in the first six months of 2001. Local agencies' issued long-term debt totaling approximately \$13.1 billion, representing an increase of 8.3 percent from the \$12.1 billion sold in the same period last year.

Statewide short-term debt totaled \$9.6 billion. Of that amount, the State of California, acting through the State Controllers Office issued \$7.5 billion in the form of revenue anticipation warrants (RAWs). RAWs were last issued in July 1994.

Long- and Short-Term Debt Issuance

In the first six months of 2002, state-wide long-term debt issued for new

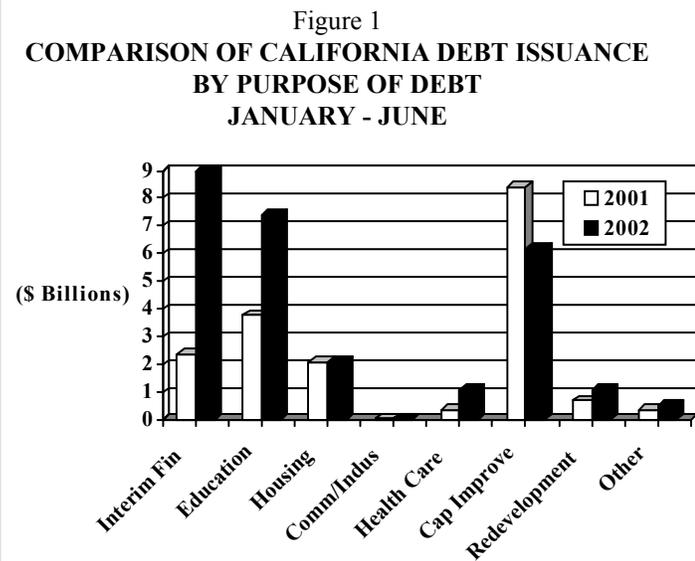
Financings For Health Care and Education Lead the Way

Although most categories of public debt issuance experienced moderate increases or decreases in dollar volume levels, debt issuance increased significantly for hospital/

health care and education the first six months of 2002. Through June 30, 2002, statewide healthcare issuance totaled \$1.1 billion, almost a 200 percent increase from the \$369 million issued in 2001. Previously, financings for healthcare purposes have been at an all time low.

Educational financings increased 94 percent, selling \$7.4 billion in the first six months. State agencies issued almost \$3 billion for education, an increase of 88 percent from the \$1.6 billion issued during this same period in 2001. Local agencies also significantly increased their financings for education issuing \$4.4 billion, a 100 percent increase from the \$2.2 billion issued in 2001.

See Figure 1 for an overall comparison of 2001 and 2002 debt issuance by purpose categories.



General Obligation Bond Issuance

In the first six months of 2002, the State issued \$13.2 billion in general obligation bonds, which reflects a 222 percent increase from the \$4.1 billion issued in 2001. These bonds was issued in part to refund certain outstanding general obligation commercial paper notes that financed construction of various projects authorized by bond acts approved by the voters of the State and by resolutions of finance committees created under the bond acts.

Local agencies' general obligation bond issuance increased significantly to \$3.8 billion, reflecting a 90 percent increase from \$2 billion issued during the same period in 2001.

Other Bond Issuance

Statewide, the first six months of 2002 saw a significant increase in conduit revenue bond issuance. Total financings for conduit bond issues reached \$3.5 billion, nearly a 59 percent increase from the \$2.2 billion sold in the first six months of 2001.

Types of Debt

Note financings increased in 2002. Both state and local note issuance totaled \$9.3 billion, an increase of 344 percent from the \$2.1 billion issued in the first six months of 2001.

See Table 3 for an overall comparison of 2001 and 2002 debt issuance by type of debt.

Table 3
COMPARISON OF CALIFORNIA DEBT ISSUANCE
BY TYPE OF DEBT
JANUARY - JUNE
(Millions \$)

Type	2001	2002	% Change
Bonds	\$ 14,774	\$ 17,049	15.4%
Notes	2,107	9,375	344.9%
Certificates of Participation	1,123	1,695	50.9%
Commercial Paper	395	281	-28.9%
Other	0	21	100.0%
Totals	\$18,399	\$28,421	54.5%

Source: CDIAC

Complete tables of the *Types of Debt Issuance* and the *Purposes of Debt Issuance* for January through June 2002 are presented on pages 18 through 20 of this issue of *DEBT LINE*.

What's on the Horizon?

CDIAC has noted an increase in the current number of refundings, adding to the likelihood that long-term debt issuance will surpass 2001 levels. In addition, the Commission has received proposed and sold reports totaling \$5.5 billion in tax and revenue anticipation notes (TRANs). The County of Los Angeles and Los Angeles Unified School District have the two largest proposed TRAN issues for \$750 million and \$650 million, respectively. (see TRANs article below).

2002 TRANS

The time of year for issuing Tax and Revenue Anticipation Notes (TRANS) has arrived and the California Debt and Investment Advisory Commission's (CDIAC's) Data Collection and Analysis Unit is busy compiling numerous proposed and final reports submitted by issuing agencies.

As background, TRANS are short-term debt, with maturities no longer than 18 months, issued by local agencies to fund cash flow deficits within a fiscal year. Revenues from the general fund or from property tax payments of a single fiscal year are commonly designated as the sources of repayment for TRANS.

TRANS issuers sell their notes individually or may elect to include them in a pooled financing structure. Some public agencies use this pooled financing method to reduce the

administrative and issuance cost involved in borrowing money, as well as to reap the benefits of improved market access and lower interest rates.

CDIAC's data reflect that from January 1, 2002, through June 15, 2002, 612 issuers have reported \$5.5 billion in sold or proposed TRANS sales, a increase from the year 2001 when 446 issuers had sold or proposed \$3.2 billion in debt during the same time period. TRANS pools make up the bulk of 2002's TRANS volume so far. CDIAC has received reports from 553 TRANS pool issuers that make up seven financing pools totaling approximately \$2.6 billion dollars.

The tables below provide an up-to-date glimpse of the TRANS data received by the Commission as of June 15, 2002.

Table 1
2002 PROPOSED
TAX AND REVENUE ANTICIPATION NOTES (TRANS)
(Dollars in Thousands)

TRANS	No of Issuers	Amount(\$)
TRANS Pools		
CA School Cash Reserve Program Authority (CSCRPA)	413	1,435,505
California Statewide Community Development Authority (CSCDA)	50	457,045
California Community College Financing Authority (CCCFA)	42	311,800
South Coast Local Education (SCLE)	10	108,475
Total TRANS Pools	515	2,312,825
Individual Issuers	15	923,650
Total Proposed TRANS	530	3,236,475

Table 2
2002 SOLD
TAX AND REVENUE ANTICIPATION NOTES (TRANS)
(Dollars in Thousands)

TRANS	No. of Issuers	Amount(\$)
TRANS Pools		
Los Angeles County Schools (LACS)	23	90,805
Santa Barbara Schools Financing Authority (SBSFA)	4	25,000
San Diego County and School District (SDCSD)	11	188,760
Total TRANS Pools	38	\$304,565
Individual Issuers	44	2,035,560
Total Sold TRANS	82	\$2,340,125

Detailed information about each issue can be found in the *Calendar* portion of *DEBT LINE*.

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. For a full listing of CDIAC publications, please visit our website at <http://www.treasurer.ca.gov/cdiac>.

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