



NEWS RELEASE

CALIFORNIA STATE TREASURER BILL LOCKYER

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Treasurer Lockyer Urges Congress to Adopt Economic Recovery Plan to Thaw Market for Infrastructure Bonds, Cash-Flow Borrowing

SACRAMENTO – State Treasurer Bill Lockyer today warned that a continuing failure by Congress to adopt a national economic recovery plan jeopardizes California’s ability to sell infrastructure bonds and short-term notes to meet the State’s cash flow needs. In releasing the 2008 State of California Debt Affordability Report, Lockyer made the following statement:

“For 10 days, state and local governments have been closed out of credit markets – long-term and short-term – in spite of the fact that they represent no default risk and provide a good tax-free return to investors. The credit market is frozen because financial institutions are afraid to commit capital amid enormous uncertainty. Congress and the President need to adopt a responsible recovery plan, and get the job done quickly.

“The State and local issuers need certainty that thaws credit markets and eases access to crucial financing. Without action, we will be unable to sell voter-approved bonds for highway construction, schools, housing or water projects. More urgently, because the State budget was so late, we have only four short weeks to complete what otherwise would be a routine revenue anticipation note sale to meet the State’s cash flow needs. Without prompt federal action to address the economic crisis, we may have no market access to conduct that short-term borrowing transaction. That means the State’s cash reserves would be exhausted near the end of October. Payments for teachers’ salaries, nursing homes, law enforcement and every other State-funded service would stop or be significantly delayed. And California’s 5,000 cities, counties, school districts and special districts would face the same fate.”

The 2008 Debt Affordability Report recounts the year’s turmoil in capital markets, how it affected the State, and how the State responded to protect taxpayers. The report also details the Lockyer-led effort to end rating agencies’ discriminatory treatment of municipal bond issuers. The current system harms taxpayers and misleads investors. The report is available at www.treasurer.ca.gov.

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