The State of California
2004 Debt Affordability Report

October 1, 2004

PHILIP ANGELIDES
CALIFORNIA STATE TREASURER

PHILIP ANGELIDES
Treasurer
State of California

October 1, 2004

THE HONORABLE ARNOLD SCHWARZENEGGER
Governor

THE HONORABLE JOHN BURTON
President pro Tempore of the Senate

THE HONORABLE FABIAN NÚN EZ
Speaker of the Assembly

I am hereby transmitting for your consideration California's Debt Affordability Report, which is statutorily required to be submitted by the Treasurer on October 1st of each year.

Though not required by law, past Debt Affordability Reports have included analyses of the State's debt capacity and potential impacts of borrowing under a variety of scenarios. Without a structurally balanced budget analyses of this nature does not provide meaningful or accurate results. We will provide debt capacity projections in the Debt Affordability Report when a structurally balanced budget is enacted.

I hope that the information in this report is of assistance in formulating sound capital financing policies. I look forward to working with you in pursuing investment policies and programs, which help support State infrastructure and secure California's economic strength in the decades ahead.

Sincerely,

PHIL ANGELIDES
State Treasurer

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PREFACE

The Treasurer must submit an annual debt affordability report to the Governor and Legislature in accordance with the requirement of Government Code Section 12330. The following list identifies the information to be included in the report:

- A listing of authorized but unissued debt that the Treasurer intends to sell during the current year and the budget year and the projected increase in debt service as a result of those sales.
- A description of the market for state bonds.
- An analysis of the ratings of state bonds.
- A listing of outstanding debt supported by the General Fund and a schedule of debt service requirements for this debt.
- A listing of authorized but unissued debt that would be supported by the General Fund.
- Identification of pertinent debt ratios, such as debt service to General Fund revenues, debt to personal income, debt to estimated full-value of property, and debt per capita.
- A comparison of these debt ratios with the comparable debt ratios for the 10 most populous states.

The rating agencies and the investor community evaluate the State's debt position based on "net tax-supported bonds." Net tax-supported bonds are those that must be repaid by the General Fund. Net tax-supported bonds *exclude*: 1) commercial paper and short-term obligations, such as revenue anticipation notes and warrants; 2) "self-supporting" state bonds, which are repaid from specific revenues outside the General Fund; and 3) bonds of federal, state and local governments and their agencies that are not obligations of the State's General Fund. It also excludes all types of "conduit" bonds, such as those issued by financing authorities on behalf of other governmental or private entities whose obligations secure the bonds.

This report frequently uses the words "bonds" and "debt" interchangeably, even when the underlying obligation behind the bonds does not constitute debt under California's constitution. This conforms with market convention for the general use of the term "debt" and "debt service" as applied to a broad variety of instruments in the municipal market, regardless of their precise legal status.

SECTION I: THE MARKET FOR STATE BONDS

Municipal Bond Market

The State of California's net tax supported bonds are a subset of the United States' municipal bond market. Investors in this overall market include insurance companies, mutual funds, hedge and investment funds, investment banks, trust departments, corporations, individual investors, and money market funds. Each of these buying groups exhibit differing preferences for the structure and maturities of the bonds they purchase. As one of the largest issuers of municipal bonds in the country, the State is able to draw significant attention from all of these buying groups.

The borrowing cost that issuers of municipal bonds must pay is a factor of the overall market for municipal bonds and the investment community's view of, and demand for, each issuer's credit. Investors require rates of return on their investments consistent with their perceptions of the likelihood of an issuer's ability and willingness to repay its obligations as compared to the likelihood of full repayment by other possible issuers and investments. The investment community historically has viewed California's bonds as high quality investments due to the State's large economy, taxing authority, and solid bond payment history.

Traditionally, the large numbers of investors residing in California and the State's progressive income tax system have created increased demand for the State's General Fund backed tax-exempt bonds. However, during recent years, investor demand for California debt weakened due to the State's credit deterioration and investor concerns over the magnitude of the State's budget shortfalls. During this period, the State's credit was downgraded by the three major rating agencies to the lowest level of any state. The State's borrowing costs rose accordingly. This negative trend has seen improvement subsequent to the State's sale of Economic Recovery Bonds that generated cash for the General Fund during May and June 2004. In addition, all three credit rating agencies have upgraded the State's ratings citing the State's recently improved liquidity and an increase in General Fund revenues, while reflecting concern with a State budget that still relies on long-term borrowing to achieve balance.

Cost of California's Fixed Rate Debt

Between late January 2000 and late September 2002 the State's cost of borrowing fell to historically low levels. During this period, the State's absolute 20-year borrowing cost fell from a five-year high of 6.00 percent on January 20, 2000 to a low of 4.50 percent on September 24, 2002, a decrease of 1.50 percentage points. During this period the State's borrowing costs relative to the national 20-year AAA-rated average varied between 0.13 percent lower than the average to 0.26 percent higher than the average.

Between fall 2002 and summer 2003, the State's cost of borrowing rose as the market's perception of the State's deteriorating credit and budget problems began to put pressure on the demand for the State's bonds. The State's borrowing costs relative to the AAA-rated index rose from 0.03 percent above the AAA-rated average on September 24, 2002 to an all-time high of 0.74 percent above the average on July 25, 2003 during the State's prolonged budget deliberations and the recall election. In addition, the State's absolute borrowing costs increased from a low of 4.50 percent in late September 2002 to a near-term high of 5.56 percent as of July 31, 2003, an increase of 1.06 percentage points. This increase resulted from both a general increase in market rates and the State's deteriorating credit.

Since adoption of the 2003-04 Budget, the State's borrowing cost compared to the AAA-rated average has been volatile and closely tied to the economic and political factors facing the State. After hitting a high of 0.74 percent above the AAA-average on July 25, 2003 the State's relative cost of borrowing fell to 0.38 percent above the AAA-average on September 4, 2003 due in part to the resolution of the State's budget uncertainty. However, directly following this improvement, political uncertainty surrounding the State's gubernatorial recall process and credit rating downgrades by both Moody's Investors Services and Fitch Ratings caused the State's relative cost of borrowing to rise up to a high of 0.67 percent above the AAA-rated average on December 18, 2003. Subsequently, signs of a recovering economy, credit rating upgrades by all three credit rating agencies, and the easing of the State's liquidity pressures have contributed to an improvement in the market for the State's bonds. As of August 17, 2004, the State's 20-year borrowing cost was 4.75 percent or 0.26 percent above the AAA-rated average, the lowest spread since December 10, 2002.

SECTION II: THE STATE'S CREDIT RATINGS

The State's General Obligation Bond Credit Ratings

Bond ratings provided by a credit rating agency are an independent assessment of the relative credit risk associated with purchasing and holding a particular bond through its scheduled term of repayment. Bond ratings serve as unbiased opinions of a borrower's financial strength and ability to repay its debt on a timely basis. Bond ratings are one of the most important indicators of creditworthiness readily available to the investment community and have a direct impact on the borrowing rates paid by the State.

The State's credit rating has deteriorated over the last two years. Fitch Ratings, Moody's Investors Service, and Standard & Poor's, respectively, currently rate the State as A-, A3, and A. The State's credit ratings reflect the ongoing structural imbalance of the State budget. This imbalance of revenues and expenditures has not been addressed in recently enacted budgets and results in ongoing structural deficits. A summary of the rating agencies' opinions of the State's credit strengths and credit weaknesses and risks are presented in Figure 1.

Figure 1

State of California General Obligation Credit Ratings and Agency Commentary

	Fitch Ratings	**Moody's Investors Service**	**Standard & Poor's**
As of July 1, 2002	AA	A1	A+
As of July 1, 2003	A	A2	A
As of July 1, 2004	BBB	A3	BBB
As of September 15, 2004	A-	A3	A
Ratings Strengths	• State's improved liquidity and General Fund revenues • Improvements in economic indicators	• Trend of recovery in economy • Moderate growth in employment, personal income, and tax revenues • Improved liquidity and reduced market access risk	• Recent improvement in State's economy • A rising, but still moderate, debt burden • Elimination of near-term liquidity pressures
Ratings Weaknesses/ Risks	• Considerable operating deficit in current year • Uncertainty surrounding State's ability to address future budget gaps	• Significant fiscal challenge of budget's structural imbalance • Large increase in long-term debt	• Continued structural deficit between revenues and expenditures • Budget that is reliant on long-term debt borrowing • Structural impediments, such as mandatory funding requirements for schools, and a 2/3 legislative vote requirement for state budget passage

SECTION III: GENERAL FUND DEBT

Bonds Outstanding and Bonds Authorized But Unissued

As of July 1, 2004, the State has a total of $33.026 billion in voter authorized general obligation bonds outstanding and a total of $29.665 billion authorized but unissued. In addition, the State has legislatively authorized General Fund supported lease revenue bonds in the amount of $6.441 billion outstanding and $3.854 billion authorized but unissued. A detailed list of the State's outstanding general obligation and General Fund supported lease revenue bonds and their debt service requirements can be found in Appendix 1.

Intended Issuances of Net Tax-Supported Bonds

Intended issuances are based on prior spending patterns and departmental expenditure projections and are subject to change. Intended issuances of general fund net tax-supported bonds for the next two fiscal years are shown in Figure 2. Net tax-supported bonds are those that must be repaid by the General Fund. Net tax-supported bonds *exclude*: 1) commercial paper and short-term obligations, such as revenue anticipation notes and warrants; 2) "self-supporting" state bonds, which are repaid from specific revenues outside the General Fund; and 3) bonds of federal, state and local governments and their agencies that are not obligations of the State's General Fund. It also excludes all types of "conduit" bonds, such as those issued by financing authorities on behalf of other governmental or private entities whose obligations secure the bonds.

The State's intended issuances of general obligation bonds and lease revenue bonds listed in Figure 2 include only currently authorized but unissued bonds. The intended issuances may increase should voters approve proposed bond programs on the November 2004 ballot.

Figure 2

Intended Issuances ($ Millions)		
	2004-2005	**2005-2006**
General Obligation	$5,000	$5,500
Lease Revenue	$825	$405
Pension Obligation Bonds[1]	$929	n/a
Total General Fund Supported Bonds	$6,754	$5,905

The State's intended issuance of a combined total of $11.73 billion of General Fund net-tax supported bonds during fiscal years 2004-05 and 2005-06 is expected to increase General Fund supported debt service by $58.778 million in fiscal year 2004-05 and $642.390 million in fiscal year 2005-06. A detailed schedule of the projected annual payments on these obligations can be found in Appendix 2.

[1] Pension Obligation Bonds were authorized as part of the 2004-05 Budget Act.

SECTION IV: DEBT RATIOS

Use of Debt Ratios

Measuring California's debt level through the use of debt ratios provides a convenient way to compare California's circumstances to those of other borrowers. The most common debt ratios applied to state issuers are: (1) debt service as a percentage of general fund revenues, (2) debt as a percentage of personal income, and (3) debt per capita.

Debt Service as a Percentage of General Fund Revenues: Credit analysts use the ratio comparing a state's general fund supported debt service to general fund revenues to examine a state's fiscal flexibility given that its debt service is considered a fixed part of its budget. The State's ratio of debt service to General Fund revenues was 3.37 percent for fiscal year 2003-04, based on $2.552 billion in debt service payments versus $75.678 billion in General Fund revenues. This figure is equal to the State's fiscal year 2002-03 ratio of 3.37 percent. This ratio is projected to be 4.69 percent for fiscal year 2004-05, based on $3.763 billion in debt service payments versus $80.321 billion in General Fund revenues as projected by the Department of Finance.

This projected ratio only reflects debt service from a portion of the bond sales listed in Figure 2 and does not include the Economic Recovery Bonds for which debt service each year is paid from a dedicated quarter cent sales tax. For example, $2.5 billion of the $5.0 billion in general obligation bonds planned for fiscal year 2004-05 will be sold during the first half of the fiscal year. These bonds will have interest payments in the second half of the fiscal year. The remaining $2.5 billion in general obligation bonds will not have a debt service payment during the 2004-05 fiscal year and will therefore not affect the ratio. The pension obligation bonds and lease revenue bond sales planned for fiscal year 2004-05 also are not expected to have any net debt service payments during fiscal year 2004-05.

Debt as a Percentage of Personal Income: Comparing a state's level of debt to the total personal income of its residents measures a borrower's ability to repay its obligations because it indicates the potential ability of a state to generate revenues. In its 2004 State Debt Medians report release April 2004, Moody's Investor Services lists the State's ratio of General Fund net tax-supported debt to personal income as 3.2 percent. If this ratio was adjusted to include the Economic Recovery Bonds, the ratio of debt to personal income would be 4.0 percent. Alone, the Economic Recovery Bonds represent a ratio to personal income of 0.9 percent.

Debt Per Capita: Debt per capita measures state residents' average share of the State's total debt outstanding. It does not account for the employment status, income or financial resources of the residents. As a result, debt per capita does not reflect a state's ability to repay its obligations as well as the other two ratios and is generally considered the least informative of the three debt ratios. In their 2004 State Debt Medians report release April 2004, Moody's Investor Services lists the State's General Fund net tax-supported debt per capita as $1,060. If this figure was adjusted to include the Economic Recovery Bonds, the debt per capita would rise to $1,366. Alone, the Economic Recovery Bonds represent $306 per capita.

California's Debt Levels Compared to Other Large States

The State's debt levels are consistent with those of other large states. The comparison of California's debt position to other states is made possible primarily through the use of benchmark debt ratios published by Moody's. Moody's calculates the ratios of debt to personal income and debt per capita for each state and publishes an annual report containing the median ratios. In addition to comparing California's debt ratios to the Moody's state medians, it is useful to compare California to its "peer group" of the 10 most populous states. As shown in Figure 3, the debt ratios of these 10 states are, on average, higher than the Moody's median for all states combined. Comparatively, California's ratio of General Fund net tax-supported debt to personal income and debt per capita rank just above the medians for the 10 most populous states.

Figure 3

Debt Ratios of 10 Most Populous States
Ranked by Ratio of Debt to Personal Income

State	Moody's/S&P/Fitch[(1)]	Debt to Personal Income [(2)]	Debt per Capita[(2)]
Texas	Aa1/AA/AA+	0.8%	$220
Michigan	Aa1/AA+/AA+	2.2%	$670
Pennsylvania	Aa2/AA/AA	2.2%	$711
Ohio	Aa1/AA+/AA+	2.7%	$806
Georgia	Aaa/AAA/AAA	2.9%	$827
Florida	Aa2/AA+/AA	3.5%	$1,023
California[(3)]	***A3/A/A-***	***3.2%***	***$1,060***
Illinois	Aa3/AA/AA	5.8%	$1,943
New Jersey	Aa3/AA-/AA-	5.9%	$2,332
New York	A2/AA/AA-	6.7%	$2,420
Moody's Median all States		**2.4%**	**$701**
Median for the 10 Most Populous States [(4)]		**3.2%**	**$925**

(1) Moody's Investors Service, Standard & Poor's, and Fitch Ratings, as of September 15, 2004.

(2) Figures as reported by Moody's Investor Services in their 2004 State Debt Medians report released April 2004.

(3) Does not include the Economic Recovery Bonds for which debt service each year is paid from a dedicated quarter cent sales tax.

(4) Calculated as the average of the ratios reported for each measure for the fifth- and sixth-ranked states.

APPENDIX 1

State of California Outstanding Debt Service Requirements
General Obligation Bonds (Fixed Rate)
as of July 1, 2004

Fiscal Year Ending June 30	Interest	Principal	Total (a)
2005	$ 1,645,503,461	$ 1,313,099,389	$ 2,958,602,850
2006	1,569,446,389	1,264,970,000	2,834,416,389
2007	1,497,831,505	1,297,125,000	2,794,956,505
2008	1,429,166,582	1,452,848,078	2,882,014,660
2009	1,350,371,918	1,527,375,000	2,877,746,918
2010	1,267,525,111	1,602,180,000	2,869,705,111
2011	1,183,026,266	1,573,359,045	2,756,385,311
2012	1,094,724,901	1,219,915,000	2,314,639,901
2013	1,033,996,970	967,840,000	2,001,836,970
2014	987,058,933	871,820,000	1,858,878,933
2015	944,672,295	853,200,000	1,797,872,295
2016	899,813,289	754,315,000	1,654,128,289
2017	859,951,461	779,855,000	1,639,806,461
2018	820,106,447	812,480,000	1,632,586,447
2019	777,613,745	879,630,000	1,657,243,745
2020	732,159,451	942,170,000	1,674,329,451
2021	684,468,762	908,055,000	1,592,523,762
2022	637,701,924	1,056,290,000	1,693,991,924
2023	582,337,244	1,131,635,000	1,713,972,244
2024	525,679,256	1,019,585,000	1,545,264,256
2025	472,036,214	1,176,765,000	1,648,801,214
2026	413,415,240	1,096,220,000	1,509,635,240
2027	357,600,085	1,110,610,000	1,468,210,085
2028	300,515,708	1,163,640,000	1,464,155,708
2029	241,145,618	1,090,310,000	1,331,455,618
2030	183,529,422	1,231,465,000	1,414,994,422
2031	123,067,750	861,280,000	984,347,750
2032	80,959,965	739,950,000	820,909,965
2033	43,729,964	609,475,000	653,204,964
2034	13,507,483	319,020,000	332,527,483
TOTAL	**$ 22,752,663,356**	**$ 31,626,481,512**	**$ 54,379,144,868**

(a) Includes scheduled mandatory sinking fund payments.

SOURCE: State of California, Office of the Treasurer.

APPENDIX 1

State of California Outstanding Debt Service Requirements
General Obligation Bonds (Variable Rate)
as of July 1, 2004

Fiscal Year Ending June 30	Interest (b)	Principal	Total (a)
2005	$ 18,707,958	-	$ 18,707,958
2006	18,724,445	-	18,724,445
2007	18,724,445	-	18,724,445
2008	18,761,820	-	18,761,820
2009	18,707,958	-	18,707,958
2010	18,724,445	-	18,724,445
2011	18,724,445	-	18,724,445
2012	18,761,820	-	18,761,820
2013	18,707,958	-	18,707,958
2014	18,724,445	-	18,724,445
2015	18,724,445	-	18,724,445
2016	18,713,155	$ 48,255,000	66,968,155
2017	18,012,462	50,185,000	68,197,462
2018	17,355,151	52,190,000	69,545,151
2019	16,655,020	54,280,000	70,935,020
2020	15,958,830	56,450,000	72,408,830
2021	15,156,168	58,710,000	73,866,168
2022	14,381,981	61,060,000	75,441,981
2023	13,562,864	63,500,000	77,062,864
2024	12,736,599	66,040,000	78,776,599
2025	11,814,615	68,680,000	80,494,615
2026	10,903,743	71,430,000	82,333,743
2027	9,945,512	74,285,000	84,230,512
2028	8,967,090	77,260,000	86,227,090
2029	7,875,204	110,350,000	118,225,204
2030	6,401,902	114,760,000	121,161,902
2031	4,862,397	119,350,000	124,212,397
2032	3,268,230	124,125,000	127,393,230
2033	1,594,661	129,090,000	130,684,661
TOTAL	**$ 414,159,770**	**$ 1,400,000,000**	**$ 1,814,159,770**

(a) Includes scheduled mandatory sinking fund payments.
(b) Variable rate interest payment estimations are based on the last interest rates paid at fiscal year-end in accordance with the Governmental Accounting Standards Board.
SOURCE: State of California, Office of the Treasurer.

APPENDIX 1 (Continued)

State of California Outstanding Debt Service Requirements
Lease Revenue Bonds
as of July 1, 2004

Fiscal Year Ending June 30	Interest	Principal	Total (a)
2005	$ 372,617,518	$ 354,719,507	$ 727,337,025
2006	363,548,715	393,497,555	757,046,270
2007	349,283,358	347,313,920	696,597,279
2008	329,138,078	356,591,788	685,729,866
2009	315,396,600	379,487,732	694,884,333
2010	290,804,782	369,051,634	659,856,416
2011	260,923,033	382,675,000	643,598,033
2012	241,271,876	367,050,000	608,321,876
2013	222,212,103	376,960,000	599,172,103
2014	202,594,393	381,295,000	583,889,393
2015	182,318,890	400,910,000	583,228,890
2016	161,167,210	383,550,000	544,717,210
2017	140,435,686	390,075,000	530,510,686
2018	119,871,712	406,305,000	526,176,712
2019	98,926,878	367,065,000	465,991,878
2020	79,668,424	339,070,000	418,738,424
2021	63,167,667	277,330,000	340,497,667
2022	48,587,187	249,665,000	298,252,187
2023	37,138,508	197,165,000	234,303,508
2024	27,893,783	108,700,000	136,593,783
2025	22,294,693	114,300,000	136,594,693
2026	16,882,800	103,240,000	120,122,800
2027	11,573,443	108,515,000	120,088,443
2028	6,057,769	98,375,000	104,432,769
2029	1,806,050	35,240,000	37,046,050
TOTAL	**$ 3,965,581,156**	**$ 7,288,147,136**	**$ 11,253,728,292**

(a) Includes scheduled mandatory sinking fund payments.

SOURCE: State of California, Office of the Treasurer.

APPENDIX 1 (Continued)

State of California Outstanding and Authorized but Unissued Bonds
General Obligation Bonds
as of July 1, 2004 ($ Thousands)

	Voter Authorization Date	Voter Authorization Amount	Bonds Outstanding (a)	Authorized but Unissued (b)
GENERAL FUND BONDS (Non-Self Liquidating)				
California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002	3/5/2002	$ 2,600,000	$ 219,360	$ 2,380,640
California Library Construction and Renovation Bond Act of 1988	11/8/1988	75,000	46,500	2,595
California Library Construction and Renovation Bond Act of 2000	3/7/2000	350,000	4,510	345,450
California Park and Recreational Facilities Act of 1984	6/5/1984	370,000	113,490	1,100
California Parklands Act of 1980	11/4/1980	285,000	23,390	-
California Safe Drinking Water Bond Law of 1976	6/8/1976	175,000	34,495	2,500
California Safe Drinking Water Bond Law of 1984	11/6/1984	75,000	22,145	-
California Safe Drinking Water Bond Law of 1986	11/4/1986	100,000	56,025	-
California Safe Drinking Water Bond Law of 1988	11/8/1988	75,000	48,980	7,100
California Wildlife, Coastal, and Park Land Conservation Act of 1988	6/7/1988	776,000	385,350	7,330
Class Size Reduction Public Education Facilities Bond Act of 1998 (Hi Ed)	11/3/1998	2,500,000	2,043,030	413,985
Class Size Reduction Public Education Facilities Bond Act of 1998 (K-12)	11/3/1998	6,700,000	6,397,025	26,990
Clean Air and Transportation Improvement Bond Act of 1990	6/5/1990	1,990,000	1,351,840	234,130
Clean Water and Water Conservation Bond Law of 1978	6/6/1978	375,000	27,230	-
Clean Water and Water Reclamation Bond Law of 1988	11/8/1988	65,000	45,975	-
Clean Water Bond Law of 1970	11/3/1970	250,000	3,500	-
Clean Water Bond Law of 1974	6/4/1974	250,000	7,665	-
Clean Water Bond Law of 1984	11/6/1984	325,000	72,125	-
Community Parklands Act of 1986	6/3/1986	100,000	37,445	-
County Correctional Facility Capital Expenditure and Youth Facility Bond Act of 1988	11/8/1988	500,000	296,320	-
County Correctional Facility Capital Expenditure Bond Act of 1986	6/3/1986	495,000	194,455	-
County Jail Capital Expenditure Bond Act of 1981	11/2/1982	280,000	45,150	-
County Jail Capital Expenditure Bond Act of 1984	6/5/1984	250,000	38,650	-
Earthquake Safety and Public Buildings Rehabilitation Bond Act of 1990	6/5/1990	300,000	204,750	59,450
Fish and Wildlife Habitat Enhancement Act of 1984	6/5/1984	85,000	25,085	-
Hazardous Substance Cleanup Bond Act of 1984	11/6/1984	100,000	5,000	-
Higher Education Facilities Bond Act of 1986	11/4/1986	400,000	111,900	-
Higher Education Facilities Bond Act of 1988	11/8/1988	600,000	293,490	10,440
Higher Education Facilities Bond Act of June 1990	6/5/1990	450,000	250,430	2,130
Higher Education Facilities Bond Act of June 1992	6/2/1992	900,000	637,375	8,280
Housing and Emergency Shelter Trust Fund Act of 2002	11/5/2002	2,100,000	0	2,100,000
Housing and Homeless Bond Act of 1990	6/5/1990	150,000	6,400	-
Kindergarten - University Public Education Facilities Bond Act of 2002 (K-12)	11/5/2002	11,400,000	7,930,550	3,469,450
Kindergarten - University Public Education Facilities Bond Act of 2002 (Hi-Ed)	11/5/2002	1,650,000	84,705	1,565,295
Kindergarten - University Public Education Facilities Bond Act of 2004 (K-12)	3/2/2004	10,000,000	0	10,000,000
Kindergarten - University Public Education Facilities Bond Act of 2004 (Hi-Ed)	3/2/2004	2,300,000	0	2,300,000
Lake Tahoe Acquisitions Bond Act	8/2/1982	85,000	23,590	-
New Prison Construction Bond Act of 1981	6/8/1982	495,000	29,500	-
New Prison Construction Bond Act of 1984	6/5/1984	300,000	22,500	-
New Prison Construction Bond Act of 1986	11/4/1986	500,000	152,395	-
New Prison Construction Bond Act of 1988	11/8/1988	817,000	399,880	12,260
New Prison Construction Bond Act of 1990	6/5/1990	450,000	229,600	6,125

APPENDIX 1 (Continued)

State of California Outstanding and Authorized but Unissued Bonds
General Obligation Bonds (continued)
as of July 1, 2004 ($ Thousands)

	Voter Authorization Date	Voter Authorization Amount	Bonds Outstanding (a)	Unissued (b)
Passenger Rail and Clean Air Bond Act of 1990	6/5/1990	$ 1,000,000	$ 585,825	$ -
Public Education Facilities Bond Act of 1996 (K-12)	3/26/1996	2,025,000	1,703,545	46,790
Public Education Facilities Bond Act of 1996 (Hi-Ed)	3/26/1996	975,000	866,495	38,330
1988 School Facilities Bond Act	11/8/1988	800,000	417,480	2,665
1990 School Facilities Bond Act	6/5/1990	800,000	439,750	2,990
1992 School Facilities Bond Act	11/3/1992	900,000	564,887	6,614
Safe, Clean Reliable Water Supply Act of 1996	11/5/1996	995,000	564,510	402,765
Safe Drinking Water Bond Act of 2000	3/7/2000	1,970,000	444,570	1,513,802
Safe Neighborhood Parks Bond Act of 2000	3/7/2000	2,100,000	928,620	1,153,820
School Building and Earthquake Bond Act of 1974	11/5/1974	40,000	29,320	0
School Facilities Bond Act of 1988	6/7/1988	800,000	370,480	0
School Facilities Bond Act of 1990	11/6/1990	800,000	477,720	0
School Facilities Bond Act of 1992	6/2/1992	1,900,000	1,161,455	17,290
Seismic Retrofit Bond Act of 1996	3/26/1996	2,000,000	1,661,865	209,645
Senior Center Bond Act of 1984	11/6/1984	50,000	5,000	0
State School Building Lease-Purchase Bond Law of 1982	11/2/1982	500,000	14,250	0
State School Building Lease-Purchase Bond Law of 1984	11/6/1984	450,000	91,250	0
State School Building Lease-Purchase Bond Law of 1986	11/4/1986	800,000	248,650	0
State, Urban, and Coastal Park Bond Act of 1976	11/2/1976	280,000	12,630	0
Veterans' Homes Bond Act of 2000	3/7/2000	50,000	0	50,000
Voting Modernization Bond Act of 2002	3/5/2002	200,000	0	200,000
Water Conservation and Water Quality Bond Law of 1986	6/3/1986	150,000	65,520	27,600
Water Conservation Bond Law of 1988	11/8/1988	60,000	37,210	11,500
Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002	11/5/2002	3,440,000	413,645	3,026,355
Total General Fund Bonds		$ 75,128,000	$ 33,026,482	$ 29,665,416

(a) Includes the initial value of capital appreciation bonds rather than the accreted value.
(b) Includes authorized commercial paper.

SOURCE: State of California, Office of the Treasurer.

APPENDIX 1 (Continued)

State of California Outstanding and Authorized but Unissued Bonds Lease Revenue Bonds as of July 1, 2004 ($ Thousands)	Bonds Outstanding	Authorized but Unissued
Lease Revenue Bonds		
University of California	$ 1,119,122,382	$ 1,246,817,000
California State University	579,715,000	191,309,000
California Community Colleges	542,835,000	146,102,000
Department of Corrections	2,532,119,754	313,923,000
Department of Youth Authority	16,975,000	21,155,000
State Buildings	1,579,440,000	1,670,141,000
Energy Efficiency Revenue Bonds	71,280,000	264,085,000
Total Lease Revenue Bonds	**$ 6,441,487,136**	**$ 3,853,532,000**

APPENDIX 2

State of California Debt Service Requirements on Intended Sales of Authorized but Unissued Bonds during Fiscal Years 2004-05 and 2005-06

Fiscal Year Ending June 30,	FY 2004-05 GO Sales Debt Service	FY 2005-06 GO Sales Debt Service	FY 2004-05 POB Sales Debt Service	FY 2004-05 LRB Sales Debt Service	FY 2005-06 LRB Sales Debt Service	Total Debt Service All Sales
2005	$ 58,777,778	-	-	-	-	$ 58,777,778
2006	346,244,067	$ 76,083,333	$ 72,624,933	-	-	494,952,333
2007	346,271,900	396,983,683	72,629,650	-	-	815,885,233
2008	346,257,000	397,008,050	72,626,125	$ 7,038,150	-	822,929,325
2009	346,267,200	396,984,200	72,621,350	82,150,050	$ 7,218,750	905,241,550
2010	346,263,700	396,992,300	72,626,250	82,149,850	40,178,300	938,210,400
2011	346,287,350	396,999,350	72,626,550	82,146,700	40,181,800	938,241,750
2012	346,278,050	397,002,950	72,626,925	82,150,500	40,179,050	938,237,475
2013	346,271,750	397,004,950	72,627,350	82,150,700	40,177,800	938,232,550
2014	346,290,950	397,000,550	72,622,950	82,146,750	40,180,050	938,241,250
2015	346,273,250	396,999,800	72,622,625	82,152,800	40,178,100	938,226,575
2016	346,266,250	397,009,900	72,624,225	82,152,100	40,183,950	938,236,425
2017	346,275,250	396,997,150	72,629,375	82,148,350	40,179,150	938,229,275
2018	346,273,750	397,008,000	72,623,125	82,149,350	40,180,850	938,235,075
2019	346,269,850	396,999,850	72,624,650	82,147,450	40,180,150	938,221,950
2020	346,261,100	397,000,550	72,627,600	82,149,700	40,178,300	938,217,250
2021	346,277,800	396,995,250	72,624,225	82,152,250	40,181,250	938,230,775
2022	346,267,900	396,992,600	72,626,075	82,146,250	40,179,650	938,212,475
2023	346,280,000	396,994,150	72,624,000	82,147,400	40,179,300	938,224,850
2024	346,268,800	397,004,200	72,622,975	82,145,350	40,179,950	938,221,275
2025	346,274,550	397,004,950	72,622,450	82,149,300	40,176,800	938,228,050
2026	346,283,400	397,001,800	-	82,147,550	40,179,450	865,612,200
2027	346,271,150	397,002,750	-	82,153,250	40,176,900	865,604,050
2028	346,266,400	397,002,800	-	82,148,350	40,178,300	865,595,850
2029	346,280,000	397,004,250	-	82,149,500	40,176,900	865,610,650
2030	346,264,950	397,006,700	-	82,147,150	40,181,100	865,599,900
2031	346,273,750	396,996,300	-	-	40,183,250	783,453,300
2032	346,274,200	397,006,950	-	-	-	743,281,150
2033	346,277,150	397,007,300	-	-	-	743,284,450
2034	346,275,800	397,008,750	-	-	-	743,284,550
2035	346,275,600	396,993,650	-	-	-	743,269,250
2036	-	396,995,450	-	-	-	396,995,450
Totals:	$10,446,940,644	$ 11,986,092,467	$ 1,452,503,408	$ 1,814,318,800	$ 891,169,100	$ 26,591,024,419