



## LONG-TERM BOND ISSUANCE HITS RECORD HIGH IN FIRST SIX MONTHS OF 2003

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California state and local bond issuers entered the long-term municipal bond market to sell over \$31 billion in the first six months of 2003, reaching an unprecedented high. State and local agencies issued short- and long-term bonds and notes totaling \$46 billion, a 61.9 percent increase over the \$28.4 billion sold in the first half of 2002.

The low interest rate environment appeared to create more refinancing opportunities for issuers and had an appreciable effect on total California issuance.

As Figure 1 reflects, in the first six months of 2003, bond and note issuance for the State of California, including its departments and authorities, totaled almost \$20.2 billion, representing an increase of 52.2 percent over the same period in 2002. Local agency issuance of \$25.2 billion increased 67.9 percent over the \$15 billion issued in 2002. Student loan corporations (SLCs) issued bonds totaling \$521 million in the first six months of 2003, over five times the 2002 level.

Figure 1  
**COMPARISON OF TOTAL BOND AND NOTE ISSUANCE  
JANUARY – JUNE**  
(Millions \$)

Issuer Type	2002	2003	% Change
State	\$ 13,289	\$ 20,226	52.2%
Local	15,046	25,261	67.9%
SLC	86	521	505.8%
<b>Total</b>	<b>\$28,421</b>	<b>\$46,008</b>	<b>61.9%</b>

Source: CDIAC

### Long- and Short-Term Issuance

In the first six months of 2003, state and local long-term bonds issued for new money and to refund existing bonds totaled \$31 billion. This represents an increase of approximately 65.1 percent from \$18.8 billion issued during the same time period in 2002 (see Figure 2). New long-term bond issues totaled \$17.4 billion, or 56 percent of the total \$31 billion in long-term bonds issued in the first six months of 2003. This amount of new long-term bonds issued is up more than 65 percent from 2002. Similarly, long-term refunding totaled \$13.6 billion, an increase of over 64 percent from 2002.

Figure 2  
**COMPARISON OF  
LONG-TERM AND SHORT-TERM BOND ISSUANCE  
JANUARY - JUNE**  
(Millions \$)

Year	2002	2003	% Change
Long-term new	\$10,491	\$17,382	65.7%
Long-term refunding	8,304	13,657	64.5%
Total long-term	\$18,795	\$31,039	65.1%
Total short-term	\$ 9,626	\$14,969	55.5%
<b>Total Long &amp; Short-Term</b>	<b>\$28,421</b>	<b>\$46,008</b>	<b>61.9%</b>

Source: CDIAC

State agencies issued \$9.2 billion in long-term bonds, representing an increase of 66.5 percent from the \$5.5 billion issued in the first six months of 2002. Local agencies issued long-term bonds totaling approximately \$21.2 billion, representing an increase of 61.7 percent from the \$13.1 billion sold in the same period last year. SLC sold \$521 million in long-term bonds, a significant 500 percent increase over the \$86 million issued in 2002.

State and local short-term issuance totaled almost \$15 billion. Of that amount, the State of California acting through the State Controllers Office issued \$10.9 billion in the form of revenue anticipation warrants (RAWs). The State issued \$7.5 billion in RAWs in June 2002.

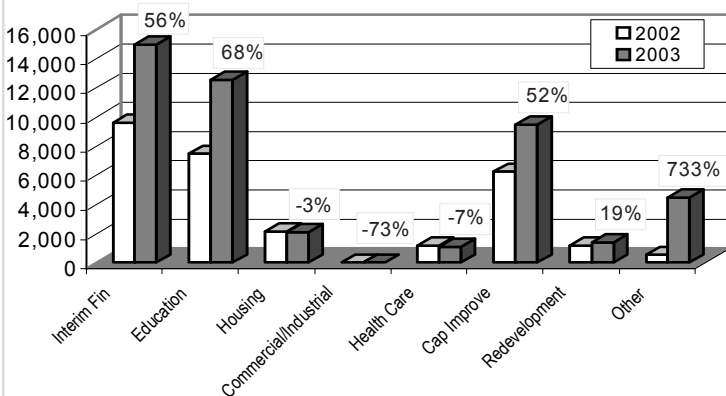
### Financings For Education Lead the Way in Amount of Issuance Growth

Although most categories of public bond issuance experienced moderate increases or decreases in dollar volume levels, bond issuance increased significantly for education in the first six months of 2003. Through June 30, 2003, state and local educational issuance totaled \$12.5 billion, more than a 67 percent increase from the \$7.4 billion issued in 2002. State agencies issued \$5.9 billion for educational purposes, a 100 percent increase from the \$3 billion issued in 2002. Local agencies also increased their financings for education, issuing over \$6.0 billion, a 37 percent increase from the \$4.4 billion issued in 2002.

Financings in the “other” purposes category increased over 700 percent, reaching \$4.4 billion in the first six months. The Golden State Tobacco Securitization Corporation issued \$3 billion, and California Infrastructure and Economic Development Bank issued \$340 million to help boost the state bond issuance to \$4.4 billion in the “other” purpose category, as compared to the \$32 million issued during this same period in 2002.

See Chart 1, for an overall comparison of 2002 and 2003 issuance by purpose categories.

Chart 1  
**COMPARISON OF CALIFORNIA ISSUANCE  
 BY PURPOSE  
 JANUARY - JUNE**  
 (Millions \$)



**General Obligation Bond Issuance**

State and local issuance of general obligation bonds in the first six months of 2003 totaled \$11.8 billion, which reflects a 74 percent increase from the \$6.8 billion issued in 2002. In the first six months of 2003, the state issued \$6 billion in general obligation bonds, which reflects a 109 percent increase from the \$2.9 billion issued in 2002.

Local agencies’ general obligation bond issuance increased significantly to \$5.7 billion, reflecting a 48.2 percent increase from \$3.8 billion issued during the same period in 2002.

**Other Bond Issuance**

Statewide, the first six months of 2003 also saw an increase in public enterprise revenue bond issuance. Total financings for public enterprise bond issues reached \$5.2 billion, an 86 percent increase from the \$2.8 billion sold in the first six months of 2002.

**2003 TRANs**

Tax and Revenue Anticipation Notes (TRANs) typically are completed this time of the year. As anticipated, CDIAC’s Data Collection and Analysis Unit is busy compiling numerous proposed and final sale reports submitted by issuing agencies.

TRANs are short-term instruments with maturities not exceeding 18 months. They are 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 costs 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, 2003, through June 30, 2003, 538 issuers have reported \$5.7 billion in sold and proposed TRAN sales, which represents a slight increase in volume from the year 2002 when 612 issuers had reported sold and proposed totaling \$5.5 billion in TRANs during the same time period. TRAN pools make up the bulk of 2003’s TRAN volume so far. CDIAC has received reports from 479 TRAN pool issuers that make up seven financing pools totaling approximately \$2.3 billion.

Figures 4 and 5 below provide a glimpse of the TRANs data received by CDIAC as of June 30, 2003.

Figure 4  
**2003 PROPOSED  
 TAX AND REVENUE ANTICIPATION NOTES (TRANs)**  
 (Thousands \$)

TRANs	No. of Issuers	Amount
<b>TRAN Pools</b>		
California Community College Financing Authority (CCCFA)	48	\$ 417,250
South Coast Local Education (SCLE)	10	155,530
<b>Total TRAN Pools</b>	<b>58</b>	<b>\$ 572,780</b>
<b>Individual Issuers</b>	<b>16</b>	<b>\$ 892,600</b>
<b>Total Proposed TRANs</b>	<b>74</b>	<b>\$1,465,380</b>

Figure 5  
**2003 SOLD  
 TAX AND REVENUE ANTICIPATION NOTES (TRANs)**  
 (Thousands \$)

TRANs	No. of Issuers	Amount
<b>TRAN Pools</b>		
CA School Cash Reserve Program Authority (CSCRPA)	354	\$ 928,870
California Statewide Community Development Authority (CSCDA)	32	404,295
Los Angeles County Schools (LACS)	16	70,190
Santa Barbara Schools Financing Authority (SBSFA)	5	25,725
San Diego County and School District (SDCSD)	14	323,725
<b>Total TRAN Pools</b>	<b>421</b>	<b>\$1,752,805</b>
<b>Individual Issuers</b>	<b>43</b>	<b>\$2,475,265</b>
<b>Total Sold TRANs</b>	<b>464</b>	<b>\$4,228,070</b>

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

**What's on the Horizon?**

The state's deteriorating credit quality, as yet, has not shown any lasting effects on bond sales volume. Moreover, CDIAC has noted a significant increase in the current number of refundings, adding to the likelihood that long-term bond issuance in 2003 will surpass 2002 levels. The Commission has

received proposed reports for potential bond and note financings totaling \$11.7 billion. For example, the California Infrastructure and Economic Development Bank has proposed to sell \$1.2 billion of revenue bonds during August to seismically retrofit five of the seven bridges in the San Francisco Bay Area, and the Los Angeles Department of Water and Power is scheduled to sell \$1.1 billion in power revenue bonds.

*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/cdiac>.*

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