A SUPPLEMENT TO CALIFORNIA'S DEBT AFFORDABILITY REPORT OCTOBER 1, 1999

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EXECUTIVE SUMMARY

Introduction -- This report is a supplement to *Smart Investments: Special Edition of California's Debt Affordability Report* issued in June 1999. The current report updates the State's current debt position, summarizes plans for future debt issues, and provides other up-to-date financial data, debt ratios and related analyses required by statute.

This supplement culminates a productive year for the State of California's debt management programs. Highlights of the year-to-date include an upgrade of the State's credit ratings, issuance of approximately $1.3 billion in long-term debt to finance critical capital needs and to refund high-cost prior debt, and passage of a pro-active legislative package to improve the efficiency and effectiveness of the State's debt and investment operations.

Rating Upgrades -- In August 1999, California received an upgrade of the State's general obligation credit rating from A+ to AA- by Standard & Poor's, marking the first time since 1992 the State has achieved double-A ratings from all three municipal bond rating agencies. In addition, incremental upgrades were given on the State's outstanding appropriation-backed bonds, including lease-purchase revenue bonds of the State Public Works Board and the California State University (both from A to A+) and various energy efficiency revenue bonds (from A- to A). Estimated future savings due to the upgrades range from $64 million to $107 million over the life of $14.8 billion in authorized but unissued bonds.

1999 Bond Issues -- Since January 1, 1999, the State has issued nearly $1.3 billion in long-term net tax-supported debt, including $140 million in refunding bonds to save California taxpayers approximately $10.5 million over the life of the bonds.

School Facility Funding -- Among the $1.3 billion of bonds issued since January 1, 1999 was nearly $400 million for the first round of school modernization and new construction projects funded by Proposition 1A, approved by the voters in November 1998. As much as $1.6 billion in additional Proposition 1A funding for schools may be available from bonds slated for issuance over the next twelve months. Sales will be scheduled to keep pace with the schools' projected cash flow needs.

Smart Investments -- The June 1999 special edition of California's debt affordability report both identified the State's ten-year debt capacity under various economic and budgetary conditions and called for a strategic approach to prioritizing capital investments. The report called for the following:

- Investments that support livable communities, sustainable development, and sound environmental practices that strengthen the economy.

- Re-investment in declining communities to reverse a dangerous trend toward "two Californias," one in poverty and the other enjoying economic boom.

- A smarter fiscal approach to investment, which looks at cost-effective alternatives to simply building more conventional facilities.

- Strong and meaningful planning at the regional level to direct state infrastructure investments.

- Majority vote for communities to approve investments in schools and other critical local needs.

The report identified potential long-range debt capacity of $32.5 billion, given the State's current economic forecasts and budget structure. The report also examined the State's sensitivity to changing economic conditions, with the resulting debt capacity estimates ranging from a low of $27.46 billion to a high of $38.03 billion if the State's ten-year revenue forecasts were to decrease or increase, respectively, by as little as 1.0 percent, compounded annually.

Similarly, the report provided estimates of debt capacity ranging from $42.9 billion to $58.6 billion over the next ten years if the State were to gradually increase its spending on debt service as a percent of General Fund revenues from the current 4.17 percent to levels of 5 percent or 6 percent, respectively.

Pro-active Legislative Package **--** This year, the Treasurer's Office sponsored a number of successful bills to enhance the State's debt management tools. For example, SB 997 (Brulte) provides new tools for cost-effective issuance of the State's general obligation bonds, including the use of variable rate debt (not to exceed 20 percent of outstanding bonds) and the use of negotiated pricing for refunding issues. These provisions will combine to save money for the State's taxpayers by enlarging our pool of investors, lowering average annual interest costs, and enabling us to refund higher cost debt by quickly taking advantage of attractive market conditions.

Another successful measure, AB 1506 (Florez), will modernize California's debt practices by allowing the use of electronic and facsimile bid practices for the State's general obligation bonds. This tool was used for the first time by the State in July 1999, in this case on behalf of the University of California. With this first issuance deemed a success, and new statutory authorization for the State's general obligation bonds in place, electronic bidding is anticipated to achieve broader use and acceptance in the years to come, both by the State and by other municipal issuers throughout California and the nation.

Several other measures in the Treasurer's legislative package were passed by the Legislature, and are still awaiting action by the Governor at the time of this writing. For example, SB 928 (Burton) will enable California to issue grant anticipation bonds or notes (commonly called GARVEE Bonds) secured by future federal transportation dollars allocated to California. The measure will enable high priority projects to be accelerated to meet the growing backlog of transportation demands statewide. The bill caps the amount of GARVEE debt that can be issued to ensure that bonds will only be issued if projected debt service would not exceed 30 percent of the State's historical annual federal transportation revenues.

Likewise, AB 636 (Migden) will allow creation of a new interim funding mechanism to accelerate modernization of California's schools. The bill provides legal authority for school districts that have been pre-approved by the State Allocation Board for receipt of the second phase of Proposition 1A modernization project funding to assign specified rights to this future state bond funding in exchange for receipt of interim financing from the California School Financing Authority (CSFA).

Absent this interim financing, school districts would not receive funding until after July 1, 2000. As a result, some districts might be forced to delay their modernization projects until the summer of 2001. The CSFA program intends to prevent such delays so that projects can be completed in time for the September 2000 school year. Similarly, SB 1118 (Alarcon) consolidates, updates and streamlines local school bond procedures to save school districts time and money by reducing the complexity of the school bond process.

The Market's View of the State's Credit -- Investors' opinions of the credit status of the State of California dramatically impacts the price they are willing to pay for our bonds. The investment community generally views State of California bonds as a high quality investment, which enhances demand for our bonds. This favorable market image, along with the combined benefit of both state and federal tax-exemption, means that the State's bonds historically have traded at higher prices than bonds of other states with similar credit ratings. This "California premium" has allowed the State, at times, to borrow at lower interest costs than other comparable states. Still, the picture has not always been as bright as it is today.

Perhaps the most visible indicators of the market's view of the State's bonds are the opinions rendered by each of the three national municipal bond rating agencies: Standard & Poor's (S&P), Moody's Investors Services (Moody's), and Fitch IBCA (Fitch). In August 1999, S&P upgraded the State's general obligation credit rating from A+ to AA-, bringing the ratings of all three rating agencies into the double-A category. The S&P upgrade caps a long comeback for the State's credit ratings, which fell from AAA - the highest rating possible - in 1991, to the A category in 1994.

The State has achieved a comeback from California's most serious recession since the Great Depression of the 1930s. After the recession in the early 1990s caused General Fund revenues to plunge dramatically, the recent, larger than expected, resurgence in California's economy has produced dramatically improved General Fund revenues. The economy has become more diverse and less dependent on large aerospace employers and federal military spending. The newly-elected Governor and the State Legislature have managed these renewed revenues to return fiscal balance in the State's budget. The State ended fiscal year 1998/1999 with the largest reserve, $1.9 billion, since the recession began in 1991. The 1999/2000 budget was completed on-time for the first time in six years, with a projected fiscal year-end fund balance of $1.66 billion, and a projected fiscal year-end reserve of $881 million.

In addition to the State's economic recovery and on-time, balanced budget, other factors supporting the upgrades were an enhanced level of debt management and a commitment to long-term planning. This includes the Governor's creation of the Commission on Building for the 21st Century, as well as the Treasurer's publication of *Smart Investments*, outlining a strategic approach to infrastructure investment.

The State's Current Debt Position -- The State currently has $16.1 billion in general obligation bonds and $6.7 billion in lease-purchase revenue bonds outstanding for a total of $22.8 billion. The lion's share of these bonds financed facilities for K-12 education (33 percent); higher education (18 percent); and corrections (21 percent). The principal and interest payments on these bonds represent a substantial and long-term General Fund budget commitment. For example, total debt service for the 1999/2000 fiscal year for both general obligation bonds and lease-purchase revenue bonds is approximately $2.66 billion. Debt service for these bonds as a percentage of General Fund revenues is 4.17 percent. Debt service as a percentage of state personal income is 2.1 percent and debt per capita is $608. These ratios have improved significantly in the last few years with the increase in General Fund revenues, personal income, and state population. All three rating agencies consider the State's debt burden to be moderate.

Authorized but Unissued Debt -- The State currently has $14.8 billion of net tax-supported debt that has been authorized by the voters or by the Legislature but has not yet been issued. Of the $14.8 billion in unissued bonds, 49 percent will finance K-12 education facilities, 17 percent will finance higher education facilities, and 11 percent will finance various state office buildings.

To provide interim financing before the long-term bonds are issued, the State has instituted a tax-exempt commercial paper program to better manage bond sales and to save borrowing costs on construction projects. The program began in 1996**,** saving approximately $35 million through December 31, 1998. During 1999, total additional savings from the operation of the tax-exempt commercial paper program has reached $9.5 million. At present, approximately $975 million in tax-exempt commercial paper is outstanding.

Planned Bond Sales in 1999/2000 and 2000/2001 Fiscal Years -- Of the $14.8 billion in unissued bonds, the State plans to sell approximately $2.8 billion during the 1999/2000 fiscal year. Approximately $3.0 billion is slated for issuance during the 2000/2001 fiscal year.

The General Fund debt service associated with the issuance of these bonds is $44 million in fiscal year 1999/2000 and $306 million in fiscal year 2000/2001. In subsequent fiscal years, when a full year of debt service occurs, the combined debt service peaks at $523 million, declining thereafter as principal is retired. Even as new debt is issued, older bonds will mature, producing reductions in General Fund debt service that will partially offset the increased debt service from newly-issued bonds.

Conclusion -- The State of California is poised to enter the 21st Century with its economy, budget and credit ratings in the strongest shape in recent history. At the same time, we face the challenges inherent in maintaining that bright picture, including the need for enhanced investments in the infrastructure and the public fabric needed to prosper in the future.

Ensuring the wise use of our precious debt capacity is of vital importance to meeting these challenges. Continued focus and vigilance is needed – both to preserve this resource through efficient and cost-effective debt management tools, as outlined in this report, and to prioritize the application of this resource in ways that will meet the State's vision for the future.

These investments must be consistent with smart investment principles to ensure sustainable economic growth, preserve our environment, enhance the livability of our communities, and restore equality of opportunity throughout our State.

I. INTRODUCTION

This report is issued as a supplement to *Smart Investments*: *Special Edition of California's Debt Affordability Report* issued in June 1999. By statute[1], the debt affordability report must be delivered to the Governor and the Legislature by October 1 each year. The report must contain:

- A list of authorized bonds the State Treasurer intends to sell during the current year and the budget year, in this case fiscal years 1999/2000 and 2000/2001;
- The projected increase in principal and interest payments for those bonds;
- A description of the market for the State's bonds;
- A list of the State's bonds already issued and outstanding;
- A list of approved bonds not yet issued;
- A list of the principal and interest payment requirements for the bonds already outstanding;
- A presentation of debt ratios and a comparison with ratios for the ten most populous states; and
- An analysis of the ratings of the State's bonds.

This report, however, goes beyond the bare statutory requirements and provides additional analyses and information regarding the State's net tax-supported debt burden and recent credit rating upgrades.

Overview -- The report begins with a review of the State's bond sales during 1999. Detail is provided on the types of bonds sold (e.g., general obligation and lease-purchase revenue bonds issued by the State Public Works Board or one of several joint powers authorities) and the programs funded with the proceeds from the bond sales.

A review of the market for the State's bonds is provided, including an analysis of the State's newly-upgraded credit rating and an analysis of how buyers in the marketplace view the State's bonds compared to other states with similar credit ratings.

The heart of the report contains statistical information regarding the State's current debt portfolio and how it compares to other states. A report of the State's current outstanding debt is followed by an analysis of bonds authorized by the voters or by the Legislature, but not yet sold.

[1] California Government Code 12330

The report concludes with a description of bonds expected to be sold during the current fiscal year, which ends June 30, 2000, and during the following fiscal year, which ends June 30, 2001. Also included is an analysis of the impact the sale of these bonds will have on appropriations for debt service in the State's General Fund.

Focus on Net Tax-Supported Debt -- This report focuses only on bonds with principal and interest payments supported directly by the State's General Fund. These bonds, referred to by credit analysts and the rating agencies as "net tax-supported debt," reflect the future obligation of the State to make principal and interest payments from General Fund revenues such as sales and use tax and income tax revenue.

Viewed another way, payment obligations for these bonds compete directly with other General Fund supported state programs such as K-12 schools, health and welfare programs, and youth and adult corrections. The term "net tax-supported debt" does not include bonds with final maturities of less than one year or self-supporting forms of payment. It excludes the State's tax-exempt commercial paper and revenue anticipation notes (RANs) because these instruments always mature in less than one year.

The State issues a large number of other types of bonds, such as home mortgage bonds, that provide their own stream of revenue for repayment of the bonds. These types of bonds are referred to as "self-liquidating" bonds and are not covered within the scope of this report. In addition, a variety of financing authorities, such as the California Pollution Control Financing Authority, the California Health Facilities Financing Authority, and the California Infrastructure and Economic Development Bank, issue conduit bonds on behalf of various private sector, not-for-profit, and governmental borrowers. Payment of principal and interest on these bonds does not come from the State's General Fund, so they are excluded from this report as well.

II. RECAP OF 1999 BOND SALES

This section provides a description of the bonds sold in 1999 and the programs funded by the sale of these bonds.

1999 Sales of Net Tax-Supported Debt -- Between January 1 and August 31, 1999, the State has issued approximately $1.3 billion in net tax-supported debt. Of the total, $1.2 billion in general obligation bonds were sold in three sales, and approximately $100 million in lease-purchase revenue bonds of the State Public Works Board were sold in two sales.

State of California
Net Tax-Supported Debt
1999 Bond Sales[1]

Date of Sale	Issuer	Description	Amount[2]	Type of Sale
2/23/99	State of California	General Obligation	$500	$413.5 Million New/ $86.5 Million Refunding
4/7/99	State of California	General Obligation	300	New
4/8/99	Public Works Board	Community Colleges	53	Refunding
6/9/99	State of California	General Obligation	400	New
6/15/99	Public Works Board	Community Colleges	46	New
Total			$1,299	

[1] Through August 31, 1999
[2] In Millions

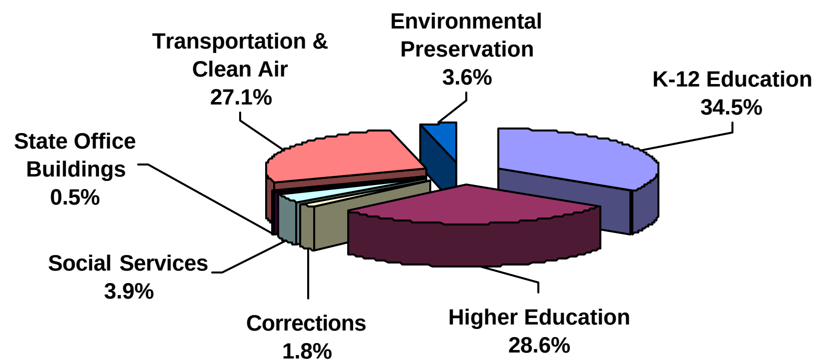
Source: California State Treasurer's Office

Almost $1.2 billion in bonds have been issued to finance new state projects for programs that are detailed in the following section. During 1999, the State also has issued approximately $140 million in "refunding" bonds to refinance older bonds. These bonds also are discussed below.

New Projects Funded with 1999 Bond Sales -- During 1999, most of the nearly $1.2 billion in bonds sold for new state projects financed the construction of education facilities. Almost $400 million in bond proceeds, 34.5 percent of the total bonds sold, financed K-12 schools, and $323.2 million, 28.6 percent, financed public higher education facilities in

California. Proceeds from 1999 bond sales also funded facilities for other state programs, including transportation (27.1 percent), environmental preservation (3.6 percent), and social services (3.9 percent). The following chart presents a summary of the breakdown of programs financed with 1999 bond proceeds.

State of California
Net Tax-Supported Debt Programs Funded with
1999 Bond Sales[1]



[1] *Through August 31, 1999, total sold is $1.159 billion*

Source: California State Treasurer's

Recognizing the need for additional public education facilities and for modernization of existing schools, the voters approved Proposition 1A on the November 1998 ballot. Funding for K-12 school facilities has improved dramatically since the passage of Proposition 1A and the enabling legislation that reformed and simplified the State Allocation Board (SAB) process. Since those reforms were put in place, the SAB has processed $1.6 billion in allocation applications. A portion of these allocations is represented in the general obligation bonds sold during 1999. The remaining SAB allocations will be funded with long-term bond proceeds at a later time.

Bond Refinancings -- Many Californians have taken advantage of low rates of interest to refinance home mortgages and business loans. Likewise, the State has taken the opportunity to call more expensive bonds and issue refunding bonds with lower interest rates, thereby lowering the overall borrowing cost to the State. As of August 31, 1999, $139.5 million of these "refunding bonds" have been issued to retire prior bonds. The total savings in debt service payments over the remaining life of these bonds is $10.5 million. Taking into account the time value of money, the present value of these savings is over $4.6 million.

III. THE MARKET'S VIEW OF CALIFORNIA BONDS

Each year investors in the marketplace buy billions of dollars of "municipal bonds," a generic term for the bonds and other debt securities issued by state and local governments throughout the United States. In fact, during 1998, over $286 billion in municipal bonds was issued in the U.S.[2] The interest paid to investors who buy these bonds generally is exempt from both federal and state income tax, so the bonds usually are simply referred to as "tax-exempts." Usually the bonds are issued in such a way that a small portion is retired each year in serial or installment fashion with the final bond maturing in 30 years.

Investors' opinions of an issuer of municipal bonds and its finances dramatically impact the price they are willing to pay for the bonds. The higher the risk they perceive, the lower the price they are willing to pay and the higher the overall borrowing cost. The investment community views State of California bonds as a high quality investment due to the State's enormous economy, diverse taxing authority, and solid bond payment history.

Information about the State of California's bonds is available to investors from several sources: publicly available data, including the official disclosure documents for bond sales; stories in the news media; investment banking firms that negotiate the sale of bonds; the State's own website and investor relations program; and, perhaps most importantly, the major bond rating agencies. Armed with this information and their own portfolio requirements, investors make their decisions regarding their interest in the bonds and the price they are willing to pay.

This section reviews how the market viewed the 1999 bond sales and how California bonds are trading in the secondary market. Historically, state bonds have traded at higher prices than bonds of other states with a similar credit rating. This "California premium" has allowed the State, at times, to borrow at lower interest costs than other states.

The State's Credit Rating -- Perhaps the most visible indicators of the market's view of the State's bonds are the opinions rendered by each of the three national municipal bond rating agencies: Standard & Poor's (S&P), Moody's Investors Services (Moody's), and Fitch IBCA (Fitch). Each agency has a slightly different rating system (See Appendix 1 for comparison chart). However, all three have the equivalent of a "AAA" category (highest quality), a "AA" category, and an "A" category. A rating in any of these three categories represents a high quality investment. The "AA" and "A" categories are further broken down into three tiers.

In August 1999, S&P upgraded the State's general obligation credit rating from A+ to AA-. With this upgrade, the State has the equivalent of a AA- rating from each of the three rating agencies. Moody's and Fitch already rated the State at Aa3 and AA-, respectively. A "split rating" (i.e., different ratings among rating agencies for the same issuer) generally is viewed as

[2] Thomson Financial Securities Data, *Long–Term Municipal Issuance – General Obligation & Revenue Bonds (1989-1999),* June 30, 1999.

an ambiguous indicator to the market of an issuer's credit quality, usually resulting in slightly higher borrowing costs to that issuer.

It is difficult to judge whether the removal of the split rating will produce a tangible improvement in the pricing of state bonds issued in the immediate future. Because the market already may have taken into account the incremental improvement in the State's credit worthiness prior to the S&P upgrade, an additional price improvement may not materialize, as compared to prices immediately prior to the upgrade. Nevertheless, it is clear that the State's improved credit ratings, over time, have lowered its cost of borrowing. The State currently has over $14 billion in unissued bonds. An incremental interest rate reduction of only three basis points (i.e., 0.03%) would result in $64 to $107 million in interest savings over the life of these future bonds.

The S&P upgrade caps a long climb back from the most serious credit downgrade in the State's recent history. At the beginning of the crisis, in 1991, the State enjoyed the highest credit ratings possible, at the "AAA" level, from all three rating agencies. As the economy sank into recession, however, General Fund revenues dropped dramatically and the State plunged into a deep and prolonged budget crisis. Between 1991 and 1994, the State received a total of nine downgrades from the three rating agencies. The State's rating finally came to rest at the "A" level.

These downgrades reflected not only the seriousness of the recession but pointed to weaknesses in the State's ability to manage its annual budget. Each rating agency noted that the Legislature and the Governor had little discretion in the management of the budget due to the requirements of Proposition 98, state spending required by federal law, and spending required as the result of state court cases. As the economy worsened, revenues continued to fall. At the same time, more Californians became dependent on state assistance programs, putting more pressure on state spending.

The State's budget comeback began in 1996 and is partially the result of a larger-than-expected resurgence in California's economy. The economy has become more diverse and less dependent on large aerospace employers and federal military spending. The economy has continued to rebound despite the Asian economic crisis that impacted several of California's major trading partners. The State has experienced phenomenal growth in computer services (especially Internet related services), entertainment, financial services, and commercial construction.

The newly-elected Governor and the State Legislature have managed these renewed revenues to return fiscal balance in the State's budget. In 1999, the budget process was completed on-time for the first time in six years; this point was not lost on the investing community, which had become skeptical of the State's ability to make tough budget decisions on a timely basis. The State also began the new fiscal year with a positive General Fund balance of $2.4 billion (estimated). More importantly, the adopted 1999/2000 budget contained the largest budgeted reserve, $881 million, since the recession began in 1991.

As outlined in the S&P discussion of its August 1999 upgrade, the State also has made conservative economic and revenue projections, and has dropped its past reliance on unrealistic projections of federal revenues to balance the State's budget. Finally, all three rating agencies consider the State's current debt burden as "moderate." This remains the case even with the unprecedented $9.2 billion general obligation bond measure approved by voters as Proposition 1A on the November 1998 ballot, since these bonds will be sold over a period of several years.

With these dramatic improvements in the State's economy and in the management of the State's budget, the question remains whether California can further improve its credit rating and perhaps return to the "AAA" category. According to the analysis provided by S&P in August 1999 - the most recent comprehensive credit analysis available - the State must take several steps before it could receive potential additional improvement in the credit ratings.

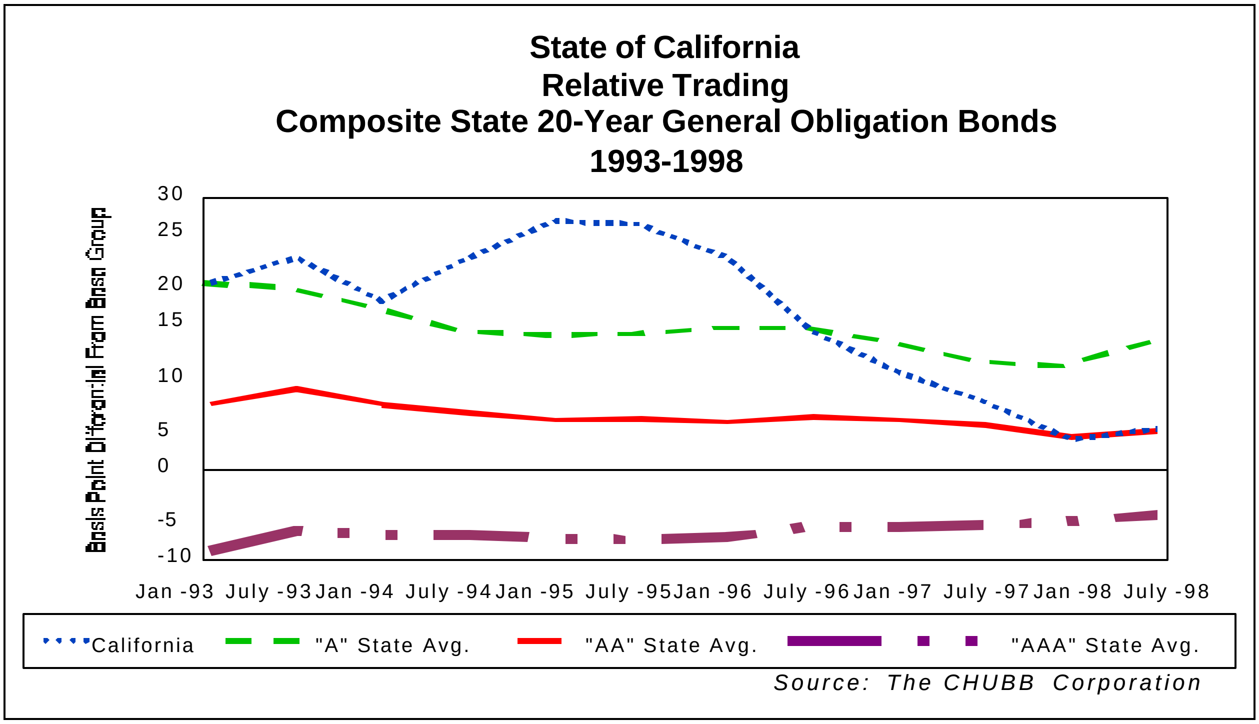
First, rating agencies continue to be concerned about the relatively small budget reserve enacted each year. Although the reserve in the 1999/2000 budget is almost $900 million, it represents only 1.4 percent of the State's $63 billion of General Fund revenues for the fiscal year. An unexpected drop in revenues of only 2 percent during the year, without offsetting reductions in expenditures, would completely eliminate the reserve. Other states with higher credit ratings generally have budget reserves equal to 4 to 5 percent of their General Fund revenues.

In California, however, 5 percent of General Fund revenues would represent a reserve of over $3 billion. Given other spending and policy priorities, a reserve of this large dollar amount probably is not practical. A lower reserve in conjunction with other budget management techniques could provide adequate protection. For example, the State could enact a mid-year budget correction mechanism that would re-open budget negotiations in the event of a severe drop in revenue, or an automatic trigger mechanism to impose budget cuts pursuant to a previously agreed-upon formula. The Treasurer has supported the enactment of such mechanisms to protect the integrity of the budget in severe situations.

In addition to the budget reserve, the rating agencies remain concerned over the State's lack of discretionary management over the budget. For example, Proposition 98 and other initiatives require a certain level of spending on a variety of programs. In addition, if the Legislature raises revenue as a budget balancing measure, Proposition 98 also requires a large portion of each additional dollar of revenue to be spent on education. These are programs that need the State's top priority. The funding mechanisms, however, limit the flexibility of the Governor and the Legislature when it comes to budget management.

How California's Bonds Trade in the Marketplace -- The true test of the market's view of the State's bonds is to compare the prices at which these bonds trade with comparable bonds from other states with similar credit ratings. Historically, the State's bonds have been perceived very favorably relative to bonds of other issuers. One exception was the period of January 1994 through June 1996, when the State was recovering from serious budget difficulties.

During that time, when the State's bond rating had fallen to the A level, California bonds traded at interest rates that were 5 to 10 basis points above similarly rated bonds. As the following graph illustrates, beginning with the State's economic and budget comeback in 1996, interest rates for state bonds turned in the State's favor. The market actually preceded the rating agencies, as investors were trading the State's bonds at prices associated with AA rated bonds prior to the rating upgrades. This premium benefits taxpayers because it means investors accept a lower interest rate for the State's bonds, which translates into lower overall borrowing costs.



Investors in State Bonds -- Because the majority of municipal bonds are exempt from federal and state income taxes, the major categories of investors include those who are interested in the protection of income from taxation. Also included are corporations and others who are interested in safe investments that provide a reliable fixed level of income over a long period of time. The major categories of investors include: (1) California residents in higher income tax brackets; (2) publicly traded tax-exempt mutual funds; (3) casualty insurance companies; and (4) other corporations with special income tax situations.

The following table lists the top ten holders of California bonds as of August 31, 1999. Most are companies with publicly traded mutual funds.

State of California
Top Ten Investors
Ranked by Par Amount Held[1]

Investor	**Amount**[2]
Franklin Advisors, Inc.	$886
State Farm Insurance Companies	318
AIG Global Investment Group	311
Putnam Investment Management	306
Fund Asset Management, Inc.	249
Merrill Lynch Asset Management	239
John Nuveen & Company, Inc.	196
Vanguard Group	185
Hartford Investment Management	182
Wells Fargo Investment Management	167
Total	$3,037

[1] *As of August 31, 1999*

[2] *In Millions*

Source: First Call Bond Watch Program, August 1999

Regardless of investment strategy, information is the lifeblood to these investors. They consider it very important to hear directly and promptly from the State about changes in financial position and other developments related to the State's budget and the State's plan to finance capital expenditures.

To provide investors with information about the State and to keep them informed of important developments and plans, the State Treasurer's Office maintains an active investor relations program. Within this program, bondholders receive the monthly *Treasury Note* newsletter. In addition, the State Treasurer maintains a website (*http://www.treasurer.ca.gov)* that contains general information about the State, its credit ratings, plans for future bond sales and links to other informative websites such as the State's Department of Finance (*http://www.dof.ca.gov*).

Finally, the Treasurer and other state officials periodically meet personally with investors and occasionally conduct conference calls to discuss the State's finances or upcoming bond sales. Investors highly value this direct contact with a major issuer such as California. Not only are they able to gain information about new bonds that may be available for purchase in the future, but they can also more easily monitor the credit status of the bonds they now hold.

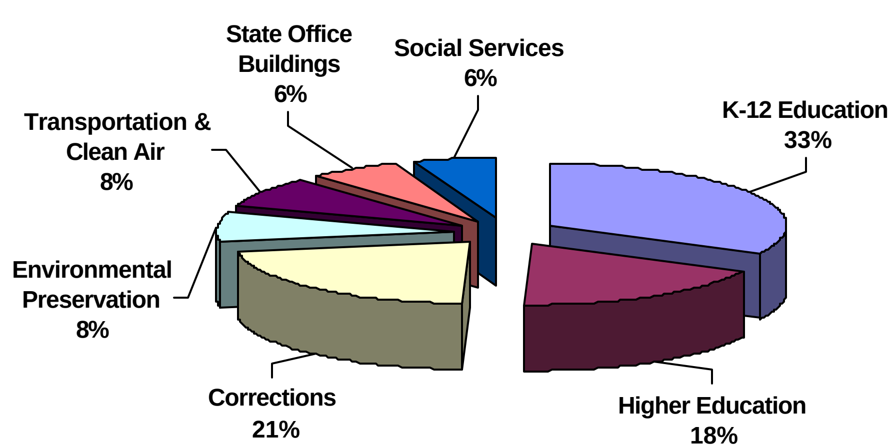
IV. THE STATE'S CURRENT DEBT POSITION

One of the main reasons for publishing the annual debt affordability report is to provide information about the State's current debt burden. The debt burden consists simply of the State's current amount of issued and outstanding bonds and the debt service payments, both interest and principal, accompanying those bonds. As discussed above, this report focuses only on the "net tax-supported" debt the State has outstanding.

As discussed in the June 1999 report, these bonds represent a major long-term budget commitment for the State. If all future bond sales were permanently cancelled today, principal and interest payments to retire currently outstanding bonds would continue for another 30 years. Credit analysts, including the major rating agencies, consider the State's debt burden and the potential for increased debt burden through the future issuance of bonds as critical factors in their overall view of the State.

Composition of the State's Debt Portfolio -- As of August 31, 1999, the State's outstanding net tax-supported debt is $22.8 billion. This amount includes $16.1 billion in general obligation bonds and $6.7 billion in lease-purchase revenue bonds (See Appendix 2 for a list of Outstanding Bond Issues). The following chart shows the program areas funded with the proceeds from these bonds.

State of California
Programs Funded with Outstanding Bonds[1]

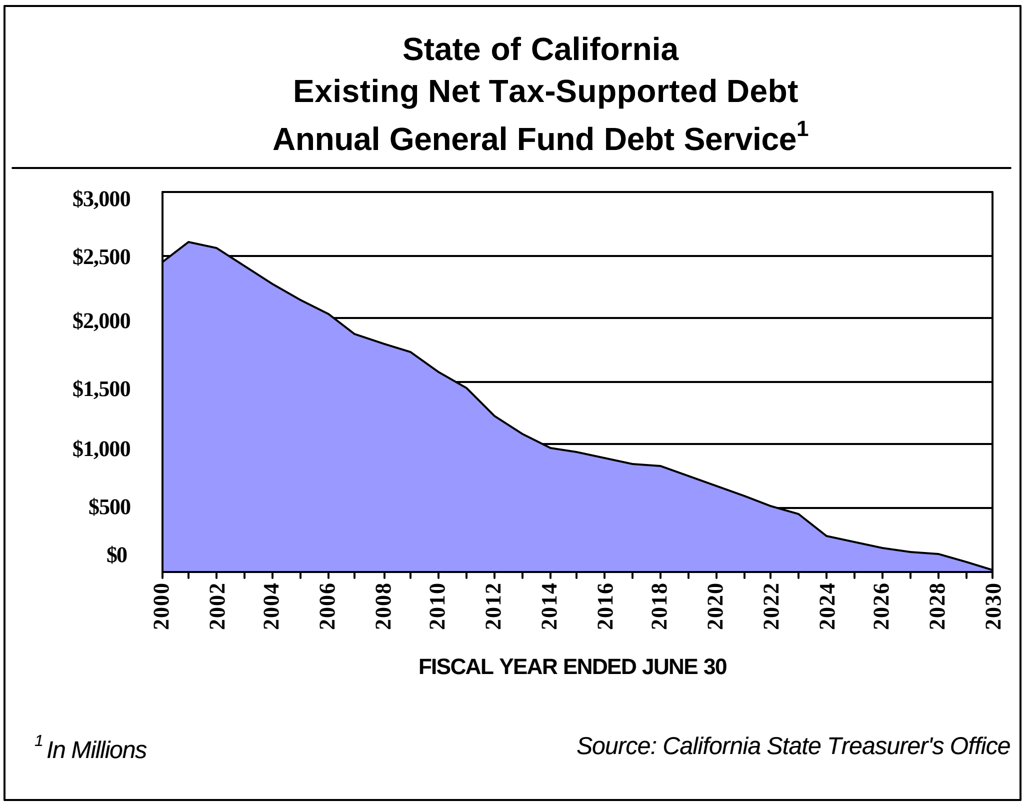


[1]*Includes both General Obligation Bonds and Lease-Purchase Revenue Bonds as of August 31, 1999*

Source: California State Treasurer's Office

The major portions, which combine to equal 72 percent, fund three program areas: the State's share of the cost of facilities for K-12 schools, higher education, and new state correctional institutions.

Debt Service Payments on Tax-Supported Debt -- The principal and interest payments on the State's bonds already held by investors represent a substantial and long-term budget commitment. Most of the bonds issued by the State have a 30-year final maturity. Because a portion of the principal is paid throughout the life of the bonds, the State's debt service requirements for the General Fund decline over the long run. The following graph depicts the State's entire debt requirement for all bonds outstanding at August 31, 1999. (See Appendices 3 & 4).



Key Measures of Debt Burden -- For comparison purposes, credit analysts and investors convert raw data such as total tax-supported debt outstanding and total debt service payments into financial ratios. These ratios then are compared to those of other issuers to provide a basis for evaluating relative strengths and weaknesses of different issuers and trends over time.

For state issuers, the most common measures of debt burden are: (1) debt service as a percentage of General Fund revenues; (2) debt service as a percentage of personal income; and (3) debt per capita. These are relatively straightforward measures that broadly represent the magnitude of a state's debt payment obligations and the ability to actually pay those obligations.

The first ratio, the percentage of the General Fund committed to debt service payments, is commonly used by rating agencies in their analysis of the State's credit. This is a particularly important ratio for California because of the limited discretionary budget authority held by the Governor and the Legislature. The State has never defaulted on a bond payment and the Governor and the Legislature treat these payments as inviolable. The higher the share of the budget taken up with mandatory debt service payments, the smaller the amount of the remaining discretionary budget authority.

This ratio, however, can produce misleading trends. During periods of relatively stable General Fund revenues, the ratio provides a clear measure of the State's debt service budget policy. During a period of dramatic fluctuations in General Fund revenue, however, the ratio is subject to significant variations. For example, while the State's total tax-supported debt outstanding has actually increased since 1994, budgeted debt service as a percentage of budgeted General Fund revenues has declined to 4.17 percent for the 1999/2000 fiscal year from a high of 5.23 percent at the end of the 1994/1995 fiscal year, when revenues were particularly constrained. Therefore, it is important to review debt service as a percent of General Fund revenues over a long period of time to evaluate the State's long-term policy.

Debt service as a percentage of personal income is a measure that recognizes the ultimate source of the State's funds used to pay debt service -- the taxpayer. Through the State's taxing authority, more revenue can be raised and made available for debt service and other state programs. With a broader base of statewide personal income of all residents, this ratio is a more stable measure of the State's long-term capacity to pay debt service. For fiscal year 1999/2000, the State's debt service as a percentage of personal income is 2.1 percent.

Debt per capita is a very broad, but commonly used measure of debt burden. This ratio measures each citizen's share of the total debt outstanding. Since the ratio includes the entire population, it does not differentiate in terms of the ability of each person to contribute to the payment of the bonds. For example, children with no income, and the aged with fixed incomes, are included in this measure. Nevertheless, the ratio is frequently cited and compared with other states. The State's per capita debt for fiscal year 1999/2000 is approximately $608.

***Comparison to Other States* –** In making their daily investment decisions, investors constantly compare the credit strengths and weaknesses of the various issuers and their bonds in the marketplace. State policymakers also have an interest in comparing the debt practices of other states around the country. The following table presents a comparison of California's debt ratios to those of "peer" states -- the ten most populous states in the country. As discussed in the June 1999 debt affordability report, these states have population and economic similarities with California that make the comparisons meaningful.

Debt Ratios of Ten Most Populous States
Ranked by Ratio of Debt Service to General Fund Revenue

STATE	DEBT SERVICE TO GENERAL FUND REVENUE[(1)]	DEBT TO PERSONAL INCOME[(1)]	DEBT PER CAPITA[(1)]
Texas	1.5%	1.4%	$ 300
Michigan	2.1	1.6	381
Pennsylvania	2.8	2.0	501
Georgia	3.5	2.9	647
New Jersey	3.8	5.1	1,576
Illinois	4.4	2.7	728
Ohio	4.5	2.5	591
California (1996-97)	***5.0***	***2.4***	***620***
Florida	5.2	3.4	798
New York	9.4	6.5	1,914
Moody's Median[(2)]	3.5%	1.9%	$ 446
Ten State Median	4.1	2.6	634
California Rank[(3)]	8th	4th	5th
California (1997-98)[(4)]	***4.50%***	***2.4%***	***$ 645***
California (1998-99)[(4)]	***4.33***	***2.3***	***658***
California (1999-00)[(4)(5)]	***4.17***	***2.1***	***608***

(1) Computed using latest available comprehensive annual financial reports of each of the respective states. 1998 and 1999 data have not yet been received.

(2) Reflects most recent Moody's medians (i.e., Debt per Capita and Debt to Personal Income are for 1997-98; Debt Service to General Fund Revenues is for 1995-96, the last year this median was published.)

(3) Lowest debt ratios are ranked 1st according to 1996-97 data.

(4) California ratios based on debt service, personal income and population for the respective fiscal year; since comparable data for the other states is not available, no ranking is shown.

(5) Based on budgeted figures only. All other years are based on actual results.

As discussed in the June 1999 report, the State's ratios changed significantly through the years of the State's economic recession and recovery. Generally, debt ratios have improved with prudent debt management and resurgence in General Fund revenues and personal income. All three credit rating agencies consider the State's current debt management policies prudent and consider the level of the State's debt and the accompanying debt service as "moderate."

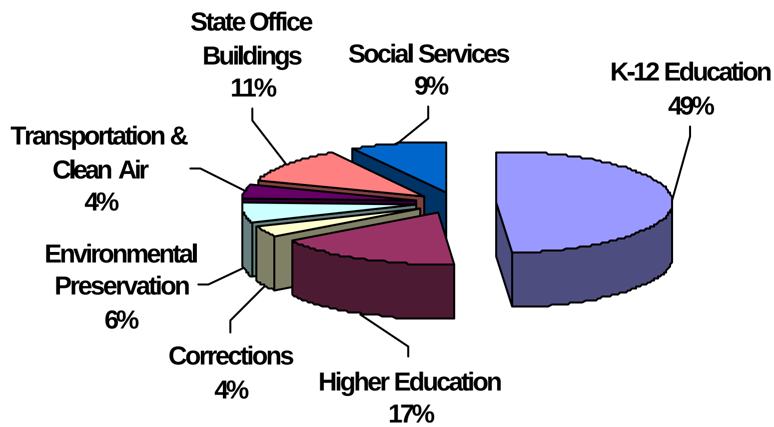
V. AUTHORIZED BUT UNISSUED DEBT

As of August 31, 1999, the State had a total of $14.8 billion of net tax-supported bonds that had been authorized by the voters or by the Legislature but had not been issued. (See Appendix 5 for list of Authorized but Unissued Bonds.) Most of the projects funded with bond authorizations are major undertakings and require a number of years for development. Quite often, long-term bonds are not sold until midway through the construction of a project, or even later. Until the long-term bonds are sold, costs of the projects are funded with short-term loans from the State's Pooled Money Investment Fund or with the general obligation tax-exempt commercial paper program (TXCP).

The TXCP program allows the State to borrow at very low rates in the short-term tax-exempt market until the sale of long-term, fixed-rate bonds. TXCP is sold only as cash is needed for projects and interest is paid only on the amount of TXCP currently needed for projects. As the project proceeds and costs accumulate, the amount of TXCP correspondingly increases. Finally, long-term bonds are sold and the proceeds are used to retire the TXCP. In the meantime, the State has paid both at a lower rate of interest and for a shorter period of time, limiting any risk of "negative carry" which occurs if the borrowing rate exceeds the rate of interest earned on bond proceeds pending expenditures. If long-term bonds were sold at the beginning of a two- to three-year construction project, the higher interest rates would have been paid even on funds not immediately needed. Estimated total savings through the use of the TXCP program have reached $9.5 million to-date in 1999 alone. As of August 31, 1999, approximately $975 million in TXCP was outstanding. The total TXCP currently authorized is $1.5 billion.

Over $12.7 billion, or 85.8 percent, of the total authorized but unissued bonds are general obligation bonds approved by voters in general elections. The remaining $2.1 billion, or 14.2 percent, of the unissued bonds, are lease-purchase revenue bonds approved by the Legislature. The following chart shows the various programs that will be funded when these bonds are sold in the future.

State of California
Programs Funded with Authorized but Unissued Bonds[1]



[1] Includes both General Obligation Bonds and Lease-Purchase Bonds as of August 31, 1999

Source: California State Treasurer's Office

VI. PLANNED BOND SALES IN 1999/2000 AND 2000/2001 FISCAL YEARS

Managing the State's debt requires more than just issuing all authorized bonds as rapidly as possible. Careful planning is required to pair the cash needs of the various capital projects with the demand investors in the marketplace have for state bonds. Timing sales to meet investor demand maximizes interest in the State's bond sales, resulting in lower borrowing costs for the State. Also, the State must comply with a variety of federal income tax laws that govern the tax-exempt status of state bonds.

The State implemented an important new policy during 1999 to facilitate optimal timing of bond sales. Historically, the State had a strict policy not to sell bonds at any time during the State's budget negotiations. That practice was changed in 1999. The State's practice now is to issue long-term bonds at almost any time during the year with appropriate disclosure to the market. This new policy allows the State much greater flexibility in the amount and timing of long-term bond sales. The result during 1999 has been more frequent bond sales spread throughout the year, with lower par amounts that better match investor demands for the bonds and allow for more cost effective pricing in a variety of market conditions.

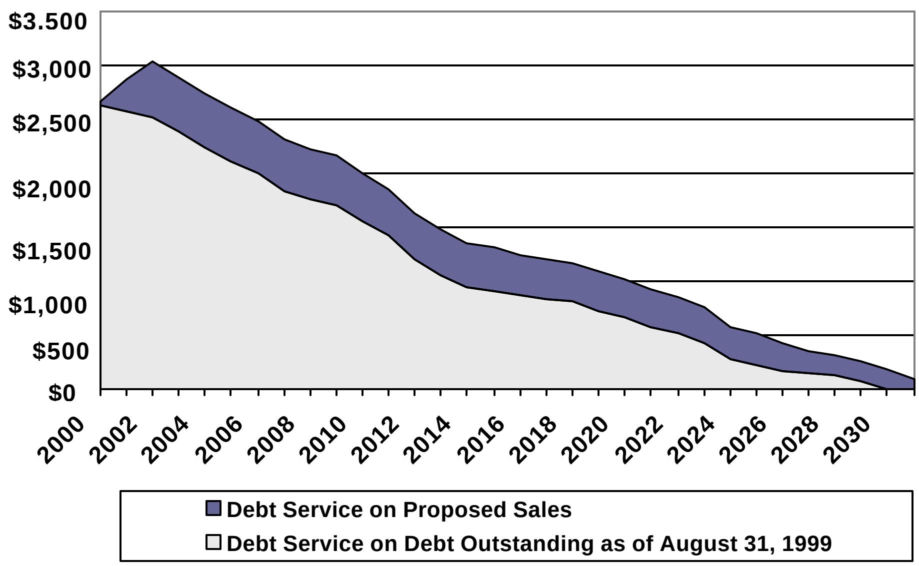
The State plans to sell approximately $2.4 billion in general obligation bonds and another $396 million in lease-purchase revenue bonds during the 1999/2000 fiscal year. During the 2000/2001 fiscal year, the State tentatively plans to sell approximately $2.4 billion in general obligation bonds and $613 million in lease-purchase revenue bonds. The timing and the amount of these sales will vary depending on the cash needs of the projects involved and on market conditions.

The General Fund debt service associated with the issuance of these bonds is $44 million in fiscal year 1999/2000 and $306 million in fiscal year 2000/2001.[3] In subsequent fiscal years, when a full year of debt service occurs, the combined debt service for these bonds peaks at $523 million, declining thereafter as principal is retired. Even as new debt is issued, older bonds will mature, producing reductions in General Fund debt service that will partially offset the increased debt service from newly-issued bonds.

[3] Assumes the following interest rates: 6 percent on general obligation sales and 6.5 percent on lease revenue sales.

The following graph shows the debt service requirements on existing debt and the additional debt service requirements projected from the bond sales expected in these two fiscal years.

State of California
Debt Service on Planned Bond Sales[1,2]



[1]*In Millions*
[2]*During Fiscal Years 1999/2000 and 2000/2001*

Source: California State Treasurer's Office

VII. CONCLUSION

The State of California is poised to enter the 21st Century with its economy, budget, and credit ratings in the strongest shape in recent history. At the same time, we face the challenges inherent in maintaining that bright picture, including the need for enhanced investments in the infrastructure and public fabric needed to prosper in the future.

Ensuring the wise use of our precious debt capacity is of vital importance to meeting these challenges. Continued focus and vigilance is needed – both to preserve this resource through efficient and cost-effective debt management tools, as outlined in this report, and to prioritize the application of this resource in ways that will meet the State's vision for the future.

These investments must be consistent with smart investment principles to ensure sustainable economic growth, preserve our environment, enhance the livability of our communities, and restore equality of opportunity throughout our State.

Appendix 1

Equivalent Credit Ratings
Major National Municipal Credit Rating Agencies

Moody's Investors Service	Standard & Poor's	Fitch IBCA
Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-

Source: Moody's Investors Service, Standard & Poor's and Fitch IBCA

Appendix 2

State of California
Outstanding Bond Issues
As of August 31, 1999

GENERAL OBLIGATION BONDS (Non-Self Liquidating)	Voter Authorization Date	Voter Authorization Amount[1]	Bonds Outstanding[1]
California Earthquake Safety and Housing Rehabilitation Bond Act of 1988	6/7/88	$ 150,000	$ 95,515
California Library Construction and Renovation Bond Act of 1988	11/8/88	75,000	54,905
California Park and Recreational Facilities Act of 1984	6/5/84	370,000	201,310
California Parklands Act of 1980	11/4/80	285,000	63,545
California Safe Drinking Water Bond Law of 1976	6/8/76	175,000	66,025
California Safe Drinking Water Bond Law of 1984	11/6/84	75,000	40,080
California Safe Drinking Water Bond Law of 1986	11/4/86	100,000	70,180
California Safe Drinking Water Bond Law of 1988	11/8/88	75,000	44,505
California Wildlife, Coastal, and Park Land Conservation Act of 1988	6/7/88	776,000	542,175
Class Size Reduction Public Education Facilities Bond Act of 1998 (Hi Ed)	11/3/98	2,500,000	-
Class Size Reduction Public Education Facilities Bond Act of 1998 (K-12)	11/3/98	6,700,000	288,000
Clean Air and Transportation Improvement Bond Act of 1990	6/5/90	1,990,000	1,125,220
Clean Water and Water Conservation Bond Law of 1978	6/6/78	375,000	80,485
Clean Water and Water Reclamation Bond Law of 1988	11/8/88	65,000	52,250
Clean Water Bond Law of 1970	11/3/70	250,000	6,000
Clean Water Bond Law of 1974	6/4/74	250,000	12,290
Clean Water Bond Law of 1984	11/6/84	325,000	121,370
Community Parklands Act of 1986	6/3/86	100,000	61,070
County Correctional Facility Capital Expenditure and Youth Facility Bond Act of 1988	11/8/88	500,000	352,370
County Correctional Facility Capital Expenditure Bond Act of 1986	6/3/86	495,000	306,665
County Jail Capital Expenditure Bond Act of 1981	11/2/82	280,000	110,525
County Jail Capital Expenditure Bond Act of 1984	6/5/84	250,000	98,650
Earthquake Safety and Public Buildings Rehabilitation Bond Act of 1990	6/5/90	300,000	83,310
Fish and Wildlife Habitat Enhancement Act of 1984	6/5/84	85,000	41,490
Hazardous Substance Cleanup Bond Act of 1984	11/6/84	100,000	42,095
Higher Education Facilities Bond Act of 1986	11/4/86	400,000	211,900
Higher Education Facilities Bond Act of 1988	11/8/88	600,000	356,350
Higher Education Facilities Bond Act of June 1990	6/5/90	450,000	296,355
Higher Education Facilities Bond Act of June 1992	6/2/92	900,000	724,815
Housing and Homeless Bond Act of 1988	11/8/88	300,000	116,315
Housing and Homeless Bond Act of 1990	6/5/90	150,000	82,365
Lake Tahoe Acquisitions Bond Act	8/2/82	85,000	44,265
New Prison Construction Bond Act of 1981	6/8/82	495,000	133,250
New Prison Construction Bond Act of 1984	6/5/84	300,000	97,500
New Prison Construction Bond Act of 1986	11/4/86	500,000	280,290
New Prison Construction Bond Act of 1988	11/8/88	817,000	491,980
New Prison Construction Bond Act of 1990	6/5/90	450,000	294,875
Passenger Rail and Clean Air Bond Act of 1990	6/5/90	1,000,000	708,485
Public Education Facilities Bond Act of 1996	3/26/96	3,000,000	2,260,495
1988 School Facilities Bond Act	11/8/88	800,000	476,280
1990 School Facilities Bond Act	6/5/90	800,000	532,720

Appendix 2

State of California
Outstanding Bond Issues
As of August 31, 1999

GENERAL OBLIGATION BONDS (Non-Self Liquidating)	Voter Authorization Date	Voter Authorization Amount[1]	Bonds Outstanding[1]
1992 School Facilities Bond Act	11/3/92	$ 900,000	$ 689,656
Safe, Clean Reliable Water Supply Act of 1996	11/5/96	995,000	152,335
Seismic Retrofit Bond Act of 1996	3/26/96	2,000,000	877,500
School Building and Earthquake Bond Act of 1974	11/5/74[2]	40,000	35,995
School Facilities Bond Act of 1988	6/7/88	800,000	459,665
School Facilities Bond Act of 1990	11/6/90	800,000	546,745
School Facilities Bond Act of 1992	6/2/92	1,900,000	1,387,830
Senior Center Bond Act of 1984	11/6/84	50,000	17,500
State Beach, Park, Recreational and Historical Facilities Bonds	6/4/74	250,000	2,975
State School Building Lease-Purchase Bond Law of 1982	11/2/82	500,000	108,025
State School Building Lease-Purchase Bond Law of 1984	11/6/84	450,000	196,250
State School Building Lease-Purchase Bond Law of 1986	11/4/86	800,000	441,400
State, Urban, and Coastal Park Bond Act of 1976	11/2/76	280,000	23,200
Water Conservation and Water Quality Bond Law of 1986	6/3/86	150,000	77,660
Water Conservation Bond Law of 1988	11/8/88	60,000	29,105
Total General Obligation Bonds		**$ 37,668,000**	**$ 16,114,111**

[1] In Thousands

[2] Pursuant to Prop 203, passed by the voters in the March 26, 1996 primary election, $40 million in bonds unissued at that time became general fund supported, while all previously issue bonds will remain under "State School Building Aid Bonds" as self-liquidating Enterprise Bonds.

STATE PUBLIC WORKS BOARD AND OTHER LEASE-PURCHASE FINANCINGS	Bonds Outstanding
California Community Colleges	$ 668,815,000
Department of Corrections*	2,712,837,932
Energy Efficiency Program (Various State Agencies) (a)	141,965,000
The Regents of The University of California* (b)	1,120,746,465
Trustees of The California State University	743,180,000
Various State Office Buildings	327,065,000
Total State Public Works Board Issues	5,714,609,397
Total Other State Building Lease Purchase Issues (c)	954,690,000
Total General Fund Supported Issues	**$ 6,669,299,397**

*Includes the initial value of capital appreciation bonds rather than the accreted value.

(a) This Program is self-liquidation based on energy cost savings.

(b) The Regents' obligations to the State Public Works Board are payable from lawfully available funds of The Regents which are held in The Regents' treasury funds and are separate from the State General Fund. A portion of The Regents' annual budget is derived from General Fund appropriations.

(c) Includes $196,615,000 Sacramento City Financing Authority Lease Revenue Bonds State of California-Cal EPA Building, 1998 Series A, which are supported by lease rentals from the California Environmental Protection Agency; these rental payments are subject to annual appropriation by the State Legislature.

SOURCE: California State Treasurer's Office

Appendix 3

State of California
Schedule of Debt Service Requirements
For General Obligation Bonds [1]
(Non-Self Liquidating)
As of June 30, 1999

Fiscal Year Ending	Current Debt		
June 30	Interest	Principal	Total
2000	$ 910,942,752.50	$ 1,082,595,000.00	$ 1,993,537,752.50
2001	850,916,688.00	1,076,483,068.25	1,927,399,756.25
2002	778,291,787.57	1,120,455,000.00	1,898,746,787.57
2003	712,324,980.14	1,069,776,391.80	1,782,101,371.94
2004	645,280,948.75	995,830,000.00	1,641,110,948.75
2005	587,592,388.84	932,769,388.71	1,520,361,777.55
2006	527,833,168.75	869,415,000.00	1,397,248,168.75
2007	473,105,853.02	824,815,000.00	1,297,920,853.02
2008	424,810,352.94	807,813,078.31	1,232,623,431.25
2009	374,275,343.75	798,600,000.00	1,172,875,343.75
2010	324,860,482.50	729,500,000.00	1,054,360,482.50
2011	281,734,566.09	654,779,045.16	936,513,611.25
2012	238,838,755.05	512,185,000.00	751,023,755.05
2013	211,483,387.10	401,290,000.00	612,773,387.10
2014	192,361,004.64	325,850,000.00	518,211,004.64
2015	176,704,862.19	314,425,000.00	491,129,862.19
2016	160,815,893.49	312,140,000.00	472,955,893.49
2017	144,235,027.81	312,215,000.00	456,450,027.81
2018	128,459,027.48	311,495,000.00	439,954,027.48
2019	112,572,113.75	310,460,000.00	423,032,113.75
2020	96,849,520.00	306,760,000.00	403,609,520.00
2021	82,227,540.00	305,435,000.00	387,662,540.00
2022	67,367,817.50	289,165,000.00	356,532,817.50
2023	51,993,350.45	291,485,000.00	343,478,350.45
2024	38,557,579.34	221,745,000.00	260,302,579.34
2025	27,918,164.33	182,395,000.00	210,313,164.33
2026	19,048,796.09	144,615,000.00	163,663,796.09
2027	11,842,302.34	127,975,000.00	139,817,302.34
2028	6,000,497.34	110,475,000.00	116,475,497.34
2029	1,929,181.25	59,270,000.00	61,199,181.25
Total	**$ 8,661,174,133.00**	**$ 15,802,210,972.23**	**$ 24,463,385,105.23**

[1] *Does not include commercial paper outstanding.*

Source: California State Treasurer's Office

Appendix 4
State of California
Schedule of Debt Service Requirements
For Lease-Purchase Revenue Bonds
As of June 30, 1999

Fiscal Year Ending June 30	Current Debt		
	Interest	Principal	Total
2000	$ 349,828,924.93	$ 283,639,962.79	$ 633,468,887.72
2001	335,845,889.81	313,099,019.75	648,944,909.56
2002	321,232,461.71	293,125,773.02	614,358,234.73
2003	309,530,376.76	294,341,118.58	603,871,495.34
2004	294,135,987.74	301,961,386.24	596,097,373.98
2005	280,062,194.05	315,419,507.20	595,481,701.25
2006	261,411,383.43	333,942,554.60	595,353,938.03
2007	249,199,745.09	285,853,920.44	535,053,665.53
2008	231,548,380.79	292,546,787.98	524,095,168.77
2009	220,282,485.68	313,052,732.44	533,335,218.12
2010	198,355,587.72	299,986,633.76	498,342,221.48
2011	171,338,105.99	311,020,000.00	482,358,105.99
2012	154,735,553.84	292,530,000.00	447,265,553.84
2013	139,000,461.20	298,765,000.00	437,765,461.20
2014	123,070,904.73	299,190,000.00	422,260,904.73
2015	106,802,934.73	314,885,000.00	421,687,934.73
2016	89,940,824.58	293,365,000.00	383,305,824.58
2017	73,886,405.95	295,275,000.00	369,161,405.95
2018	58,299,665.97	306,565,000.00	364,864,665.97
2019	42,589,626.04	261,775,000.00	304,364,626.04
2020	28,976,661.23	228,175,000.00	257,151,661.23
2021	18,292,074.27	167,645,000.00	185,937,074.27
2022	9,449,946.23	141,345,000.00	150,794,946.23
2023	3,794,375.65	83,125,000.00	86,919,375.65
2024	271,065.63	2,515,000.00	2,786,065.63
2025	93,267.50	2,730,000.00	2,823,267.50
Total	**$ 4,071,975,291.25**	**$ 6,625,874,396.80**	**$ 10,697,849,688.05**

Source: California State Treasurer's Office

Appendix 5

State of California
Authorized but Unissued Bonds
As of August 31, 1999

GENERAL OBLIGATION BONDS (Non-Self Liquidating)	Voter Authorization Date	Voter Authorization Amount[1]	Unissued[1]
California Earthquake Safety and Housing Rehabilitation Bond Act of 1988	6/7/88	$ 150,000	
California Library Construction and Renovation Bond Act of 1988	11/8/88	75,000	3,125
California Park and Recreational Facilities Act of 1984	6/5/84	370,000	1,100
California Parklands Act of 1980	11/4/80	285,000	
California Safe Drinking Water Bond Law of 1976	6/8/76	175,000	2,500
California Safe Drinking Water Bond Law of 1984	11/6/84	75,000	
California Safe Drinking Water Bond Law of 1986	11/4/86	100,000	
California Safe Drinking Water Bond Law of 1988	11/8/88	75,000	6,000
California Wildlife, Coastal, and Park Land Conservation Act of 1988	6/7/88	776,000	18,265
Class Size Reduction Public Education Facilities Bond Act of 1998 (Hi Ed)	11/3/98	2,500,000	14,980
Class Size Reduction Public Education Facilities Bond Act of 1998 (K-12)	11/3/98	6,700,000	2,500,000
Clean Air and Transportation Improvement Bond Act of 1990	6/5/90	1,990,000	6,412,000
Clean Water and Water Conservation Bond Law of 1978	6/6/78	375,000	617,225
Clean Water and Water Reclamation Bond Law of 1988	11/8/88	65,000	
Clean Water Bond Law of 1970	11/3/70	250,000	
Clean Water Bond Law of 1974	6/4/74	250,000	
Clean Water Bond Law of 1984	11/6/84	325,000	
Community Parklands Act of 1986	6/3/86	100,000	
County Correctional Facility Capital Expenditure and Youth Facility Bond Act of 1988	11/8/88	500,000	
County Correctional Facility Capital Expenditure Bond Act of 1986	6/3/86	495,000	7,880
County Jail Capital Expenditure Bond Act of 1981	11/2/82	280,000	
County Jail Capital Expenditure Bond Act of 1984	6/5/84	250,000	
Earthquake Safety and Public Buildings Rehabilitation Bond Act of 1990	6/5/90	300,000	
Fish and Wildlife Habitat Enhancement Act of 1984	6/5/84	85,000	205,000
Hazardous Substance Cleanup Bond Act of 1984	11/6/84	100,000	3,000
Higher Education Facilities Bond Act of 1986	11/4/86	400,000	
Higher Education Facilities Bond Act of 1988	11/8/88	600,000	
Higher Education Facilities Bond Act of June 1990	6/5/90	450,000	11,705
Higher Education Facilities Bond Act of June 1992	6/2/92	900,000	12,000
Housing and Homeless Bond Act of 1988	11/8/88	300,000	37,110
Housing and Homeless Bond Act of 1990	6/5/90	150,000	
Lake Tahoe Acquisitions Bond Act	8/2/82	85,000	
New Prison Construction Bond Act of 1981	6/8/82	495,000	
New Prison Construction Bond Act of 1984	6/5/84	300,000	
New Prison Construction Bond Act of 1986	11/4/86	500,000	1,500
New Prison Construction Bond Act of 1988	11/8/88	817,000	16,000
New Prison Construction Bond Act of 1990	6/5/90	450,000	20,100
Passenger Rail and Clean Air Bond Act of 1990	6/5/90	1,000,000	24,900
Public Education Facilities Bond Act of 1996	3/26/96	3,000,000	665,505
1988 School Facilities Bond Act	11/8/88	800,000	27,500
1990 School Facilities Bond Act	6/5/90	800,000	3,745

Appendix 5

State of California
Authorized but Unissued Bonds
As of August 31, 1999

GENERAL OBLIGATION BONDS (Non-Self Liquidating)	Voter Authorization Date	Voter Authorization Amount[1]	Unissued[1]
1992 School Facilities Bond Act	11/3/92	$ 900,000	$ 35,094
Safe, Clean Reliable Water Supply Act of 1996	11/5/96	995,000	841,000
Seismic Retrofit Bond Act of 1996	3/26/96	2,000,000	1,109,145
School Building and Earthquake Bond Act of 1974	11/5/74[2]	40,000	
School Facilities Bond Act of 1988	6/7/88	800,000	
School Facilities Bond Act of 1990	11/6/90	800,000	19,500
School Facilities Bond Act of 1992	6/2/92	1,900,000	65,000
Senior Center Bond Act of 1984	11/6/84	50,000	
State Beach, Park, Recreational and Historical Facilities Bonds	6/4/74	250,000	
State School Building Lease-Purchase Bond Law of 1982	11/2/82	500,000	
State School Building Lease-Purchase Bond Law of 1984	11/6/84	450,000	
State School Building Lease-Purchase Bond Law of 1986	11/4/86	800,000	
State, Urban, and Coastal Park Bond Act of 1976	11/2/76	280,000	
Water Conservation and Water Quality Bond Law of 1986	6/3/86	150,000	39,500
Water Conservation Bond Law of 1988	11/8/88	60,000	23,935
Total General Obligation Bonds		**$ 37,668,000**	**$ 12,744,314**

[1] In Thousands

[2] Pursuant to Prop 203, passed by the voters in the March 26, 1996 primary election, $40 million in bonds unissued at that time became general fund supported, while all previously issue bonds will remain under "State School Building Aid Bonds" as self-liquidating Enterprise Bonds.

STATE PUBLIC WORKS BOARD AND OTHER LEASE-PURCHASE FINANCINGS

	Unissued
California Community Colleges	$ -
Department of Corrections*	459,303,000
Energy Efficiency Program (Various State Agencies) (a)	264,085,000
The Regents of The University of California* (b)	-
Trustees of The California State University	-
Various State Office Buildings	1,291,193,000
Total State Public Works Board Issues	2,014,581,000
Total Other State Building Lease Purchase Issues (c)	69,500,000
Total General Fund Supported Issues	**$ 2,084,081,000**

*Includes the initial value of capital appreciation bonds rather than the accreted value.

(a) This Program is self-liquidation based on energy cost savings.

(b) The Regents' obligations to the State Public Works Board are payable from lawfully available funds of The Regents which are held in The Regents' treasury funds and are separate from the State General Fund. A portion of The Regents' annual budget is derived from General Fund appropriations.

(c) Includes $196,615,000 Sacramento City Financing Authority Lease Revenue Bonds State of California-Cal EPA Building, 1998 Series A, which are supported by lease rentals from the California Environmental Protection Agency; these rental payments are subject to annual appropriation by the State Legislature.

SOURCE: California State Treasurer's Office

Appendix 6

State of California
Planned Sales of General Obligation
and Lease-Revenue Bonds
During Fiscal Years 1999-2000 & 2000-2001

	1999-2000	2000-2001	Total
General Obligation Bonds	$ 2,400,000,000	$ 2,400,000,000	$ 4,800,000,000
Lease-Purchase Revenue Bonds	396,000,000	613,000,000	1,009,000,000
Total	$ 2,796,000,000	$ 3,013,000,000	$ 4,800,000,000

Source: California State Treasurer's Office

Appendix 7

State of California
Debt Service on Planned Bond Sales
During Fiscal Years 1999/2000 and 2000/2001

Fiscal Year Ending June 30	Debt Service on Outstanding Issues	Additional Debt Service from Planned Bond Sales: General Obligation	Lease-Purchase Revenue	Total	Total Debt Service Outstanding Issues & Planned Sales
2000	$ 2,627,006,640	$ 36,000,000	$ 8,743,000	$ 44,743,000	$ 2,671,749,640
2001	2,576,344,666	258,800,000	46,741,000	305,541,000	2,881,885,666
2002	2,513,105,022	440,800,000	81,969,000	522,769,000	3,035,874,022
2003	2,385,972,867	431,200,000	81,964,000	513,164,000	2,899,136,867
2004	2,237,208,323	421,600,000	81,962,000	503,562,000	2,740,770,323
2005	2,115,843,479	412,000,000	81,967,000	493,967,000	2,609,810,479
2006	1,992,602,107	402,400,000	81,965,000	484,365,000	2,476,967,107
2007	1,832,974,519	392,800,000	81,961,000	474,761,000	2,307,735,519
2008	1,756,718,600	383,200,000	81,961,000	465,161,000	2,221,879,600
2009	1,706,210,562	373,600,000	81,966,000	455,566,000	2,161,776,562
2010	1,552,702,704	364,000,000	81,964,000	445,964,000	1,998,666,704
2011	1,418,871,717	354,400,000	81,967,000	436,367,000	1,855,238,717
2012	1,198,289,309	344,800,000	81,963,000	426,763,000	1,625,052,309
2013	1,050,538,848	335,200,000	81,963,000	417,163,000	1,467,701,848
2014	940,471,909	325,600,000	81,965,000	407,565,000	1,348,036,909
2015	912,817,797	316,000,000	81,967,000	397,967,000	1,310,784,797
2016	856,261,718	306,400,000	81,964,000	388,364,000	1,244,625,718
2017	825,611,434	296,800,000	81,964,000	378,764,000	1,204,375,434
2018	804,818,693	287,200,000	81,964,000	369,164,000	1,173,982,693
2019	727,396,740	277,600,000	81,964,000	359,564,000	1,086,960,740
2020	660,761,181	268,000,000	81,964,000	349,964,000	1,010,725,181
2021	573,599,614	258,400,000	81,964,000	340,364,000	913,963,614
2022	507,327,764	248,800,000	81,964,000	330,764,000	838,091,764
2023	430,397,726	239,200,000	81,964,000	321,164,000	751,561,726
2024	263,088,645	229,600,000	81,964,000	311,564,000	574,652,645
2025	213,136,432	220,000,000	81,966,000	301,966,000	515,102,432
2026	163,663,796	210,400,000	49,635,000	260,035,000	423,698,796
2027	139,817,302	200,800,000		200,800,000	340,617,302
2028	116,475,497	191,200,000		191,200,000	307,675,497
2029	61,199,181	181,600,000		181,600,000	242,799,181
2030		172,000,000		172,000,000	172,000,000
2031	-	83,600,000		83,600,000	83,600,000
Totals	**$ 44,356,006,043**	**$ 9,181,600,000**	**$ 2,014,247,000**	**$ 11,195,847,000**	**$ 55,551,853,043**

Source: California State Treasurer's Office