THE STATE OF CALIFORNIA'S DEBT AFFORDABILITY REPORT

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EXECUTIVE SUMMARY

The Treasurer is required to submit the Debt Affordability Report to the Governor and the Legislature by October 1 of each year in accordance with the statutory requirement of Government Code Section 12330. The following is a brief summary of the four sections which comprise the Debt Affordability Report.

Section I: The Double Bottom Line: Investing in California's Emerging Markets – Ideas to Action

In May 2000, the State Treasurer's Office launched a major public policy initiative, ***The Double Bottom Line: Investing in California's Emerging Markets***, to direct investment capital – through state programs and the State's pension and investment funds – to spur economic growth in those California communities which were left behind in the economic expansion of the past decade. The initiative builds on the Treasurer's 1999 ***Smart Investments*** report, which called for state infrastructure investments that support livable communities, sustainable development, and sound environmental practices, as well as increased investment in communities which did not share fully in the economic boom of the 1990s. This report also noted that the growing chasm between the "two Californias" – one of economic success and one of struggle – will dim the State's long-term economic prospects if action is not taken.

This section of the Debt Affordability Report describes how the Treasurer has responded to the challenges of widening economic disparity by implementing the programs and policies outlined in these initiatives to mobilize the powerful instrument of financial capital in new and innovative ways. The Treasurer has directed more than $12 billion in state public program resources and investment capital over a three-year period in pursuit of the "double bottom line" goals of strong investment returns and broadened economic opportunity.

The Treasurer's investment and community development initiatives mark a fundamental shift in state policies. By leveraging public funds and engaging private sector partners, the investment initiatives improve underserved communities while maintaining a competitive level of returns. Such initiatives include purchase of home loans, investment in urban real estate ventures, capital access for local businesses, and increased deposits in community lending institutions. The Treasurer's community development initiatives also aided underserved communities through programs which provide tax credits to help teachers buy homes, direct low-cost financing to affordable rental housing projects, which bolster revitalization efforts, and finance brownfield remediation and local infrastructure projects.

Section II: The Market's Perception of California's Bonds

The investment community traditionally has viewed California's bonds as high-quality investments. Although the State's general obligation bond credit ratings experienced considerable variability from 1991 through the present, reflecting trends in the State's economy and General Fund fiscal position, California's long-term economic vibrancy, diverse taxing authority, and solid bond payment history have combined to allow the State to finance its capital projects at relatively low borrowing rates.

Recently, the State's credit ratings were downgraded by Moody's Investors Service (Moody's) and Standard & Poor's (S&P). These rating actions were taken from January 2001 to July 2001, primarily in response to the State's financial commitment to purchase electricity due to the financial difficulties of California's investor-owned utilities, and the resulting potential negative impact on the General Fund. Fitch, Moody's, and S&P currently rate the State's general obligation bonds AA, Aa3, and A+, respectively, all with a negative outlook.

The market's perceived deterioration in the State's creditworthiness caused investors to increase the State's cost of borrowing by approximately 0.25 percent relative to a comparable national benchmark over the first seven months of 2001. The 20-year yield on California's bonds was 0.10 percent lower than the national triple-A rated 20-year average during the fall of 2000. However, as of July 2001, the State's bond yield had risen to 0.15 percent higher than the national triple-A rated 20-year average. By mid-September, the yield on the State's bonds shrank to within 0.06 percent of the national benchmark, reflecting the volatility in the State's bond yields during the past year.

Section III: California's Current Debt Position

As of July 1, 2001, the State's outstanding net tax-supported debt totaled $26.89 billion, while its authorized but unissued net tax-supported debt was $13.62 billion. The State's debt service as a percentage of General Fund revenues for fiscal year 2000-01 is 3.77 percent, which is slightly higher than the 3.74 percent recorded in fiscal year 1999-00, but below the 4.24 percent projected for fiscal year 2001-02. Credit analysts generally consider the ratio of debt service as a percentage of general fund revenues to be "low" at a level of 5.0 percent or less.

Section IV: California's Debt Capacity

If the State were to continue to commit roughly 4.25 percent of its General Fund revenues to the payment of debt service, the capacity for additional General Fund-supported debt over the next 10 years is approximately $50.12 billion, including the $13.62 billion in bonds already authorized but not yet issued. A gradual increase in the portion of General Fund revenues spent on debt service to 5.0 percent by fiscal year 2005-06 and thereafter would increase debt capacity to approximately $62.75 billion through fiscal year 2010-11. Similarly, an increase of this budgetary commitment to 6.0 percent would enable the State to borrow roughly $79.85 billion for infrastructure investment through fiscal year 2010-11.

Sensitivity analyses on our base case debt capacity estimate of $50.12 billion were performed to show two additional economic scenarios: one scenario assumes slower economic growth, with General Fund revenues annually increasing at 1.0 percent less than the Department of Finance (DOF) forecast; the second scenario assumes greater economic growth, with General Fund revenues annually increasing at 1.0 percent more than the DOF forecast. Debt capacity estimates based on these alternate 1.0 percent adjustments to the DOF forecast range from a low of $43.13 billion to a high of $57.66 billion over the next 10 years, including the $13.62 billion authorized but unissued debt.

Projections of debt capacity also are influenced by the payment structure assumed for the future debt issues. All of the debt capacity calculations referenced above assumed that the State continues its current practice of structuring general obligation bonds with equal annual principal payments through a final maturity of 30 years. However, the State could just as easily structure repayment of its general obligation bonds with equal annual debt service payments through final maturity. This practice is employed by a majority of states and is currently used by the State for all lease-purchase revenue bond issues.

Utilizing equal annual principal payments results in faster repayment of principal and debt service payments that decline annually through final maturity. Utilizing equal annual debt service lowers total debt service in the early years and therefore produces higher additional debt capacity. For example, under the base case, which retains the commitment of 4.25 percent of General Fund revenues, debt capacity would increase by approximately $8.8 billion over the next 10 years to a total of $58.92 billion, including the $13.62 billion in authorized but unissued bonds. Sensitivity analyses also were performed using the equal annual debt service assumption, based on the same 1.0 percent adjustments to the DOF revenue forecast previously mentioned. The resulting estimates of additional debt capacity range from a low of $50.67 billion to a high of $67.96 billion, representing increases over the respective base cases of $7.5 billion and $10.3 billion. This additional debt capacity is achieved at a somewhat higher borrowing cost due to the longer weighted average maturity and resulting greater amount of interest paid over the life of the bonds, although such cost difference may be offset by the time value of money.

Section I: The Double Bottom Line: Investing in California's Emerging Markets – Ideas to Action

In June 1999, as a special update of California's annual Debt Affordability Report, the State Treasurer's Office published ***Smart Investments***, to assist the Governor and the Legislature in their capital planning and financing decisions. This report called for state infrastructure investments that support livable communities, sustainable development, and sound environmental practices, as well as increased investment in the communities left behind in the wake of the economic boom of the 1990s. In May 2000, as a follow-up to ***Smart Investments***, the State Treasurer's Office launched a second initiative, ***The Double Bottom Line: Investing in California's Emerging Markets***, to direct investment capital – through state programs and the State's pension and investment funds – to spur economic growth in those California communities which did not share fully in the economic expansion of the past decade. The ***Double Bottom Line*** report noted, among other things, that the growing chasm between the "two Californias" – one of economic success and one of struggle – will dim the State's long-term economic prospects if action is not taken.

Most recently, The Debt Affordability Report of October 1, 2000, ***Smart Investments: Ideas to Action***, provided an update on the significant progress the Treasurer's Office had made in implementing the policies articulated in the June 1999 ***Smart Investments*** special edition of the Debt Affordability Report.

This 2001 Debt Affordability Report serves as a follow-up to ***The Double Bottom Line*** report and policy initiatives of May 2000 by describing how the State Treasurer's Office has proceeded on a number of fronts in mobilizing the powerful instrument of financial capital in new and innovative ways, consistent with the highest fiduciary standards, to respond to the challenges of widening economic disparity. The programs and policies pursued seek to achieve the "double bottom line" goals of strong investment returns and broadened economic opportunity.

Complete copies of all the reports published by the State Treasurer's Office may be found on the Treasurer's website at *www.treasurer.ca.gov*.

The following initiatives, implemented since the release of the 1999 and 2000 reports, mark a fundamental shift in state policies, directing more than $12.0 billion in state public program resources and investment capital over a three-year period in pursuit of the policy goals outlined in these reports.

INVESTMENT INITIATIVES

- ***$1 Billion In Home Loans for Californians Producing Strong Yields for State***

  One billion dollars has been committed by the State Treasurer's Office to purchase home loans made to low- and moderate-income Californians or in low- and moderate-income neighborhoods. The purchase of securitized Community Reinvestment Act loans provides new capital to lenders, allowing them to make additional loans to California homeowners.

  The purchase, through April 2001, of $680 million in mortgages by the State's Pooled Money Investment Account (PMIA), is providing competitive yields to the PMIA, while helping to stabilize neighborhoods through increased homeownership. Standing behind the securities are Fannie Mae and Freddie Mac, with combined assets of over $1 trillion.

- ***Over $1 Billion Invested In California Urban Communities***

  As a member of the boards of the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS), the Treasurer has urged greater investment by the funds in real estate development within California's urban communities, consistent with the funds' fiduciary obligations.

  CalPERS has added an urban core investment initiative to its Real Estate Portfolio and has allocated $700 million, as of May 2001, in new commitments to urban real estate ventures targeted to California. Also, CalSTRS has moved forward to create an urban real estate investment program resulting in an allocation of $750 million. Both investment programs are designed to give the pension funds market rates of return, while creating investment and economic activity in California's urban neighborhoods.

The State Treasurer's Office has put more of the taxpayers' money – managed through the PMIA – to work here in California by increasing deposits of state funds in community banks, savings and loans, and credit unions.

- ***Investment In Business Enterprises In Communities of Economic Need***

  In May 2001, CalPERS approved the California Initiative, a $500 million investment fund targeted to businesses locating and expanding in underserved communities - with the double bottom line goals of achieving risk adjusted market returns for the pension system, while broadening economic opportunity. The initiative has been structured to engage strong private sector partners and to leverage additional capital investment.

- ***Increased State Deposits In California Community Lending Institutions***
  The State Treasurer's Office has put more of the taxpayers' money – managed through the PMIA – to work here in California by increasing deposits of State funds in community banks, savings and loans, and credit unions. The program assures a yield to the State that is above the Treasury Bill rate, and deposits are more than fully collateralized. The State deposits provide lenders with funds to boost small business and home mortgage lending in California communities.

  From January 1999 through April 2001, the Treasurer's Office deposited an additional $2.7 billion in California financial institutions. During the same period, the number of participating lenders increased from 35 to 124.

- ***Depositing Public Funds In Financial Institutions Committed to Community Reinvestment***
  Assembly Bill 2708 (Wesson), proposed by the State Treasurer's Office and signed into law in September 2000, provides incentives for financial institutions to invest in economically distressed neighborhoods by requiring State and local governments to deposit their funds in secure financial institutions that are investing in lower income communities.

- ***Securitized Small Business Loans***
  Through June of 2001, the State's PMIA has purchased over $150 million in California-only securitized small business loans with an emphasis on purchasing loans that have been made in areas of the State that continue to struggle economically. These securities provide the State with a higher return than the overall PMIA yield and carry a federal guarantee. This program encourages a continuous stream of capital for small business lending in California.

COMMUNITY DEVELOPMENT INITIATIVES

- ***Extra Credit Teacher Home Purchase Program***
  The Extra Credit Teacher Home Purchase Program was adopted in January 2000 by the California Debt Limit Allocation Committee (CDLAC), chaired by the Treasurer. This program will help more than 4,000 teachers and principals, willing to serve in low-performing schools, purchase a home. Extra Credit provides a credit against taxes worth approximately $37,000 over the life of a 30-year, $150,000 mortgage – with annual savings of up to $1,800. (Local agencies administering the program may opt to provide low-interest mortgages in lieu of tax credits.)

  As of May 2001, CDLAC has awarded over $160 million in funding to nine local jurisdictions, which have matched state-awarded allocations with local homeownership assistance (such as assistance for down payments and closing costs) of at least $7,500 per homebuyer.

- ***“Double Bottom Line" Criteria Adopted For Low-Cost Local Infrastructure Loans***
  The State Treasurer's Office advocated for a new set of criteria for awarding more than $1.4 billion in low-interest loans for local infrastructure projects at the California Infrastructure and Economic Development Bank, where the Treasurer sits as a board member. The new rules reward projects that help revitalize economically struggling communities and neighborhoods.

- ***Awarding Low-Cost Financing Based on "Double Bottom Line" Goals***
  The California Debt Limit Allocation Committee, chaired by the Treasurer, adopted new rules for the allocation of over $2.0 billion annually in low-cost financing for affordable housing, pollution control, job creation, and student loans. The new allocation rules replace a "first come, first serve" allocation method. Under the new system, projects are prioritized based on public policy objectives that target resources to lower income communities, support community revitalization, and leverage public dollars.

- ***Cleaning Up Contaminated Brownfield Sites***
  Senate Bill 1986 (Costa), proposed by the State Treasurer's Office and signed into law, enables the California Pollution Control Financing Authority (CPCFA), chaired by the Treasurer, to finance environmental assessment and remediation of brownfields - contaminated sites in the midst of urban and rural communities. These properties - estimated to be in the tens of thousands across California - not only pose environmental and health risks, but also represent underutilized economic assets in local communities.

  Financing of environmental assessment and remediation is a critical step in returning brownfield sites to productive use and in revitalizing economically struggling neighborhoods. The first round of funding for CPCFA's brownfields program will be awarded in 2001.

- ***Community Revitalization Grant Program Leverages Reinvestment Capital***
  Assembly Bill 779 (Torlakson), sponsored by the State Treasurer's Office and signed into law in September 2000, authorizes the California Pollution Control Financing Authority, chaired by the Treasurer, to make grants to local communities to create sustainable community revitalization programs that leverage private sector and foundation investment, as well as State and Federal funding. These grants will provide communities with the capacity to access needed and available public and private capital resources.

- ***Increased Aid to Community Health Clinics***
  The California Health Facilities Financing Authority (CHFFA), chaired by the Treasurer, provides financing for health facilities and clinics in California. The Help II Loan Program – which provides low-interest (3.0 percent) loans to community clinics serving low-income neighborhoods – was recently expanded with $10.0 million in additional funding. In 2000, the Cedillo-Alarcon Community Clinic Investment Act provided an additional $50.0 million to CHFFA to make grants to community clinics to expand health services for low-income families, recognizing that basic services, such as healthcare, are a key element of any effective strategy to bridge the growing gap between rich and poor in California.

- ***Tax Credit Program Reformed to Assure Affordability, Achieve Community Revitalization Goals***
  The California Tax Credit Allocation Committee, chaired by the Treasurer, adopted a new system for awarding $550 million annually in state and federal tax credits for the construction and rehabilitation of affordable rental housing, replacing the previous administration's lottery system. The reformed program establishes a point system that, among other things, prioritizes projects in struggling neighborhoods where the housing is part of a comprehensive revitalization effort, and projects that meet a set of sustainable development goals – for example, projects within walking distance of transit, schools, parks, and shopping.

The Treasurer's initiatives supporting livable communities, sustainable development, sound environmental practices, and broadening economic opportunity will strengthen the California economy, thereby increasing General Fund revenues and providing greater funding for improvements to state infrastructure. The State's existing and projected capacity for financing new infrastructure investments is addressed by the remainder of this report.

SECTION II: THE MARKET'S PERCEPTION OF CALIFORNIA'S BONDS

Investors In California's Bonds

The investment community traditionally has viewed California's bonds as high quality investments due to the State's enormous economy, diverse taxing authority, and solid bond payment history. This favorable perception of the State has allowed California to finance capital projects at relatively low borrowing rates.

Investors in the State's bonds range from large financial institutions, such as mutual funds and insurance companies, to individuals saving for long-term goals like home ownership, college tuition, or retirement. Investors in California's bonds are generally seeking two investment objectives: reliable interest earnings exempt from federal and state taxation; and/or the preservation of principal. These investors demand rates of return on their investments that are tied both to general market conditions and their perceptions of an issuer's ability to repay its obligations. Figure 2.1 lists the top 10 holders of State of California bonds as of September 4, 2001.

Figure 2.1

Top 10 Institutional Investors In State of California Bonds Ranked by Par Amount Held ($ Thousands)

Investor	Amount
Franklin Advisors, Inc.	$696,210
AIG Global Investment Group	334,495
Nuveen Advisory Corporation	300,775
CNA Insurance Companies	298,205
State Farm Insurance Companies	266,795
Putnam Investment Management	214,445
Citigroup Investments Inc.	179,795
Allstate Corporation (Investment Management)	174,390
Hartford Investment Management Co., Inc.	170,805
Merrill Lynch Investment Managers (New Jersey)	167,890
TOTAL	$2,803,805

Source: First Call Corporation-BondWatch Web, as of September 4, 2001

Information about the State's bonds is available to investors from several sources: official disclosure documents for bond sales; stories in the news media; investment banking firms selling the State's bonds; the Treasurer's own website and investor relations programs; and, perhaps most importantly, the major credit rating agencies. Equipped with this information and their own portfolio requirements, investors indicate interest in the State's bonds – the greater the demand for the State's bonds, the lower the State's cost of borrowing.

Many fundamental and technical factors, such as the taxable equivalent yields of tax-exempt bonds, as well as mutual fund inflows and outflows, influence the market's demand for the State's bonds. Market participants estimate that existing demand for the State's bonds is high, such that up to $7.0 billion of state bonds could be sold annually without investors demanding higher yields. This compares to recent annual issuance levels of approximately $3-$4 billion, demonstrating the capacity of the market to absorb a significant additional supply of state bonds.

Importance of Credit Ratings

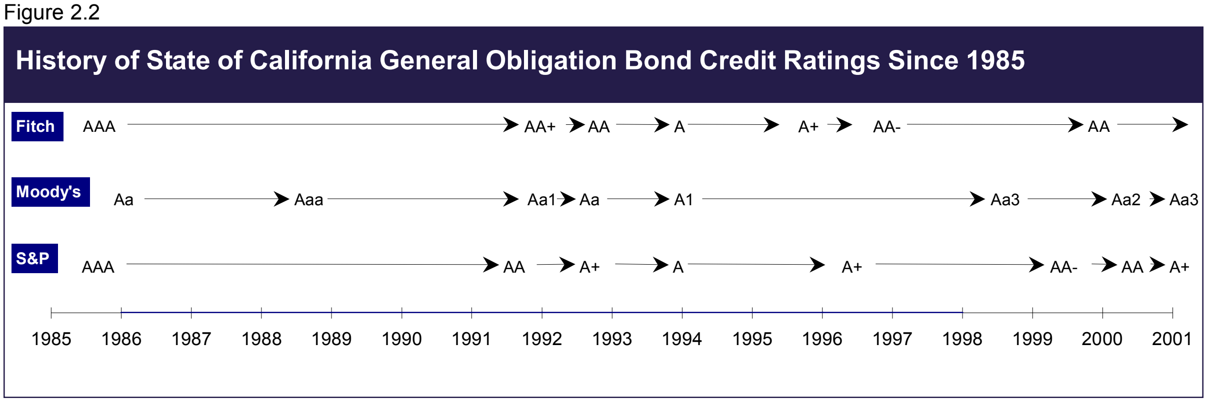
A bond rating is an independent assessment of the relative credit risk associated with purchasing and holding a particular bond through its scheduled term of repayment. Taxpayers, investors, and the media all view municipal bond ratings as unbiased opinions of a government's fiscal performance and creditworthiness. Bond ratings remain one of the most important indicators of financial performance readily available to the investment community and have a direct impact on the borrowing rates paid by the State. The State Treasurer's Office keeps credit analysts informed of the State's current and anticipated economic and fiscal condition through year-round contact, including visits held every winter, following release of the Governor's proposed budget, and every summer, subsequent to budget adoption.

The three national bond rating agencies that track state and local governments are Fitch, Moody's, and S&P. Although each agency's rating scale is slightly different, they all have the same broad rating categories, including single-A, double-A, and their strongest category, triple-A (see Appendix 1 for additional details).

State's Credit Ratings

Fitch, Moody's, and S&P currently rate the State's general obligation bonds AA, Aa3, and A+, respectively, all with a negative outlook. Reflecting trends in the California economy and the State's fiscal position, the general obligation bond credit ratings experienced considerable variability from 1991 through the present. Figure 2.2 lists the State's general obligation bond ratings since 1985.

Figure 2.2



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

1985-1991: During this period the credit ratings of the State were stable, even increasing, to triple-A levels from all three rating agencies.

1991-1995: From December 1991 through July 1994, the credit ratings of the State were downgraded from triple-A to single-A levels. The downgrade actions taken by all three rating agencies reflected the progressive weakening of the California economy and attendant pressures on General Fund revenues, as well as questions about the State's ability to manage its annual budget due to a structural imbalance between revenues and expenditures and the lack of sufficient budget reserves.

1996-2000: From February 1996 through September 2000, the credit ratings of the State were upgraded by the rating agencies eight times to eventual double-A levels. The improved ratings were attributed to improvements in the California economy, enhanced fiscal discipline, funding of higher budget reserves, and elimination of the accumulated budget deficit.

2001 to Date: Through the first six months of 2001, the State's credit ratings were downgraded by Moody's and S&P and assigned negative outlooks by all three agencies. These rating actions were taken in response to the State's financial commitment to purchase electricity due to the financial difficulties of California's investor-owned utilities, and the resulting potential negative impact on the General Fund. The weakening of the California and national economies during 2001, and the uncertainty created for future General Fund revenue projections, also were noted by the rating agencies as factors increasing short-term financial risks.

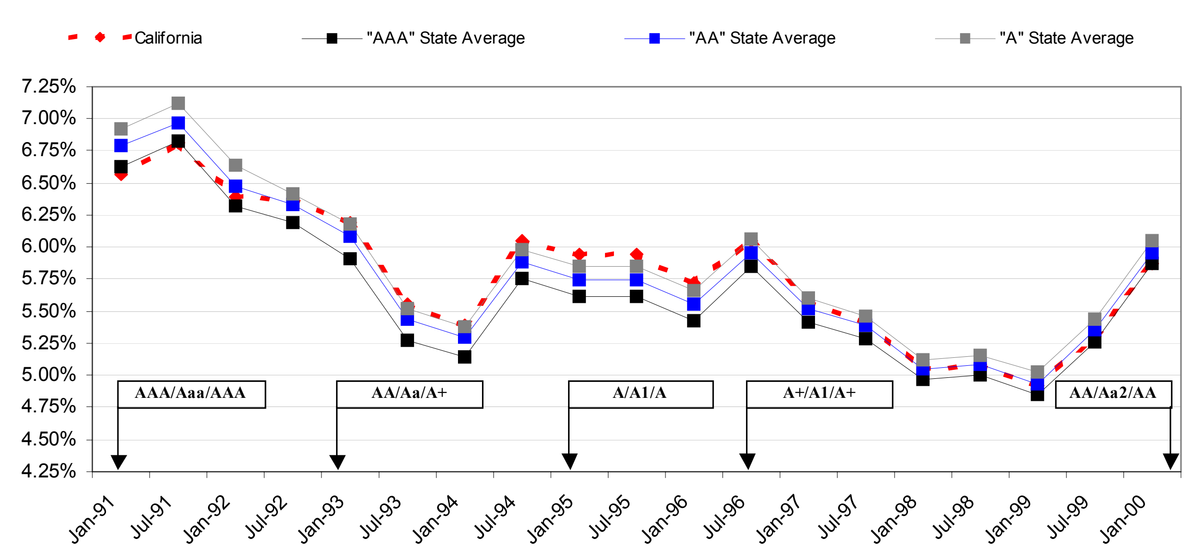
Cost of California's Debt

The deterioration of the State's credit ratings from 1991 through 1995, from triple-A to single-A levels, led to deterioration in the market's perception of the State's creditworthiness and weakened investor demand, which increased borrowing costs for the State. By July 1995, yields on the State's bonds had increased to about 0.30 percent higher than the average for triple-A rated states. As discussed, this trend was reversed starting in 1996.

Figure 2.3 compares the cost of the State's debt to the averages of single-A, double-A, and triple-A rated states over the last ten years, illustrating that yields on the State's bonds increased from below the average for triple-A rated states in 1991 to above the average for single-A rated states by late 1994. As a benchmark for the State's average cost of funds, the yields for a 20-year maturity are reflected in the chart, along with the comparable maturity yields for the other state averages.

Figure 2.3

Average Borrowing Cost of State 20-Year General Obligation Bonds (January 1991-January 2000)



Source: The CHUBB Corporation

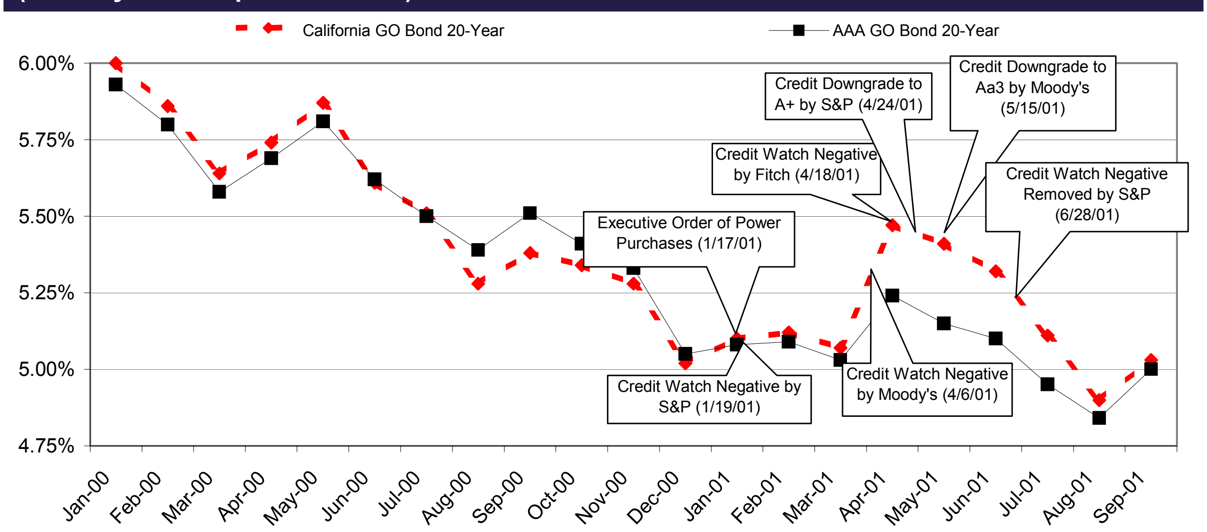
Over the 1996 through 2000 period, robust economic growth, particularly in the export, tourism, and computer services sectors, combined with reduced dependence on defense-related employment to broaden and invigorate California's economy. The growing economy replenished the State's coffers, leading to improvements in credit ratings and heightened investor demand for California's bonds. This strong demand drove down the State's cost of borrowing relative to the general market in an impressive turnaround. By July 2000, the State's cost of borrowing had returned to the relative levels of 1991 – approximately 0.10 percent below the average for triple-A rated states. This 0.40 percent swing in relative yields from July 1995 to July 2000 represents a significant improvement when considered in dollar terms. For example, a 0.40 percent reduction in borrowing cost over the 30-year life of a $1.0 billion general obligation bond issue saves the State approximately $62.0 million in interest costs.

From January 2001 to July 2001, the State's relative cost of borrowing increased mainly as a consequence of investor concern regarding the use of General Fund cash balances to purchase power and the market's anticipation of $12.5 billion in borrowing by the Department of Water Resources (DWR) to repay the General Fund. In addition, decreased investor demand and the resultant increase in bond yields can be attributed in part to the reduced wealth levels of California investors caused by declining stock markets.

Figure 2.4 illustrates the dramatic swing in market sentiment regarding California bonds since July of 2000. Beginning in January 2001, when California's credit ratings were first placed on credit watch by S&P, the State's cost of funds increased sharply relative to the triple-A rated national average. By May 2001, at the height of the energy crisis when the State was suffering the threat of a summer of rolling blackouts and its credit ratings had been downgraded by Moody's and S&P, the 20-year yield on California's bonds was roughly 0.25 percent higher than the triple-A rated national average. As of July 2001, the premium spread on the State's bond yields relative to the national benchmark had narrowed to about 0.15 percent, although that level is still well above the -0.10 percent spread evident in late 2000. Moving into fiscal year 2001-02, yields on the State's bonds shrank to within 0.06 percent of the national triple-A rated average by mid-September of 2001.

Figure 2.4

Average Borrowing Costs of State 20-Year General Obligation Bonds (January 2000-September 2001)



Source: Thomson Municipal Market Data

New Initiatives of the State Treasurer's Office

The State Treasurer's Office is always looking to improve the State's bond sale process, achieve cost savings, and stay current with technological developments. A recent initiative of the State Treasurer's Office has been the distribution of offering documents for bond sales through Internet posting with electronic mail notification. Electronic distribution of offering documents provides investors quicker access to bond sale information.

The Governor and Legislature have approved the Treasurer's proposal to issue variable rate general obligation bonds. Interest rates on variable rate demand bonds (VRDBs) are not fixed at the time of sale but rather are reset at daily, weekly, or monthly intervals over the life of the long-term bond issue. VRDBs are debt instruments that provide investors with the option to redeem bonds at par at each period when interest rates are reset. The interest rate on a VRDB changes according to current market conditions, while also reflecting the lower interest rates available at the short-end of the yield curve. The issuance of VRDBs will allow the State to finance the long-term costs of capital projects at short-term interest rates. Under the current authorization, the State may issue up to 20.0 percent of the total amount of its outstanding general obligation debt as VRDBs. In fiscal year 2001-02, the State is contemplating issuance of up to $500 million in general obligation VRDBs.

The State Treasurer's Office continues to monitor opportunities for refunding high interest rate debt to reduce interest costs paid by taxpayers. These refunding opportunities are similar to a homeowner's refinancing of a mortgage and are dependent on market interest rates. During fiscal year 2000-01, $791.2 million in bonds were refunded to produce future reductions in debt service costs totaling $42.6 million with a net present value savings of $25.5 million.

State Treasurer's Investor Relations Program

The State Treasurer's Office seeks to keep investors and rating agency credit analysts well informed of the State's economic outlook, fiscal condition, and planned bond sales through an active investor relations program. By means of face-to-face meetings, conference calls, and Internet broadcasts often scheduled to coincide with planned bond sales, the Treasurer maintains open lines of communication with the investor and credit analyst community, thereby providing the State with maximum access to the capital markets.

Monthly publication of *The Treasury Note* newsletter keeps bond buyers abreast of current state issues and addresses commonly asked questions about the State's bond program. A toll-free telephone line, (800) 900-3873, also is maintained to answer state bond-related questions. Through its website (www.treasurer.ca.gov), the State Treasurer's Office also provides the investment community with up-to-date information regarding the State's credit ratings, future bond sales, and planned bond redemptions. Past issues of *The Treasury Note*, other financial reports, and links to informative websites also are available on the website.

Section III: California's Current Debt Position

The annual Debt Affordability Report provides policy-makers and other interested parties with information about the State's current debt levels and the relative burden that debt service payments place on the State. Outstanding debt represents a major long-term budget commitment for the State, extending as much as 30 years into the future before all currently outstanding debt would be fully repaid. Credit analysts, including the major rating agencies, consider the State's current debt burden and the potential for increased debt burden through the future issuance of bonds as critical factors in assigning a credit rating to the State.

California's Outstanding Debt

The State's debt position is calculated by the rating agencies and the investor community based on "net tax-supported debt." This is the amount of debt that must be repaid by the State General Fund net of bonds with final maturities of less than one year or with self-supporting forms of repayment. This definition of net tax-supported debt excludes, for example, commercial paper and revenue anticipation notes, which both always mature in less than one year.

The State issues a large number of other types of bonds, such as housing bonds and the DWR's Power Supply Revenue Bonds, that provide their own stream of revenue for repayment. These types of bonds are referred to as "self-supporting" bonds and are not considered net tax-supported debt of the General Fund. In addition, a variety of financing authorities, such as the CPCFA, the CHFFA, 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 comes from the borrowers, not from the State's General Fund, and thus they also are excluded from this definition of net tax-supported debt.

Likewise, the debt issued by California's local governments for projects such as schools, roadways, and water treatment plants is excluded since these are not obligations of the State. However, the State's financing of local school facilities through the State's own general obligation bonds is included when projecting the State's debt position, since the bonds are paid directly by the State from General Fund revenues.

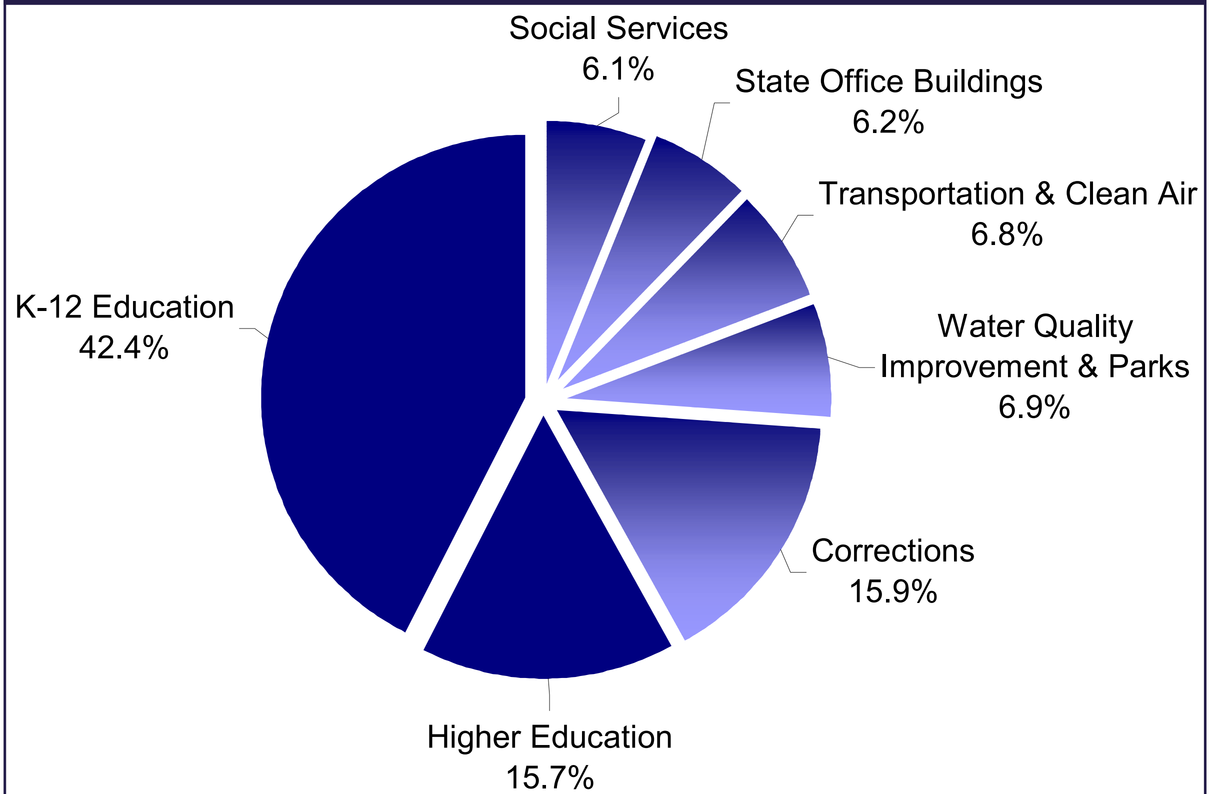
As of July 1, 2001, the State's net tax-supported debt outstanding totaled $26.89 billion, representing a 9.8 percent increase from the $24.55 billion outstanding at July 1, 2000. The State issued $4.63 billion in bonds during fiscal year 2000-01 and retired $2.29 billion for a net increase of $2.34 billion. Approximately 76.0 percent of the State's outstanding net tax-supported debt consists of general obligation bonds authorized by the State's voters. The remaining 24.0 percent represents lease-purchase revenue bonds authorized by the Legislature. The State also has authorized but unissued net tax-supported debt of $13.62 billion. (See Appendix 2 for additional details.)

Programs Funded With State Debt

The majority of California's net tax-supported debt has been issued for education, to build classrooms for K-12 students and to make improvements to higher education campuses. More than 65.0 percent, or $2.58 billion, of the bonds issued by the Treasurer during the past fiscal year funded K-12 school projects under the Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998 (Proposition 1A). As of July 1, 2001, authorization of a remaining $2.01 billion exists for the further issuance of Proposition 1A bonds for K-12 education. Figure 3.1 shows the various state program areas that have been funded with the proceeds of outstanding general obligation and lease-purchase revenue debt.

Figure 3.1

State of California Programs Funded With $26.89 Billion in Outstanding Bonds



Source: State Treasurer's Office, as of July 1, 2001

Annual Debt Service Commitments

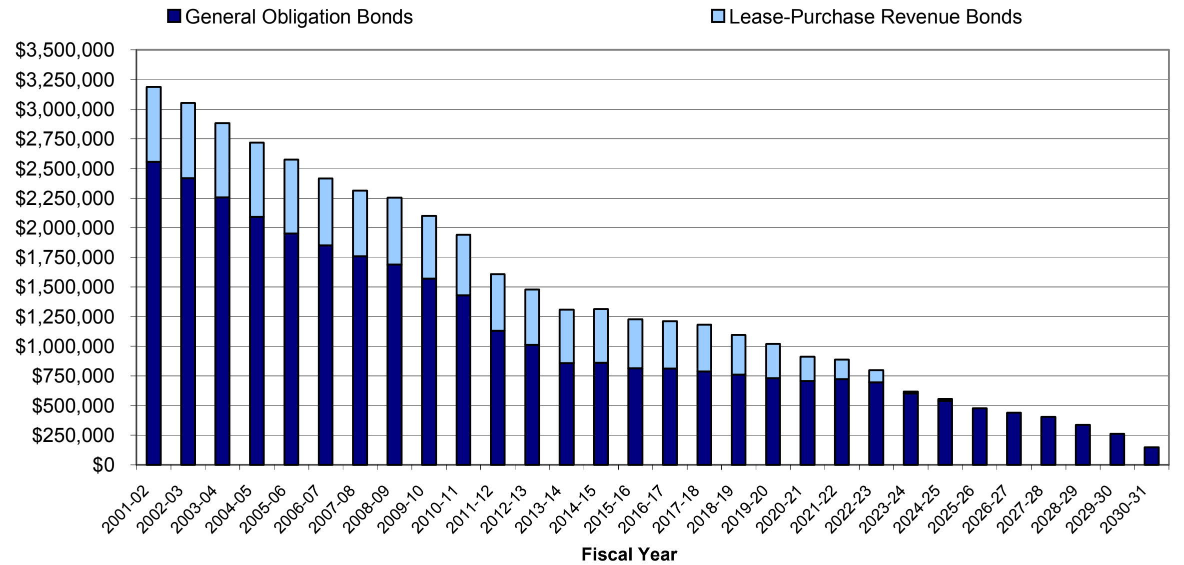
The principal and interest payments on the State's bonds represent a substantial, long-term budget commitment. The amount of total debt service on this net tax-supported debt does not appear as a single line item in the State's budget, but rather is comprised of debt service on general obligation bonds and lease payments on lease-purchase revenue bonds imbedded in multiple components of the budget. The lease payments, in particular, are distributed among the budgets of the various agencies and departments utilizing the projects financed by the bonds.

In fiscal year 2000-01 the State's General Fund net tax-supported debt service payments (both principal and interest) totaled approximately $2.95 billion, or about 3.77 percent of General Fund revenues of $78.33 billion. The adopted budget for fiscal year 2001-02 includes General Fund net-tax supported debt service payments of close to $3.19 billion, or approximately 4.24 percent of projected General Fund revenues of $75.11 billion.

Figure 3.2 depicts the State's annual debt service requirements for all net tax-supported general obligation and lease-purchase revenue bonds outstanding as of July 1, 2001 (see Appendices 3 through 5 for additional detail).

Figure 3.2

State of California Debt Service on Existing Net Tax-Supported Debt ($ Thousands)



Source: State Treasurer's Office, as of July 1, 2001

Over the next 30 years, debt service on outstanding bonds will decline as scheduled principal redemptions are made, while General Fund revenues are expected to grow at moderate levels. As a result of these two trends, the portion of the State's budget committed to service outstanding bonds will decline, providing capacity for debt service on additional bonds. Issuing the $13.62 billion in authorized but unissued bonds would absorb a portion of the capacity created through retirement of prior debt and growth in General Fund revenues, depending on the times and amounts at which these additional bonds were issued.

Measurement of Debt Burden

Debt ratios, by providing a reasonable and convenient way to compare the debt burdens of a wide variety of borrowers, are one type of financial tool that can be applied to evaluate financial condition. In the public finance arena, the most common debt ratios applied to state issuers are: (1) debt service as a percentage of general fund revenues; (2) debt as a percentage of statewide personal income; and (3) debt per capita. The ratio of debt service to general fund revenues indicates a state's flexibility to pay debt service from its budget. The ratio of a state's debt to the total personal income of its residents indicates the potential for a state government to transform the income of its residents into revenues through taxation, thereby generating resources to repay its obligations. Lastly, the ratio of debt per capita indicates the relative magnitude of debt supported by a state's citizens.

Serving as guideposts for evaluating the ability of the issuer to repay its existing and anticipated obligations, these financial ratios often are compared to those from prior years or to those of other issuers. Moody's calculates annual ratios of debt to personal income and debt per capita for each state based on prior year financial information and publishes a report including the median ratios. Moody's has discontinued publishing the ratio of debt service to general fund revenues due to the difficulty in reporting this ratio on a consistent basis for all states, given significant differences in revenue bases and financial practices among the states. It is worth noting that debt ratios are only one of several factors considered by the rating agencies when assigning a rating; no direct correlation can be drawn between a state's debt burden, as measured by debt ratios, and its assigned credit rating.

This section of the Debt Affordability Report further explains the significance of these ratios and concludes with a comparison of California's ratios to national medians as well as to California's peer group of the 10 most populous states.

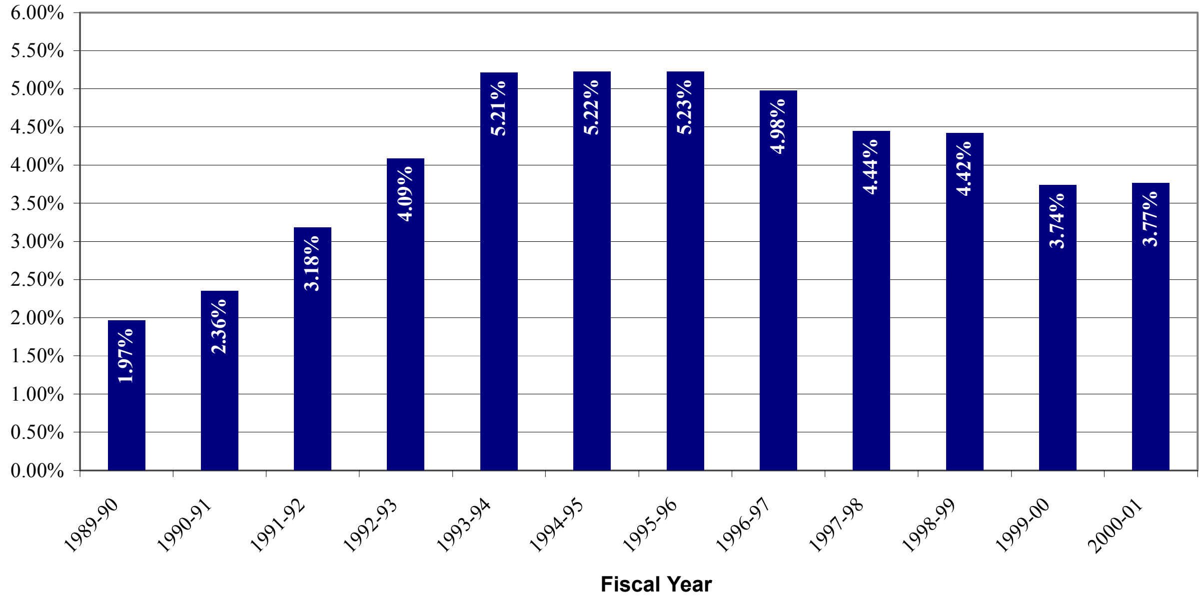
Debt Service as a Percentage of General Fund Revenues: Credit analysts employ this ratio to contrast the amount of annual debt service on net tax-supported debt to the size of a state's budget. Generally speaking, analysts conclude that the higher the percentage of a state's budget required for debt service, the less financial flexibility the state has for responding to economic slowdowns and reduced revenues, unexpected expenditures (such as California's recent use of General Fund monies to purchase electricity), or changes in budget priorities and fixed capital outlays. This is a particularly important ratio for the State of California due to the limited amount of discretionary budget authority available to state officials.

According to its *Public Finance Criteria (2000 Edition)*, S&P considers an issuer's debt burden to be "low" when debt service as a percentage of general fund revenues is 5.0 percent or less.

Figure 3.3 illustrates the volatility of California's debt service ratio since fiscal year 1989-90. The ratio is affected by changes in General Fund revenues and in the amount of debt service on outstanding debt. The increase in the ratio above 5.0 percent in the mid-1990s occurred at a time when the State's General Fund had been stressed by a lengthy recession. The drop in the ratio to 3.74 percent in fiscal year 1999-00 occurred at a time when the California economy was booming. The ratio rose slightly to 3.77 percent for fiscal year 2000-01. This ratio is projected to rise to 4.24 percent during fiscal year 2001-02. The volatility of this important ratio highlights why the Treasurer's Debt Affordability Report contains sensitivity analyses testing the impacts of various General Fund revenue forecasts on projected debt capacity.

Figure 3.3

State of California Debt Service as a Percentage of General Fund Revenues



Source: State Treasurer's Office and the Department of Finance

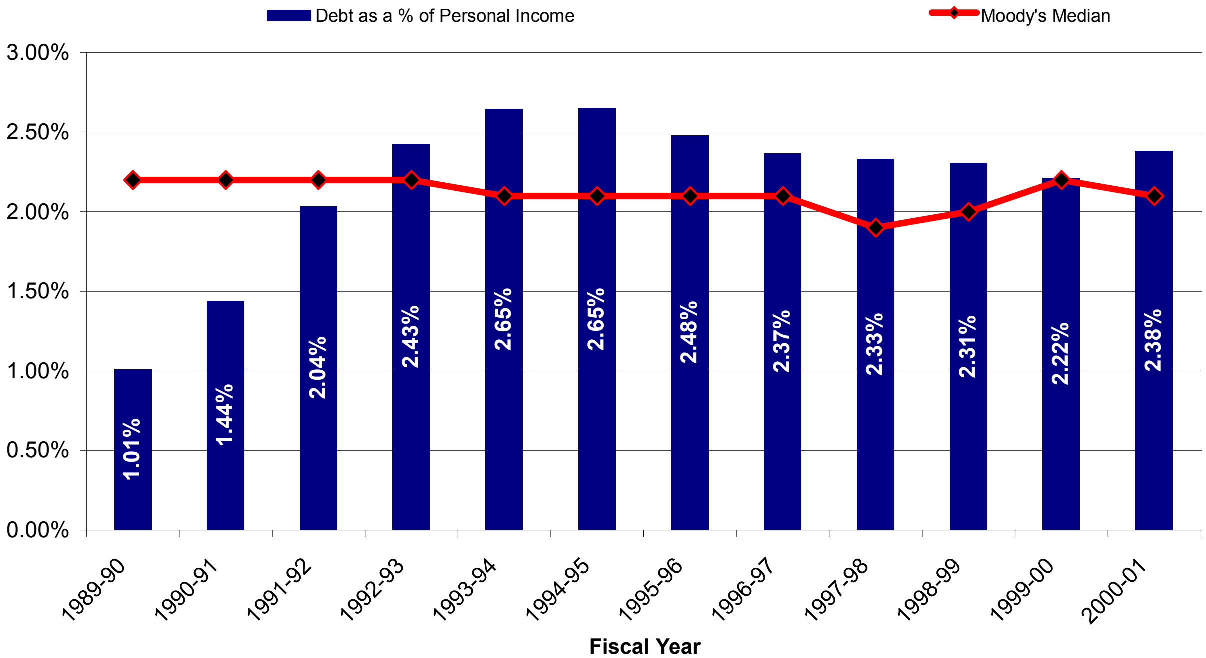
Debt as a Percentage of Personal Income: This ratio is of particular interest to investors since it indicates the potential resources available for repayment of an issuer's debt, given a state's ability to raise resources through taxation.

California's debt as a percentage of personal income is 2.38 percent (as of July 1, 2001) compared to the Moody's 2001 Median of 2.10 percent. The decline in the State's ratio from fiscal year 1994-95 through fiscal year 1999-00 indicates that the State's wealth, as measured by personal income, grew faster than the amount of its outstanding debt. This trend reversed in fiscal year 2000-01 as personal income grew by only 2.03 percent while the State's debt expanded by 9.75 percent.

In its September 2000 report, Fitch considered the State's ratio of debt to personal income to be very moderate. According to *Public Finance Criteria (2000 Edition)*, S&P would place the State's ratio of debt to personal income in the "low" category because it remains at less than 3.0 percent. Nonetheless, as Figure 3.4 indicates, the State's ratio is slightly higher than Moody's 50-state median.

Figure 3.4

State of California Debt as a Percentage of Personal Income

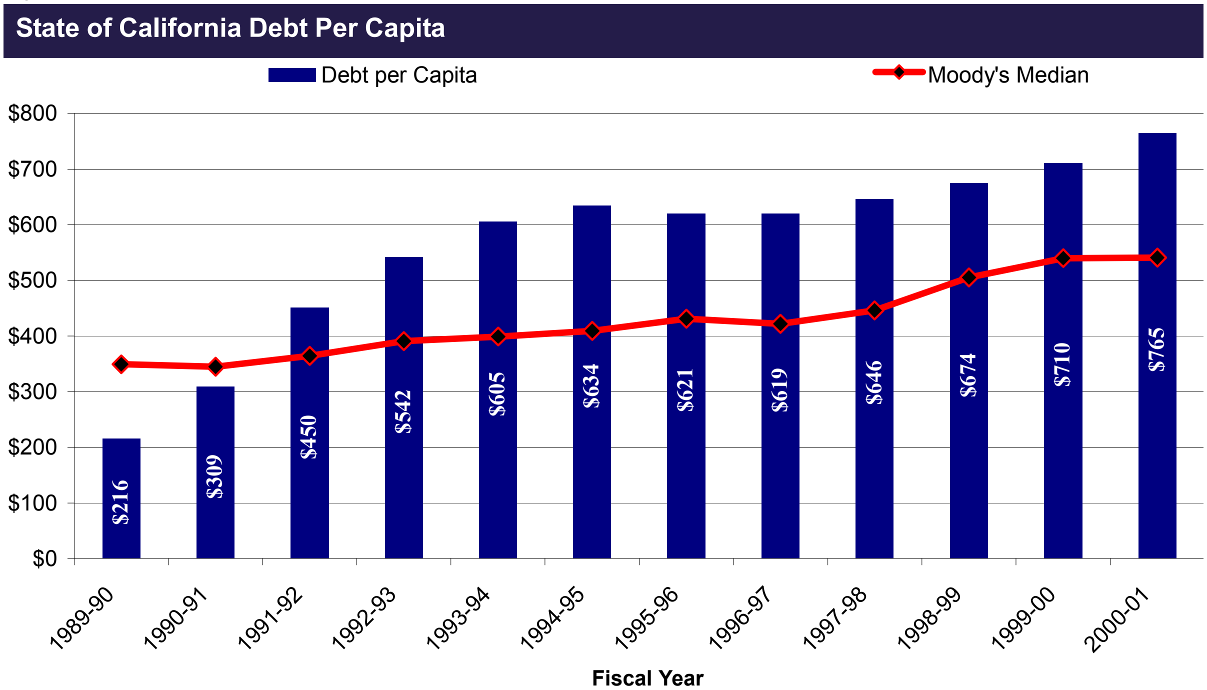


Source: State Treasurer's Office, the Department of Finance, and Moody's Investors Service

Debt Per Capita: Debt per capita measures each state resident's share of the total debt outstanding. This ratio does not reflect a borrower's ability to repay its obligations as much as the prior two ratios, given the lack of a direct link between total population size and the revenue-generating capacity of a state's residents. As a result, the ratio of debt per capita is often considered the least important of the three credit ratios.

The State's per capita debt is $765 for fiscal year 2000-01 compared to the Moody's 2001 Median of $541. From fiscal years 1997-98 through 2000-01, increases in this ratio indicate that the debt levels grew faster than its population. At less than $1,000, S&P *Public Finance Criteria (2000 Edition)* places the State's debt per capita ratio of $765 in the "low" range. As noted in its September 2000 report, Fitch considers the State's debt per capita ratio to be at a very moderate level. Figure 3.5 compares California's debt per capita ratio to Moody's 50-state median.

Figure 3.5



Source: State Treasurer's Office, the Department of Finance, and Moody's Investors Service

California's Debt Burden Compared to Other States

In making their investment decisions, investors compare the credit strengths and weaknesses of the bond market's various issuers. State policy-makers also have an interest in understanding California's debt position as compared to those of other states. The comparison of California to other states can be facilitated through the use of benchmark credit ratios.

Here we reference as benchmarks Moody's annual ratios for the states, as well as its median ratios both for all states and for the 10 largest states. In addition to comparing California's debt ratios to the nationwide Moody's medians, it is useful to compare California to its "peer group" of the 10 largest states. As shown in Figure 3.6, the debt ratios of the 10 largest states are, on average, higher than the Moody's nationwide medians. In comparison to the 10-state medians, California's debt to personal income ratio was slightly lower and the debt per capita ratio slightly higher.

According to Moody's, absolute debt levels for states nationwide continue to rise, although they are within affordable levels due to similar growth in personal income. Over the past few years, many states have elected to use debt to finance their backlogs of infrastructure needs given strong state economies and the affordability of debt in a still relatively low interest rate environment. Moody's expects these debt issuance trends to continue as the need for public investment in critical infrastructure grows.

Figure 3.6

Debt Ratios of 10 Most Populous States Ranked by Ratio of Debt to Personal Income			
State	**Moody's/S&P/Fitch[1]**	**Personal Income[2]**	**Capita[3]**
Michigan	Aaa / AAA / AA+	1.60%	$449
Pennsylvania	Aa2 / AA / AA	2.20%	$603
California	***Aa3 /A+ / AA***	***2.50%***	***$733***
Georgia	Aaa / AAA / AAA	2.60%	$679
Ohio	Aa1 / AA+ / AA+	2.60%	$698
Illinois	Aa2 / AA / AA+	2.70%	$815
Florida	Aa2 / AA+ / AA	3.30%	$883
New Jersey	Aa1 / AA+ / AA+	5.50%	$1,935
New York	A2 / AA / AA	6.20%	$2,020
10 State Median		2.60%	$716
Moody's Median		2.10%	$541

(1) Moody's Investors Service, Standard & Poor's, and Fitch.

(2) Moody's 2001 State Debt Medians (April 2001) are based on personal income figures released by the U.S. Bureau of Economic Analysis on September 20, 2000, whereas the personal income figures used in Figure 3.4 are provided by the Department of Finance.

(3) Moody's 2001 State Debt Medians (April 2001) are based on 2000 population figures from the U.S. Census Bureau, whereas the population figures used in Figure 3.5 are provided by the Department of Finance.

SECTION IV: CALIFORNIA'S DEBT CAPACITY

Introduction to Debt Affordability Analysis

The State of California regularly undertakes the financing of infrastructure assets – such as schools, roads, bridges, and the protection of environmental resources – through the issuance of bonds. Repayment of these bonds helps distribute the costs of those assets to the future, striking a balance of responsibility between current and future generations. Since it is unacceptable for future Californians to be forced to live with either substandard infrastructure or a high burden of debt, this balance is essential to the continued economic and fiscal health of the State.

The State can fund infrastructure improvements through either debt financing or pay-as-you-go financing. Debt financing of capital assets spreads the costs across time, enhances stability in budgeting, lowers annual funding impacts and allows faster completion of capital projects at today's prices (rather than inflated prices in the future), and also redirects some revenues to the payment of interest expenses. In contrast, pay-as-you-go capital financing places the responsibility on the current generation, reduces funding for immediate needs and forces the timing of capital projects to match current cash flows, but does not increase the future debt service burden or absorb debt capacity.

To maintain or improve its bond ratings and promote the market's acceptance of its bonds, the State also must assure the rating agencies and potential investors that additional capacity exists to ensure timely payment of all existing and future debt service. This additional debt capacity can arise from increased revenues, reductions in non-debt expenditures and refunding or retirement of existing debt.

An important principle of financial management is determining the allocation of limited financial resources to meet capital needs. Debt affordability analysis can assist policy-makers in reaching an equilibrium between the need for long-term infrastructure investment and the ongoing budgetary commitments to education, health, social service and correctional programs.

In order to issue debt, the State must have the ability to make future debt service payments without jeopardizing payments for prior debt obligations or critical state operations and services. Capacity for additional debt can arise from increased revenues, reductions in non-debt expenditures, and retirement or refunding of existing debt. Generally, the potential for additional revenues is the most likely driver of additional debt capacity. Approximately 70.0 percent of the fiscal year 2001-02 state budget is committed to K-12 education, higher education, prisons, and health and welfare. Even in times of unexpected revenue constraints, financial commitments to these programs are difficult to reduce due to voter-approved initiatives, federal and state requirements, public priorities and other factors. Because the rating agencies view California's ratio of debt service to General Fund revenues as the most important factor in evaluating the State's capacity for additional debt, this report employs this ratio in calculating the State's capacity for additional debt.

This report's approach to debt affordability analysis projects annual debt issuances under an assumed ratio of debt service to revenues over a period of 10 fiscal years. Specifically, the "base case" scenario in this report projects the total amount of new debt, including authorized but unissued bonds, that the State can afford to issue, through fiscal year 2010-11, at a 4.25 percent ratio of debt service to General Fund revenues. Using this approach, the affordable level of debt which could be issued in any given fiscal year is based on the ratio of debt service to General Fund revenues that would result in the following fiscal year, when the first debt service payments for any new debt generally would begin. The level of General Fund revenue to commit for debt service and the payment structure for newly issued bonds are public policies that affect the State's debt capacity. To illustrate the impact of these policy decisions, in some scenarios this ratio is assumed at alternate levels, for instance when it is allowed to rise over time to 5.0 percent or 6.0 percent. The affect of public policy on debt capacity is further analyzed by removing the limit on the debt service ratio, assuming issuance of up to $7.0 billion in state bonds annually, and structuring the payment of newly issued bonds under alternate methods.

The impact of changes in General Fund revenue to the State's debt capacity also was analyzed by performing two additional economic scenarios: one assuming slower growth, with General Fund revenues annually increasing at 1.0 percent less than the DOF forecast; the second scenario assumes greater economic growth, with General Fund revenues increasing at 1.0 percent more than the DOF forecast.

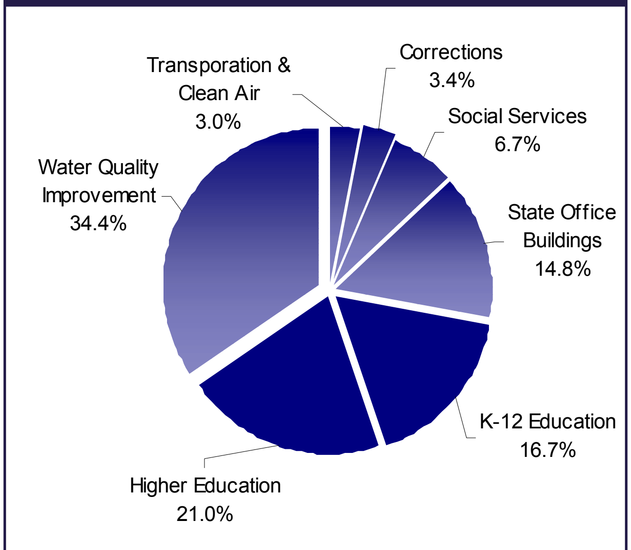
These alternative scenarios are presented to assist public officials in making policy decisions that will best serve the needs of Californians.

Authorized But Unissued Debt

At the start of fiscal year 2000-01 the State had $16.82 billion in previously-authorized bonds that were not yet issued. During the fiscal year, the Treasurer sold a total of $4.63 billion in bonds, which includes $3.85 billion in new money and $787 million that refunded existing debt. The sale of $3.85 billion in new money bonds reduced the total amount of previously-authorized but unissued debt to $12.97 billion as of July 1, 2001. Moreover, including the $647.4 million of lease-purchase revenue bonds authorized for issuance through the Governor's approval of the fiscal year 2001-02 budget on July 26, 2001, the total amount of authorized but unissued debt increased to $13.62 billion. Programs that will be funded when all previously-authorized but unissued bonds are sold in the future is shown in Figure 4.1 (see Appendix 6 for additional details).

Figure 4.1

State of California Programs to be Funded With $13.62 Billion in Unissued Bonds ($ Thousands)



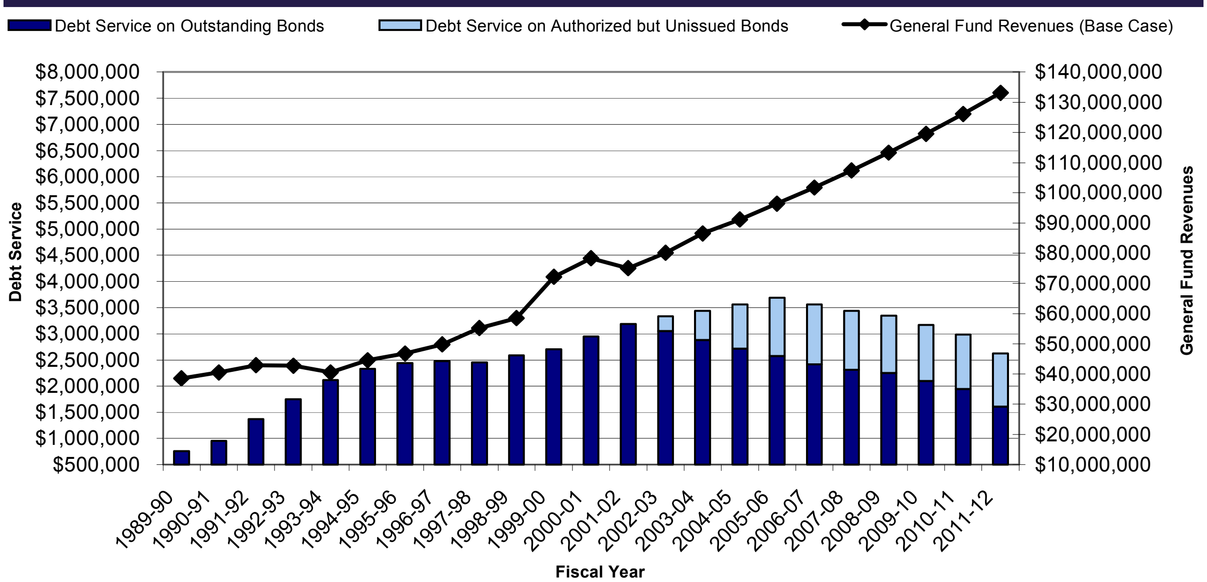
Source: State Treasurer's Office, as of July 26, 2001

As the Legislature and the voters approve additional bond measures, this new debt will be sold by the Treasurer and a future repayment obligation will be created. The State's capacity to repay outstanding and future bonds is a function of the General Fund's financial resources. Debt capacity analysis entails comparing projections of future financial resources to the projected repayment obligations of differing levels of future debt issuance. However, before the impact of additional debt programs can be evaluated, we first must consider the impact of debt previously authorized by the voters and/or the Legislature but not yet issued.

If all $13.62 billion of these bonds were issued between fiscal years 2001-02 and 2005-06, the incremental increase to annual General Fund debt service from these bonds would range from $282.8 million in fiscal year 2002-03 to $1.14 billion in fiscal year 2006-07. Historic and projected General Fund revenue and debt service including this $13.6 billion of authorized but unissued bonds are shown on Figure 4.2. In fiscal year 2006-07, debt service paid on all outstanding debt would represent 3.50 percent of the DOF projected General Fund revenues (see Appendix 10-1 for additional details).

Figure 4.2

Historic and Projected State of California General Fund Revenues and Debt Service with $13.62 Billion of Authorized but Unissued Bonds ($ Thousands)



Source: State Treasurer's Office and Department of Finance

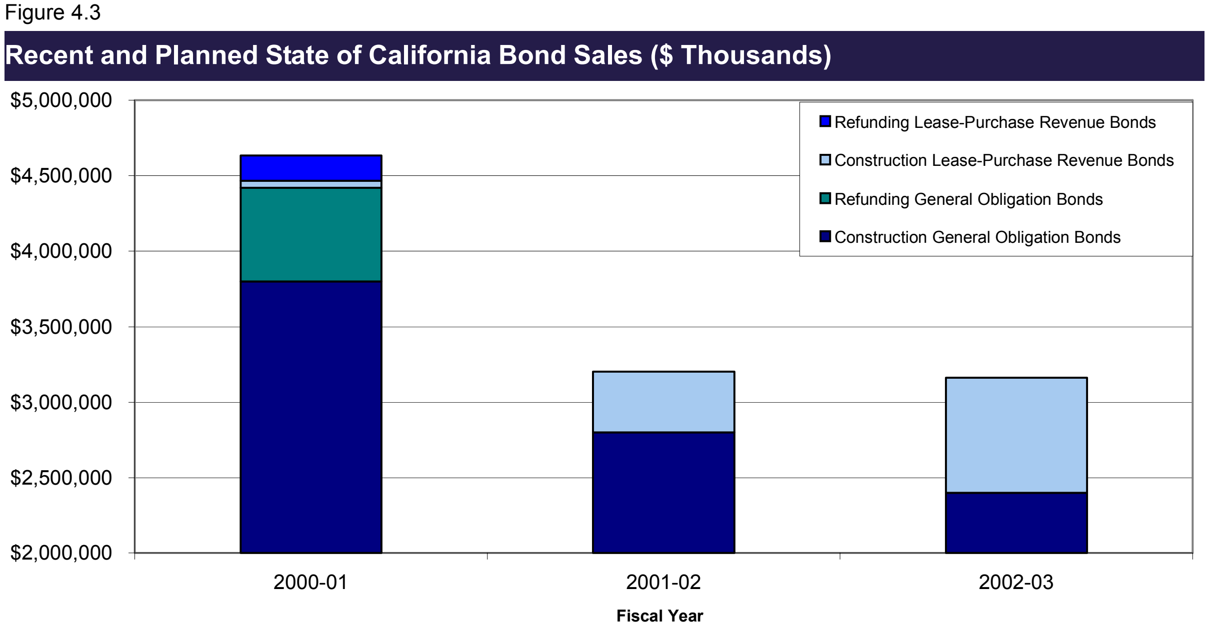
Recent and Planned Bond Sales for Fiscal Years 2001-02 and 2002-03

In fiscal year 2000-01, the State sold $3.80 billion in general obligation bonds and $47.3 million in lease-purchase revenue bonds for new capital projects, for total new money issuance of $3.85 billion. In addition, the State sold $619.7 million in general obligation bonds and $167.3 million in lease-purchase revenue bonds that refunded existing debt bringing total issuance to $4.63 billion. In fiscal year 2001-02, the Treasurer expects to sell approximately $2.80 billion in general obligation bonds and another $401.4 million in lease-purchase revenue bonds for total issuance of $3.20 billion. In fiscal year 2002-03, expected issuance will be approximately $2.40 billion in general obligation bonds and $761.3 million in lease-purchase revenue bonds for total issuance of $3.16 billion (see Appendix 10-2 for additional details).

The State Treasurer's Office plans general obligation bond sales according to cashflow estimates received from departments administering the various general obligation bond funds. Real-time funding needs can be met through the issuance of tax-exempt general obligation commercial paper and/or loans from the Pooled Money Investment Board. General obligation bonds are sold periodically to repay outstanding commercial paper. The planned sales of lease-purchase revenue bonds are determined by review of project completion dates and compliance with federal tax laws.

The trend in planned bond sales is shown in Figure 4.3. The amounts of planned general obligation bond sales in fiscal years 2001-02 and 2001-03 are projected to decrease due to the slower rate of spending by programs, particularly those funded under Proposition 1A. During fiscal years 1999-00 and 2000-01, the State sold over $1.82 billion and $2.58 billion, respectively in bonds authorized under Proposition 1A for K-12 projects. The projected bond sales for Proposition 1A for K-12 projects are approximately $1.2 billion for fiscal year 2001-02 and $1.0 billion for fiscal year 2002-03, or $1.38 billion and $1.58 billion lower, respectively, than the 2000-01 level. In addition, bond sales for Proposition 1A Higher Education projects and for the Safe Neighborhood Parks Bond Act of 2000 are projected to decrease from the fiscal year 2000-01 or 2001-02 level by $110 million and $70.0 million, respectively, in fiscal year 2002-03.

Figure 4.3



Source: State Treasurer's Office

Lease-purchase revenue bond sales are expected to increase for fiscal years 2001-02 and 2002-03. Some of the bonds initially expected to be sold in fiscal year 2000-01 were rescheduled for sale in fiscal year 2001-02 as project schedules changed. Lease-purchase revenue bonds funding two significant projects, totaling over $600 million, are scheduled to be sold in fiscal year 2002-03. The timing and amount of these proposed bond issues, which do not include refunding opportunities, may vary depending on the actual cash needs of bond funded projects and on market conditions at the time of sale. Similarly, approval of additional bond authorizations could cause these projections to be revised.

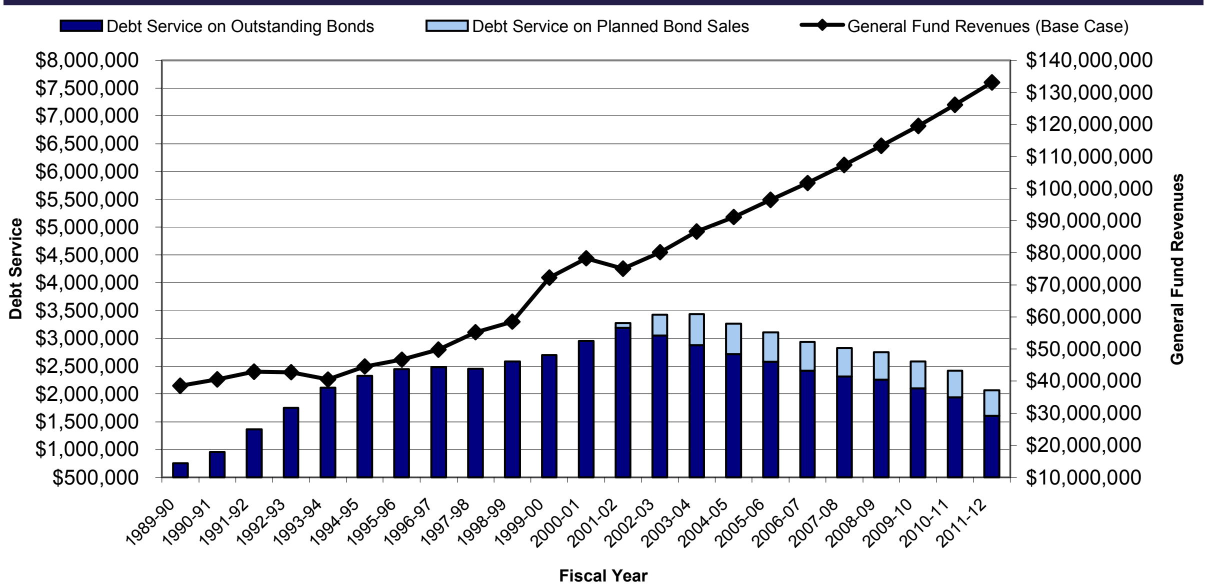
The projected General Fund debt service associated with the issuance of these planned bond sales is approximately $369.7 million in fiscal year 2002-03 and $556.2 million in fiscal year 2003-04. Maturing bonds will produce reductions in General Fund debt service that will partially offset the increased debt service from the planned bond sales. The combined debt service for all outstanding and planned bonds issued through fiscal year 2002-03 is expected to reach approximately $3.44 billion in fiscal year 2003-04 and decline thereafter as principal is retired.

Of course, these planned bond sales through fiscal year 2002-03 do not reflect issuance of all authorized but unissued bonds, nor take into account any newly-authorized bonds which may be approved by the Legislature or the voters in the interim. Any such future bond issues would lead to greater debt service after fiscal year 2003-04.

Figure 4.4 shows the debt service requirements on existing debt and planned bond sales. Factoring in the projected increase in debt service from the planned bond sales and the DOF's revenue projections, California's projected debt service as a percentage of revenues decreases from 4.24 percent in fiscal year 2001-02 to 3.97 percent by the end of fiscal year 2003-04.

Figure 4.4

State of California Historic and Projected General Fund Revenues and Debt Service With $6.36 Billion of Planned Bond Sales ($ Thousands)



Source: State Treasurer's Office and Department of Finance

California's Debt Capacity Under The Base Case

The "base case" analysis uses the most recent DOF long-range revenue forecasts and assumes that the State continues to commit 4.25 percent of its General Fund revenues to the payment of debt service. In this case the State's present General Fund debt capacity is approximately $50.12 billion over the next 10 years. This amount includes the $13.62 billion in bonds already authorized but not yet issued. At this level of additional debt, the State would be paying debt service of $5.66 billion in fiscal year 2011-12, compared to the $2.95 billion paid in fiscal year 2000-01.

This projected debt capacity is based on the State committing to debt service 4.25 percent of General Fund revenues, roughly the 4.24 percent earmarked for debt service in fiscal year 2001-02. This figure represents a debt ratio considered low by rating agency analysts. Maintaining this ratio would require keeping overall state expenditures consistent with state revenue growth, given that a higher rate of spending on other state goods and services would reduce the dollars available for debt service.

Increasing the percentage of the State's budget committed to debt financing above present levels will require either new revenues, revenue growth that outpaces expenditure increases, or reductions in other program expenditure levels. If the State gradually increased the percentage of General Fund revenues earmarked for debt service from 4.25 percent to 5.0 percent through fiscal year 2005-06, and then maintained the ratio at 5.0 percent through fiscal year 2011-12, the amount of debt which could be supported would increase by $12.63 billion, from $50.12 billion to $62.75 billion. If the State instead increased its debt service commitment even further, for example, from 4.25 percent to 6.0 percent of General Fund revenues, the amount of debt which could be supported would increase by a total of $29.73 billion from $50.12 billion to $79.85 billion (see Appendices 10-3 through 10-5 for additional detail). While it may not be practical to increase debt service's share of the General Fund budget to these 5.0 or 6.0 percent levels on either a short-term or sustained basis, given the other spending priorities of the State, these comparisons reveal the potential financial implications of doing so.

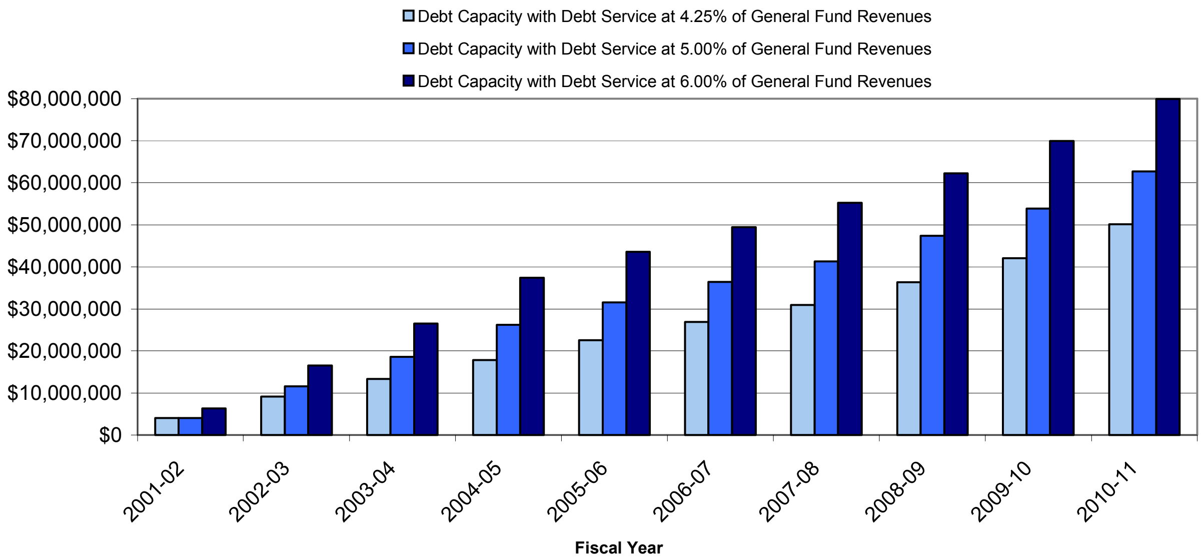
Figure 4.5 illustrates the debt service levels resulting from these alternatives scenarios for debt service as a percentage of General Fund revenues. Figure 4.6 illustrates the cumulative debt capacity growth from 2001-02 through 2010-11 assuming debt service at these various percentages of General Fund Revenues.

Figure 4.5

Source: State Treasurer's Office
(a) The latest DOF revenue projections forecast General Fund revenue through fiscal year 2007-08. To calculate bond issuance capacity over a longer period, the growth rate in General Fund revenue provided by the DOF for fiscal year 2007-08 also was assumed for the remaining years.

Figure 4.6

State of California Cumulative Debt Capacity ($ Thousands)[1]



Source: State Treasurer's Office and Department of Finance
[1]Based on issuance of bonds with a 30-year final maturity at an average interest rate of 5.5 percent.

Current annual market capacity for the State's bonds is estimated at $7.0 billion. While this Figure exceeds historic debt issuance amounts, which have ranged from approximately $1.9 billion to $4.6 billion annually over the past five years, annual debt issuance up to this level can be accomplished while maintaining the State's credit ratings and achieving favorable interest rates. One factor that increases the State's market capacity to $7.0 billion is legislation now allowing the Treasurer to issue variable rate general obligation bonds.

As an alternative to limiting debt issuance based on a prescribed ratio of debt service to General Fund revenues, the Treasurer's office has projected the State's debt capacity assuming that $7.0 billion in bonds are issued annually for the next five fiscal years, beginning in fiscal year 2002-03. Figure 4.7 presents the debt capacity of the State through fiscal year 2006-07 both in total and for newly-authorized bonds after issuance of the $13.62 billion in authorized but unissued bonds. Issuing $7.0 billion per year, the State's cumulative capacity for new debt is $24.58 billion by fiscal year 2006-07. In his September 10, 2001 letter to the Conference Committee on 2002 Education Bonds, the Treasurer recommended the Committee consider the $24.58 billion figure as the basis for determining the amount that can be approved prior to the 2006 election, particularly for funding the substantial capital improvements identified for K-12 educational facilities.

Figure 4.7

State of California Capacity for Newly-Authorized Bonds Through Fiscal Year 2006-07 ($ Thousands)					
Fiscal Year	Annual Issuance	*Minus*	Authorized but Unissued Bonds	*Equals*	Capacity for Newly Authorized Bonds
2001-02	$3,201,417		$3,201,417		$0
2002-03	7,000,000		3,161,331		3,838,669
2003-04	7,000,000		3,332,157		3,667,843
2004-05	7,000,000		3,332,157		3,667,843
2005-06	7,000,000		593,189		6,406,811
2006-07	7,000,000		0		7,000,000
TOTAL	$38,201,417		$13,620,251		$24,581,166

Source: State Treasurer's Office

The State's annual issuance of $7.0 billion in bonds through fiscal year 2006-07 would produce ratios for debt service to General Fund revenues that are higher than the projected ratio of 4.24 percent for fiscal year 2001-02, but still considered moderate by credit rating agency standards. In terms of budget priorities, these projected debt service levels should be manageable due to their progressive increases and peaks at debt service ratios below those of the mid-1990's.

For bonds issued with equal annual principal payments, which is the current State practice for general obligation bonds, the debt service ratio rises from 4.24 percent projected for fiscal year 2001-02 to a projected peak of 5.15 percent in fiscal year 2007-08 as illustrated in Figure 4.8. For bonds issued with equal annual debt service payments, the ratio has a noticeably lower projected peak of 4.60 percent in fiscal year 2007-08. Equal annual debt service payments are the current practice for State lease-purchase revenue bonds and also could be utilized for general obligation bonds if desired. (A more detailed comparison of these payment options follows in the next section of the Debt Affordability Report.)

Figure 4.8

State of California Projected Debt Service Ratios Under Alternate Payment Scenarios(1)		
Fiscal Year	Equal Annual Principal Payment(2)	Equal Annual Debt Service Payment(3)
2001-02	4.24%	4.24%
2002-03	4.16%	4.08%
2003-04	4.36%	4.14%
2004-05	4.62%	4.28%
2005-06	4.83%	4.40%
2006-07	4.98%	4.48%
2007-08	5.15%	4.60%
2008-09	4.77%	4.31%
2009-10	4.33%	3.96%
2010-11	3.92%	3.62%
2011-12	3.41%	3.18%

Source: State Treasurer's Office

(1)Based on issuance $38.20 billion of bonds through fiscal year 2006-07 with a 30-year final maturity at an average interest rate of 5.50 percent. General Fund revenues projected by Department of Finance.

(2)Equal annual principal repayment structure is current state practice for general obligation bonds.

(3)Equal annual debt service repayment structure is current state practice for lease-purchase revenue bonds, and could be utilized for general obligation bonds if desired.

The State's Debt Capacity Under Alternate Revenue and Repayment Scenarios

The State's actual debt capacity at any given time is strongly affected by both General Fund revenue volatility and limited spending flexibility in the State's budget. The State derives its General Fund revenue primarily from sales and income taxes. Both of these revenue sources are tied closely to the health of the State's economy, which is subject to periods of expansion and contraction. This volatility in General Fund revenue makes it difficult to project future debt ratios and debt capacity with precision.

To address the inherent variability of long-range revenue forecasts, this section of the Debt Affordability Report uses sensitivity analyses based on differing General Fund revenue scenarios to illustrate a range of estimated debt capacity. These sensitivity analyses result in an expanded estimate of debt affordability, producing both higher and lower projections of capacity for new General Fund debt over the next 10 years, as discussed in depth below (see Appendices 8 and 9 for additional details).

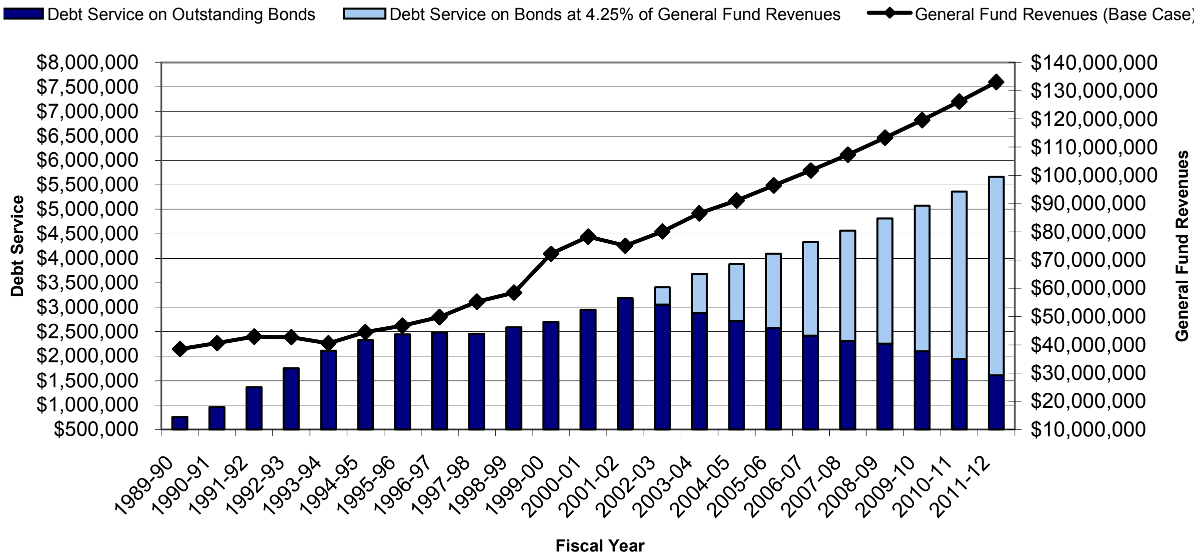
Projections of debt capacity also are influenced by the payment structure assumed for the future debt issues. All of the debt capacity calculations referenced above assume that the State continues its current practice of structuring general obligation bonds with equal annual principal payments through a final maturity of 30 years. Utilizing equal annual principal payments results in faster repayment of principal and debt service payments that decline annually through final maturity. However, the State could just as easily structure repayment of its general obligation bonds with equal annual debt service payments through final maturity. This practice is employed by a majority of states and is currently used by the State for all lease-purchase revenue bond issues. General obligation bonds repaid with equal annual debt service payments produce higher additional debt capacity than those bonds repaid with equal annual principal, albeit at a somewhat higher overall borrowing cost due to the longer weighted average maturity and resulting greater amount of interest paid over the life of the bonds, although such cost may be offset by the time value of money. This is an example of how a policy decision can affect the State's long-term debt capacity.

Base Case Analysis: As previously discussed, the "base case" analysis estimates General Fund debt capacity of approximately $50.12 billion through fiscal year 2010-11. This capacity is only available incrementally over the 10-year span. The base case is derived from the most recent 10-year revenue forecasts from the DOF and assumes equal annual repayment of principal. It further assumes that the State devotes 4.25 percent level of General Fund revenues to debt service, selling its previously-authorized but unissued debt as quickly as possible within that constraint.

Figure 4.9 illustrates historic and projected trends in General Fund debt service and revenues, consistent with the "base case" scenario discussed above. The bar chart data measured against the left axis shows annual debt service rising from an actual $758.1 million in fiscal year 1989-90 to an estimated $5.66 billion in fiscal year 2011-12. The line chart data measured against the right axis shows annual General Fund revenues rising from an actual $38.55 billion in fiscal year 1989-90 to a projected $133.12 billion in fiscal year 2011-12.

Figure 4.9

Historic and Projected General Fund Revenues and Debt Service with $13.62 Billion of Authorized but Unissued Bonds ($ Thousands)



Source: State Treasurer's Office, State Controller's Office, and Department of Finance

Sensitivity Analysis – General Fund Revenues: Maintaining the assumptions that the State sells its authorized but unissued debt as quickly as possible while devoting only 4.25 percent of General Fund revenues to debt service, we performed sensitivity analyses on our base case estimate of debt capacity to allow for potential changes in the State's economy and resulting General Fund revenues. The base case was modified to show two additional economic scenarios: one scenario assumes slower economic growth, with General Fund revenues annually increasing at 1.0 percent less than the DOF forecast; the second scenario assumes greater economic growth, with General Fund revenues annually increasing at 1.0 percent more than the DOF forecast. Debt capacity estimates based on these adjustments to the DOF forecast demonstrate the impact of economic variability on estimates of General Fund debt capacity.

Debt capacity estimates based on these alternate 1.0 percent adjustments to forecast over the next 10 years range from a low of $43.13 billion to a high of $57.66 billion, including the future issuance of $13.62 billion in debt already authorized. (See Appendices 10-6 and 10-7 for additional detail.) As the sensitivity analyses in Figure 4.10 show, the change in economic assumptions reflecting slower growth in General Fund revenues reduces projected debt capacity by a noticeable 14.0 percent or $6.99 billion.

Figure 4.10

State of California Debt Capacity Under Alternate Revenue Scenarios - Equal Annual Principal Payments ($ Thousands)

Fiscal Year	DOF Revenue Forecast - 1%	Cumulative Debt Capacity	DOF Revenue Forecast (Base)	Cumulative Debt Capacity	DOF Revenue Forecast + 1%	Cumulative Debt Capacity
2001-02	$74,322,000	$3,246,418	$75,105,000	$4,006,418	$75,888,000	$4,736,418
2002-03	78,580,000	7,926,424	80,159,000	9,141,424	81,754,000	10,321,424
2003-04	84,105,000	11,661,430	86,597,000	13,371,430	89,138,000	15,091,430
2004-05	87,717,000	15,526,436	91,182,000	17,776,436	94,749,000	20,106,436
2005-06	91,903,000	19,676,442	96,445,000	22,536,442	101,165,000	25,476,442
2006-07	96,049,000	23,315,264	101,760,000	26,860,264	107,752,000	30,535,264
2007-08	100,391,000	26,645,269	107,378,000	30,925,269	114,778,000	35,535,269
2008-09	104,928,000	31,200,269	113,305,000	36,310,269	122,261,000	41,790,269
2009-10	109,670,000	36,060,274	119,559,000	42,080,274	130,232,000	48,620,274
2010-11	114,627,000	43,125,274	126,159,000	50,115,274	138,724,000	57,660,274
2011-12	119,808,000	n/a	133,123,000	n/a	147,769,000	n/a

(1) All scenarios maintain a maximum annual ratio of debt service to General Fund revenues of 4.25 percent.
(2) The May 2001 DOF revenue projections forecast General Fund revenue through fiscal year 2007-08. To calculate bond issuance capacity over a longer period, the growth rate in General Fund revenue provided by the DOF for fiscal year 2007-08 was also assumed for the remaining years.
(3) Debt capacity includes $13.62 billion of authorized but unissued bonds.
(4) Based on issuance of bonds with a 30-year final maturity at an average interest rate of 5.5 percent.

In the 2000 Debt Affordability Report, the range of State debt capacity over the next 10 years was projected at $38.9 billion based on the ratio of debt service to General Fund revenue of 4.0 percent and then existing DOF revenue forecasts. However, changes to the ratio of debt service to General Fund revenue to 4.25 percent for this Debt Affordability Report increase the debt capacity to $50.1 billion. The assumption regarding General Fund revenues has been updated using the current DOF long-range revenue forecasts, which are higher than those provided last year. For example, last year's estimate of General Fund revenues for 11 years hence (fiscal year 2010-11) was $126.04 billion while this year the 11-year estimate (fiscal year 2011-12) is $133.12 billion for this report. Secondly, this year's report assumes debt service at 4.25 percent of General Fund revenues as the underlying ratio for projecting debt capacity, as compared to debt service at 4.0 percent of General Fund revenues set in 2000. This higher ratio more closely reflects the current ratio level. Lastly, the interest cost of 6.0 percent assumed last year has been changed to 5.50 percent in 2001, which is more reflective of current market conditions.

Sensitivity Analysis – Payment Structures: The sensitivity analysis performed on the base case under the two forecasts of General Fund revenues has been modified further to examine the impacts of structuring bonds with equal annual debt service payments instead of equal annual principal payments. In this case, the State has the capacity to issue $58.92 billion in additional debt over the next 10 years under the base case DOF forecast of General Fund revenues, including authorized but unissued debt of $13.62 billion. Thus, repayment of these future bonds using equal annual debt service payments would create $8.8 billion in additional debt capacity compared to repayment using the equal annual principal payments (see Appendix 10-8 for additional detail).

Under the alternate General Fund revenue forecasts and using equal annual debt service payments shown in Figure 4.11, the estimates of additional debt capacity over the next 10 years range from a low of $50.67 billion to a high of $67.96 billion, including the $13.62 billion in authorized but unissued bonds (see Appendices 10-9 and 10-10 for additional detail).

Figure 4.11

State of California Debt Capacity Under Alternate Revenue Scenarios Equal Annual Debt Service Payments ($ Thousands)

Fiscal Year	DOF Revenue Forecast - 1%	Cumulative Debt Capacity	DOF Revenue Forecast (Base)	Cumulative Debt Capacity	DOF Revenue Forecast + 1%	Cumulative Debt Capacity
2001-02	$74,322,000	$4,211,420	$75,105,000	$5,121,420	$75,888,000	$6,106,420
2002-03	78,580,000	10,036,425	80,159,000	11,656,425	81,754,000	13,216,425
2003-04	84,105,000	14,711,430	86,597,000	16,791,430	89,138,000	18,996,430
2004-05	87,717,000	19,341,435	91,182,000	22,186,435	94,749,000	25,056,435
2005-06	91,903,000	24,176,440	96,445,000	27,661,440	101,165,000	31,471,440
2006-07	96,049,000	28,400,260	101,760,000	32,680,260	107,752,000	37,185,260
2007-08	100,391,000	32,020,260	107,378,000	37,220,260	114,778,000	42,750,265
2008-09	104,928,000	37,270,260	113,305,000	43,365,260	122,261,000	49,965,265
2009-10	109,670,000	42,510,260	119,559,000	49,765,260	130,232,000	57,380,270
2010-11	114,627,000	50,665,260	126,159,000	58,915,260	138,724,000	67,960,270
2011-12	119,808,000	n/a	133,123,000	n/a	147,769,000	n/a

(1) All scenarios maintain a maximum annual ratio of debt service to General Fund revenues of 4.25 percent.
(2) The latest DOF revenue projections forecast General Fund revenue through fiscal year 2007-08. To calculate bond issuance capacity over a longer period, the growth rate in General Fund revenue provided by the DOF for fiscal year 2007-08 also was assumed for the remaining years.
(3) Debt capacity includes $13.62 billion of authorized but unissued bonds.
(4) Based on issuance of bonds with a 30-year final maturity at an average interest rate of 5.5 percent.

The alternate scenarios used in this report do not represent the full range of possibilities, nor are they intended to predict any particular budgetary response to changes in California's economy or the State's financial condition. The actual amount of debt the State of California can afford to issue will depend on the performance of the economy and budgetary changes, thus underscoring the need for an ongoing annual evaluation of debt capacity projections, as well as the importance of infrastructure investment strategies which sustain economic growth.

Debt capacity also will be affected by any changes in expenditure demands of the multitude of programs funded through the State's budget. For example, it is unlikely that future expenditures would be allocated such that precisely 4.25 percent of General Fund revenues would be spent on the payment of debt service. Nevertheless, by using the 4.25 percent ratio, the sensitivity analyses have a means of "holding constant" the underlying budgetary policy so that we can examine solely the potential impacts of the alternative revenue growth scenarios.

APPENDIX 1

Comparable Credit Ratings Major National Municipal Credit Rating Agencies		
Fitch	**Moody's Investors Service**	**Standard & Poor's**
AAA	Aaa	AAA
AA+	Aa1	AA+
AA	Aa2	AA
AA-	Aa3	AA-
A+	A1	A+
A	A2	A
A-	A3	A-

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

APPENDIX 2

State of California Outstanding Net Tax-Supported Bonds - As of July 1, 2001 ($ Thousands)

General Obligation Bonds (Non-Self Liquidating)	Voter Authorization Date	Voter Authorization Amount	Bonds Outstanding
California Earthquake Safety and Housing Rehabilitation Bond Act of 1988	6/7/1988	$150,000	$95,505
California Library Construction and Renovation Bond Act of 1988	11/8/1988	75,000	49,510
California Library Construction and Renovation Bond Act of 2000	3/7/2000	350,000	500
California Park and Recreational Facilities Act of 1984	6/5/1984	370,000	165,030
California Parklands Act of 1980	11/4/1980	285,000	46,215
California Safe Drinking Water Bond Law of 1976	6/8/1976	175,000	53,275
California Safe Drinking Water Bond Law of 1984	11/6/1984	75,000	32,600
California Safe Drinking Water Bond Law of 1986	11/4/1986	100,000	67,410
California Safe Drinking Water Bond Law of 1988	11/8/1988	75,000	49,405
California Wildlife, Coastal, and Park Land Conservation Act of 1988	6/7/1988	776,000	470,710
Class Size Reduction Public Education Facilities Bond Act of 1998 (Hi Ed)	11/3/1998	2,500,000	489,860
Class Size Reduction Public Education Facilities Bond Act of 1998 (K-12)	11/3/1998	6,700,000	4,612,935
Clean Air and Transportation Improvement Bond Act of 1990	6/5/1990	1,990,000	1,223,780
Clean Water and Water Conservation Bond Law of 1978	6/6/1978	375,000	57,915
Clean Water and Water Reclamation Bond Law of 1988	11/8/1988	65,000	46,945
Clean Water Bond Law of 1970	11/3/1970	250,000	5,000
Clean Water Bond Law of 1974	6/4/1974	250,000	10,230
Clean Water Bond Law of 1984	11/6/1984	325,000	100,825
Community Parklands Act of 1986	6/3/1986	100,000	50,920
County Correctional Facility Capital Expenditure and Youth Facility Bond Act of 1988	11/8/1988	500,000	313,640
County Correctional Facility Capital Expenditure Bond Act of 1986	6/3/1986	495,000	256,885
County Jail Capital Expenditure Bond Act of 1981	11/2/1982	280,000	85,875
County Jail Capital Expenditure Bond Act of 1984	6/5/1984	250,000	76,150
Earthquake Safety and Public Buildings Rehabilitation Bond Act of 1990	6/5/1990	300,000	161,255
Fish and Wildlife Habitat Enhancement Act of 1984	6/5/1984	85,000	33,870
Hazardous Substance Cleanup Bond Act of 1984	11/6/1984	100,000	37,085
Higher Education Facilities Bond Act of 1986	11/4/1986	400,000	171,900
Higher Education Facilities Bond Act of 1988	11/8/1988	600,000	300,005
Higher Education Facilities Bond Act of June 1990	6/5/1990	450,000	255,645
Higher Education Facilities Bond Act of June 1992	6/2/1992	900,000	671,445
Housing and Homeless Bond Act of 1988	11/8/1988	300,000	111,705
Housing and Homeless Bond Act of 1990	6/5/1990	150,000	78,365
Lake Tahoe Acquisitions Bond Act	8/2/1982	85,000	35,755
New Prison Construction Bond Act of 1981	6/8/1982	495,000	93,750
New Prison Construction Bond Act of 1984	6/5/1984	300,000	67,500
New Prison Construction Bond Act of 1986	11/4/1986	500,000	228,870
New Prison Construction Bond Act of 1988	11/8/1988	817,000	414,425
New Prison Construction Bond Act of 1990	6/5/1990	450,000	260,555
Passenger Rail and Clean Air Bond Act of 1990	6/5/1990	1,000,000	615,410
Public Education Facilities Bond Act of 1996	3/26/1996	3,000,000	2,542,445
1988 School Facilities Bond Act	11/8/1988	800,000	429,475
1990 School Facilities Bond Act	6/5/1990	800,000	452,955
1992 School Facilities Bond Act	11/3/1992	900,000	629,498
Safe, Clean Reliable Water Supply Act of 1996	11/5/1996	995,000	275,065
Safe Drinking Water Bond Act of 2000	3/7/2000	1,970,000	54,000
Safe Neighborhood Parks Bond Act of 2000	3/7/2000	2,100,000	138,500
School Building and Earthquake Bond Act of 1974	11/5/1974	40,000	33,325
School Facilities Bond Act of 1988	6/7/1988	800,000	384,245
School Facilities Bond Act of 1990	11/6/1990	800,000	478,840
School Facilities Bond Act of 1992	6/2/1992	1,900,000	1,241,690
Seismic Retrofit Bond Act of 1996	3/26/1996	2,000,000	1,175,540
Senior Center Bond Act of 1984	11/6/1984	50,000	12,500
State Beach, Park, Recreational and Historical Facilities Bonds	6/4/1974	250,000	1,735
State School Building Lease-Purchase Bond Law of 1982	11/2/1982	500,000	68,855
State School Building Lease-Purchase Bond Law of 1984	11/6/1984	450,000	158,750
State School Building Lease-Purchase Bond Law of 1986	11/4/1986	800,000	368,650
State, Urban, and Coastal Park Bond Act of 1976	11/2/1976	$280,000	$19,050
Veterans' Homes Bond Act of 2000	3/7/2000	50,000	0
Water Conservation and Water Quality Bond Law of 1986	6/3/1986	150,000	75,250
Water Conservation Bond Law of 1988	11/8/1988	60,000	33,865
Total General Obligation Bonds		**$42,138,000**	**$20,472,893**

Appendix 2 (continued)

State of California Outstanding Net Tax-Supported Bonds - As of July 1, 2001 ($ Thousands) (continued)	
Lease-Purchase Revenue Bonds	**Bonds Outstanding**
California Community Colleges	$604,500
Department of the Youth Authority	8,785
Department of Corrections	2,471,765
Energy Efficiency Program (Various State Agencies)	107,960
The Regents of The University of California	1,042,389
Trustees of The California State University	674,950
Department of Forestry and Fire Protections	0
Various State Office Buildings	1,502,910
Total Lease-Purchase Revenue Bonds	**$6,413,259**
Total Outstanding Net Tax-Supported Bonds	**$26,886,152**

Source: State Treasurer's Office

APPENDIX 3

State of California Schedule of Debt Service Requirements for General Obligation Bonds (Non Self-Liquidating) - As of July 1, 2001

Fiscal Year	Interest Payments	Principal Payments[a]	Total Payments[b, c]
2001-02	$1,146,432,171	$1,410,035,000	$2,556,467,171
2002-03	1,058,899,364	1,359,256,392	2,418,155,756
2003-04	969,881,997	1,285,250,000	2,255,131,997
2004-05	893,570,323	1,198,559,389	2,092,129,711
2005-06	821,458,525	1,127,940,000	1,949,398,525
2006-07	754,380,678	1,097,725,000	1,852,105,678
2007-08	693,775,418	1,067,638,078	1,761,413,496
2008-09	631,270,019	1,058,925,000	1,690,195,019
2009-10	569,102,118	1,003,245,000	1,572,347,118
2010-11	513,229,249	916,704,045	1,429,933,294
2011-12	457,879,050	673,245,000	1,131,124,050
2012-13	421,312,501	592,175,000	1,013,487,501
2013-14	392,061,456	465,640,000	857,701,456
2014-15	368,762,570	493,840,000	862,602,570
2015-16	342,850,464	472,060,000	814,910,464
2016-17	317,172,345	494,755,000	811,927,345
2017-18	291,548,851	497,620,000	789,168,851
2018-19	265,709,131	496,585,000	762,294,131
2019-20	239,953,344	492,885,000	732,838,344
2020-21	215,285,670	491,560,000	706,845,670
2021-22	189,724,004	534,290,000	724,014,004
2022-23	161,244,468	536,610,000	697,854,468
2023-24	134,703,628	466,870,000	601,573,628
2024-25	110,959,144	427,520,000	538,479,144
2025-26	88,963,335	389,740,000	478,703,335
2026-27	68,608,960	373,100,000	441,708,960
2027-28	49,593,302	355,600,000	405,193,302
2028-29	32,329,200	304,395,000	336,724,200
2029-30	17,118,931	245,130,000	262,248,931
2030-31	5,435,546	143,995,000	149,430,546
Total	**$12,223,215,758**	**$20,472,892,904**	**$32,696,108,662**

Source: State Treasurer's Office

[a]Includes scheduled mandatory sinking fund payments as well as serial maturities.

[b]Does not include commercial paper outstanding.

[c]Total represents the remaining debt service requirements from August 1, 2001-June 20, 2002.

APPENDIX 4

State of California Schedule of Debt Service Requirements for Lease-Purchase Revenue Bonds - As of July 1, 2001			
Fiscal Year	**Interest Payments**	**Principal Payments[(a)]**	**Total Payments[(b)]**
2001-02	$329,065,973	$300,430,773	$629,496,746
2002-03	328,353,832	305,746,119	634,099,950
2003-04	312,467,474	313,846,386	626,313,861
2004-05	297,868,984	327,844,507	625,713,491
2005-06	278,662,191	346,882,555	625,544,746
2006-07	265,854,480	299,063,920	564,918,401
2007-08	247,569,234	306,366,788	553,936,022
2008-09	235,640,243	327,507,732	563,147,976
2009-10	213,032,047	315,131,634	528,163,681
2010-11	185,285,977	326,715,000	512,000,977
2011-12	167,927,109	308,870,000	476,797,109
2012-13	151,492,085	316,275,000	467,767,085
2013-14	134,779,825	317,805,000	452,584,825
2014-15	117,529,876	334,735,000	452,264,876
2015-16	99,582,411	314,270,000	413,852,411
2016-17	82,362,001	317,335,000	399,697,001
2017-18	65,527,503	329,845,000	395,372,503
2018-19	48,502,723	286,345,000	334,847,723
2019-20	33,504,462	254,110,000	287,614,462
2020-21	21,615,555	185,190,000	206,805,555
2021-22	11,956,659	152,615,000	164,571,659
2022-23	5,634,088	95,055,000	100,689,088
2023-24	1,404,391	15,155,000	16,559,391
2024-25	478,230	16,120,000	16,598,230
Total	**$3,636,097,353**	**$6,413,260,414**	**$10,049,357,768**

Source: State Treasurer's Office

[(a)]Includes scheduled mandatory sinking fund payments as well as serial maturities.

[(b)]Total represents the remaining debt service requirements from August 1, 2001-June 20, 2002.

APPENDIX 5

State of California Schedule of Debt Service Requirements for General Obligation Bonds (Non Self-Liquidating) and Lease-Purchase Revenue Bonds - As of July 1, 2001

Fiscal Year	General Obligation Bonds[a, b]	Lease-Purchase Revenue Bonds[a]	Total Payments[c]
2001-02	$2,556,467,171	$629,496,746	$3,185,963,918
2002-03	2,418,155,756	634,099,950	3,052,255,706
2003-04	2,255,131,997	626,313,861	2,881,445,857
2004-05	2,092,129,711	625,713,491	2,717,843,203
2005-06	1,949,398,525	625,544,746	2,574,943,271
2006-07	1,852,105,678	564,918,401	2,417,024,079
2007-08	1,761,413,496	553,936,022	2,315,349,518
2008-09	1,690,195,019	563,147,976	2,253,342,994
2009-10	1,572,347,118	528,163,681	2,100,510,799
2010-11	1,429,933,294	512,000,977	1,941,934,271
2011-12	1,131,124,050	476,797,109	1,607,921,159
2012-13	1,013,487,501	467,767,085	1,481,254,586
2013-14	857,701,456	452,584,825	1,310,286,281
2014-15	862,602,570	452,264,876	1,314,867,446
2015-16	814,910,464	413,852,411	1,228,762,875
2016-17	811,927,345	399,697,001	1,211,624,345
2017-18	789,168,851	395,372,503	1,184,541,354
2018-19	762,294,131	334,847,723	1,097,141,854
2019-20	732,838,344	287,614,462	1,020,452,806
2020-21	706,845,670	206,805,555	913,651,225
2021-22	724,014,004	164,571,659	888,585,662
2022-23	697,854,468	100,689,088	798,543,556
2023-24	601,573,628	16,559,391	618,133,018
2024-25	538,479,144	16,598,230	555,077,374
2025-26	478,703,335		478,703,335
2026-27	441,708,960		441,708,960
2027-28	405,193,302		405,193,302
2028-29	336,724,200		336,724,200
2029-30	262,248,931		262,248,931
2030-31	149,430,546		149,430,546
Total	**$32,696,108,662**	**$10,049,357,768**	**$42,745,466,430**

Source: State Treasurer's Office

[a]Includes scheduled mandatory sinking fund payments as well as serial maturities.

[b]Does not include commercial paper outstanding.

[c]Total represents the remaining debt service requirements from August 1, 2001-June 20, 2002.

APPENDIX 6

State of California Authorized but Unissued Net Tax-Supported Bonds - As of July 1, 2001 ($ Thousands)			
	Voter Authorization		
General Obligation Bonds (Non-Self Liquidating)	**Date**	**Amount**	**Unissued**
California Earthquake Safety and Housing Rehabilitation Bond Act of 1988	6/7/1988	$150,000	$0
California Library Construction and Renovation Bond Act of 1988	11/8/1988	75,000	2,595
California Library Construction and Renovation Bond Act of 2000	3/7/2000	350,000	349,500
California Park and Recreational Facilities Act of 1984	6/5/1984	370,000	1,100
California Parklands Act of 1980	11/4/1980	285,000	0
California Safe Drinking Water Bond Law of 1976	6/8/1976	175,000	2,500
California Safe Drinking Water Bond Law of 1984	11/6/1984	75,000	0
California Safe Drinking Water Bond Law of 1986	11/4/1986	100,000	0
California Safe Drinking Water Bond Law of 1988	11/8/1988	75,000	8,265
California Wildlife, Coastal, and Park Land Conservation Act of 1988	6/7/1988	776,000	14,980
Class Size Reduction Public Education Facilities Bond Act of 1998 (Hi Ed)	11/3/1998	2,500,000	2,007,170
Class Size Reduction Public Education Facilities Bond Act of 1998 (K-12)	11/3/1998	6,700,000	2,007,300
Clean Air and Transportation Improvement Bond Act of 1990	6/5/1990	1,990,000	401,225
Clean Water and Water Conservation Bond Law of 1978	6/6/1978	375,000	0
Clean Water and Water Reclamation Bond Law of 1988	11/8/1988	65,000	0
Clean Water Bond Law of 1970	11/3/1970	250,000	0
Clean Water Bond Law of 1974	6/4/1974	250,000	0
Clean Water Bond Law of 1984	11/6/1984	325,000	0
Community Parklands Act of 1986	6/3/1986	100,000	0
County Correctional Facility Capital Expenditure and Youth Facility Bond Act of 1988	11/8/1988	500,000	
County Correctional Facility Capital Expenditure Bond Act of 1986	6/3/1986	495,000	0
County Jail Capital Expenditure Bond Act of 1981	11/2/1982	280,000	0
County Jail Capital Expenditure Bond Act of 1984	6/5/1984	250,000	0
Earthquake Safety and Public Buildings Rehabilitation Bond Act of 1990	6/5/1990	300,000	115,000
Fish and Wildlife Habitat Enhancement Act of 1984	6/5/1984	85,000	3,000
Hazardous Substance Cleanup Bond Act of 1984	11/6/1984	100,000	0
Higher Education Facilities Bond Act of 1986	11/4/1986	400,000	0
Higher Education Facilities Bond Act of 1988	11/8/1988	600,000	10,805
Higher Education Facilities Bond Act of June 1990	6/5/1990	450,000	8,000
Higher Education Facilities Bond Act of June 1992	6/2/1992	900,000	16,110
Housing and Homeless Bond Act of 1988	11/8/1988	300,000	0
Housing and Homeless Bond Act of 1990	6/5/1990	150,000	0
Lake Tahoe Acquisitions Bond Act	8/2/1982	85,000	0
New Prison Construction Bond Act of 1981	6/8/1982	495,000	0
New Prison Construction Bond Act of 1984	6/5/1984	300,000	0
New Prison Construction Bond Act of 1986	11/4/1986	500,000	1,500
New Prison Construction Bond Act of 1988	11/8/1988	817,000	12,260
New Prison Construction Bond Act of 1990	6/5/1990	450,000	8,100
Passenger Rail and Clean Air Bond Act of 1990	6/5/1990	1,000,000	13,900
Public Education Facilities Bond Act of 1996	3/26/1996	3,000,000	200,185
1988 School Facilities Bond Act	11/8/1988	800,000	7,000
1990 School Facilities Bond Act	6/5/1990	800,000	3,745
1992 School Facilities Bond Act	11/3/1992	900,000	12,094
Safe, Clean Reliable Water Supply Act of 1996	11/5/1996	995,000	706,000
Safe Drinking Water Bond Act of 2000	3/7/2000	1,970,000	1,916,000
Safe Neighborhood Parks Bond Act of 2000	3/7/2000	2,100,000	1,961,500
School Building and Earthquake Bond Act of 1974	11/5/1974	40,000	0
School Facilities Bond Act of 1988	6/7/1988	800,000	0
School Facilities Bond Act of 1990	11/6/1990	800,000	6,500
School Facilities Bond Act of 1992	6/2/1992	1,900,000	33,400
Seismic Retrofit Bond Act of 1996	3/26/1996	2,000,000	737,645
Senior Center Bond Act of 1984	11/6/1984	50,000	0
State Beach, Park, Recreational and Historical Facilities Bonds	6/4/1974	250,000	0
State School Building Lease-Purchase Bond Law of 1982	11/2/1982	500,000	0
State School Building Lease-Purchase Bond Law of 1984	11/6/1984	450,000	$0
State School Building Lease-Purchase Bond Law of 1986	11/4/1986	800,000	0
State, Urban, and Coastal Park Bond Act of 1976	11/2/1976	$280,000	0
Veterans' Homes Bond Act of 2000	3/7/2000	50,000	50,000
Water Conservation and Water Quality Bond Law of 1986	6/3/1986	150,000	31,000
Water Conservation Bond Law of 1988	11/8/1988	60,000	15,935
Total General Obligation Bonds		**$42,138,000**	**$10,664,314**

APPENDIX 6 (CONTINUED)

State of California Authorized but Unissued Net Tax-Supported Bonds - As of July 1, 2001 ($ Thousands) (continued)	
Lease-Purchase Revenue Bonds	**Unissued**
California Community Colleges	$0
Department of the Youth Authority	8,577
Department of Corrections	433,448
Energy Efficiency Program (Various State Agencies)	264,085
The Regents of The University of California	824,558
Trustees of The California State University	0
Department of Forestry and Fire Protections	22,516
Various State Office Buildings	1,402,753
Total Lease-Purchase Revenue Bonds	**$2,955,937**
Total Authorized and Unissued Net Tax-Supported Bonds	**$13,620,251**

Source: State Treasurer's Office

APPENDIX 7

State of California Schedule of Debt Service Requirements for Planned Bond Sales During Fiscal Years 2001-02 and 2002-03					
Fiscal Year	Debt Service on Outstanding Issues[a, b, c]	General Obligation Bonds	Lease-Purchase Revenue Bonds	Debt Service on Planned Bond Sales[d]	Outstanding Issues and Planned Bond Sales
2001-02	$3,185,963,918	$77,000,000	$11,038,995	$88,038,995	$3,274,002,913
2002-03	3,052,255,706	313,335,000	56,394,675	369,729,675	3,421,985,381
2003-04	2,881,445,857	454,201,575	101,975,460	556,177,035	3,437,622,892
2004-05	2,717,843,203	444,668,150	99,843,660	544,511,810	3,262,355,013
2005-06	2,574,943,271	435,134,725	97,711,860	532,846,585	3,107,789,856
2006-07	2,417,024,079	425,601,300	95,580,060	521,181,360	2,938,205,439
2007-08	2,315,349,518	416,067,875	93,448,260	509,516,135	2,824,865,653
2008-09	2,253,342,994	406,534,450	91,316,460	497,850,910	2,751,193,904
2009-10	2,100,510,799	397,001,025	89,184,660	486,185,685	2,586,696,484
2010-11	1,941,934,271	387,467,600	87,052,860	474,520,460	2,416,454,731
2011-12	1,607,921,159	377,934,175	84,921,060	462,855,235	2,070,776,394
2012-13	1,481,254,586	368,400,750	82,789,260	451,190,010	1,932,444,596
2013-14	1,310,286,281	358,867,325	80,657,460	439,524,785	1,749,811,066
2014-15	1,314,867,446	349,333,900	78,525,660	427,859,560	1,742,727,006
2015-16	1,228,762,875	339,800,475	76,393,860	416,194,335	1,644,957,210
2016-17	1,211,624,345	330,267,050	74,262,060	404,529,110	1,616,153,455
2017-18	1,184,541,354	320,733,625	72,130,260	392,863,885	1,577,405,239
2018-19	1,097,141,854	311,200,200	69,998,460	381,198,660	1,478,340,514
2019-20	1,020,452,806	301,666,775	67,866,660	369,533,435	1,389,986,241
2020-21	913,651,225	292,133,350	65,734,860	357,868,210	1,271,519,435
2021-22	888,585,662	282,599,925	63,603,060	346,202,985	1,234,788,647
2022-23	798,543,556	273,066,500	61,471,260	334,537,760	1,133,081,316
2023-24	618,133,018	263,533,075	59,339,460	322,872,535	941,005,553
2024-25	555,077,374	253,999,650	57,207,660	311,207,310	866,284,684
2025-26	478,703,335	244,466,225	55,075,860	299,542,085	778,245,420
2026-27	441,708,960	234,932,800	52,944,060	287,876,860	729,585,820
2027-28	405,193,302	225,399,375	50,812,260	276,211,635	681,404,937
2028-29	336,724,200	215,865,950	48,680,460	264,546,410	601,270,610
2029-30	262,248,931	206,332,525	46,548,660	252,881,185	515,130,116
2030-31	149,430,546	196,799,100	44,416,860	241,215,960	390,646,506
2031-32		187,215,675	42,303,060	229,518,735	229,518,735
2032-33		84,400,000	26,706,270	111,106,270	111,106,270
Total	**$42,745,466,430**	**$9,775,960,125**	**$2,185,935,480**	**$11,961,895,605**	**$54,707,362,035**

Source: State Treasurer's Office

[a]Includes scheduled mandatory sinking fund payments as well as serial maturities.

[b]Total represents the remaining debt service requirements from August 1, 2001-June 20, 2002.

[c]Does not include commercial paper outstanding.

[d]Assumes: General Obligation Bond Issues - $2.80 billion in fiscal year 2001-02, $2.40 billion in fiscal year 2002-03; Lease-Purchase Bonds – $401.417 million in fiscal year 2001-02, $761.331 million in fiscal year 2002-03.

State of California: Historic and Projected Demographic, Economic, and Fiscal Data ($ Thousands)

Fiscal Year	Population	% Change	Personal Income	% Change	General Fund Revenues	% Change	General Fund Revenues[(a)]	% Change	General Fund Revenues[(b)]	% Change	Existing Net Supported I
1989-90	30,652	n/a	$655,600,000	n/a	$38,546,178	n/a					$6,615
1990-91	31,238	1.91%	669,800,000	2.17%	40,563,041	5.23%					9,651
1991-92	31,719	1.54	701,600,000	4.75	42,925,671	5.82					14,283
1992-93	31,996	0.87	714,100,000	1.78	42,757,910	-0.39					17,334
1993-94	32,155	0.50	735,100,000	2.94	40,527,732	-5.22					19,465
1994-95	32,291	0.42	771,500,000	4.95	44,547,812	9.92					20,468
1995-96	32,501	0.65	812,400,000	5.30	46,731,104	4.90					20,167
1996-97	32,985	1.49	862,100,000	6.12	49,831,217	6.63					20,425
1997-98	33,387	1.22	924,300,000	7.21	55,261,557	10.90					21,572
1998-99	33,934	1.64	991,400,000	7.26	58,510,860	5.88					22,873
1999-00	34,480	1.61	1,105,700,000	11.53	72,226,473	23.44					24,497
2000-01	35,156	1.96	1,128,200,000	2.03	78,330,406	8.45					26,886
2001-02	35,785	1.79	1,191,000,000	5.57	75,105,000	-4.12	$74,322,000	-5.12%	$75,888,000	-3.12%	25,175
2002-03	36,366	1.62	1,274,200,000	6.99	80,159,000	6.73	78,580,000	5.73	81,754,000	7.73	23,510
2003-04	36,924	1.53	1,357,700,000	6.55	86,597,000	8.03	84,105,000	7.03	89,138,000	9.03	21,911
2004-05	37,474	1.49	1,450,800,000	6.86	91,182,000	5.29	87,717,000	4.29	94,749,000	6.29	20,385
2005-06	38,024	1.47	1,548,100,000	6.71	96,445,000	5.77	91,903,000	4.77	101,165,000	6.77	18,910
2006-07	38,579	1.46	1,652,100,000	6.72	101,760,000	5.51	96,049,000	4.51	107,752,000	6.51	17,513
2007-08	39,140	1.46	1,763,200,000	6.72	107,378,000	5.52	100,391,000	4.52	114,778,000	6.52	16,139
2008-09	39,704	1.44	1,882,000,000	6.74	113,305,000	5.52	104,928,000	4.52	122,261,000	6.52	14,753
2009-10	40,262	1.41	2,008,300,000	6.71	119,559,000	5.52	109,670,000	4.52	130,232,000	6.52	13,434
2010-11	40,830	1.41	2,142,800,000	6.70	126,159,000	5.52	114,627,000	4.52	138,724,000	6.52	12,191
2011-12	41,406	1.41	2,286,400,000	6.70	133,123,000	5.52	119,808,000	4.52	147,769,000	6.52	11,209
Annual Average											
(FY 2001-02 to FY 2011-12)		**1.50%**		**6.63%**		**4.98%**		**3.98%**		**5.98%**	

Sources:
Population *– Department of Finance - May 2001 Estimate (fiscal year 1989-90 to fiscal year 2009-10; fiscal year 2010-11 and fiscal year 2011-12 extrapolated from fiscal year 2009-10)*
Personal Income *– Department of Finance - US Department of Commerce Bureau of Economic Analysis, Revised September 12, 2000 (Calendar Year 1990 to Calendar Year 2000) Department of Finance Projections (Calendar Year 2001 to Calendar Year 2011; 2012 extrapolated from 2011)*
General Fund Revenues *– State Controller's Office (fiscal year 1989-90 to fiscal 2000-01) Department of Finance fiscal year 2001-02 Budget Forecast (fiscal year 2001-02 to fiscal year 2007-08; fiscal year 2008-09 to fiscal year 2011-12 extrapolated from fiscal year 2007-08) (a)Projected annual growth rates of General Fund Revenues minus 1.0 percent per annum (b)Projected annual growth rates of General Fund Revenues plus 1.0 percent per annum*
Existing Net-Tax Supported Debt *– State Treasurer's Office*
Debt Service on Existing Net-Tax Supported Debt *– State Treasurer's Office*

APPENDIX 9

Bond Financing Assumptions

The bond financing assumptions found below are incorporated into the calculations of debt capacity contained in this report. Please see Appendix 8 for historic and projected figures for population, personal income and General Fund revenues.

1. Projected annual growth rates of General Fund revenues are from the Department of Finance (DOF) forecast.

2. To determine a range of debt capacity for the General Fund over the next 10 fiscal years, the projected annual growth rates of General Fund revenues produced by the DOF have been subjected to a sensitivity analysis. The DOF projected annual growth rates for the General Fund revenues from fiscal years 2001-02 through 2011-12 have been increased and decreased, in turn, by 1 percent from forecast to produce two additional scenarios of project revenues and resulting debt capacity.

3. Population projections are from the DOF. The projections have an average annual growth rate of 1.50 percent.

4. Personal income projections are from the DOF. The projections have an average annual growth rate of 6.63 percent.

5. Interest cost of 5.50 percent is assumed for all projected bond issues under all scenarios.

6. 30-year final maturity is assumed for all bond issues under all scenarios.

7. Equal annual repayment of principal as specified in some cases and level annual debt service payment as specified in other cases.

8. Annual bond issuances from fiscal year 2001-02 through fiscal year 2010-11 produce a constant ratio of debt service to general fund revenues of 4.25 percent from fiscal year 2002-03 through fiscal year 2011-12, (except for two alternative analysis assuming growth to 5.0 percent and 6.0 percent, respectively).

Appendix 10-1

Computation of Debt Ratios for Total Net Tax-Supported Debt as of July 1, 2001 plus $13.620 Billion in Projected Bond Financings ($ Thousands) - Authorized but Unissued Bonds
General Fund Revenue Growth @ DOF Forecast

FYE June 30	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 - 2041	TOTAL
General Fund Debt - Existing												
General Obligation Bonds	$ 19,062,858	$ 17,703,602	$ 16,418,352	$ 15,219,792	$ 14,091,852	$ 12,994,127	$ 11,926,489	$ 10,867,564	$ 9,864,319	$ 8,947,615		
Lease Purchase Financings	6,112,830	5,807,084	5,493,237	5,165,393	4,818,510	4,519,446	4,213,079	3,885,572	3,570,440	3,243,725		
Sub-Total	25,175,688	23,510,685	21,911,589	20,385,185	18,910,362	17,513,573	16,139,568	14,753,136	13,434,759	12,191,340		
General Fund Debt - Projected												
General Obligation Bonds	3,201,418	6,256,037	9,376,100	12,385,093	12,544,049	12,090,039	11,636,029	11,182,019	10,728,009	10,273,999		
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-		
Sub-Total	3,201,418	6,256,037	9,376,100	12,385,093	12,544,049	12,090,039	11,636,029	11,182,019	10,728,009	10,273,999		
TOTAL	28,377,106	29,766,722	31,287,689	32,770,278	31,454,411	29,603,612	27,775,597	25,935,155	24,162,768	22,465,339		
Principal Repayments - Existing Debt												
General Obligation Bonds	1,410,035	1,359,256	1,285,250	1,198,559	1,127,940	1,097,725	1,067,638	1,058,925	1,003,245	916,704	$ 8,947,615	$ 20,472,893
Lease Purchase Financings	300,431	305,746	313,846	327,845	346,883	299,064	306,367	327,508	315,132	326,715	3,243,725	6,413,260
Sub-Total	1,710,466	1,665,003	1,599,096	1,526,404	1,474,823	1,396,789	1,374,005	1,386,433	1,318,377	1,243,419	12,191,340	26,886,153
Principal Repayments - Projected Debt												
General Obligation Bonds	-	106,715	212,095	323,165	434,235	454,010	454,010	454,010	454,010	454,010	10,273,999	13,620,259
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	106,715	212,095	323,165	434,235	454,010	454,010	454,010	454,010	454,010	10,273,999	13,620,259
TOTAL	1,710,466	1,771,718	1,811,191	1,849,569	1,909,058	1,850,799	1,828,015	1,840,443	1,772,387	1,697,429	22,465,339	40,506,412
Interest Payments - Existing Debt												
General Obligation Bonds	1,146,432	1,058,899	969,882	893,570	821,459	754,381	693,775	631,270	569,102	513,229	4,171,216	12,223,216
Lease Purchase Financings	329,066	328,354	312,467	297,869	278,662	265,854	247,569	235,640	213,032	185,286	942,297	3,636,097
Sub-Total	1,475,498	1,387,253	1,282,349	1,191,439	1,100,121	1,020,235	941,345	866,910	782,134	698,515	5,113,513	15,859,313
Interest Payments - Projected Debt												
General Obligation Bonds	-	176,078	344,082	515,686	681,180	689,923	664,952	639,982	615,011	590,040	6,694,304	11,611,238
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	176,078	344,082	515,686	681,180	689,923	664,952	639,982	615,011	590,040	6,694,304	11,611,238
TOTAL	1,475,498	1,563,331	1,626,432	1,707,125	1,781,301	1,710,158	1,606,297	1,506,892	1,397,145	1,288,556	11,807,817	27,470,551
Debt Service Payments - Existing Debt												
General Obligation Bonds	2,556,467	2,418,156	2,255,132	2,092,130	1,949,399	1,852,106	1,761,413	1,690,195	1,572,347	1,429,933	13,118,831	32,696,109
Lease Purchase Financings	629,497	634,100	626,314	625,713	625,545	564,918	553,936	563,148	528,164	512,001	4,186,022	10,049,358
Sub-Total	3,185,964	3,052,256	2,881,446	2,717,843	2,574,943	2,417,024	2,315,350	2,253,343	2,100,511	1,941,934	17,304,853	42,745,466
Debt Service Payments - Projected Debt												
General Obligation Bonds	-	282,793	556,177	838,851	1,115,415	1,143,933	1,118,962	1,093,992	1,069,021	1,044,050	16,968,303	25,231,497
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	282,793	556,177	838,851	1,115,415	1,143,933	1,118,962	1,093,992	1,069,021	1,044,050	16,968,303	25,231,497
TOTAL	3,185,964	3,335,049	3,437,623	3,556,694	3,690,358	3,560,957	3,434,312	3,347,335	3,169,532	2,985,985	34,273,156	67,976,964
Projected Bond Financings												
General Obligation Bonds	3,201,418	3,161,334	3,332,158	3,332,158	593,191	-	-	-	-	-	-	13,620,259
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	3,201,418	3,161,334	3,332,158	3,332,158	593,191	-	-	-	-	-	-	13,620,259
CUMULATIVE TOTAL	3,201,418	6,362,752	9,694,910	13,027,068	13,620,259	13,620,259	13,620,259	13,620,259	13,620,259	13,620,259		

Computation of Debt Ratios

FYE June 30	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Population	35,785	36,366	36,924	37,474	38,024	38,579	39,140	39,704	40,262	40,830	41,406
Personal Income	$ 1,191,000,000	$ 1,274,200,000	$ 1,357,700,000	$ 1,450,800,000	$ 1,548,100,000	$ 1,652,100,000	$ 1,763,200,000	$ 1,882,000,000	$ 2,008,300,000	$ 2,142,800,000	$ 2,286,400,000
General Fund Revenues	$75,105,000	$ 80,159,000	$ 86,597,000	$ 91,182,000	$ 96,445,000	$ 101,760,000	$ 107,378,000	$ 113,305,000	$ 119,559,000	$ 126,159,000	$ 133,123,000
Growth Rate of General Fund Revenues	-4.12%	6.73%	8.03%	5.29%	5.77%	5.51%	5.52%	5.52%	5.52%	5.52%	5.52%
Debt per Capita	$793	$819	$847	$874	$827	$767	$710	$653	$600	$550	$508
Debt to Personal Income	2.38%	2.34%	2.30%	2.26%	2.03%	1.79%	1.58%	1.38%	1.20%	1.05%	0.92%
Debt Service to General Fund Revenues	4.24%	4.16%	3.97%	3.90%	3.83%	3.50%	3.20%	2.95%	2.65%	2.37%	1.97%

Computation of Debt Ratios for Total Net Tax-Supported Debt as of July 1, 2001 plus $6.363 Billion in Projected Bond Financings ($ thousands) - Planned Bond Sales for Fiscal Years 2001-02 and 2002-03
General Fund Revenue Growth @ DOF Forecast

FYE June 30	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 - 2041	TOTAL
General Fund Debt - Existing												
General Obligation Bonds	$ 19,062,858	$ 17,703,602	$ 16,418,352	$ 15,219,792	$ 14,091,852	$ 12,994,127	$ 11,926,489	$ 10,867,564	$ 9,864,319	$ 8,947,615		
Lease Purchase Financings	6,112,830	5,807,084	5,493,237	5,165,393	4,818,510	4,519,446	4,213,079	3,885,572	3,570,440	3,243,725		
Sub-Total	25,175,688	23,510,685	21,911,589	20,385,185	18,910,362	17,513,573	16,139,568	14,753,136	13,434,759	12,191,340		
General Fund Debt - Projected												
General Obligation Bonds	3,201,418	6,256,037	6,043,942	5,831,847	5,619,752	5,407,657	5,195,562	4,983,467	4,771,372	4,559,277		
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-		
Sub-Total	3,201,418	6,256,037	6,043,942	5,831,847	5,619,752	5,407,657	5,195,562	4,983,467	4,771,372	4,559,277		
TOTAL	28,377,106	29,766,722	27,955,531	26,217,032	24,530,114	22,921,230	21,335,130	19,736,603	18,206,131	16,750,617		
Principal Repayments - Existing Debt												
General Obligation Bonds	1,410,035	1,359,256	1,285,250	1,198,559	1,127,940	1,097,725	1,067,638	1,058,925	1,003,245	916,704	$ 8,947,615	$ 20,472,893
Lease Purchase Financings	300,431	305,746	313,846	327,845	346,883	299,064	306,367	327,508	315,132	326,715	3,243,725	6,413,260
Sub-Total	1,710,466	1,665,003	1,599,096	1,526,404	1,474,823	1,396,789	1,374,005	1,386,433	1,318,377	1,243,419	12,191,340	26,886,153
Principal Repayments - Projected Debt												
General Obligation Bonds	-	106,715	212,095	212,095	212,095	212,095	212,095	212,095	212,095	212,095	4,559,277	6,362,752
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	106,715	212,095	212,095	212,095	212,095	212,095	212,095	212,095	212,095	4,559,277	6,362,752
TOTAL	1,710,466	1,771,718	1,811,191	1,738,499	1,686,918	1,608,884	1,586,100	1,598,528	1,530,472	1,455,514	16,750,617	33,248,905
Interest Payments - Existing Debt												
General Obligation Bonds	1,146,432	1,058,899	969,882	893,570	821,459	754,381	693,775	631,270	569,102	513,229	4,171,216	12,223,216
Lease Purchase Financings	329,066	328,354	312,467	297,869	278,662	265,854	247,569	235,640	213,032	185,286	942,297	3,636,097
Sub-Total	1,475,498	1,387,253	1,282,349	1,191,439	1,100,121	1,020,235	941,345	866,910	782,134	698,515	5,113,513	15,859,313
Interest Payments - Projected Debt												
General Obligation Bonds	88,039	263,015	344,082	332,417	320,752	309,086	297,421	285,756	274,091	262,425	2,822,060	5,599,144
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	88,039	263,015	344,082	332,417	320,752	309,086	297,421	285,756	274,091	262,425	2,822,060	5,599,144
TOTAL	1,563,537	1,650,268	1,626,432	1,523,856	1,420,872	1,329,322	1,238,766	1,152,666	1,056,225	960,941	7,935,573	21,458,457
Debt Service Payments - Existing Debt												
General Obligation Bonds	2,556,467	2,418,156	2,255,132	2,092,130	1,949,399	1,852,106	1,761,413	1,690,195	1,572,347	1,429,933	13,118,831	32,696,109
Lease Purchase Financings	629,497	634,100	626,314	625,713	625,545	564,918	553,936	563,148	528,164	512,001	4,186,022	10,049,358
Sub-Total	3,185,964	3,052,256	2,881,446	2,717,843	2,574,943	2,417,024	2,315,350	2,253,343	2,100,511	1,941,934	17,304,853	42,745,466
Debt Service Payments - Projected Debt												
General Obligation Bonds	88,039	369,730	556,177	544,512	532,847	521,181	509,516	497,851	486,186	474,520	7,381,337	11,961,896
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	88,039	369,730	556,177	544,512	532,847	521,181	509,516	497,851	486,186	474,520	7,381,337	11,961,896
TOTAL	3,274,003	3,421,986	3,437,623	3,262,355	3,107,790	2,938,205	2,824,866	2,751,194	2,586,696	2,416,455	24,686,190	54,707,362
Projected Bond Financings												
General Obligation Bonds	3,201,418	3,161,334	-	-	-	-	-	-	-	-	-	6,362,752
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	3,201,418	3,161,334	-	-	-	-	-	-	-	-	-	6,362,752
CUMULATIVE TOTAL	3,201,418	6,362,752	6,362,752	6,362,752	6,362,752	6,362,752	6,362,752	6,362,752	6,362,752	6,362,752		

Computation of Debt Ratios

FYE June 30	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Population	35,785	36,366	36,924	37,474	38,024	38,579	39,140	39,704	40,262	40,830	41,406
Personal Income	$ 1,191,000,000	$ 1,274,200,000	$ 1,357,700,000	$ 1,450,800,000	$ 1,548,100,000	$ 1,652,100,000	$ 1,763,200,000	$ 1,882,000,000	$ 2,008,300,000	$ 2,142,800,000	$ 2,286,400,000
General Fund Revenues	$75,105,000	$ 80,159,000	$ 86,597,000	$ 91,182,000	$ 96,445,000	$ 101,760,000	$ 107,378,000	$ 113,305,000	$ 119,559,000	$ 126,159,000	$ 133,123,000
Growth Rate of General Fund Revenues	-4.12%	6.73%	8.03%	5.29%	5.77%	5.51%	5.52%	5.52%	5.52%	5.52%	5.52%
Debt per Capita	$793	$819	$757	$700	$645	$594	$545	$497	$452	$410	$376
Debt to Personal Income	2.38%	2.34%	2.06%	1.81%	1.58%	1.39%	1.21%	1.05%	0.91%	0.78%	0.68%
Debt Service to General Fund Revenues	4.36%	4.27%	3.97%	3.58%	3.22%	2.89%	2.63%	2.43%	2.16%	1.92%	1.56%

Computation of Debt Ratios for Total Net Tax-Supported Debt as of July 1, 2001 plus $50.115 Billion in Projected Bond Financings ($ thousands)
General Fund Revenue Growth @ DOF Forecast

FYE June 30	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 - 2041	TOTAL
General Fund Debt - Existing												
General Obligation Bonds	$ 19,062,858	$ 17,703,602	$ 16,418,352	$ 15,219,792	$ 14,091,852	$ 12,994,127	$ 11,926,489	$ 10,867,564	$ 9,864,319	$ 8,947,615		
Lease Purchase Financings	6,112,830	5,807,084	5,493,237	5,165,393	4,818,510	4,519,446	4,213,079	3,885,572	3,570,440	3,243,725		
Sub-Total	25,175,688	23,510,685	21,911,589	20,385,185	18,910,362	17,513,573	16,139,568	14,753,136	13,434,759	12,191,340		
General Fund Debt - Projected												
General Obligation Bonds	4,006,418	9,007,879	12,933,175	16,892,471	21,059,932	24,632,544	27,802,214	32,156,379	36,716,049	43,348,379		
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-		
Sub-Total	4,006,418	9,007,879	12,933,175	16,892,471	21,059,932	24,632,544	27,802,214	32,156,379	36,716,049	43,348,379		
TOTAL	29,182,106	32,518,564	34,844,764	37,277,656	39,970,294	42,146,117	43,941,782	46,909,515	50,150,808	55,539,719		
Principal Repayments - Existing Debt												
General Obligation Bonds	1,410,035	1,359,256	1,285,250	1,198,559	1,127,940	1,097,725	1,067,638	1,058,925	1,003,245	916,704	$ 8,947,615	$ 20,472,893
Lease Purchase Financings	300,431	305,746	313,846	327,845	346,883	299,064	306,367	327,508	315,132	326,715	3,243,725	6,413,260
Sub-Total	1,710,466	1,665,003	1,599,096	1,526,404	1,474,823	1,396,789	1,374,005	1,386,433	1,318,377	1,243,419	12,191,340	26,886,153
Principal Repayments - Projected Debt												
General Obligation Bonds	-	133,545	304,710	445,710	592,545	751,210	895,335	1,030,835	1,210,335	1,402,670	43,348,379	50,115,274
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	133,545	304,710	445,710	592,545	751,210	895,335	1,030,835	1,210,335	1,402,670	43,348,379	50,115,274
TOTAL	1,710,466	1,798,548	1,903,806	1,972,114	2,067,368	2,147,999	2,269,340	2,417,268	2,528,712	2,646,089	55,539,719	77,001,427
Interest Payments - Existing Debt												
General Obligation Bonds	1,146,432	1,058,899	969,882	893,570	821,459	754,381	693,775	631,270	569,102	513,229	4,171,216	12,223,216
Lease Purchase Financings	329,066	328,354	312,467	297,869	278,662	265,854	247,569	235,640	213,032	185,286	942,297	3,636,097
Sub-Total	1,475,498	1,387,253	1,282,349	1,191,439	1,100,121	1,020,235	941,345	866,910	782,134	698,515	5,113,513	15,859,313
Interest Payments - Projected Debt												
General Obligation Bonds	-	220,353	495,433	711,325	929,086	1,158,296	1,354,790	1,529,122	1,768,601	2,019,383	32,536,982	42,723,370
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	220,353	495,433	711,325	929,086	1,158,296	1,354,790	1,529,122	1,768,601	2,019,383	32,536,982	42,723,370
TOTAL	1,475,498	1,607,606	1,777,783	1,902,764	2,029,207	2,178,531	2,296,135	2,396,032	2,550,735	2,717,898	37,650,494	58,582,683
Debt Service Payments - Existing Debt												
General Obligation Bonds	2,556,467	2,418,156	2,255,132	2,092,130	1,949,399	1,852,106	1,761,413	1,690,195	1,572,347	1,429,933	13,118,831	32,696,109
Lease Purchase Financings	629,497	634,100	626,314	625,713	625,545	564,918	553,936	563,148	528,164	512,001	4,186,022	10,049,358
Sub-Total	3,185,964	3,052,256	2,881,446	2,717,843	2,574,943	2,417,024	2,315,350	2,253,343	2,100,511	1,941,934	17,304,853	42,745,466
Debt Service Payments - Projected Debt												
General Obligation Bonds	-	353,898	800,143	1,157,035	1,521,631	1,909,506	2,250,125	2,559,957	2,978,936	3,422,053	75,885,361	92,838,644
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	353,898	800,143	1,157,035	1,521,631	1,909,506	2,250,125	2,559,957	2,978,936	3,422,053	75,885,361	92,838,644
TOTAL	3,185,964	3,406,154	3,681,589	3,874,878	4,096,574	4,326,530	4,565,474	4,813,300	5,079,447	5,363,987	93,190,213	135,584,110
Projected Bond Financings												
General Obligation Bonds	4,006,418	5,135,006	4,230,006	4,405,006	4,760,006	4,323,822	4,065,005	5,385,000	5,770,005	8,035,000	-	50,115,274
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	4,006,418	5,135,006	4,230,006	4,405,006	4,760,006	4,323,822	4,065,005	5,385,000	5,770,005	8,035,000	-	50,115,274
CUMULATIVE TOTAL	4,006,418	9,141,424	13,371,430	17,776,436	22,536,442	26,860,264	30,925,269	36,310,269	42,080,274	50,115,274		

Computation of Debt Ratios

FYE June 30	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Population	35,785	36,366	36,924	37,474	38,024	38,579	39,140	39,704	40,262	40,830	41,406
Personal Income	$ 1,191,000,000	$ 1,274,200,000	$ 1,357,700,000	$ 1,450,800,000	$ 1,548,100,000	$ 1,652,100,000	$ 1,763,200,000	$ 1,882,000,000	$ 2,008,300,000	$ 2,142,800,000	$ 2,286,400,000
General Fund Revenues	$75,105,000	$ 80,159,000	$ 86,597,000	$ 91,182,000	$ 96,445,000	$ 101,760,000	$ 107,378,000	$ 113,305,000	$ 119,559,000	$ 126,159,000	$ 133,123,000
Growth Rate of General Fund Revenues	-4.12%	6.73%	8.03%	5.29%	5.77%	5.51%	5.52%	5.52%	5.52%	5.52%	5.52%
Debt per Capita	$815	$894	$944	$995	$1,051	$1,092	$1,123	$1,181	$1,246	$1,360	$1,277
Debt to Personal Income	2.45%	2.55%	2.57%	2.57%	2.58%	2.55%	2.49%	2.49%	2.50%	2.59%	2.31%
Debt Service to General Fund Revenues	4.24%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%

Computation of Debt Ratios for Total Net Tax-Supported Debt as of July 1, 2001 plus $62.753 Billion in Projected Bond Financings ($ thousands) - Gradual Increase to 5.00% Ratio of Debt Service to GF Revenues
General Fund Revenue Growth @ DOF Forecast

FYE June 30	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 - 2041	TOTAL
General Fund Debt - Existing												
General Obligation Bonds	$ 19,062,858	$ 17,703,602	$ 16,418,352	$ 15,219,792	$ 14,091,852	$ 12,994,127	$ 11,926,489	$ 10,867,564	$ 9,864,319	$ 8,947,615		
Lease Purchase Financings	6,112,830	5,807,084	5,493,237	5,165,393	4,818,510	4,519,446	4,213,079	3,885,572	3,570,440	3,243,725		
Sub-Total	25,175,688	23,510,685	21,911,589	20,385,185	18,910,362	17,513,573	16,139,568	14,753,136	13,434,759	12,191,340		
General Fund Debt - Projected												
General Obligation Bonds	4,021,418	11,448,707	18,067,617	25,008,027	29,486,437	33,396,512	37,046,252	41,773,827	46,662,902	53,721,312		
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-		
Sub-Total	4,021,418	11,448,707	18,067,617	25,008,027	29,486,437	33,396,512	37,046,252	41,773,827	46,662,902	53,721,312		
TOTAL	29,197,106	34,959,392	39,979,206	45,393,212	48,396,799	50,910,085	53,185,820	56,526,963	60,097,661	65,912,652		
Principal Repayments - Existing Debt												
General Obligation Bonds	1,410,035	1,359,256	1,285,250	1,198,559	1,127,940	1,097,725	1,067,638	1,058,925	1,003,245	916,704	$ 8,947,615	$ 20,472,893
Lease Purchase Financings	300,431	305,746	313,846	327,845	346,883	299,064	306,367	327,508	315,132	326,715	3,243,725	6,413,260
Sub-Total	1,710,466	1,665,003	1,599,096	1,526,404	1,474,823	1,396,789	1,374,005	1,386,433	1,318,377	1,243,419	12,191,340	26,886,153
Principal Repayments - Projected Debt												
General Obligation Bonds	-	134,045	386,090	619,590	871,590	1,049,925	1,215,260	1,377,425	1,580,925	1,796,590	53,721,312	62,752,752
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	134,045	386,090	619,590	871,590	1,049,925	1,215,260	1,377,425	1,580,925	1,796,590	53,721,312	62,752,752
TOTAL	1,710,466	1,799,048	1,985,186	2,145,994	2,346,413	2,446,714	2,589,265	2,763,858	2,899,302	3,040,009	65,912,652	89,638,905
Interest Payments - Existing Debt												
General Obligation Bonds	1,146,432	1,058,899	969,882	893,570	821,459	754,381	693,775	631,270	569,102	513,229	4,171,216	12,223,216
Lease Purchase Financings	329,066	328,354	312,467	297,869	278,662	265,854	247,569	235,640	213,032	185,286	942,297	3,636,097
Sub-Total	1,475,498	1,387,253	1,282,349	1,191,439	1,100,121	1,020,235	941,345	866,910	782,134	698,515	5,113,513	15,859,313
Interest Payments - Projected Debt												
General Obligation Bonds	-	221,178	629,679	993,719	1,375,441	1,621,754	1,836,808	2,037,544	2,297,560	2,566,460	39,916,659	53,496,802
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	221,178	629,679	993,719	1,375,441	1,621,754	1,836,808	2,037,544	2,297,560	2,566,460	39,916,659	53,496,802
TOTAL	1,475,498	1,608,431	1,912,028	2,185,158	2,475,562	2,641,989	2,778,153	2,904,454	3,079,695	3,264,975	45,030,172	69,356,116
Debt Service Payments - Existing Debt												
General Obligation Bonds	2,556,467	2,418,156	2,255,132	2,092,130	1,949,399	1,852,106	1,761,413	1,690,195	1,572,347	1,429,933	13,118,831	32,696,109
Lease Purchase Financings	629,497	634,100	626,314	625,713	625,545	564,918	553,936	563,148	528,164	512,001	4,186,022	10,049,358
Sub-Total	3,185,964	3,052,256	2,881,446	2,717,843	2,574,943	2,417,024	2,315,350	2,253,343	2,100,511	1,941,934	17,304,853	42,745,466
Debt Service Payments - Projected Debt												
General Obligation Bonds	-	355,223	1,015,769	1,613,309	2,247,031	2,671,679	3,052,068	3,414,969	3,878,485	4,363,050	93,637,971	116,249,554
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	355,223	1,015,769	1,613,309	2,247,031	2,671,679	3,052,068	3,414,969	3,878,485	4,363,050	93,637,971	116,249,554
TOTAL	3,185,964	3,407,479	3,897,215	4,331,152	4,821,975	5,088,703	5,367,418	5,668,312	5,978,996	6,304,984	110,942,824	158,995,021
Projected Bond Financings												
General Obligation Bonds	4,021,418	7,561,334	7,005,000	7,560,000	5,350,000	4,960,000	4,865,000	6,105,000	6,470,000	8,855,000	-	62,752,752
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	4,021,418	7,561,334	7,005,000	7,560,000	5,350,000	4,960,000	4,865,000	6,105,000	6,470,000	8,855,000	-	62,752,752
CUMULATIVE TOTAL	4,021,418	11,582,752	18,587,752	26,147,752	31,497,752	36,457,752	41,322,752	47,427,752	53,897,752	62,752,752		

Computation of Debt Ratios

FYE June 30	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Population	35,785	36,366	36,924	37,474	38,024	38,579	39,140	39,704	40,262	40,830	41,406
Personal Income	$ 1,191,000,000	$ 1,274,200,000	$ 1,357,700,000	$ 1,450,800,000	$ 1,548,100,000	$ 1,652,100,000	$ 1,763,200,000	$ 1,882,000,000	$ 2,008,300,000	$ 2,142,800,000	$ 2,286,400,000
General Fund Revenues	$75,105,000	$ 80,159,000	$ 86,597,000	$ 91,182,000	$ 96,445,000	$ 101,760,000	$ 107,378,000	$ 113,305,000	$ 119,559,000	$ 126,159,000	$ 133,123,000
Growth Rate of General Fund Revenues	-4.12%	6.73%	8.03%	5.29%	5.77%	5.51%	5.52%	5.52%	5.52%	5.52%	5.52%
Debt per Capita	$816	$961	$1,083	$1,211	$1,273	$1,320	$1,359	$1,424	$1,493	$1,614	$1,518
Debt to Personal Income	2.45%	2.74%	2.94%	3.13%	3.13%	3.08%	3.02%	3.00%	2.99%	3.08%	2.75%
Debt Service to General Fund Revenues	4.24%	4.25%	4.50%	4.75%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

Computation of Debt Ratios for Total Net Tax-Supported Debt as of July 1, 2001 plus $79.853 Billion in Projected Bond Financings ($ thousands) - Gradual Increase to 6.00% Ratio of Debt Service to GF Revenues
General Fund Revenue Growth @ DOF Forecast

FYE June 30	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 - 2041	TOTAL
General Fund Debt - Existing												
General Obligation Bonds	$ 19,062,858	$ 17,703,602	$ 16,418,352	$ 15,219,792	$ 14,091,852	$ 12,994,127	$ 11,926,489	$ 10,867,564	$ 9,864,319	$ 8,947,615		
Lease Purchase Financings	6,112,830	5,807,084	5,493,237	5,165,393	4,818,510	4,519,446	4,213,079	3,885,572	3,570,440	3,243,725		
Sub-Total	25,175,688	23,510,685	21,911,589	20,385,185	18,910,362	17,513,573	16,139,568	14,753,136	13,434,759	12,191,340		
General Fund Debt - Projected												
General Obligation Bonds	6,291,418	16,323,037	25,721,942	35,739,182	40,658,087	45,091,492	49,208,732	54,448,807	60,007,882	67,617,457		
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-		
Sub-Total	6,291,418	16,323,037	25,721,942	35,739,182	40,658,087	45,091,492	49,208,732	54,448,807	60,007,882	67,617,457		
TOTAL	31,467,106	39,833,722	47,633,531	56,124,367	59,568,449	62,605,065	65,348,300	69,201,943	73,442,641	79,808,797		
Principal Repayments - Existing Debt												
General Obligation Bonds	1,410,035	1,359,256	1,285,250	1,198,559	1,127,940	1,097,725	1,067,638	1,058,925	1,003,245	916,704	$ 8,947,615	$ 20,472,893
Lease Purchase Financings	300,431	305,746	313,846	327,845	346,883	299,064	306,367	327,508	315,132	326,715	3,243,725	6,413,260
Sub-Total	1,710,466	1,665,003	1,599,096	1,526,404	1,474,823	1,396,789	1,374,005	1,386,433	1,318,377	1,243,419	12,191,340	26,886,153
Principal Repayments - Projected Debt												
General Obligation Bonds	-	209,715	551,095	882,760	1,246,095	1,451,595	1,647,760	1,839,925	2,075,925	2,330,425	67,617,457	79,852,752
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	209,715	551,095	882,760	1,246,095	1,451,595	1,647,760	1,839,925	2,075,925	2,330,425	67,617,457	79,852,752
TOTAL	1,710,466	1,874,718	2,150,191	2,409,164	2,720,918	2,848,384	3,021,765	3,226,358	3,394,302	3,573,844	79,808,797	106,738,905
Interest Payments - Existing Debt												
General Obligation Bonds	1,146,432	1,058,899	969,882	893,570	821,459	754,381	693,775	631,270	569,102	513,229	4,171,216	12,223,216
Lease Purchase Financings	329,066	328,354	312,467	297,869	278,662	265,854	247,569	235,640	213,032	185,286	942,297	3,636,097
Sub-Total	1,475,498	1,387,253	1,282,349	1,191,439	1,100,121	1,020,235	941,345	866,910	782,134	698,515	5,113,513	15,859,313
Interest Payments - Projected Debt												
General Obligation Bonds	-	346,028	897,767	1,414,707	1,965,655	2,236,195	2,480,032	2,706,480	2,994,684	3,300,434	49,732,451	68,074,433
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	346,028	897,767	1,414,707	1,965,655	2,236,195	2,480,032	2,706,480	2,994,684	3,300,434	49,732,451	68,074,433
TOTAL	1,475,498	1,733,281	2,180,117	2,606,146	3,065,776	3,256,430	3,421,377	3,573,391	3,776,819	3,998,949	54,845,964	83,933,746
Debt Service Payments - Existing Debt												
General Obligation Bonds	2,556,467	2,418,156	2,255,132	2,092,130	1,949,399	1,852,106	1,761,413	1,690,195	1,572,347	1,429,933	13,118,831	32,696,109
Lease Purchase Financings	629,497	634,100	626,314	625,713	625,545	564,918	553,936	563,148	528,164	512,001	4,186,022	10,049,358
Sub-Total	3,185,964	3,052,256	2,881,446	2,717,843	2,574,943	2,417,024	2,315,350	2,253,343	2,100,511	1,941,934	17,304,853	42,745,466
Debt Service Payments - Projected Debt												
General Obligation Bonds	-	555,743	1,448,862	2,297,467	3,211,750	3,687,790	4,127,792	4,546,405	5,070,609	5,630,859	117,349,908	147,927,185
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	555,743	1,448,862	2,297,467	3,211,750	3,687,790	4,127,792	4,546,405	5,070,609	5,630,859	117,349,908	147,927,185
TOTAL	3,185,964	3,607,999	4,330,308	5,015,310	5,786,693	6,104,814	6,443,142	6,799,748	7,171,120	7,572,793	134,654,761	190,672,651
Projected Bond Financings												
General Obligation Bonds	6,291,418	10,241,334	9,950,000	10,900,000	6,165,000	5,885,000	5,765,000	7,080,000	7,635,000	9,940,000	-	79,852,752
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	6,291,418	10,241,334	9,950,000	10,900,000	6,165,000	5,885,000	5,765,000	7,080,000	7,635,000	9,940,000	-	79,852,752
CUMULATIVE TOTAL	6,291,418	16,532,752	26,482,752	37,382,752	43,547,752	49,432,752	55,197,752	62,277,752	69,912,752	79,852,752		

Computation of Debt Ratios

FYE June 30	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Population	35,785	36,366	36,924	37,474	38,024	38,579	39,140	39,704	40,262	40,830	41,406
Personal Income	$ 1,191,000,000	$ 1,274,200,000	$ 1,357,700,000	$ 1,450,800,000	$ 1,548,100,000	$ 1,652,100,000	$ 1,763,200,000	$ 1,882,000,000	$ 2,008,300,000	$ 2,142,800,000	$ 2,286,400,000
General Fund Revenues	$75,105,000	$ 80,159,000	$ 86,597,000	$ 91,182,000	$ 96,445,000	$ 101,760,000	$ 107,378,000	$ 113,305,000	$ 119,559,000	$ 126,159,000	$ 133,123,000
Growth Rate of General Fund Revenues	-4.12%	6.73%	8.03%	5.29%	5.77%	5.51%	5.52%	5.52%	5.52%	5.52%	5.52%
Debt per Capita	$879	$1,095	$1,290	$1,498	$1,567	$1,623	$1,670	$1,743	$1,824	$1,955	$1,839
Debt to Personal Income	2.64%	3.13%	3.51%	3.87%	3.85%	3.79%	3.71%	3.68%	3.66%	3.72%	3.33%
Debt Service to General Fund Revenues	4.24%	4.50%	5.00%	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

Computation of Debt Ratios for Total Net Tax-Supported Debt as of July 1, 2001 plus $43.125 Billion in Projected Bond Financings ($ thousands)
General Fund Revenue Growth @ DOF Forecast Minus 1%

FYE June 30	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 - 2041	TOTAL
General Fund Debt - Existing												
General Obligation Bonds	$ 19,062,858	$ 17,703,602	$ 16,418,352	$ 15,219,792	$ 14,091,852	$ 12,994,127	$ 11,926,489	$ 10,867,564	$ 9,864,319	$ 8,947,615		
Lease Purchase Financings	6,112,830	5,807,084	5,493,237	5,165,393	4,818,510	4,519,446	4,213,079	3,885,572	3,570,440	3,243,725		
Sub-Total	25,175,688	23,510,685	21,911,589	20,385,185	18,910,362	17,513,573	16,139,568	14,753,136	13,434,759	12,191,340		
General Fund Debt - Projected												
General Obligation Bonds	3,246,418	7,818,209	11,289,000	14,765,291	18,397,747	21,380,684	23,933,509	27,600,329	31,420,319	37,283,304		
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-		
Sub-Total	3,246,418	7,818,209	11,289,000	14,765,291	18,397,747	21,380,684	23,933,509	27,600,329	31,420,319	37,283,304		
TOTAL	28,422,106	31,328,894	33,200,589	35,150,476	37,308,109	38,894,257	40,073,077	42,353,465	44,855,078	49,474,644		
Principal Repayments - Existing Debt												
General Obligation Bonds	1,410,035	1,359,256	1,285,250	1,198,559	1,127,940	1,097,725	1,067,638	1,058,925	1,003,245	916,704	$ 8,947,615	$ 20,472,893
Lease Purchase Financings	300,431	305,746	313,846	327,845	346,883	299,064	306,367	327,508	315,132	326,715	3,243,725	6,413,260
Sub-Total	1,710,466	1,665,003	1,599,096	1,526,404	1,474,823	1,396,789	1,374,005	1,386,433	1,318,377	1,243,419	12,191,340	26,886,153
Principal Repayments - Projected Debt												
General Obligation Bonds	-	108,215	264,215	388,715	517,550	655,885	777,180	888,180	1,040,015	1,202,015	37,283,304	43,125,274
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	108,215	264,215	388,715	517,550	655,885	777,180	888,180	1,040,015	1,202,015	37,283,304	43,125,274
TOTAL	1,710,466	1,773,218	1,863,311	1,915,119	1,992,373	2,052,674	2,151,185	2,274,613	2,358,392	2,445,434	49,474,644	70,011,427
Interest Payments - Existing Debt												
General Obligation Bonds	1,146,432	1,058,899	969,882	893,570	821,459	754,381	693,775	631,270	569,102	513,229	4,171,216	12,223,216
Lease Purchase Financings	329,066	328,354	312,467	297,869	278,662	265,854	247,569	235,640	213,032	185,286	942,297	3,636,097
Sub-Total	1,475,498	1,387,253	1,282,349	1,191,439	1,100,121	1,020,235	941,345	866,910	782,134	698,515	5,113,513	15,859,313
Interest Payments - Projected Debt												
General Obligation Bonds	-	178,553	430,001	620,895	812,091	1,011,876	1,175,938	1,316,343	1,518,018	1,728,118	27,972,323	36,764,156
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	178,553	430,001	620,895	812,091	1,011,876	1,175,938	1,316,343	1,518,018	1,728,118	27,972,323	36,764,156
TOTAL	1,475,498	1,565,806	1,712,351	1,812,334	1,912,212	2,032,111	2,117,282	2,183,253	2,300,152	2,426,633	33,085,836	52,623,469
Debt Service Payments - Existing Debt												
General Obligation Bonds	2,556,467	2,418,156	2,255,132	2,092,130	1,949,399	1,852,106	1,761,413	1,690,195	1,572,347	1,429,933	13,118,831	32,696,109
Lease Purchase Financings	629,497	634,100	626,314	625,713	625,545	564,918	553,936	563,148	528,164	512,001	4,186,022	10,049,358
Sub-Total	3,185,964	3,052,256	2,881,446	2,717,843	2,574,943	2,417,024	2,315,350	2,253,343	2,100,511	1,941,934	17,304,853	42,745,466
Debt Service Payments - Projected Debt												
General Obligation Bonds	-	286,768	694,216	1,009,610	1,329,641	1,667,761	1,953,118	2,204,523	2,558,033	2,930,133	65,255,627	79,889,430
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	286,768	694,216	1,009,610	1,329,641	1,667,761	1,953,118	2,204,523	2,558,033	2,930,133	65,255,627	79,889,430
TOTAL	3,185,964	3,339,024	3,575,662	3,727,453	3,904,584	4,084,785	4,268,467	4,457,866	4,658,544	4,872,067	82,560,480	122,634,896
Projected Bond Financings												
General Obligation Bonds	3,246,418	4,680,006	3,735,006	3,865,006	4,150,006	3,638,822	3,330,005	4,555,000	4,860,005	7,065,000	-	43,125,274
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	3,246,418	4,680,006	3,735,006	3,865,006	4,150,006	3,638,822	3,330,005	4,555,000	4,860,005	7,065,000	-	43,125,274
CUMULATIVE TOTAL	3,246,418	7,926,424	11,661,430	15,526,436	19,676,442	23,315,264	26,645,269	31,200,269	36,060,274	43,125,274		

Computation of Debt Ratios

FYE June 30	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Population	35,785	36,366	36,924	37,474	38,024	38,579	39,140	39,704	40,262	40,830	41,406
Personal Income	$ 1,191,000,000	$ 1,274,200,000	$ 1,357,700,000	$ 1,450,800,000	$ 1,548,100,000	$ 1,652,100,000	$ 1,763,200,000	$ 1,882,000,000	$ 2,008,300,000	$ 2,142,800,000	$ 2,286,400,000
General Fund Revenues	$74,325,000	$ 78,583,000	$ 84,109,000	$ 87,721,000	$ 91,907,000	$ 96,053,000	$ 100,395,000	$ 104,933,000	$ 109,676,000	$ 114,634,000	$ 119,815,000
Growth Rate of General Fund Revenues	-4.12%	5.73%	7.03%	4.29%	4.77%	4.51%	4.52%	4.52%	4.52%	4.52%	4.52%
Debt per Capita	$794	$861	$899	$938	$981	$1,008	$1,024	$1,067	$1,114	$1,212	$1,136
Debt to Personal Income	2.39%	2.46%	2.45%	2.42%	2.41%	2.35%	2.27%	2.25%	2.23%	2.31%	2.06%
Debt Service to General Fund Revenues	4.29%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%

Computation of Debt Ratios for Total Net Tax-Supported Debt as of July 1, 2001 plus $57.660 Billion in Projected Bond Financings ($ thousands)
General Fund Revenue Growth @ DOF Forecast Plus 1%

FYE June 30	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 - 2041	TOTAL
General Fund Debt - Existing												
General Obligation Bonds	$ 19,062,858	$ 17,703,602	$ 16,418,352	$ 15,219,792	$ 14,091,852	$ 12,994,127	$ 11,926,489	$ 10,867,564	$ 9,864,319	$ 8,947,615		
Lease Purchase Financings	6,112,830	5,807,084	5,493,237	5,165,393	4,818,510	4,519,446	4,213,079	3,885,572	3,570,440	3,243,725		
Sub-Total	25,175,688	23,510,685	21,911,589	20,385,185	18,910,362	17,513,573	16,139,568	14,753,136	13,434,759	12,191,340		
General Fund Debt - Projected												
General Obligation Bonds	4,736,418	10,163,544	14,589,505	19,101,466	23,801,262	28,010,874	31,993,044	37,063,544	42,500,549	49,919,884		
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-		
Sub-Total	4,736,418	10,163,544	14,589,505	19,101,466	23,801,262	28,010,874	31,993,044	37,063,544	42,500,549	49,919,884		
TOTAL	29,912,106	33,674,229	36,501,094	39,486,651	42,711,624	45,524,447	48,132,612	51,816,680	55,935,308	62,111,224		
Principal Repayments - Existing Debt												
General Obligation Bonds	1,410,035	1,359,256	1,285,250	1,198,559	1,127,940	1,097,725	1,067,638	1,058,925	1,003,245	916,704	$ 8,947,615	$ 20,472,893
Lease Purchase Financings	300,431	305,746	313,846	327,845	346,883	299,064	306,367	327,508	315,132	326,715	3,243,725	6,413,260
Sub-Total	1,710,466	1,665,003	1,599,096	1,526,404	1,474,823	1,396,789	1,374,005	1,386,433	1,318,377	1,243,419	12,191,340	26,886,153
Principal Repayments - Projected Debt												
General Obligation Bonds	-	157,880	344,045	503,045	670,210	849,210	1,017,835	1,184,500	1,393,000	1,620,665	49,919,884	57,660,274
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	157,880	344,045	503,045	670,210	849,210	1,017,835	1,184,500	1,393,000	1,620,665	49,919,884	57,660,274
TOTAL	1,710,466	1,822,883	1,943,141	2,029,449	2,145,033	2,245,999	2,391,840	2,570,933	2,711,377	2,864,084	62,111,224	84,546,427
Interest Payments - Existing Debt												
General Obligation Bonds	1,146,432	1,058,899	969,882	893,570	821,459	754,381	693,775	631,270	569,102	513,229	4,171,216	12,223,216
Lease Purchase Financings	329,066	328,354	312,467	297,869	278,662	265,854	247,569	235,640	213,032	185,286	942,297	3,636,097
Sub-Total	1,475,498	1,387,253	1,282,349	1,191,439	1,100,121	1,020,235	941,345	866,910	782,134	698,515	5,113,513	15,859,313
Interest Payments - Projected Debt												
General Obligation Bonds	-	260,503	558,995	802,423	1,050,581	1,309,069	1,540,598	1,759,617	2,038,495	2,337,530	37,497,791	49,155,602
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	260,503	558,995	802,423	1,050,581	1,309,069	1,540,598	1,759,617	2,038,495	2,337,530	37,497,791	49,155,602
TOTAL	1,475,498	1,647,756	1,841,344	1,993,862	2,150,701	2,329,305	2,481,943	2,626,528	2,820,629	3,036,045	42,611,304	65,014,915
Debt Service Payments - Existing Debt												
General Obligation Bonds	2,556,467	2,418,156	2,255,132	2,092,130	1,949,399	1,852,106	1,761,413	1,690,195	1,572,347	1,429,933	13,118,831	32,696,109
Lease Purchase Financings	629,497	634,100	626,314	625,713	625,545	564,918	553,936	563,148	528,164	512,001	4,186,022	10,049,358
Sub-Total	3,185,964	3,052,256	2,881,446	2,717,843	2,574,943	2,417,024	2,315,350	2,253,343	2,100,511	1,941,934	17,304,853	42,745,466
Debt Service Payments - Projected Debt												
General Obligation Bonds	-	418,383	903,040	1,305,468	1,720,791	2,158,279	2,558,433	2,944,117	3,431,495	3,958,195	87,417,675	106,815,876
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	418,383	903,040	1,305,468	1,720,791	2,158,279	2,558,433	2,944,117	3,431,495	3,958,195	87,417,675	106,815,876
TOTAL	3,185,964	3,470,639	3,784,486	4,023,311	4,295,734	4,575,303	4,873,783	5,197,460	5,532,006	5,900,129	104,722,528	149,561,343
Projected Bond Financings												
General Obligation Bonds	4,736,418	5,585,006	4,770,006	5,015,006	5,370,006	5,058,822	5,000,005	6,255,000	6,830,005	9,040,000	-	57,660,274
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	4,736,418	5,585,006	4,770,006	5,015,006	5,370,006	5,058,822	5,000,005	6,255,000	6,830,005	9,040,000	-	57,660,274
CUMULATIVE TOTAL	4,736,418	10,321,424	15,091,430	20,106,436	25,476,442	30,535,264	35,535,269	41,790,269	48,620,274	57,660,274		

Computation of Debt Ratios

FYE June 30	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Population	35,785	36,366	36,924	37,474	38,024	38,579	39,140	39,704	40,262	40,830	41,406
Personal Income	$ 1,191,000,000	$ 1,274,200,000	$ 1,357,700,000	$ 1,450,800,000	$ 1,548,100,000	$ 1,652,100,000	$ 1,763,200,000	$ 1,882,000,000	$ 2,008,300,000	$ 2,142,800,000	$ 2,286,400,000
General Fund Revenues	$75,885,000	$ 81,750,000	$ 89,133,000	$ 94,744,000	$ 101,160,000	$ 107,746,000	$ 114,772,000	$ 122,255,000	$ 130,226,000	$ 138,717,000	$ 147,761,000
Growth Rate of General Fund Revenues	-4.12%	7.73%	9.03%	6.30%	6.77%	6.51%	6.52%	6.52%	6.52%	6.52%	6.52%
Debt per Capita	$836	$926	$989	$1,054	$1,123	$1,180	$1,230	$1,305	$1,389	$1,521	$1,430
Debt to Personal Income	2.51%	2.64%	2.69%	2.72%	2.76%	2.76%	2.73%	2.75%	2.79%	2.90%	2.59%
Debt Service to General Fund Revenues	4.20%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%

THE STATE OF CALIFORNIA
Debt Affordability Report-October 2001

Computation of Debt Ratios for Total Net Tax-Supported Debt as of July 1, 2001 plus $58.915 Billion in Projected Bond Financings (000's)
General Fund Revenue Growth @ DOF Forecast, Bonds Issued with Equal Annual Debt Service Repayment

FYE June 30	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 - 2041	TOTAL
General Fund Debt - Existing												
General Obligation Bonds	$ 19,062,858	$ 17,703,602	$ 16,418,352	$ 15,219,792	$ 14,091,852	$ 12,994,127	$ 11,926,489	$ 10,867,564	$ 9,864,319	$ 8,947,615		
Lease Purchase Financings	6,112,830	5,807,084	5,493,237	5,165,393	4,818,510	4,519,446	4,213,079	3,885,572	3,570,440	3,243,725		
Sub-Total	25,175,688	23,510,685	21,911,589	20,385,185	18,910,362	17,513,573	16,139,568	14,753,136	13,434,759	12,191,340		
General Fund Debt - Projected												
General Obligation Bonds	5,121,420	11,585,720	16,555,915	21,706,155	26,848,455	31,440,680	35,461,340	40,995,760	46,666,760	54,959,315		
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-		
Sub-Total	5,121,420	11,585,720	16,555,915	21,706,155	26,848,455	31,440,680	35,461,340	40,995,760	46,666,760	54,959,315		
TOTAL	30,297,108	35,096,405	38,467,504	42,091,340	45,758,817	48,954,253	51,600,908	55,748,896	60,101,519	67,150,655		
Principal Repayments - Existing Debt												
General Obligation Bonds	1,410,035	1,359,256	1,285,250	1,198,559	1,127,940	1,097,725	1,067,638	1,058,925	1,003,245	916,704	$ 8,947,615	$ 20,472,893
Lease Purchase Financings	300,431	305,746	313,846	327,845	346,883	299,064	306,367	327,508	315,132	326,715	3,243,725	6,413,260
Sub-Total	1,710,466	1,665,003	1,599,096	1,526,404	1,474,823	1,396,789	1,374,005	1,386,433	1,318,377	1,243,419	12,191,340	26,886,153
Principal Repayments - Projected Debt												
General Obligation Bonds	-	70,705	164,810	244,765	332,705	426,595	519,340	610,580	729,000	857,445	54,959,315	58,915,260
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	70,705	164,810	244,765	332,705	426,595	519,340	610,580	729,000	857,445	54,959,315	58,915,260
TOTAL	1,710,466	1,735,708	1,763,906	1,771,169	1,807,528	1,823,384	1,893,345	1,997,013	2,047,377	2,100,864	67,150,655	85,801,413
Interest Payments - Existing Debt												
General Obligation Bonds	1,146,432	1,058,899	969,882	893,570	821,459	754,381	693,775	631,270	569,102	513,229	4,171,216	12,223,216
Lease Purchase Financings	329,066	328,354	312,467	297,869	278,662	265,854	247,569	235,640	213,032	185,286	942,297	3,636,097
Sub-Total	1,475,498	1,387,253	1,282,349	1,191,439	1,100,121	1,020,235	941,345	866,910	782,134	698,515	5,113,513	15,859,313
Interest Payments - Projected Debt												
General Obligation Bonds	-	281,678	637,215	910,575	1,193,839	1,476,665	1,729,237	1,950,374	2,254,767	2,566,672	49,694,352	62,695,373
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	281,678	637,215	910,575	1,193,839	1,476,665	1,729,237	1,950,374	2,254,767	2,566,672	49,694,352	62,695,373
TOTAL	1,475,498	1,668,931	1,919,564	2,102,015	2,293,959	2,496,900	2,670,582	2,817,284	3,036,901	3,265,187	54,807,865	78,554,686
Debt Service Payments - Existing Debt												
General Obligation Bonds	2,556,467	2,418,156	2,255,132	2,092,130	1,949,399	1,852,106	1,761,413	1,690,195	1,572,347	1,429,933	13,118,831	32,696,109
Lease Purchase Financings	629,497	634,100	626,314	625,713	625,545	564,918	553,936	563,148	528,164	512,001	4,186,022	10,049,358
Sub-Total	3,185,964	3,052,256	2,881,446	2,717,843	2,574,943	2,417,024	2,315,350	2,253,343	2,100,511	1,941,934	17,304,853	42,745,466
Debt Service Payments - Projected Debt												
General Obligation Bonds	-	352,383	802,025	1,155,340	1,526,544	1,903,260	2,248,577	2,560,954	2,983,767	3,424,117	104,653,667	121,610,633
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	352,383	802,025	1,155,340	1,526,544	1,903,260	2,248,577	2,560,954	2,983,767	3,424,117	104,653,667	121,610,633
TOTAL	3,185,964	3,404,639	3,683,470	3,873,184	4,101,487	4,320,284	4,563,927	4,814,297	5,084,278	5,366,051	121,958,520	164,356,100

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 - 2041	TOTAL
Projected Bond Financings												
General Obligation Bonds	5,121,420	6,535,005	5,135,005	5,395,005	5,475,005	5,018,820	4,540,000	6,145,000	6,400,000	9,150,000	-	58,915,260
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	5,121,420	6,535,005	5,135,005	5,395,005	5,475,005	5,018,820	4,540,000	6,145,000	6,400,000	9,150,000	-	58,915,260
CUMULATIVE TOTAL	5,121,420	11,656,425	16,791,430	22,186,435	27,661,440	32,680,260	37,220,260	43,365,260	49,765,260	58,915,260		

Computation of Debt Ratios

FYE June 30	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Population	35,785	36,366	36,924	37,474	38,024	38,579	39,140	39,704	40,262	40,830	41,406
Personal Income	$ 1,191,000,000	$ 1,274,200,000	$ 1,357,700,000	$ 1,450,800,000	$ 1,548,100,000	$ 1,652,100,000	$ 1,763,200,000	$ 1,882,000,000	$ 2,008,300,000	$ 2,142,800,000	$ 2,286,400,000
General Fund Revenues	$75,105,000	$ 80,159,000	$ 86,597,000	$ 91,182,000	$ 96,445,000	$ 101,760,000	$ 107,378,000	$ 113,305,000	$ 119,559,000	$ 126,159,000	$ 133,123,000
Growth Rate of General Fund Revenues	-3.72%	6.73%	8.03%	5.29%	5.77%	5.51%	5.52%	5.52%	5.52%	5.52%	5.52%
Debt per Capita	$847	$965	$1,042	$1,123	$1,203	$1,269	$1,318	$1,404	$1,493	$1,645	$1,573
Debt to Personal Income	2.54%	2.75%	2.83%	2.90%	2.96%	2.96%	2.93%	2.96%	2.99%	3.13%	2.85%
Debt Service to General Fund Revenues	4.24%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%

Computation of Debt Ratios for Total Net Tax-Supported Debt as of July 1, 2001 plus $50.665 Billion in Projected Bond Financings (000's)
General Fund Revenue Growth @ DOF Forecast Minus 1%, Bonds Issued with Equal Annual Debt Service Repayment

FYE June 30	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 - 2041	TOTAL
General Fund Debt - Existing												
General Obligation Bonds	$ 19,062,858	$ 17,703,602	$ 16,418,352	$ 15,219,792	$ 14,091,852	$ 12,994,127	$ 11,926,489	$ 10,867,564	$ 9,864,319	$ 8,947,615		
Lease Purchase Financings	6,112,830	5,807,084	5,493,237	5,165,393	4,818,510	4,519,446	4,213,079	3,885,572	3,570,440	3,243,725		
Sub-Total	25,175,688	23,510,685	21,911,589	20,385,185	18,910,362	17,513,573	16,139,568	14,753,136	13,434,759	12,191,340		
General Fund Debt - Projected												
General Obligation Bonds	4,211,420	9,978,285	14,511,535	18,927,450	23,472,670	27,324,015	30,492,745	35,216,680	39,829,205	47,249,875		
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-		
Sub-Total	4,211,420	9,978,285	14,511,535	18,927,450	23,472,670	27,324,015	30,492,745	35,216,680	39,829,205	47,249,875		
TOTAL	29,387,108	33,488,970	36,423,124	39,312,635	42,383,032	44,837,588	46,632,313	49,969,816	53,263,964	59,441,215		
Principal Repayments - Existing Debt												
General Obligation Bonds	1,410,035	1,359,256	1,285,250	1,198,559	1,127,940	1,097,725	1,067,638	1,058,925	1,003,245	916,704	$ 8,947,615	$ 20,472,893
Lease Purchase Financings	300,431	305,746	313,846	327,845	346,883	299,064	306,367	327,508	315,132	326,715	3,243,725	6,413,260
Sub-Total	1,710,466	1,665,003	1,599,096	1,526,404	1,474,823	1,396,789	1,374,005	1,386,433	1,318,377	1,243,419	12,191,340	26,886,153
Principal Repayments - Projected Debt												
General Obligation Bonds	-	58,140	141,755	214,090	289,785	372,475	451,270	526,065	627,475	734,330	47,249,875	50,665,260
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	58,140	141,755	214,090	289,785	372,475	451,270	526,065	627,475	734,330	47,249,875	50,665,260
TOTAL	1,710,466	1,723,143	1,740,851	1,740,494	1,764,608	1,769,264	1,825,275	1,912,498	1,945,852	1,977,749	59,441,215	77,551,413
Interest Payments - Existing Debt												
General Obligation Bonds	1,146,432	1,058,899	969,882	893,570	821,459	754,381	693,775	631,270	569,102	513,229	4,171,216	12,223,216
Lease Purchase Financings	329,066	328,354	312,467	297,869	278,662	265,854	247,569	235,640	213,032	185,286	942,297	3,636,097
Sub-Total	1,475,498	1,387,253	1,282,349	1,191,439	1,100,121	1,020,235	941,345	866,910	782,134	698,515	5,113,513	15,859,313
Interest Payments - Projected Debt												
General Obligation Bonds	-	231,628	548,806	798,134	1,041,010	1,290,997	1,502,821	1,677,101	1,936,917	2,190,606	42,697,992	53,916,012
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	231,628	548,806	798,134	1,041,010	1,290,997	1,502,821	1,677,101	1,936,917	2,190,606	42,697,992	53,916,012
TOTAL	1,475,498	1,618,881	1,831,155	1,989,574	2,141,130	2,311,232	2,444,165	2,544,011	2,719,052	2,889,122	47,811,505	69,775,325
Debt Service Payments - Existing Debt												
General Obligation Bonds	2,556,467	2,418,156	2,255,132	2,092,130	1,949,399	1,852,106	1,761,413	1,690,195	1,572,347	1,429,933	13,118,831	32,696,109
Lease Purchase Financings	629,497	634,100	626,314	625,713	625,545	564,918	553,936	563,148	528,164	512,001	4,186,022	10,049,358
Sub-Total	3,185,964	3,052,256	2,881,446	2,717,843	2,574,943	2,417,024	2,315,350	2,253,343	2,100,511	1,941,934	17,304,853	42,745,466
Debt Service Payments - Projected Debt												
General Obligation Bonds	-	289,768	690,561	1,012,224	1,330,795	1,663,472	1,954,091	2,203,166	2,564,392	2,924,936	89,947,867	104,581,272
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	289,768	690,561	1,012,224	1,330,795	1,663,472	1,954,091	2,203,166	2,564,392	2,924,936	89,947,867	104,581,272
TOTAL	3,185,964	3,342,024	3,572,007	3,730,068	3,905,738	4,080,496	4,269,440	4,456,509	4,664,903	4,866,871	107,252,720	147,326,739
Projected Bond Financings												
General Obligation Bonds	4,211,420	5,825,005	4,675,005	4,630,005	4,835,005	4,223,820	3,620,000	5,250,000	5,240,000	8,155,000	-	50,665,260
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	4,211,420	5,825,005	4,675,005	4,630,005	4,835,005	4,223,820	3,620,000	5,250,000	5,240,000	8,155,000	-	50,665,260
CUMULATIVE TOTAL	4,211,420	10,036,425	14,711,430	19,341,435	24,176,440	28,400,260	32,020,260	37,270,260	42,510,260	50,665,260		

Computation of Debt Ratios

FYE June 30	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Population	35,785	36,366	36,924	37,474	38,024	38,579	39,140	39,704	40,262	40,830	41,406
Personal Income	$ 1,191,000,000	$ 1,274,200,000	$ 1,357,700,000	$ 1,450,800,000	$ 1,548,100,000	$ 1,652,100,000	$ 1,763,200,000	$ 1,882,000,000	$ 2,008,300,000	$ 2,142,800,000	$ 2,286,400,000
General Fund Revenues	$74,325,000	$ 78,583,000	$ 84,109,000	$ 87,721,000	$ 91,907,000	$ 96,053,000	$ 100,395,000	$ 104,933,000	$ 109,676,000	$ 114,634,000	$ 119,815,000
Growth Rate of General Fund Revenues	-3.72%	5.73%	7.03%	4.29%	4.77%	4.51%	4.52%	4.52%	4.52%	4.52%	4.52%
Debt per Capita	$821	$921	$986	$1,049	$1,115	$1,162	$1,191	$1,259	$1,323	$1,456	$1,390
Debt to Personal Income	2.47%	2.63%	2.68%	2.71%	2.74%	2.71%	2.64%	2.66%	2.65%	2.77%	2.52%
Debt Service to General Fund Revenues	4.29%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%

Computation of Debt Ratios for Total Net Tax-Supported Debt as of July 1, 2001 plus $67.960 Billion in Projected Bond Financings (000's)
General Fund Revenue Growth @ DOF Forecast Plus 1%, Bonds Issued with Equal Annual Debt Service Repayment

FYE June 30	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 - 2041	TOTAL
General Fund Debt - Existing												
General Obligation Bonds	$ 19,062,858	$ 17,703,602	$ 16,418,352	$ 15,219,792	$ 14,091,852	$ 12,994,127	$ 11,926,489	$ 10,867,564	$ 9,864,319	$ 8,947,615		
Lease Purchase Financings	6,112,830	5,807,084	5,493,237	5,165,393	4,818,510	4,519,446	4,213,079	3,885,572	3,570,440	3,243,725		
Sub-Total	25,175,688	23,510,685	21,911,589	20,385,185	18,910,362	17,513,573	16,139,568	14,753,136	13,434,759	12,191,340		
General Fund Debt - Projected												
General Obligation Bonds	6,106,420	13,132,125	18,725,035	24,507,860	30,546,780	35,775,270	40,749,365	47,264,135	53,840,785	63,433,965		
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-		
Sub-Total	6,106,420	13,132,125	18,725,035	24,507,860	30,546,780	35,775,270	40,749,365	47,264,135	53,840,785	63,433,965		
TOTAL	31,282,108	36,642,810	40,636,624	44,893,045	49,457,142	53,288,843	56,888,933	62,017,271	67,275,544	75,625,305		
Principal Repayments - Existing Debt												
General Obligation Bonds	1,410,035	1,359,256	1,285,250	1,198,559	1,127,940	1,097,725	1,067,638	1,058,925	1,003,245	916,704	$ 8,947,615	$ 20,472,893
Lease Purchase Financings	300,431	305,746	313,846	327,845	346,883	299,064	306,367	327,508	315,132	326,715	3,243,725	6,413,260
Sub-Total	1,710,466	1,665,003	1,599,096	1,526,404	1,474,823	1,396,789	1,374,005	1,386,433	1,318,377	1,243,419	12,191,340	26,886,153
Principal Repayments - Projected Debt												
General Obligation Bonds	-	84,300	187,095	277,180	376,085	485,330	590,910	700,230	838,355	986,820	63,433,965	67,960,270
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	84,300	187,095	277,180	376,085	485,330	590,910	700,230	838,355	986,820	63,433,965	67,960,270
TOTAL	1,710,466	1,749,303	1,786,191	1,803,584	1,850,908	1,882,119	1,964,915	2,086,663	2,156,732	2,230,239	75,625,305	94,846,423
Interest Payments - Existing Debt												
General Obligation Bonds	1,146,432	1,058,899	969,882	893,570	821,459	754,381	693,775	631,270	569,102	513,229	4,171,216	12,223,216
Lease Purchase Financings	329,066	328,354	312,467	297,869	278,662	265,854	247,569	235,640	213,032	185,286	942,297	3,636,097
Sub-Total	1,475,498	1,387,253	1,282,349	1,191,439	1,100,121	1,020,235	941,345	866,910	782,134	698,515	5,113,513	15,859,313
Interest Payments - Projected Debt												
General Obligation Bonds	-	335,853	722,267	1,029,877	1,347,932	1,680,073	1,967,640	2,241,215	2,599,527	2,961,243	57,435,094	72,320,722
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	335,853	722,267	1,029,877	1,347,932	1,680,073	1,967,640	2,241,215	2,599,527	2,961,243	57,435,094	72,320,722
TOTAL	1,475,498	1,723,106	2,004,616	2,221,316	2,448,053	2,700,308	2,908,985	3,108,125	3,381,662	3,659,758	62,548,607	88,180,035
Debt Service Payments - Existing Debt												
General Obligation Bonds	2,556,467	2,418,156	2,255,132	2,092,130	1,949,399	1,852,106	1,761,413	1,690,195	1,572,347	1,429,933	13,118,831	32,696,109
Lease Purchase Financings	629,497	634,100	626,314	625,713	625,545	564,918	553,936	563,148	528,164	512,001	4,186,022	10,049,358
Sub-Total	3,185,964	3,052,256	2,881,446	2,717,843	2,574,943	2,417,024	2,315,350	2,253,343	2,100,511	1,941,934	17,304,853	42,745,466
Debt Service Payments - Projected Debt												
General Obligation Bonds	-	420,153	909,362	1,307,057	1,724,017	2,165,403	2,558,550	2,941,445	3,437,882	3,948,063	120,869,059	140,280,992
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	420,153	909,362	1,307,057	1,724,017	2,165,403	2,558,550	2,941,445	3,437,882	3,948,063	120,869,059	140,280,992
TOTAL	3,185,964	3,472,409	3,790,808	4,024,900	4,298,961	4,582,427	4,873,899	5,194,788	5,538,393	5,889,997	138,173,912	183,026,458
Projected Bond Financings												
General Obligation Bonds	6,106,420	7,110,005	5,780,005	6,060,005	6,415,005	5,713,820	5,565,005	7,215,000	7,415,005	10,580,000	-	67,960,270
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	6,106,420	7,110,005	5,780,005	6,060,005	6,415,005	5,713,820	5,565,005	7,215,000	7,415,005	10,580,000	-	67,960,270
CUMULATIVE TOTAL	6,106,420	13,216,425	18,996,430	25,056,435	31,471,440	37,185,260	42,750,265	49,965,265	57,380,270	67,960,270		

Computation of Debt Ratios

FYE June 30	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Population	35,785	36,366	36,924	37,474	38,024	38,579	39,140	39,704	40,262	40,830	41,406
Personal Income	$ 1,191,000,000	$ 1,274,200,000	$ 1,357,700,000	$ 1,450,800,000	$ 1,548,100,000	$ 1,652,100,000	$ 1,763,200,000	$ 1,882,000,000	$ 2,008,300,000	$ 2,142,800,000	$ 2,286,400,000
General Fund Revenues	$75,885,000	$ 81,750,000	$ 89,133,000	$ 94,744,000	$ 101,160,000	$ 107,746,000	$ 114,772,000	$ 122,255,000	$ 130,226,000	$ 138,717,000	$ 147,761,000
Growth Rate of General Fund Revenues	-3.72%	7.73%	9.03%	6.30%	6.77%	6.51%	6.52%	6.52%	6.52%	6.52%	6.52%
Debt per Capita	$874	$1,008	$1,101	$1,198	$1,301	$1,381	$1,453	$1,562	$1,671	$1,852	$1,774
Debt to Personal Income	2.63%	2.88%	2.99%	3.09%	3.19%	3.23%	3.23%	3.30%	3.35%	3.53%	3.21%
Debt Service to General Fund Revenues	4.20%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%