



NEWS RELEASE

CALIFORNIA STATE TREASURER BILL LOCKYER

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State Treasurer Lockyer Announces \$4.45 Billion Tobacco Bond Sale Nets \$900 Million for Schools, Community Colleges *Restructuring Deal Also Yields \$350 Million for Capital Projects*

SACRAMENTO – State Treasurer Bill Lockyer announced that a \$4.45 billion sale of tobacco bonds completed today will net \$900 million for California’s K-12 schools and community colleges, and \$350 million for infrastructure projects.

“Smart debt management can help California ease its fiscal strain while investing in our future and making our state more livable,” said Lockyer. “By providing \$1.25 billion to education and much-needed capital construction projects, at a reasonable price for taxpayers, this sale sets a good practice standard for managing the historic infrastructure bond investment authorized last year by voters.”

The \$4.45 billion sale in part refinances the \$2.86 billion still owed on tobacco bonds the state issued in 2003. Tobacco bonds are repaid from money California receives under the 1998 Master Settlement Agreement (MSA) with tobacco companies. By taking advantage of lower interest rates, and other market conditions, the restructuring allowed the state to not only refinance the 2003 debt, but also raise \$1.25 billion in additional bond proceeds secured by California’s MSA payments.

Of the refinancing proceeds, \$900 million will be allocated to schools and community colleges. The state promised the schools and colleges the money under a deal the Governor struck with educators in 2006. The agreement resolved a dispute over the minimum funding schools and community colleges receive under Proposition 98. The balance of \$350 million in restructuring proceeds can be used for capital construction projects. The Governor and Legislature will make the final decisions on exactly how to spend that money.

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