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Treasurer Lockyer Releases Debt Affordability Report Highlighting Fiscal Challenges Ahead *Calls for Sustained Budget Discipline, Better Infrastructure Planning*

SACRAMENTO – State Treasurer Bill Lockyer today released a report that shows the State faces continued budget challenges over the next decade. The 2011 [California Debt Affordability Report](#) (DAR) urges better infrastructure planning and less reliance on the General Fund to finance public works projects.

“The Governor and Legislature made great strides this year toward getting the State’s budget on a firmer foundation and restoring our market reputation,” said Lockyer. “But California’s recovery from the recession will not be quick. The next 10 years will require sustained fiscal discipline and hard work. With limited General Fund resources, we have to both heavily invest in infrastructure and adequately fund critical public services. Reducing the General Fund’s infrastructure financing burden should be in the mix of options for striking the right balance.”

The DAR, titled, “The Challenge Ahead: Balancing California’s Infrastructure Investments and Service Needs,” presents 10-year State Budget estimates under three scenarios. Each scenario uses a different assumed level of new bond sales. They use the same revenue and spending estimates. Under all three scenarios, the State would confront sizeable deficits over much of the next decade.

- Scenario 1 – State issues no new debt over the next 10 years [no general obligation (GO) bonds or lease revenue bonds (LRBs)]. The budget deficit would peak at \$6 billion in FY 2020-21. Debt service as a percentage of General Fund revenues would fall from 7.8 percent in FY 2011-12 to 4.1 percent in FY 2020-21.
- Scenario 2 – State over next 10 years issues all \$49.1 billion of currently authorized but unsold GO bonds and LRBs. The budget shortfall would peak at \$9.8 billion in FY 2020-21. The debt service ratio would drop from 7.8 percent in FY 2011-12 to 6.8 percent in FY 2020-21.
- Scenario 3 – State over the next 10 years issues \$49.1 billion of currently authorized, unsold GO bonds and LRBs, plus about \$20 billion of not-yet authorized bonds proposed by the California Strategic Growth Plan. The budget deficit would peak at \$11 billion in FY 2020-21. The debt service ratio would decline slightly from 7.8 percent in FY 2011-12 to 7.7 percent in FY 2020-21.