THE STATE OF CALIFORNIA'S DEBT AFFORDABILITY REPORT

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PHILIP ANGELIDES
CALIFORNIA STATE TREASURER

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EXECUTIVE SUMMARY

The Treasurer is required to submit an annual State of California Debt Affordability Report to the Governor and the Legislature in accordance with the requirement of Government Code Section 12330. The following is a brief summary of the five sections comprising the Debt Affordability Report for 2002.

SECTION I: THE VALUE OF DEBT AFFORDABILITY ANALYSIS

An important duty of California's state government is to provide infrastructure investment. The State funds many such infrastructure improvement projects directly from its General Fund and through debt financing repaid by the General Fund. Small variances in General Fund revenues can have a significant impact on debt capacity. Debt affordability analysis can be a useful tool to help policymakers identify appropriate levels of borrowing and make decisions about future capital projects.

SECTION II: CALIFORNIA'S CURRENT DEBT POSITION

As of June 30, 2002, the State's outstanding net tax-supported debt totaled $28.46 billion, while its authorized but unissued net tax-supported debt was $14.84 billion. The State's debt service as a percentage of General Fund revenues for fiscal year 2001-02 is 3.66 percent, which is lower than the 4.13 percent recorded in fiscal year 2000-01 principally because of the implementation of the Strategic Debt Management Plan. Credit analysts generally consider the State's debt level to be moderate.

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

The investment community has traditionally viewed California's bonds as high-quality investments. The State's general obligation bond credit ratings experienced considerable volatility over the last decade, reflecting trends in the State's economy and the fiscal condition of the State's General Fund. However, California's large economy, diverse taxing authority, and solid bond payment history allow the State to finance its capital projects at relatively low borrowing rates.

The three national bond rating agencies that track state and local governments are Fitch Ratings (Fitch), Moody's Investors Service (Moody's), and Standard and Poor's (S&P). From 1996 through 2000, all three agencies upgraded the State's ratings several times. Peak general obligation bond ratings were achieved in late 2000 and early 2001 at AA by Fitch, Aa2 by Moody's, and AA by S&P. During 2001 Moody's and S&P downgraded the State's credit ratings. These actions were taken in response to a weakening of the California and national economies during 2001 and the uncertainty this created for future General Fund revenues. An additional factor was the potential negative impact on the General Fund of the State's financial commitment to purchase electricity due to the extraordinary conditions of California's energy crisis in late 2000 and early 2001. Fitch, Moody's, and S&P currently rate the State's general obligation bonds AA, A1, and A+, respectively.

In general, California's and other issuers' absolute borrowing costs have been declining since September 2000, when the State's average 20-year bond yield was 5.38 percent. As of September 2002, the State's average 20-year bond yield had fallen to 4.63 percent.

At the same time that the State's absolute borrowing cost has decreased, California's relative borrowing cost has increased compared to the AAA-rated national benchmark. The market's perceived deterioration in the State's creditworthiness over the past 24 months caused investors to increase the State's relative cost of borrowing. In September of 2000, based on its strong credit ratings and high investor demand, the State's borrowing cost was about 0.13 percent lower than the national AAA-rated, 20-year benchmark. As of September 2002, the State's average bond yield was 0.07 percent higher than this national benchmark, for a relative net increase of 0.20 percent.

SECTION IV: STRATEGIC DEBT MANAGEMENT PLAN

In 2002, the Treasurer implemented the Strategic Debt Management Plan ("the Plan"). A principal goal of the Plan is to better match the timeframe for repaying debt for infrastructure projects to the useful life of the assets being funded. The Plan also reduces debt service in fiscal years 2001-02 to 2003-04 by approximately $2 billion and increases the State's long-term capacity to finance California's crucial infrastructure needs. Implementation of the Plan is underway to accomplish these goals by: 1) shifting from level principal payments to level debt service payments for new bond issues; 2) restructuring existing debt to achieve significant one-time debt service reductions and to expedite the transition to level debt service; and 3) implementing recent legislation authorizing the State to issue variable rate debt for a portion of its general obligation bond portfolio.

SECTION V: CALIFORNIA'S FUTURE DEBT CAPACITY

Section II examined California's current debt level in the context of three factors: General Fund revenue, statewide personal income, and statewide population. Of the three debt ratios, the rating agencies view California's ratio of debt service to General Fund revenues as the best indicator of the State's capacity for additional debt. The State's General Fund debt capacity is analyzed assuming three different scenarios of the State's commitment of General Fund revenues for debt service, as described below.

- The first analysis assumes a target 4.25 percent ratio of annual debt service to General Fund revenues. This target is reached by moving from 2.99 percent in fiscal year 2002-03 and 3.35 percent in fiscal year 2003-04 to 4.25 percent in fiscal year 2004-05 and thereafter. This ratio is higher than the fiscal year 2001-02 ratio of 3.66 percent, but close to the 4.08 percent level that is the average over the last five years.

- The second analysis assumes a gradual increase in the State's ratio of annual debt service to General Fund revenues from the fiscal year 2001-02 level of 3.66 percent to 5.00 percent by fiscal year 2005-06 and then maintains the ratio at 5.00 percent. This ratio is close to the 4.90 percent level that we project as the peak annual debt service level over the next 10 years, assuming issuance of all currently authorized but unissued bonds and issuance of the portion of proposed bonds on the November 2002 ballot that this office projects would be sold over the next 10 years, if these 2002 bond measures all are approved by the voters.

- The third analysis assumes a gradual increase in the State's ratio of annual debt service to General Fund revenues from the fiscal year 2001-02 level of 3.66 percent to 6.00 percent by fiscal year 2005-06 and then maintains the ratio at 6.00 percent.

Additional sensitivity analyses were performed to show the implications of alternative General Fund revenue assumptions: one alternative assumes lower revenue growth, with General Fund revenues annually increasing at 1.00 percent less than the base case Department of Finance (DOF) forecast; the second alternative assumes higher revenue growth, with General Fund revenues annually increasing at 1.00 percent more than the base case DOF forecast. These sensitivity analyses were applied to each of the three scenarios above at their respective ratios of debt service to General Fund revenues. The results of all these analyses are summarized in the following table.

State of California Debt Capacity
Under Alternative Revenue Scenarios ($ Billions)

Scenario	Ratio of Debt Service to General Fund Revenues	10-year Cumulative Debt Capacity @ Revenue Forecast –1%[1]	10-year Cumulative Debt Capacity @ Base Case Revenue Forecast [1]	10-year Cumulative Debt Capacity @ Revenue Forecast +1%[1]
1	4.25%	$45.10	$52.97	$61.50
2	5.00%	$57.39	$66.64	$76.57
3	6.00%	$73.83	$84.78	$96.90

Source: Department of Finance, September 2002[1]
[1]*The DOF September 2002 revenue projections forecast revenue through fiscal year 2011-12. To calculate bond issuance capacity for a full 10 years, the growth rate in General Fund revenue provided by the DOF for fiscal year 2011-12 also was assumed for fiscal year 2012-13.*

SECTION I: THE VALUE OF DEBT AFFORDABILITY ANALYSIS

Introduction
California state government delivers a broad range of services to California residents and businesses. Central to its responsibilities is the State's duty to provide for infrastructure investment. The Debt Affordability Report will assist policymakers to make informed decisions regarding the use of debt for infrastructure investment.

Financial prudence is important to state policymakers. In order for policymakers to determine appropriate levels of borrowing for infrastructure investments, it is necessary for them to understand the amount of debt the State can issue without adversely affecting payments for existing bonds and crucial state operations and services. Recognizing the need for guidance on borrowing, policymakers enacted legislation requiring the State Treasurer to prepare an annual Debt Affordability Report for presentation to the Governor and the Legislature.

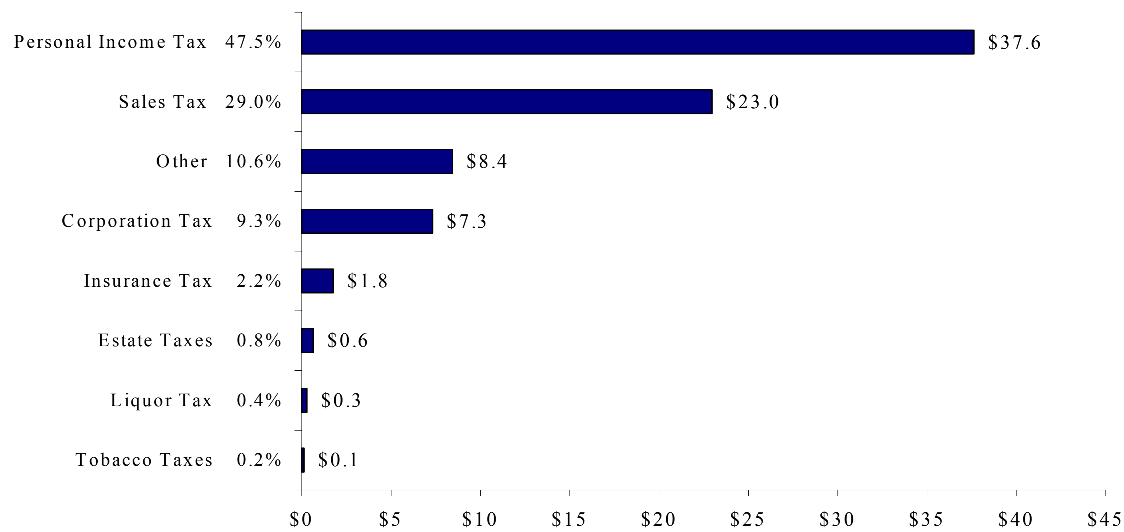
This Report examines the State's projected capacity to issue new debt over the next 10 years. The State's debt capacity is analyzed under a variety of potential scenarios, including varying levels of General Fund revenues allocated to debt service, as well as different projected growth rates in General Fund revenues. Finally, the potential impact of proposed bond authorizations on the 2002 and 2004 ballots also is analyzed.

California's General Fund
California state government finances programs and projects largely through its General Fund. Analysis of the General Fund budget plays a key role in debt affordability because modest variations, as this Report will show later, can cause significant changes in the amount of debt the State can afford to issue.

As shown in Figure 1.1, the primary sources of revenue for the General Fund are the personal income tax, sales tax, and corporation tax.

Figure 1.1

More Than 75% of the State's General Fund Revenues Comes From the Income Tax and Sales Tax ($ Billions)

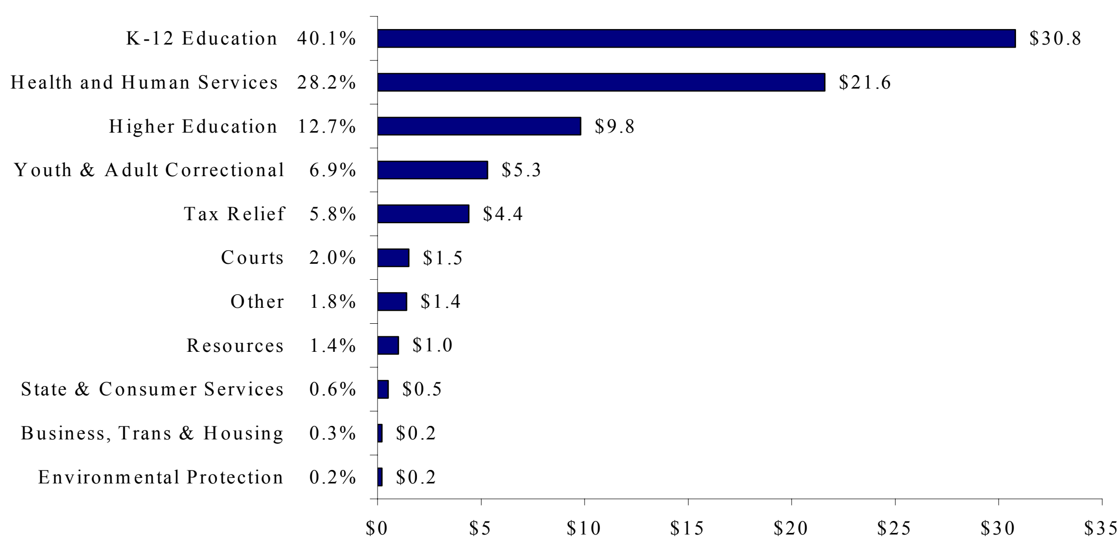


Source: State of California 2002-03 Budget

Figure 1.2 shows the State's main General Fund expenditures are for education (K–12 and higher education), health and welfare programs, and youth and adult correctional programs.

Figure 1.2

Education is the Biggest Component of General Fund Expenditures ($ Billions)



Source: State of California 2002-03 Budget

Capital Expenditures

An essential duty of state government is to foster the development of infrastructure through projects such as schools, highways, public safety facilities, and water and environmental protection projects. The State's General Fund supports expenditures, including debt service, to fund the cost of planning, constructing or modifying facilities, as well as acquiring land necessary for such projects. Highlights of past state funding for these vital projects include:

- **Kindergarten to 12th Grade Education:** In 2001, California had 8,761 schools containing 275,000 classrooms to provide learning environments for 6.1 million students. The State has assisted local school districts to build new schools and modernize existing ones. During the past 10 years, California's school-age population grew by more than one million students, an increase of 21 percent. Since 1992 California voters have authorized over $11.52 billion in State general obligation bonds to fund construction of new schools and the renovation and modernization of existing schools.

- **Higher Education:** There are three public institutions of higher education in California: the University of California, California State University, and California Community Colleges. Together they educate over three million students on 141 campuses throughout the State. The California Community Colleges comprise the largest system of higher learning in the world. Voter authorized state general obligation bonds have provided over $4.37 billion for campus improvements since 1992.

- **Transportation:** In 1919, the first State Highway Bond Act, for $18 million, was approved to establish a state highway system. Since those early capital expenditures, thousands of miles of highway and freeway have been built. In addition to expansion, retrofits and improvements to the existing transportation system are very important. For example, in 1996 voters approved $2 billion in state general obligation bonds to strengthen bridges to better withstand earthquakes.

- **California Water Project**: In 1960, California voters approved a $1.75 billion bond issue to begin building a state water project. The California State Water Project is a water storage and delivery system of reservoirs, aqueducts, power plants and pumping plants. The Project provides water to approximately 20 million Californians and about 660,000 acres of irrigated farmland. It serves to improve water quality in the Sacramento-San Joaquin Delta, control floodwaters on the Feather River in Northern California, provide recreation, and preserve fish and wildlife. California voters have authorized over $3.34 billion in state general obligation bonds to fund water quality and flood improvement projects since 1996.

Paying for Capital Investments

To finance infrastructure investment, the State can fund long-term projects with either "pay-as-you-go" or debt financing. The pay-as-you-go capital funding method places project costs on residents and businesses paying taxes during the time the project is under construction. Funding projects with cash-on-hand avoids the interest costs of debt financing and can be a strong tool for fiscal discipline. However, there are significant disadvantages to pay-as-you-go funding.

By concentrating the burden of payment for long-term projects on current taxpayers, the capacity to fund important near-term activities is reduced. Since infrastructure is usually built with a useful life of several decades, pay-as-you-go funding does not equitably distribute the cost of long-term investments between those who pay for the project in the present and those who enjoy the benefits in the future. Thus, the ability to invest for both current and future needs is constrained.

Debt financing of capital assets does for state government and taxpayers what a mortgage does for a homeowner; it makes it possible to pay for a facility over its period of use. Borrowing spreads capital costs across time, enhances the ability to budget, and provides for more consistent outlays. Debt financing allows completion of capital projects at today's prices, reducing the risk of unknown and potentially inflated prices in the future. Since it is undesirable for current California residents to live with substandard infrastructure or for future generations to be burdened with high levels of debt, the State must use long-term financing prudently to equitably distribute the costs of those assets. This balance of responsibility between current and future generations is essential to the continued economic and fiscal health of the State.

Debt Affordability

An important responsibility of financial management is to determine how to allocate limited financial resources to meet both current operations and long-term capital needs. Debt affordability analysis can help policymakers balance the resource needs of long-term infrastructure investments and on-going operating budget commitments.

In order to issue additional debt, the State must have the ability to make debt service payments without jeopardizing future funding for prior debt obligations and for critical state operations and services. To maintain or improve its bond ratings and promote investors' acceptance of its bonds, the State must demonstrate to rating agencies and potential investors that sufficient capacity exists to assure timely payment of all existing and future debt service.

Common debt ratios serve as indicators of a state's existing and potential additional capacity. Among the key ratios used by market participants to measure an issuer's debt capacity are debt service to revenues, debt to income, and debt per capita. The ratio most closely tied to an issuer's fiscal position is the ratio of debt service to revenues. This report examines these ratios and other factors with implications for the State's debt affordability.

SECTION II: CALIFORNIA'S CURRENT DEBT POSITION

The annual Debt Affordability Report provides policymakers 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 credit ratings to the State or, in the case of investors, in determining whether to purchase California bonds.

California's Outstanding Debt

The State's debt position is evaluated 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 General Fund. Net tax-supported debt excludes: 1) commercial paper and debt obligations of less than one year, such as revenue anticipation notes and warrants; 2) "self-supporting" state debt, which is repaid from specific project revenues rather than the General Fund; and 3) debt of federal, state and local governments and their agencies that are not obligations of the State's General Fund. It also excludes all types of "conduit" bonds issued by state financing authorities on behalf of other governmental or private entities whose obligations secure the bonds.

California's Outstanding Net Tax-Supported Debt

As shown in Figure 2.1, on June 30, 2002, the State's net tax-supported debt totaled $28.46 billion, representing a 5.8 percent net increase from the $26.89 billion outstanding on June 30, 2001. This net increase of $1.37 billion was derived from a total of $4.13 billion in bonds issued and $2.76 billion in bonds retired. In fiscal year 2001-02, the State sold $2.80 billion in new general obligation bonds and $229.1 million in lease-purchase revenue bonds for new capital projects. In addition, the State sold $1.105 billion in general obligation bonds that refunded existing debt.

Figure 2.1

The State's Net Tax-Supported Debt Increased by 5.8% During FY 2001-02* ($ Billions)	
2001 Net Tax-Supported Debt	$26.89
2002 Net Tax-Supported Debt	28.46
Change in Dollars	$1.57
Change in Percent	5.84%

** As of June 30 each year*

Approximately 78 percent of the State's outstanding net tax-supported debt consists of general obligation bonds authorized by the State's voters. The remaining 22 percent represents lease-purchase revenue bonds authorized by the Legislature. Another $14.84 billion in net tax-supported debt has been authorized by the voters or the Legislature but not yet issued. See

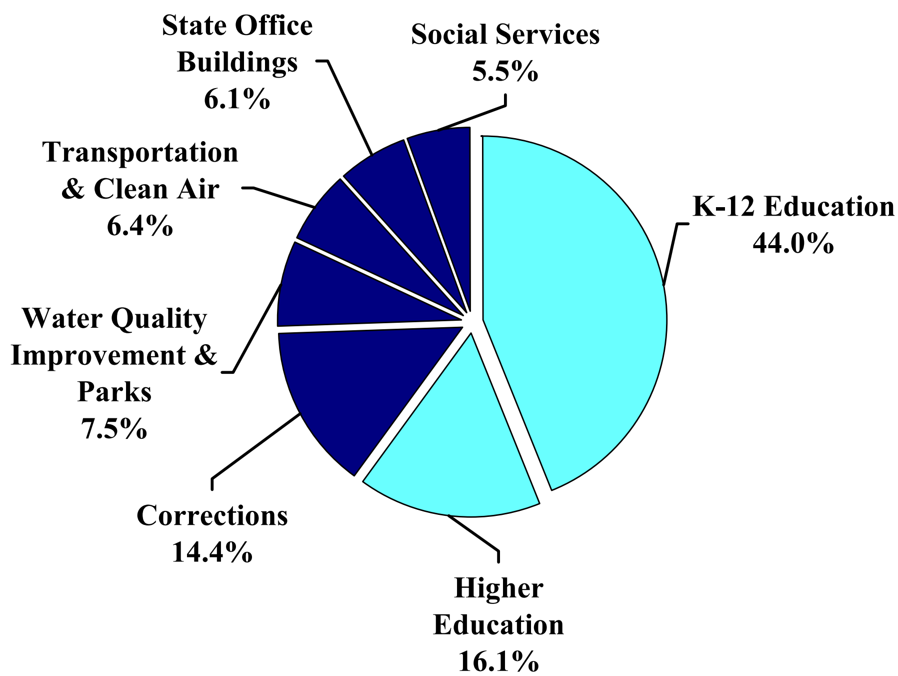
Appendix 1 for a list of the State's authorized net tax-supported debt, including both outstanding bonds and amounts unissued as of June 30, 2002.

Programs Funded With Net Tax-Supported Debt

Of the $28.46 billion of net tax-supported debt outstanding as of June 30, 2002, $17.10 billion or 60.1 percent was issued for education—to build classrooms for K-12 students and to make improvements to higher education campuses. Figure 2.2 reflects the allocation of this $28.46 billion in bond funds to state programs.

Figure 2.2

State of California Programs Funded with $28.46 Billion in Outstanding Bonds



As of June 30, 2002

Annual Debt Service Commitments

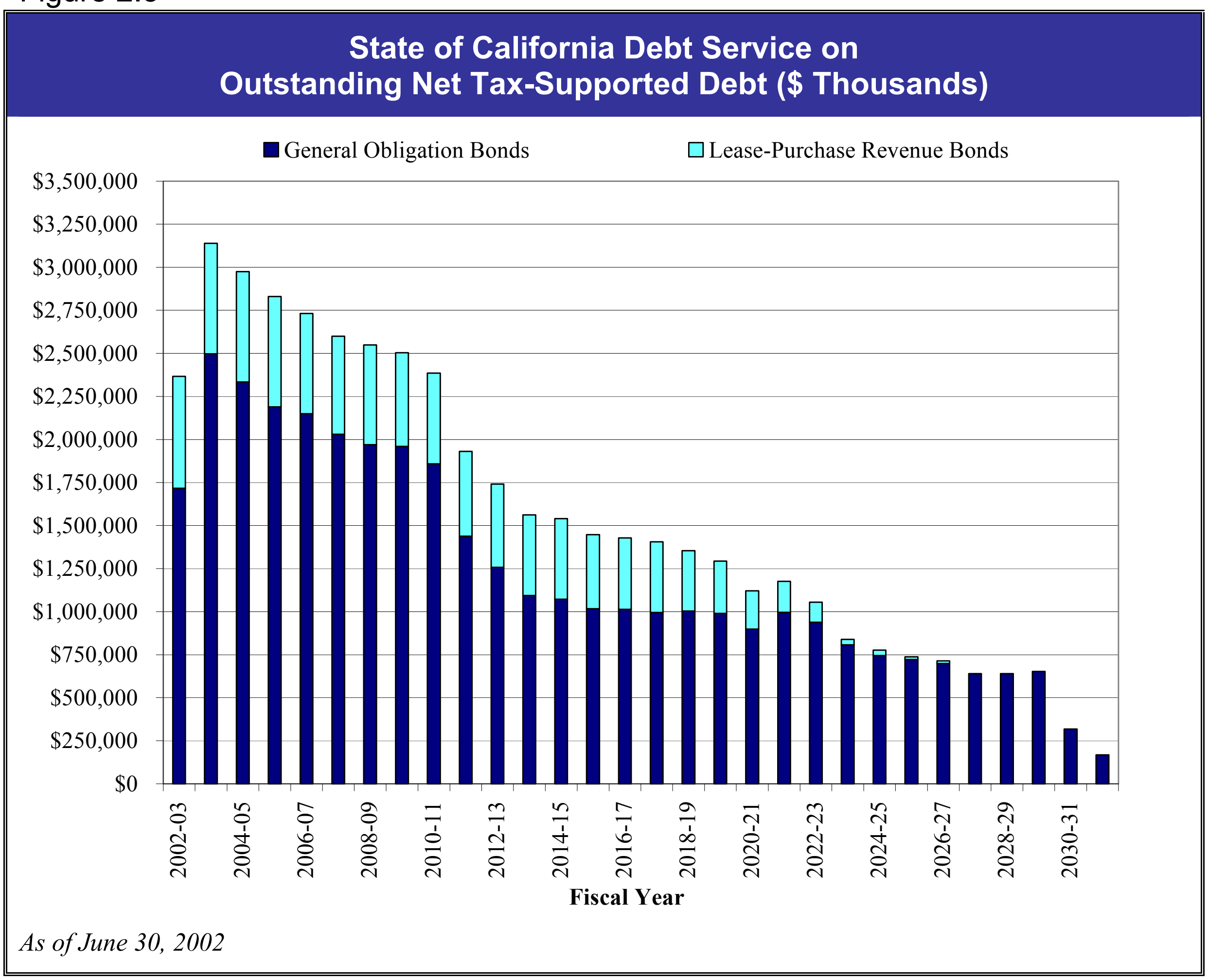
Debt service is the principal and interest that the State pays on outstanding bonds. Total debt service on net tax-supported debt is comprised of debt service on general obligation bonds and lease-purchase revenue bonds. The State's net tax-supported debt service payments (both principal and interest) totaled approximately $2.71 billion for fiscal year 2001-02, or about 3.66 percent of General Fund revenues totaling $73.89 billion. The fiscal year 2002-03 budget includes net-tax supported debt service payments on outstanding bonds of close to $2.37 billion, or approximately 2.99 percent of projected General Fund revenues of $79.16 billion.

The ratio of debt service to General Fund revenues would have been 3.97 percent and 4.15 percent in fiscal years 2001-02 and 2002-03, respectively, if the Treasurer's Strategic Debt Management Plan had not been implemented.

Figure 2.3 shows the State's annual debt service for all net tax-supported bonds outstanding as of June 30, 2002. See Appendices 2 through 4 for the breakdown of annual debt service on the State's general obligation and lease-purchase revenue bonds, respectively.

As shown in Figure 2.3, over the next 30 years debt service on currently outstanding bonds will decline as these bond issues reach final maturity. As a result, the portion of the State's budget committed to pay debt service on bonds that are currently outstanding will decline. In addition, Figure 2.3 reflects a reduction in debt service for fiscal year 2002-03 resulting from implementation of the Treasurer's Strategic Debt Management Plan. This Plan, which is reviewed in detail in Section IV, also reduces projected debt service in fiscal year 2003-04.

Figure 2.3



Measuring the State's Debt Burden

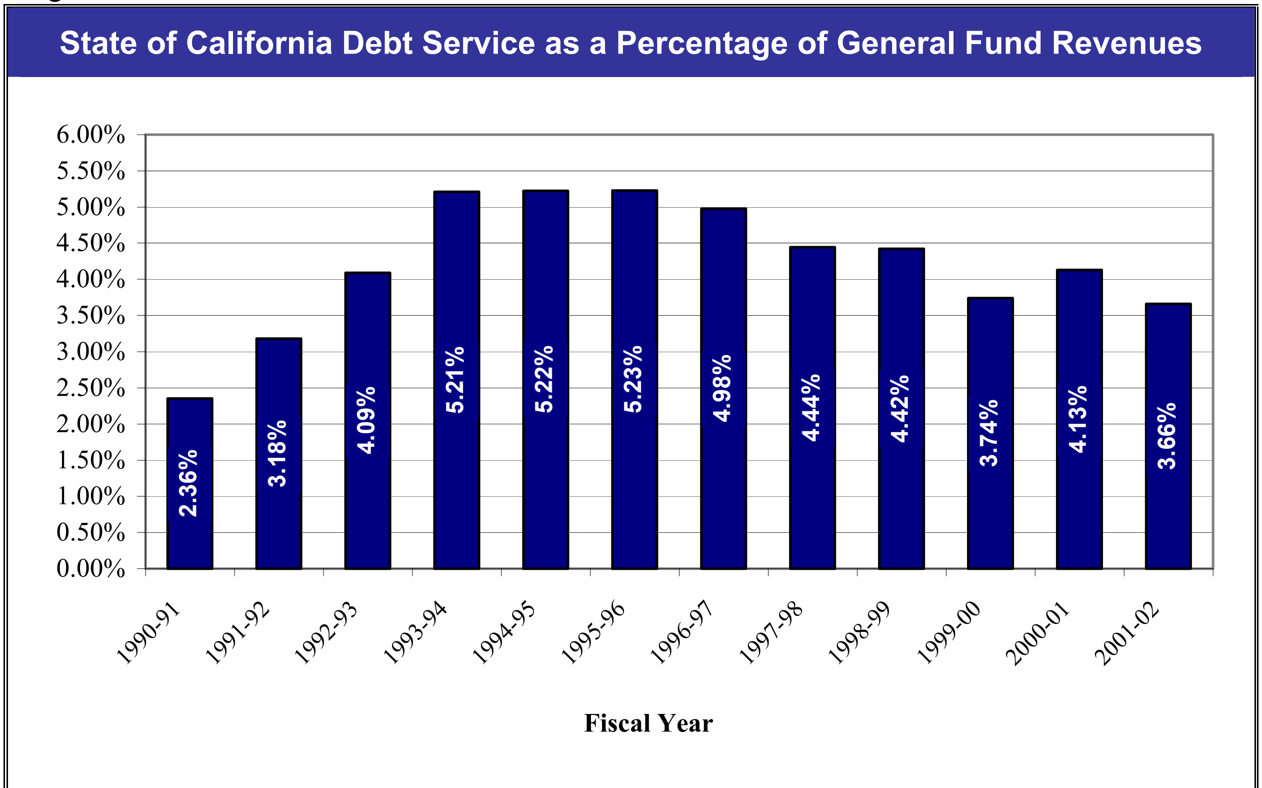
One way to measure California's debt level is through the use of debt ratios. Debt ratio analysis provides a convenient way to compare the debt burdens of a wide variety of borrowers. The most common debt ratios applied to state issuers are: (1) debt service as a percentage of general fund revenues, (2) debt as a percentage of personal income, and (3) debt per capita. Serving as guides for evaluating the ability of the issuer to repay its existing and anticipated obligations, these financial ratios are often compared to historical levels or to those of other issuers. Debt ratios are one of many factors considered by rating agencies when assigning a rating.

Debt Service as a Percentage of General Fund Revenues: Credit analysts use the ratio comparing a state's debt service to general fund revenues to examine a state's fiscal flexibility, given that its debt service is considered a fixed part of its budget. 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, reduced revenues, and changes in priorities for other budget expenditures and capital outlays. This is a particularly important ratio for the State of California due to the limited amount of discretionary spending authority available to state officials as a result of constitutional limits imposed by California voters through the initiative process.

Figure 2.4 illustrates the volatility of California's debt service ratio since fiscal year 1990-91. This ratio is affected by changes to General Fund revenues and to the amount of debt service on outstanding debt. The increase in the ratio above 5.00 percent in the mid-1990's occurred at a time when the State's General Fund was stressed by a severe recession. That recession had a strong impact on the General Fund by decreasing tax revenues and placing greater demand on the State for many public services. The drop in the ratio to 3.74 percent in fiscal year 1999-00 reflects a time when the California economy had been growing robustly for several years. The ratio was reduced from 4.13 percent in fiscal year 2000-01 to 3.66 percent in fiscal year 2001-02 primarily because implementation of the Treasurer's Strategic Debt Management Plan produced a $222.9 million reduction in debt service in fiscal year 2001-02. Typically, shifts in this ratio are caused primarily by changes in the economy that drive changes in state revenues.

Section V of this Report provides sensitivity analysis to show the impact of various alternative General Fund revenue forecasts on projected state debt capacity.

Figure 2.4



Source of General Fund Revenues: Department of Finance, September 2002

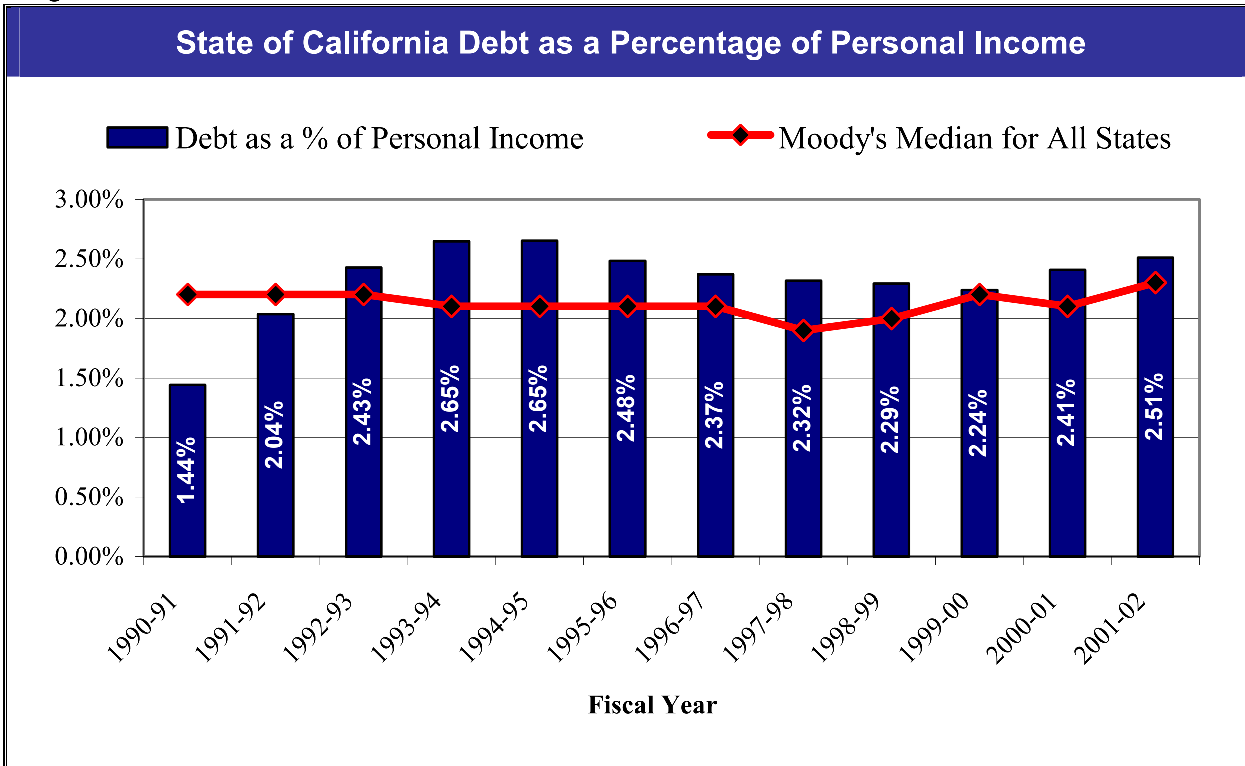
Debt As A Percentage Of Personal Income: Comparing a state's level of debt to the total personal income of its residents is a common measure of a borrower's ability to repay its obligations because it indicates the potential ability of a state to generate revenues.

As shown in Figure 2.5, California's current ratio of debt as a percentage of personal income is 2.51 percent, compared to the Moody's Investors Service (Moody's) 2002 median of 2.30 percent for all states. The decline in the State's ratio from 2.65 percent in fiscal year 1994-95 to 2.24 percent in fiscal year 1999-00 indicates that the State's wealth, as measured by personal income, grew faster than the amount of its outstanding debt over this period.

This trend reversed in fiscal years 2000-01 and 2001-02. Over those two years, the cumulative growth for personal income was 3.50 percent while the cumulative growth of state debt was 15.59 percent. As a result, by fiscal year 2001-02, the ratio of debt as a percentage of personal income increased by a cumulative 0.27 percentage points to 2.51 percent. The Moody's median ratio increased by 0.20 percent during this period.

Figure 2.5 shows California's ratio of debt as a percentage of statewide personal income from 1990-91 through 2001-02, along with the comparable median for all states published by Moody's.

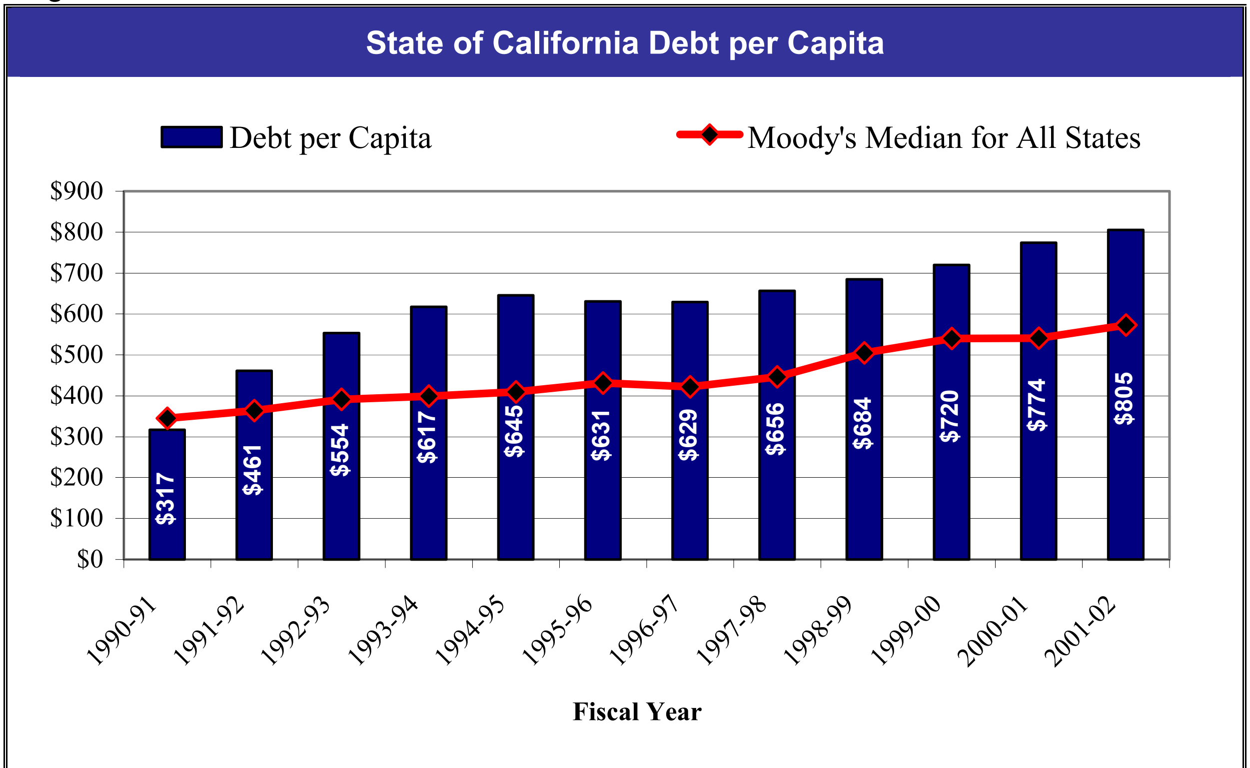
Figure 2.5



Sources: Department of Finance Personal Income Figures; Moody's Investors Service

Debt Per Capita: Debt per capita measures the average state resident's share of the State's total debt outstanding. It does not account for the employment status, income or financial resources of the residents. As a result, debt per capita does not reflect a state's ability to repay its obligations as well as the other two ratios and is generally considered the least informative of the three debt ratios. Figure 2.6 shows that the State's current per capita debt is $805, compared to the Moody's 2002 median of $573 for all states. California debt per capita increased by $31 between fiscal year 2000-01 and 2001-02. Moody's comparable median of debt per capita increased by $32 during the same period, reflecting significant similarity in the trends in California and the rest of the nation.

Figure 2.6



Sources: Department of Finance May 2002 Population Estimates; Moody's Investors Service

California's Debt Levels Compared to Other Large States

In order to make informed decisions, investors usually compare the credit strengths and weaknesses of the bond market's various issuers. Comparing California's debt position to those of other states also serves a useful purpose for policymakers. The comparison of California to other states is made possible through the use of benchmark debt ratios. Moody's calculates the ratios of debt to personal income and debt per capita for each state and publishes an annual report containing the median ratios.

In addition to comparing California's debt ratios to the Moody's state medians, it is useful to compare California to its "peer group" of the 10 most populous states. As shown in Figure 2.7, the debt ratios of these 10 states are, on average, higher than the Moody's medians for all states. Comparatively, California's debt ratios rank below the medians for the 10 most populous states.

Figure 2.7

Debt Ratios of 10 Most Populous States
Ranked by Ratio of Debt to Personal Income

State	Ratings by Moody's/S&P/Fitch [1]	Debt to Personal Income [2]	Debt per Capita [3]
Texas	Aa1/AA/AA+	0.90%	$238
Michigan	Aaa/AAA/AA+	1.50%	$438
Pennsylvania	Aa2/AA/AA	2.30%	$671
California	***A1/A+/AA***	***2.50%***	***$795***
Ohio	Aa1/AA+/AA+	2.60%	$749
Illinois	Aa2/AA/AA+	2.80%	$908
Georgia	Aaa/AAA/AAA	2.90%	$804
Florida	Aa2/AA+/AA	3.40%	$959
New Jersey	Aa2/AA/AA	5.60%	$2,066
New York	A2/AA/AA	5.90%	$2,045
Moody's Median All States		2.30%	$573
Moody's 10-State Median		2.70%	$800

[1] *Moody's Investors Service, Standard & Poor's, and Fitch Ratings*

[2] *Moody's 2002 State Debt Medians (May 2002) are based on 2000 personal income figures released by the U.S. Bureau of Economic Analysis, whereas the personal income figures used in Figure 2.5 are provided by the State of California Department of Finance.*

[3] *Moody's 2002 State Debt Medians (May 2000) are based on 2000 population figures from the U.S. Census Bureau, whereas the population figures used in Figure 2.6 are provided by the State of California Department of Finance.*

Over the past few years, many states have elected to use debt to finance their backlog of infrastructure needs. Low interest rates create a desirable environment for using bonds to leverage current state resources. Moody's observes that, as a result, state debt burdens throughout the nation continue to rise, although they are within affordable levels due to growth in personal income. Moody's expects these national debt issuance trends to continue as the need for public investment in critical infrastructure grows.

SECTION III: THE MARKET'S PERSPECTIVE ON CALIFORNIA'S BONDS

Section III focuses on the capital market's view of the creditworthiness of the State and the attractiveness of its bonds. The State's bonds attract a wide range of investors, including individuals and financial institutions. These investors require rates of return on their investments consistent with their perceptions of an issuer's ability to repay its obligations. The investment community traditionally has viewed California's bonds as high quality investments due to the State's large economy, diverse taxing authority, and solid bond payment history. Even during challenging economic times like the present, this favorable perspective of the State has allowed it to finance capital projects at relatively low borrowing rates. Through its market outreach activities, the State Treasurer's Office keeps buyers of the State's bonds, credit rating analysts, and other interested parties informed.

Investors in California's Bonds

Purchasers of California's bonds generally are seeking two investment objectives: reliable interest earnings that are exempt from federal and state taxation; and safe investments that will preserve the value of their capital. Investors in the State's bonds range from large financial institutions, such as tax-exempt mutual funds and casualty insurance companies, to individuals, such as California taxpayers in higher income tax brackets and individuals saving for long-term goals like home ownership, college tuition, or retirement. Figure 3.1 shows the 10 largest holders of State of California general obligation bonds as of September 20, 2002.

Figure 3.1

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

Investor	Amount
Franklin Advisors, Inc.	$1,212,735
J.P. Morgan Investment Management Inc.	406,800
Nuveen Advisory Corporation	404,290
AIG Global Investment Group	377,520
CNA Insurance Companies	346,805
Vanguard Group	320,980
Merrill Lynch Investment Managers	291,080
Hartford Investment Management Company, Inc.	261,345
Allstate Corporation Investment Management	240,945
Banc of America Capital Management, Inc.	224,495
TOTAL	$4,086,995

Source: First Call Corporation-BondWatch Web, as of September 20, 2002

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 municipal bonds; the Treasurer's own website and investor relations activities; and perhaps most importantly, the major credit rating agencies. Drawing on this information and their own portfolio requirements, investors indicate interest in the State's bonds through the price offered for purchase—all other things being equal, the higher the price the investors are willing to pay, the lower the State's cost of borrowing.

Importance of Credit Ratings

A bond rating from a credit rating agency is an independent assessment of the relative credit risk associated with purchasing and holding a particular bond through its scheduled term of repayment. Bond ratings serve as unbiased opinions of a borrower's financial strength and the likelihood it will repay its debt. Bond ratings are one of the most important indicators of creditworthiness 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 economic outlook, fiscal conditions, and planned bond sales through periodic conference calls and meetings held over the course of the year.

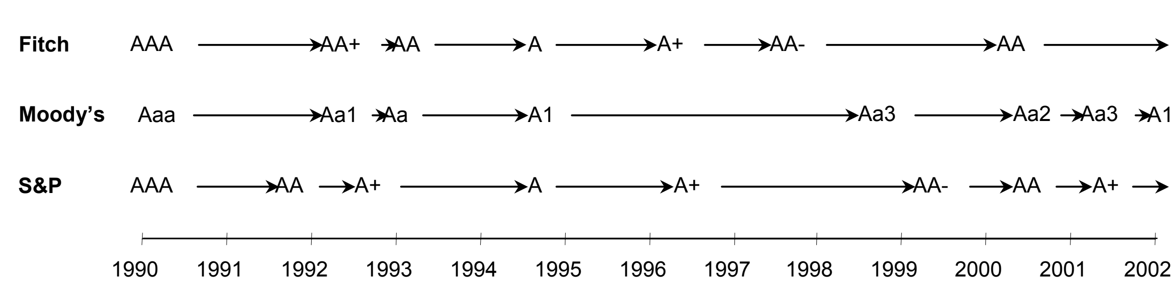
The three national bond-rating agencies that track state and local governments are Fitch Ratings (Fitch), Moody's Investors Service (Moody's), and Standard & Poor's (S&P). Although rating scales differ slightly between the agencies, they all have comparable rating categories, including single-A, double-A, and their strongest category, triple-A (see Appendix 5 for a comparison chart).

State's Credit Ratings

Fitch, Moody's, and S&P currently rate the State's general obligation bonds AA, A1, and A+, respectively. Reflecting trends in the California economy and the State's fiscal position, the general obligation bond credit ratings experienced considerable volatility from 1990 through the present as shown in Figure 3.2.

Figure 3.2

History of State of California General Obligation Bond Ratings Since 1990



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

1990 TO 1995: By 1990, after several years of strong economic growth in the 1980's, the State had been upgraded to triple-A, the highest credit rating, by each of the three rating agencies. From December 1991 through July 1994, the State's credit ratings were downgraded from triple-A to single-A levels. The downgrade actions reflected a progressive weakening of the California economy and related 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.

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

2001 TO DATE: During 2001, Moody's and S&P downgraded the State's credit ratings. These rating actions were taken in response to a weakening of the California and national economies during 2001, and the uncertainty this created for future General Fund revenues. The rating agencies have noted that the General Fund suffers from a "structural imbalance," meaning the demographic forces that influence expenditure growth are outpacing the economic forces influencing revenue growth. The agencies also cited a potential negative impact on the General Fund from the State's financial commitment to purchase electricity due to the extraordinary conditions in California's energy markets in late 2000 and early 2001.

Cost of California's Debt

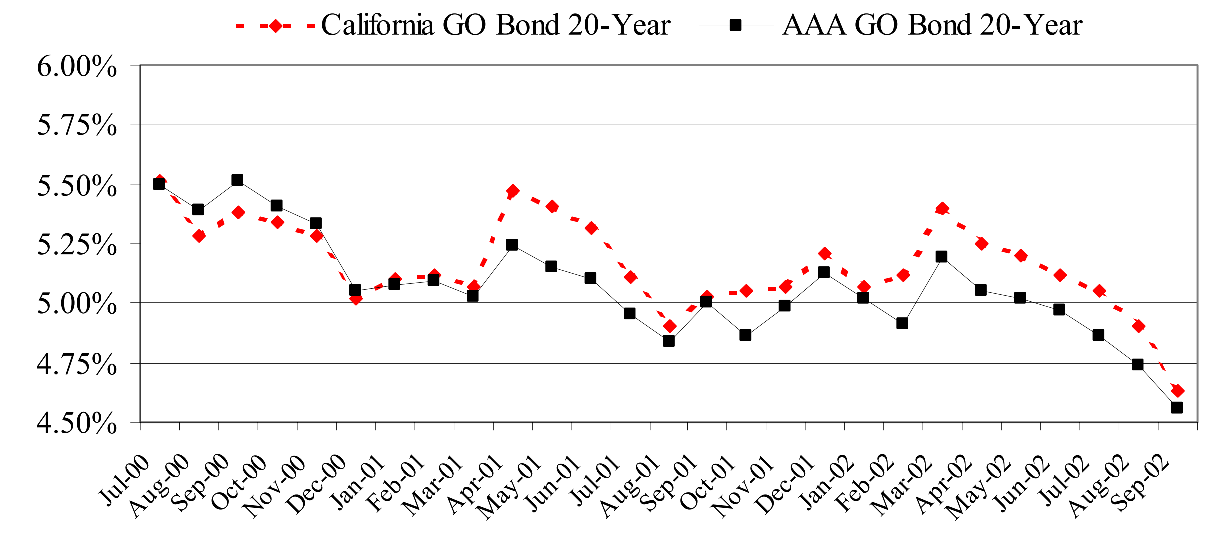
In general, California's and other issuers' absolute borrowing costs have been declining since September 2000, when the State's average 20-year bond yield was 5.38 percent. As of September 2002, the State's average 20-year bond yield was 4.63 percent.

At the same time that the State's absolute borrowing cost has decreased, California's relative borrowing cost has increased compared to the AAA-rated national benchmark. In September 2000, based on its strong credit ratings and high investor demand, the State's borrowing cost was about 0.13 percent below the national benchmark for AAA-rated bonds. However, 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 relative to the AAA-rated national for a variety of reasons, including: (1) revenue shortfalls made it difficult for policymakers to balance the state budget, which led to rating downgrades; and (2) the State began loaning General Fund cash balances to the Department of Water Resources (DWR) to purchase power in anticipation of up to $13.42 billion in borrowing by the Department of Water Resources (DWR) that would repay the General Fund. By May 2001, at the height of the energy crisis and following downgrades to California's ratings by Moody's and S&P, the 20-year yield on California's bonds was roughly 0.23 percent higher than the AAA-rated national benchmark. As of September 2002, the State's average bond yield was back to a level 0.07 percent higher than this national benchmark, for a relative net increase of 0.20 percent since September 2000. In other words, investors are currently demanding 0.20 percent higher interest for California bonds relative to the AAA-rated national benchmark than they were in September 2000.

Figure 3.3 illustrates the trends in both absolute and relative interest rates of California general obligation bonds since July 2000.

Figure 3.3

Average Borrowing Costs of State 20-Year General Obligation Bonds (July 2000 – September 2002)



Source: Thomson Municipal Market Data

State Treasurer's Investor Relations Program

The State Treasurer's Office keeps investors and rating agency credit analysts informed of the State's economic outlook, fiscal condition and planned bond sales through its investor relations outreach and related activities. Through face-to-face meetings, conference calls and Internet broadcasts scheduled to coincide with planned bond sales, the State Treasurer maintains open lines of communication with capital market participants, thereby providing the State with timely and cost effective access to the capital markets. During fiscal year 2001-02, the Treasurer held periodic conference calls, generally attracting more than 150 investors, to provide updates on the State's financial condition, California's economy, the status of budget proposals, and the DWR Power Supply Revenue Bond program.

Each month, the State Treasurer's Office publishes ***The Treasury Note*** newsletter to keep bond buyers abreast of current state issues and to address frequently asked questions about the State's bond program. A toll-free telephone line, (800) 900-3873, also is maintained to answer questions regarding state bonds. Through its website (http://www.treasurer.ca.gov), the State Treasurer's Office provides the financial and 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***, state financial reports, and links to other online state resources also are available through this website.

SECTION IV: STRATEGIC DEBT MANAGEMENT PLAN

Overview of the Strategic Debt Management Plan
The Strategic Debt Management Plan ("Plan") was developed by the Treasurer to provide a comprehensive approach to better match the timeframe for repaying debt for infrastructure projects to the useful life of assets being financed. The Plan also creates significant near-term reductions in debt service payments in the 2001-02, 2002-03, and 2003-04 fiscal years. In addition, the Plan increases the State's long-term capacity to finance California's crucial infrastructure needs over the next 10 years.

Implementation of the Plan is underway based on these three elements:

1. Shift to level debt service payments for new bond issues and a short-term deferral of principal payments to facilitate the transition to level debt service;

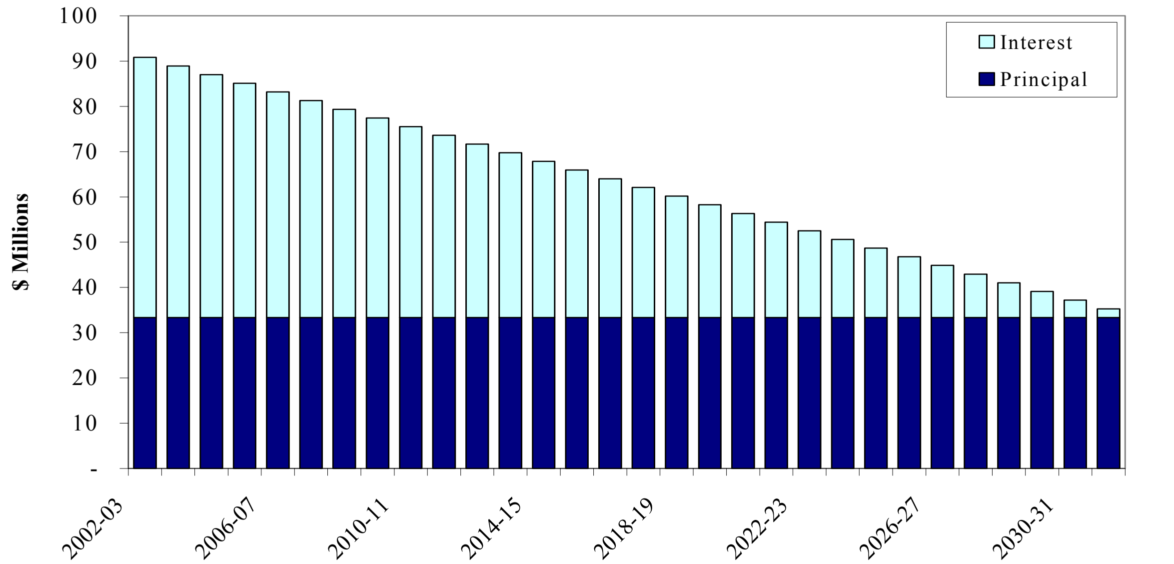
2. Use targeted restructuring of existing debt to achieve significant one-time debt service savings and to facilitate the transition to level debt service; and

3. Implement recent legislation that allows the State to issue variable rate debt for a portion of the State's general obligation bond portfolio.

<u>Shift to Level Debt Service for New Bond Issues</u>: The State has traditionally structured its general obligation bond issues to repay principal in equal annual amounts over the life of the bond. This repayment method is referred to as level principal. Because interest is paid each year in addition to principal, the level principal approach has much higher debt service in the early years of the bond issue, as shown in Figure 4.1, which illustrates level principal amortization for a $1 billion issue.

Figure 4.1

Level Principal Amortization Schedule for $1 Billion Issue (Illustrative)

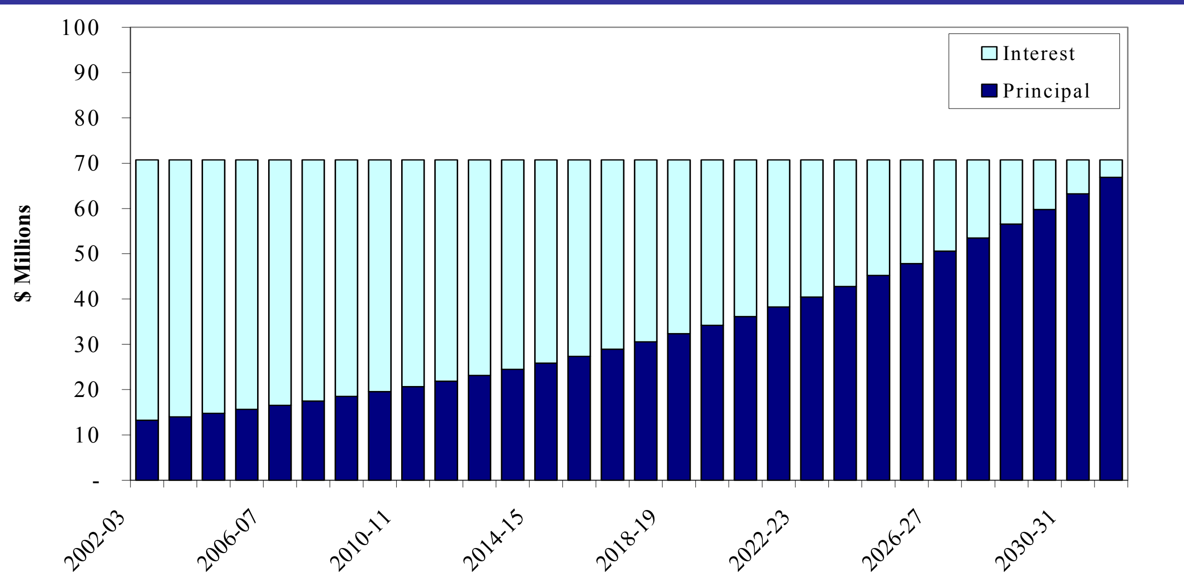


Assumes 5.75% interest rate, 30-year amortization period

A widely accepted alternative to a level principal repayment structure is level debt service. The level debt service structure combines principal and interest to form equal annual payments, as shown in Figure 4.2, which illustrates level debt service amortization for a $1 billion issue.

Figure 4.2

Level Debt Service Amortization Schedule for $1 Billion Issue (Illustrative)



Assumes 5.75% interest rate, 30-year amortization period

The State Treasurer's Office analyzed the long-term costs and benefits of a shift in debt amortization practices for state general obligation sales from level annual principal payments to level annual debt service payments (principal and interest combined).

After surveying other state issuers of general obligation bonds nationwide, the State Treasurer's Office found that the level debt service structure is widely used. In fact, 28 of 38 other states that issue general obligation bonds currently report using level annual debt service as their primary debt amortization practice. Many local government issuers in California also use level annual debt service for their general fund debt. Figure 4.3 provides a listing of states that issue general obligation bonds, categorized by the method of debt amortization reported.

Figure 4.3

General Obligation Bond Amortization Practices of Other States

States Utilizing Level Annual Debt Service					States Utilizing Level Annual Principal Payments	
1	Alabama	15	New Jersey		1	Delaware
2	Arkansas	16	New Mexico		2	Illinois
3	Connecticut	17	New York		3	Maine
4	Florida	18	Ohio		4	Minnesota
5	Georgia	19	Oklahoma		5	New Hampshire
6	Hawaii	20	Oregon		6	North Carolina
7	Louisiana	21	Rhode Island		7	Pennsylvania
8	Maryland	22	South Carolina		8	Tennessee
9	Massachusetts	23	Texas*		9	Texas*
10	Michigan	24	Utah		10	Vermont
11	Mississippi	25	Virginia			
12	Missouri	26	Washington			
13	Montana	27	West Virginia			
14	Nevada	28	Wisconsin			

** Texas utilizes both level annual debt service and equal annual principal payments.*

Source: Public Resources Advisory Group, telephone survey of issuers.

The Treasurer is implementing this aspect of the Plan over three years and also is using this transition period to facilitate a more rapid shift toward level debt service. During the transition period, initial principal payments for each new bond issue are expected to be scheduled for the fifth year following each bond issuance. This approach takes into account the significant amount of state debt previously issued with level principal, for which principal is currently scheduled to be paid over the next four years. The State will structure bonds issued during this transition period to achieve level debt service thereafter in combination with debt service for certain targeted restructuring bonds discussed below.

Targeted Restructuring of Existing Debt: Because of the significant amount of state debt already issued under level principal payment practices, it would take more than 10 years for the State to achieve overall level debt service payments if it relied on using this approach solely on future bond issues. The State is facilitating an expedited move toward level debt service on its overall debt portfolio by incorporating targeted refunding of existing debt to restructure the State's current and future debt service payment schedule.

As discussed above for new bond issues, there will be a transition period for the refunding bonds to facilitate the shift toward level debt service. Initial principal payments for each restructuring bond issue are expected to be scheduled for the fifth year following the restructuring bond issuance to achieve level debt service thereafter in combination with debt service for the new bond issues discussed above.

Implementation of Variable Rate Debt: The Legislature and the Governor have approved the Treasurer's proposal to issue variable rate general obligation bonds. Under this new law the State now has the ability to issue variable rate bonds for up to 20 percent of its total outstanding general obligation bonds.

Interest rates on variable rate bonds are not fixed at the time of issuance but rather are reset at daily, weekly, monthly or other specified intervals over the life of the long-term bond issue. Since variable rate bonds also may be redeemed periodically by the investor, they carry lower interest rates than bonds with fixed, long–term maturities. Issuing variable rate bonds will allow the State to potentially achieve significant savings, as variable rate bonds have historically carried rates significantly below those of fixed rate bonds. The historical spread between the all-in costs of fixed rate and variable rate bonds is approximately 200 basis points, or 2.00 percent. Cumulative saving over the life of the variable rate bonds will be significant, if variable rate bonds continue to be issued up to the 20 percent statutory limit.

Benefits of the Plan

As a result of the Plan, the State can achieve a number of benefits:

- Save a cumulative $178 million on projected debt service payments in fiscal years 2002-03 and 2003-04 on the new bonds anticipated to be issued between January 2002 and June 30, 2003;

- Gain $7 billion to $10 billion in valuable additional long-term debt capacity for infrastructure needs assuming the level debt service approach is continued over the next 10 years;

- Save a cumulative $1.9 billion on projected debt service payments between January 2002 and June 30, 2004; and

- Save a cumulative $34 million on projected debt service payments in fiscal years 2003-04 and 2004-05 on new bonds anticipated to be issued in variable rate mode in fiscal years 2002-03.

The estimated three-year cumulative debt service reduction under the plan is approximately $2 billion. Near-term debt service savings are being used to help close the State's budget gap, reducing the need for additional cuts in vital public services. Additionally, some portion of these debt service savings could provide further budgetary capacity for pay-as-you-go infrastructure projects.

These debt service savings over the next three years will be partially offset in later years. However, overall, the plan provides net present value savings estimated at $181.1 million through fiscal year 2033-34, assuming full implementation of all components, including the issuance of $1.5 billion in variable rate debt, through fiscal year 2003-04.

Figure 4.4 summarizes the near-term savings projected from the plan.

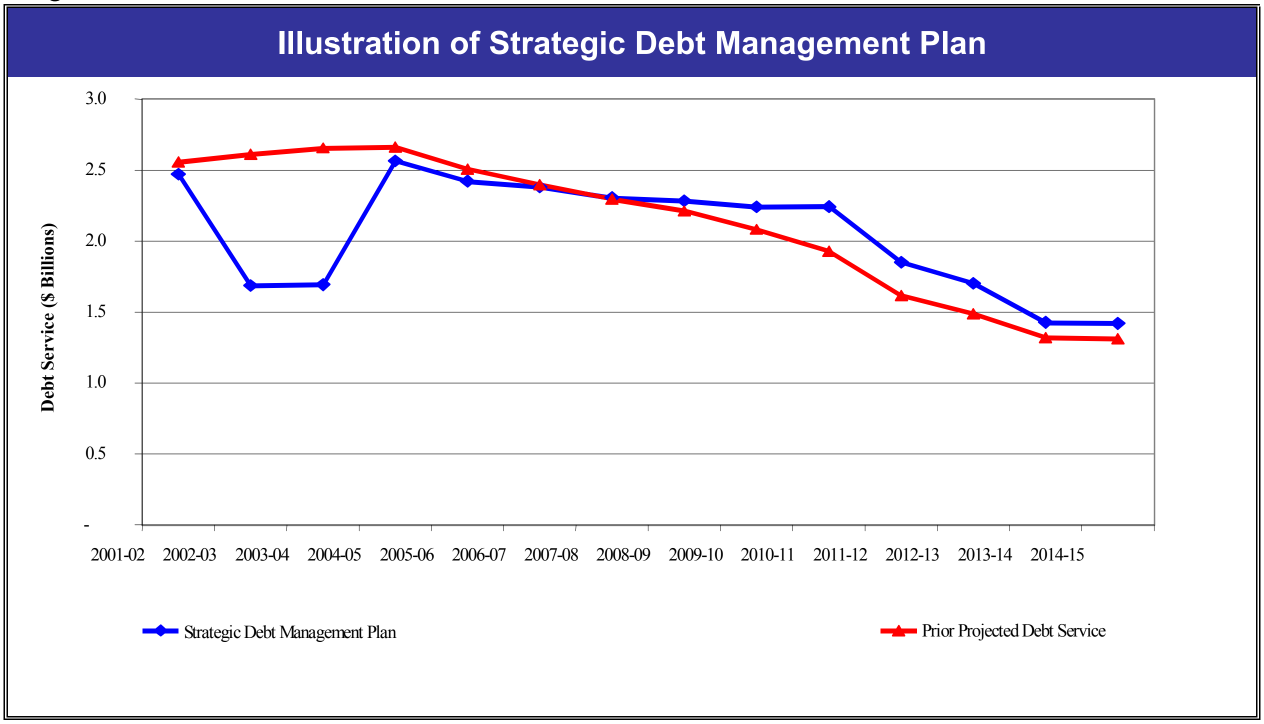
Figure 4.4

Summary of Near-Term Debt Service Savings Under the Plan

Strategic Action	Year 1 FY 2001-02 (actual)	Year 2 FY 2002-03 (projected)	Year 3 FY 2003-04 (projected)	Cumulative Total Savings
Shift to Level Debt Service for New Bond Issues	$0	$54,000,000	$124,000,000	$178,000,000
Targeted Restructuring of Existing Debt	223,000,000	866,000,000	832,000,000	1,921,000,000
Implementation of Variable Rate Debt	0	0	8,000,000	8,000,000
Total	$223,000,000	$920,000,000	$964,000,000	$2,107,000,000

Figure 4.5 illustrates the State's debt service under the Plan as compared to the State's projected debt service prior to implementation of the Plan.

Figure 4.5



SECTION V: CALIFORNIA'S FUTURE DEBT CAPACITY

Introduction

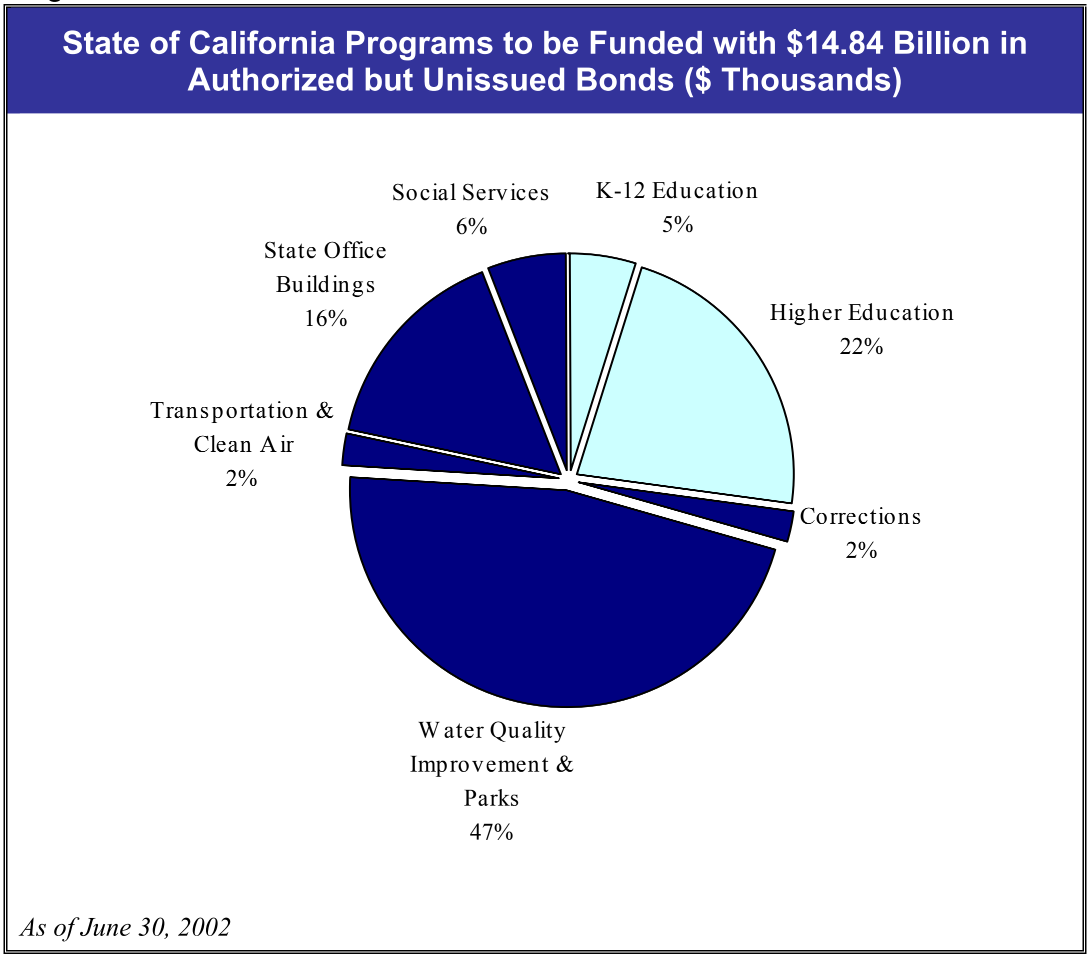
Section V presents concepts about debt affordability and provides in-depth debt capacity analysis assuming the State commits varying levels of its General Fund revenues for debt service. This analysis establishes an initial range of state debt capacity assuming various scenarios for the level of General Fund revenues policymakers commit to pay debt service given the current long-range revenue forecast. To address the inherent variability of long-range revenue forecasts, this Report uses additional sensitivity analysis based on differing General Fund revenue scenarios to illustrate an expanded range of estimated state debt capacity.

This section begins with a discussion of previously authorized but unissued debt and the impact of these planned bond sales on remaining debt capacity. In addition, this section examines the potential impact of bond propositions on the 2002 and 2004 ballots. There is approximately $18.59 billion in new general obligation bond authorizations on the ballot in the November 2002 election. Furthermore, $12.3 billion in school bonds and $9.95 billion in high-speed passenger rail bonds will be on the ballot in the March and November 2004 elections, respectively.

Authorized But Unissued Debt

As of June 30, 2002, the State had a total of $14.84 billion in authorized net tax-supported bonds that had not yet been issued pending sufficient progress on the projects to be funded with these future bonds. See Appendix 1 for a list of the State's authorized net tax-supported debt, including both outstanding bonds and amounts unissued as of June 30, 2002. Of this amount, approximately $10.66 billion, or 72 percent, consists of general obligation bonds approved by voters in statewide elections. The remaining $4.18 billion, or 28 percent, consists of lease-purchase revenue bonds approved by the Legislature. Figure 5.1 shows the various programs that will be funded when these bonds are issued in the future.

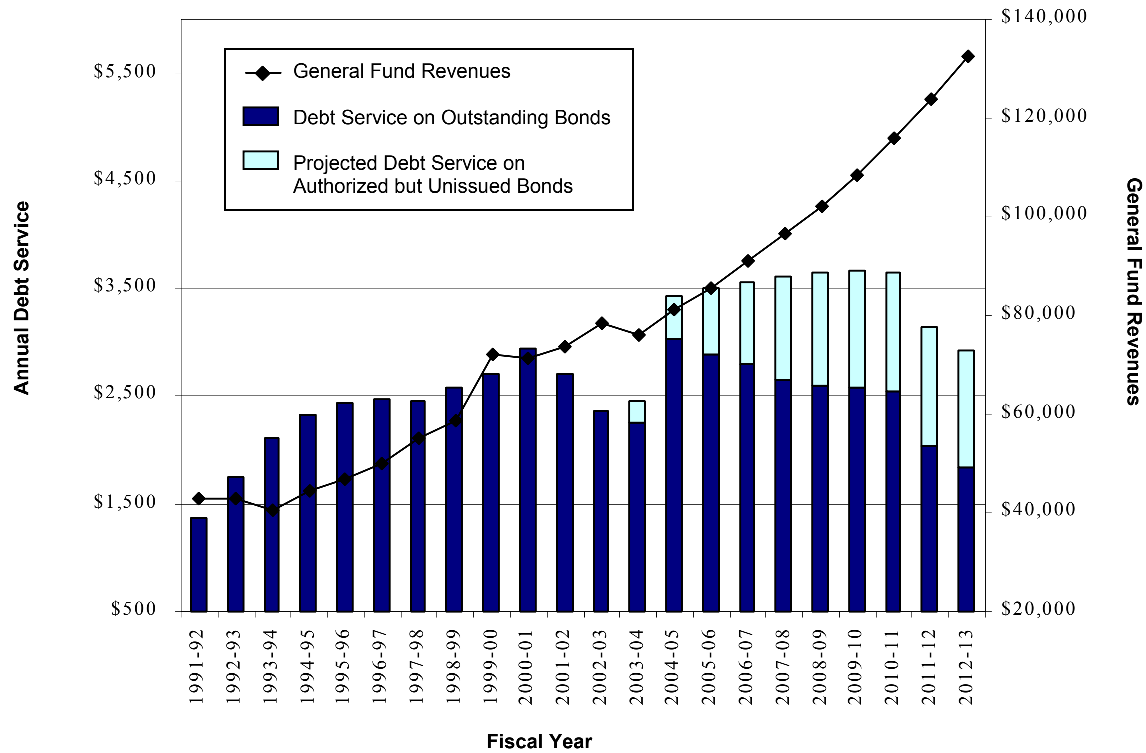
Figure 5.1



As illustrated in Figure 5.2, once all authorized bonds are issued by the State Treasurer, the amount of annual debt service on outstanding debt will increase. If all $14.84 billion of the currently authorized but unissued bonds were issued between fiscal years 2002-03 and 2009-10, the incremental increase to annual General Fund debt service from these bonds would range from $195.5 million in fiscal year 2003-04 to $1.09 billion in fiscal year 2012-13. Debt service as a percentage of annual General Fund revenues over the next 10 years would peak in fiscal year 2004-05 at 4.27 percent. See Appendix 10-1 for additional detail regarding these ratios.

Figure 5.2

State of California Historic and Projected General Fund Debt Service and Revenues Assuming Issuance of $14.84 Billion of Authorized but Unissued Bonds ($ Millions)



Source of General Fund Revenues: Department of Finance, September 2002 Revenue Projections [1].

[1] *The DOF September 2002 revenue projections forecast revenue through fiscal year 2011-12. To calculate bond issuance capacity for a full 10 years, the growth rate in General Fund revenue provided by the DOF for fiscal year 2011-12 also was assumed for fiscal year 2012-13*

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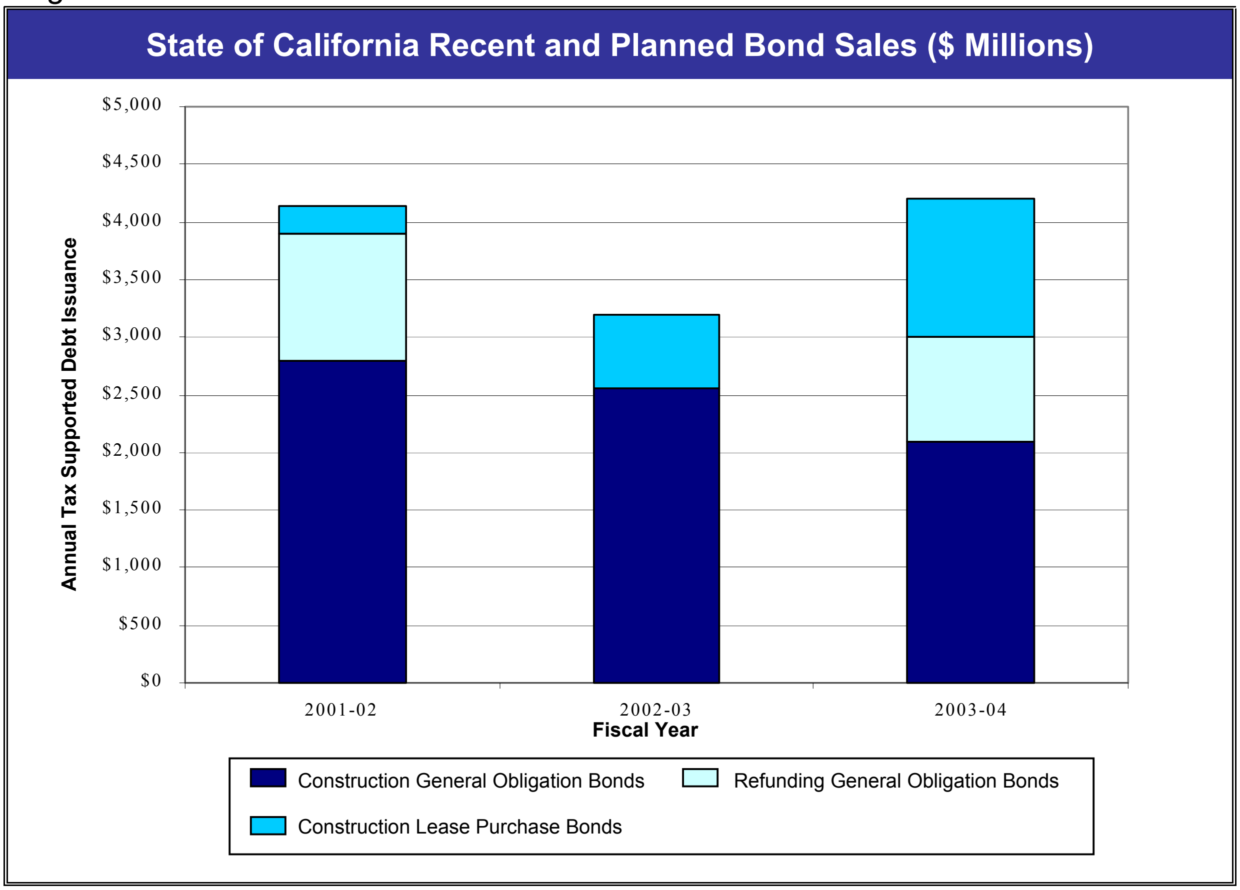
Planned Bond Sales for Fiscal Years 2002-03 and 2003-04

As illustrated in Figure 5.3, in fiscal year 2001-02, the State sold $2.80 billion in new general obligation bonds and $229.10 million in lease-purchase revenue bonds for new capital projects. In addition, the State sold approximately $1.11 billion in general obligation bonds that refunded existing debt as part of the Strategic Debt Management Plan. No refunding lease purchase revenue bonds were sold by the State during fiscal year 2001-02. Based on the June 30, 2002 balance of authorized but unissued debt, the State Treasurer expects to sell approximately $2.55 billion in general obligation bonds and another $640.0 million in lease-purchase revenue bonds during fiscal year 2002-03, for a total of $3.19 billion. The State also expects to issue $2.10 billion in new money general obligation bonds, $1.19 billion in lease-purchase revenue bonds, and $921 million in general obligation refunding bonds in fiscal year 2003-04, for a total of $4.21 billion. These proposed bond issues include restructuring bonds in accordance with the Strategic Debt Management Plan.

Figure 5.3

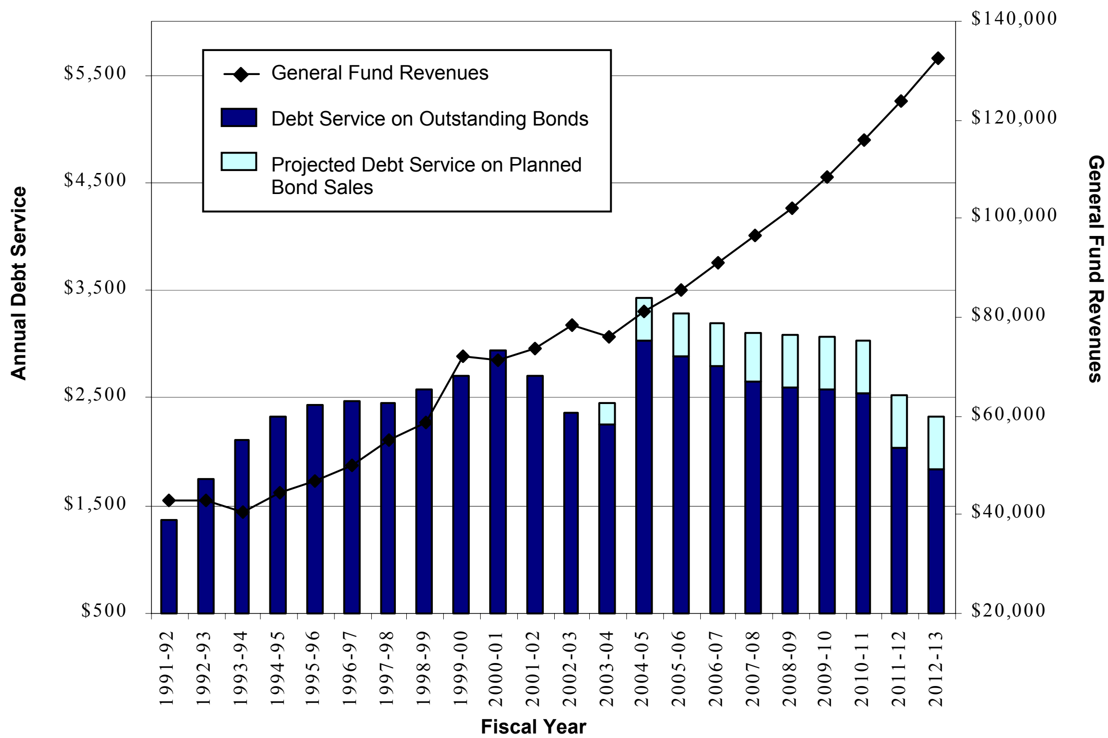


The State Treasurer's Office schedules general obligation bond sales according to cashflow estimates received from departments managing the projects funded with general obligation bonds. Interim project funding needs arising between long-term general obligation bond sales are met through the issuance of tax-exempt general obligation commercial paper and/or loans from the Pooled Money Investment Account. General obligation bonds are sold periodically to repay these interim-funding sources. The planned sales of lease-purchase revenue bonds are determined by review of project completion dates and compliance with federal tax laws. Actual amounts and timing of sales also may vary depending on market conditions. Similarly, approval of additional bond authorizations by the voters or the Legislature would affect future bond sale projections.

Figure 5.4 shows the debt service requirements on existing debt and these near-term planned bond sales. Factoring in the projected increase in debt service solely from these planned bond sales and DOF's 10-year revenue projections, California's debt service as a percentage of General Fund revenues over the next 10 years would increase from 2.99 percent in fiscal year 2002-03 to a peak of 4.27 percent by the end of fiscal year 2004-05. The projected General Fund debt service associated with the issuance of these planned bond sales is approximately $195.51 million in fiscal year 2003-04 and $407.00 million in fiscal year 2004-05. See Appendix 10-2 for greater detail about these projections.

Figure 5.4

State of California Historic and Projected General Fund Debt Service and Revenues Assuming Issuance of $6.48 Billion of Planned Bond Sales Through FY 2003-04 ($ Millions)



Source of General Fund Revenues: Department of Finance, September 2002 Revenue Projections (1).
(1) The DOF September 2002 revenue projections forecast revenue through fiscal year 2011-12. To calculate bond issuance capacity for a full 10 years, the growth rate in General Fund revenue provided by the DOF for fiscal year 2011-12 also was assumed for fiscal year 2012-13.

2002 and 2004 Bond Propositions

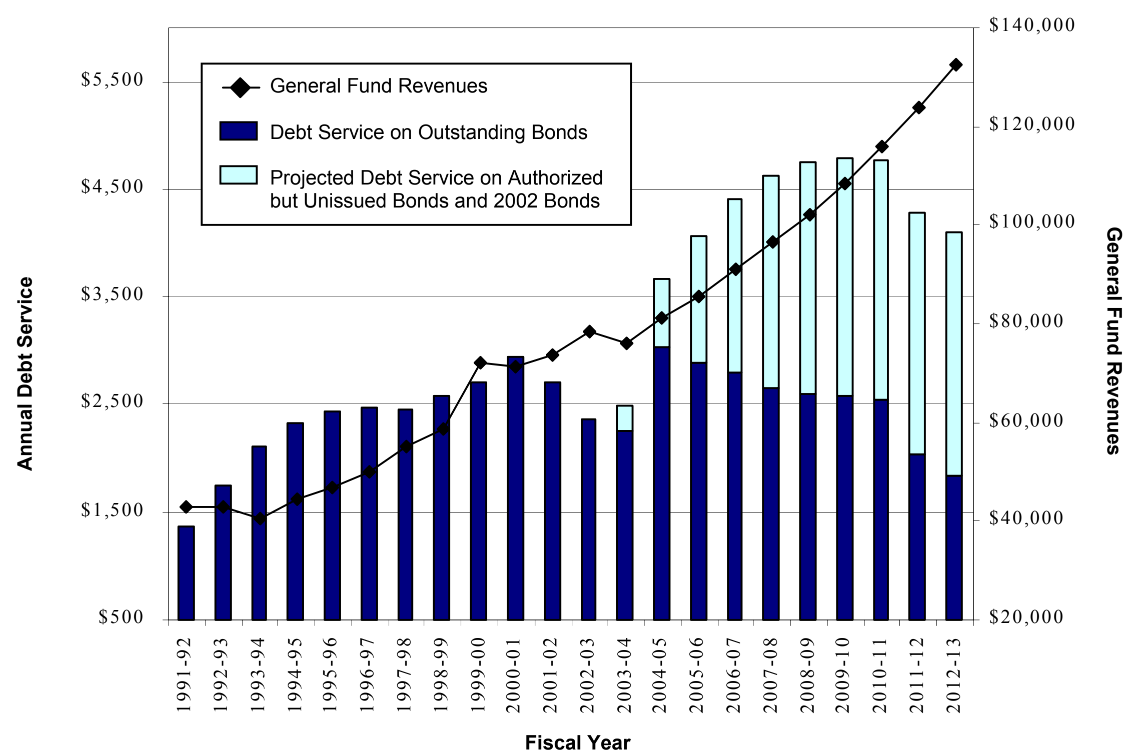
The November 2002 California statewide ballot includes proposals for $18.59 billion in new general obligation bond authorizations. The $18.59 billion consists of $3.44 billion in water bonds, $2.1 billion in housing bonds, $11.4 billion in K-12 school bonds, and $1.65 billion in higher education bonds. See Appendix 8 for additional details on these bond proposals.

If all of these proposed bond authorizations are approved by the voters in November 2002, the State Treasurer's Office anticipates the issuance of $16.14 billion of these bonds over the next 10 years, assuming sufficient progress will be made on the projects to be funded with these proposed bonds. The remaining $2.45 billion of bonds are anticipated to be issued after fiscal year 2011-12. When this $16.14 billion of anticipated issuance from November 2002 bonds is added to the $14.84 billion of currently authorized but unissued bonds also anticipated for issuance over the next 10 years, the total incremental new debt would be $30.98 billion. Annual debt service would increase to a peak of $4.79 billion in fiscal year 2009-10. Annual debt service as a percentage of projected annual General Fund revenues over the next 10 years would peak at 4.90 percent in fiscal year 2006-07. See Appendix 10-3 for additional details on these projections.

Figure 5.5 shows the debt service requirements assuming issuance of $14.84 billion of authorized but unissued debt and $16.14 billion of the bonds on the November 2002 Ballot.

Figure 5.5

State of California Historic and Projected General Fund Debt Service and Revenues Assuming Issuance of $14.84 Billion of Authorized but Unissued Bonds and $16.14 Billion of 2002 Bonds ($ Millions)



Source of General Fund Revenues: Department of Finance, September 2002 Revenue Projections [1].
[1] The DOF September 2002 revenue projections forecast revenue through fiscal year 2011-12. To calculate bond issuance capacity for a full 10 years, the growth rate in General Fund revenue provided by the DOF for fiscal year 2011-12 also was assumed for fiscal year 2012-13.

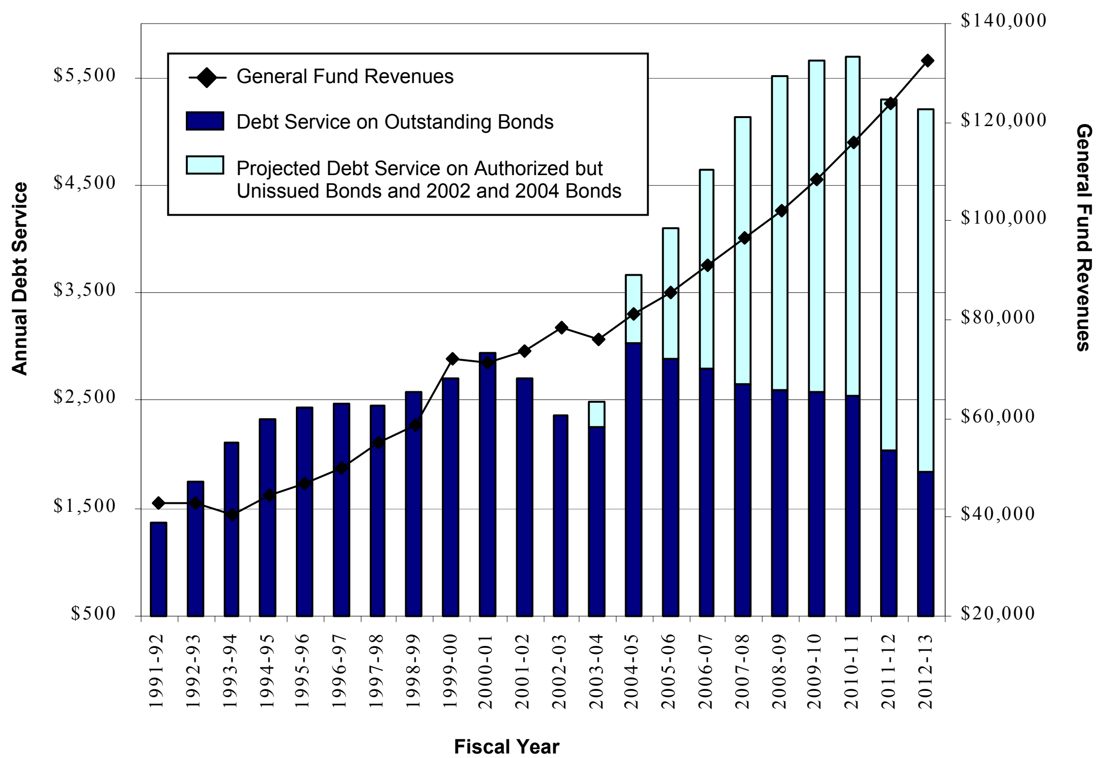
The March and November 2004 California statewide ballots will include proposals for $22.25 billion in new general fund bond authorizations. The projected $22.25 billion consists of $10.00 billion in K-12 school bonds, $2.30 billion in higher education bonds, and $9.95 billion in high-speed passenger rail bonds. See Appendix 8 for additional details on these proposals.

If all of these proposed bond authorizations are approved by the voters in 2004, the State Treasurer's Office anticipates the issuance of $15.68 billion of these bonds over the next 10 years, assuming sufficient progress will be made on these projects to be funded with these proposed bonds. It is anticipated that the remaining $6.57 billion of bonds will be issued after fiscal year 2011-12. When this $15.68 billion of anticipated issuance from 2004 bonds is added to the $14.84 billion of currently authorized but unissued bonds and the $16.14 billion of November 2002 bonds also anticipated for issuance over the next 10 years, the total incremental new debt would be $46.66 billion. Annual debt service would increase to a peak of $5.70 billion in fiscal year 2010-11. Annual debt service as a percentage of projected annual General Fund revenues over the next 10 years would peak at 5.43 percent in fiscal year 2008-09. See Appendix 10-4 for additional details on these projections.

Figure 5.6 shows the debt service requirements assuming issuance of $14.84 billion in authorized but unissued debt, $16.14 billion in November 2002 ballot debt, and $15.68 billion in 2004 ballot debt.

Figure 5.6

State of California Historic and Projected General Fund Debt Service and Revenues Assuming Issuance of $14.84 Billion Authorized but Unissued Bonds, $16.14 Billion of 2002 Bonds and $15.68 Billion of 2004 Bonds ($ Millions)



Source of General Fund Revenues: Department of Finance, September 2002 Revenue Projections [(1)].

[(1)]*The DOF September 2002 revenue projections forecast revenue through fiscal year 2011-12. To calculate bond issuance capacity for a full 10 years, the growth rate in General Fund revenue provided by the DOF for fiscal year 2011-12 also was assumed for fiscal year 2012-13.*

Results of 2002 Debt Affordability Analysis
In illustrating the State's projected debt capacity over the next 10 years, this Report employs the ratio of debt service to General Fund revenues as the key indicator of capacity. The State's projected annual General Fund revenues utilized throughout the Report appear in Figure 5.8.

Figure 5.7 lists the projected General Fund revenue forecast for fiscal years 2002-03 through 2012-13.

Figure 5.7

State of California
Projected General Fund Revenues ($ Thousands)

Fiscal Year	Revenue Forecast [1]	Annual % Change
2002-03	$ 79,158,000	7.12%
2003-04	75,537,000	-4.57
2004-05	80,424,000	6.47
2005-06	84,863,000	5.52
2006-07	90,085,000	6.15
2007-08	95,642,000	6.17
2008-09	101,673,000	6.31
2009-10	107,883,000	6.11
2010-11	115,342,000	6.91
2011-12	123,402,000	6.99
2012-13	132,025,226	6.99

Source: Department of Finance, September 2002[1]
[1]*The DOF September 2002 revenue projections forecast revenue through fiscal year 2011-12. To calculate bond issuance capacity for a full 10 years, the growth rate in General Fund revenue provided by the DOF for fiscal year 2011-12 also was assumed for fiscal year 2012-13.*

Section II examined California's current debt level in the context of three factors: General Fund revenue, statewide personal income, and statewide population. Of the three debt ratios, the rating agencies view California's ratio of debt service to General Fund revenues as the best indicator of the State's capacity for additional debt. The State's General Fund debt capacity is analyzed assuming three different scenarios of the State's commitment of General Fund revenues for debt service, as described below.

- The first analysis assumes a target 4.25 percent ratio of annual debt service to General Fund revenues. This target is reached by moving from 2.99 percent in fiscal year 2002-03 and 3.35 percent in fiscal year 2003-04 to 4.25 percent in fiscal year 2004-05 and thereafter. This ratio is higher than the fiscal year 2001-02 ratio of 3.66 percent, but close to the 4.08 percent level that is the average over the last five years.

- The second analysis assumes a gradual increase in the State's ratio of annual debt service to General Fund revenues from the fiscal year 2001-02 level of 3.66 percent to 5.00 percent by fiscal year 2005-06 and then maintains the ratio at 5.00 percent. This ratio is close to the 4.90 percent level that we project as the peak annual debt service level over the next 10 years, assuming issuance of all currently authorized but unissued bonds and issuance of the portion of proposed bonds on the November 2002 ballot that this office projects would be sold over the next 10 years, if these 2002 bond measures all are approved by the voters.

- The third analysis assumes a gradual increase in the State's ratio of annual debt service to General Fund revenues from the fiscal year 2001-02 level of 3.66 percent to 6.00 percent by fiscal year 2005-06 and then maintains the ratio at 6.00 percent.

See Appendix 9 for the assumptions supporting all estimates of debt capacity included in the Report.

Figure 5.8 presents the annual debt service supportable by projected General Fund revenues given the alternative scenarios discussed above. See Appendices 10-5 through 10-7 for additional details on these debt capacity scenarios.

Figure 5.8

State of California Debt Service at Various Percentages of General Fund Revenues ($ Thousands)

Fiscal Year	Revenue Forecast [1]	Scenario 1 Debt Service at a Ratio of 4.25% of General Fund Revenue [1]	Scenario 2 Debt Service at a Ratio of 5.00% of General Fund Revenue [1]	Scenario 3 Debt Service at a Ratio of 6.00% of General Fund Revenue [1]
2002-03	$ 79,158,000	$ 2,366,802	$ 2,366,802	$ 2,366,802
2003-04	75,537,000	2,534,141	2,647,416	2,833,716
2004-05	80,424,000	3,414,795	3,765,258	4,114,570
2005-06	84,863,000	3,609,888	4,241,443	5,094,965
2006-07	90,085,000	3,825,121	4,507,953	5,401,072
2007-08	95,642,000	4,066,992	4,779,776	5,741,029
2008-09	101,673,000	4,320,350	5,083,913	6,099,496
2009-10	107,883,000	4,583,623	5,397,034	6,472,373
2010-11	115,342,000	4,905,326	5,762,576	6,923,126
2011-12	123,402,000	5,239,932	6,172,167	7,405,196
2012-13	132,025,226	5,614,270	6,606,952	7,916,004

Source: Department of Finance, September 2002[1]

[1] *The DOF September 2002 revenue projections forecast revenue through fiscal year 2011-12. To calculate bond issuance capacity for a full 10 years, the growth rate in General Fund revenue provided by the DOF for fiscal year 2011-12 also was assumed for fiscal year 2012-13.*

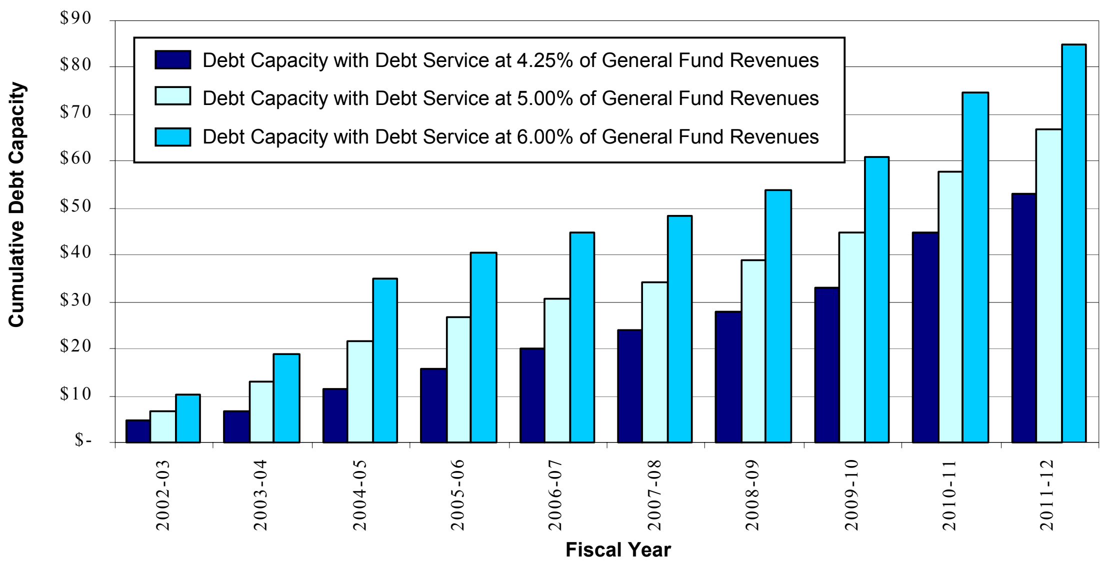
Given the assumptions of Scenario 1, the State's projected General Fund debt capacity over the next 10 years is approximately $52.97 billion. This amount includes the $14.84 billion in bonds already authorized but not yet issued pending sufficient progress on the projects to be funded with the future bonds. At this level of additional debt, the State's total annual debt service would reach $5.61 billion in fiscal year 2012-13, representing 4.25 percent of a projected $132 billion in General Fund revenues.

Given the assumptions of Scenario 2, the State's projected General Fund debt capacity over the next 10 years would increase by $13.67 billion, from the $52.97 billion in Scenario 1 to $66.64 billion. At this level of additional debt, the State's total annual debt service would reach $6.60 billion in fiscal year 2012-13, representing 5.00 percent of a projected $132 billion in General Fund revenues. Similarly, given the assumptions of Scenario 3, the State General Fund debt capacity over the next 10 years would increase by $31.81 billion, from the $52.97 billion in Scenario 1, to $84.78 billion. At this level of additional debt, the State's total annual debt service would reach $7.92 billion in fiscal year 2012-13, representing 6.00 percent of a projected $132 billion in General Fund revenues.

Figure 5.9 presents the cumulative future debt capacity supportable by projected General Fund revenues over the next 10 years, given the alternative scenarios discussed above.

Figure 5.9

State of California Cumulative Future Debt Capacity with Debt Service at Various Percentages of General Fund Revenues ($ Thousands)



Source of General Fund Revenues: Department of Finance September 2002 Revenue Projections [(1)]

[(1)] *The DOF September 2002 revenue projections forecast revenue through fiscal year 2011-12. To calculate bond issuance capacity for a full 10 years, the growth rate in General Fund revenue provided by the DOF for fiscal year 2011-12 also was assumed for fiscal year 2012-13.*

Ultimately, the Legislature and the voters indirectly decide on the level of General Fund revenues to devote to debt service by approving or rejecting new bond authorizations. While this analysis shows additional debt capacity is available by committing higher levels of General Fund revenues for debt service, increasing the State's obligations through additional bond issuances still must be managed in a manner which protects the State's ability to meet its prior debt obligations and provide critical state operations and services.

Maintaining the State's ratio of debt service to General Fund revenues at recent average levels would require keeping expenditures consistent with revenue growth given that a higher rate of spending on other state goods and services would reduce the dollars available for debt service, assuming constant revenues. Increasing the State's ratio of debt service to General Fund revenues would require either new revenue, growth of existing revenues that outpaces expenditure increases, or reductions in other program expenditure levels.

The alternative 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. All of the debt ratios considered in these scenarios would be considered moderate by traditional rating agency standards.

Market Capacity

As an alternative way of examining the State's bonding capacity, the State Treasurer's Office has projected the State's debt capacity based on current estimates of annual market capacity for the State's competitively sold bonds, which is estimated to be $7.00 billion. This figure exceeds the State's historic annual debt issuance volume, which has not exceeded $4.60 billion in any of the last five years. This $7.00 billion figure may be increased by the use of negotiated sales, as traditionally is the case for lease revenue bonds and would be the case for variable rate general obligation bonds. Figure 5.10 presents the market capacity of the State through fiscal year 2011-12 both in total and for newly authorized bonds after issuance of the $14.84 billion in authorized but unissued bonds.

Figure 5.10

State of California Market Capacity
Through Fiscal Year 2011-12 ($ Thousands)

Fiscal Year	Annual Market Capacity for General Obligation and Lease Bonds [1]	Authorized but Unissued General Obligation Bonds	Authorized but Unissued Lease Bonds	Net Market Capacity for Newly Authorized Bonds
2002-03 [1]	$ 7,640,000	$ 2,550,000	$ 640,000	$ 4,450,000
2003-04	8,188,000	2,100,000	1,188,000	4,900,000
2004-05	7,887,000	2,143,000	887,000	4,857,000
2005-06	7,557,000	1,225,000	557,000	5,775,000
2006-07	7,908,000	1,373,314	908,000	5,626,686
2007-08	7,000,000	500,000	0	6,500,000
2008-09	7,000,000	500,000	0	6,500,000
2009-10	7,000,000	273,000	0	6,727,000
2010-11	7,000,000	0	0	7,000,000
2011-12	7,000,000	0	0	7,000,000
TOTAL	$ 74,180,000	$ 10,664,314	$ 4,180,000	$ 59,335,686

[1] *The State Treasurer's Office projects that approximately $7 billion in general obligation bonds and other competitively sold state bonds can be issued annually, without negative impact on borrowing rates. This figure can be increased by the use of negotiated sales. As a result, annual market capacity also includes projected lease revenue bonds through year 2006-07 that are to be sold on a negotiated basis, which increases the annual market capacity in the first five years.*

Allowing for issuance of $7.00 billion or more per year, including both competitive and negotiated sales, would correspond with cumulative market capacity for additional state debt of $74.18 billion over the next 10 years. Of this total, $59.34 billion would be available for bonds not yet authorized by the Legislature or the voters, as applicable, after accounting for the $14.84 billion in authorized but unissued bonds.

Figure 5.11 presents the market capacity of the State through fiscal year 2011-12 both in total and for bonds on the ballot in 2002 and 2004, after issuance of the $14.84 billion in authorized but unissued bonds presented in Table 5.11.

Figure 5.11

State of California Market Capacity for Newly Authorized Bonds Through Fiscal Year 2011-12 ($ Thousands)

Fiscal Year	Market Capacity for Newly Authorized Bonds (1)	Projected 2002 Bonds	Projected 2004 Bonds	Net Additional Market Capacity for Newly Authorized Bonds (2)
2002-03	$ 4,450,000	$ 500,000	$	$ 3,950,000
2003-04	4,900,000	3,675,000		1,225,000
2004-05	4,857,000	4,442,000	430,000	-15,000
2005-06	5,775,000	4,388,000	2,759,000	-1,372,000
2006-07	5,626,686	2,022,000	3,918,000	-314,686
2007-08	6,500,000	503,000	3,656,000	2,341,000
2008-09	6,500,000	110,000	1,585,000	4,850,000
2009-10	6,727,000	134,000	755,000	5,838,000
2010-11	7,000,000	164,000	1,190,000	5,646,000
2011-12	7,000,000	200,000		5,410,000
TOTAL	$ 59,335,686	$ 16,138,000	$ 14,293,000	$ 27,514,686

(1) *Calculated in table 5.10*

(2) *The use of PMIA loans and commercial paper allows the State to spread the actual timing of bond sales across several years without negatively affecting program funding or borrowing cost, so the implied capacity constraints appearing on this table in fiscal years 2004-05, 2005-06, and 2006-07 can be offset entirely with excess capacity in nearby years.*

The State's issuance of up to its $74.18 billion in total projected market capacity through fiscal year 2011-12 would produce ratios for debt service to General Fund revenues that would peak at 5.97 percent of General Fund revenues in fiscal year 2011-12, given the base case revenue forecast. At below 6.00 percent this is a level still considered moderate by the rating agencies.

Implications of Revenue Volatility

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 its income tax and sales tax. These key revenue sources are tied closely to the health of the state economy, which is subject to periods of expansion and contraction. In addition, the State's personal income tax revenues are closely tied to the performance of our nation's stock markets due to taxes on stock options and capital gains. The resulting volatility in General Fund revenue makes it difficult to project future debt ratios and the implied debt capacity with precision.

To address the inherent variability of long-range revenue forecasts, this section of the Report uses additional 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 capacity, producing both higher and lower projections of capacity for new General Fund debt over the next 10 years, as discussed in depth below.

<u>Base Case Analysis:</u> The "base case" is derived from the most recent 10-year revenue forecasts from the DOF.

<u>Sensitivity Analyses:</u> We performed sensitivity analyses on each of our three previous debt capacity scenarios to allow for potential changes in General Fund revenues. Such changes could be the result of trends in the State's economic condition or policy changes to its revenue structure, or both. The base case was modified to show two additional revenue scenarios: one with lower General Fund revenues (1.00 percent less each year, compounded) and one with higher General Fund revenues (1.00 percent greater each year, compounded). Adjusting the DOF revenue forecast in this manner demonstrates the impact of revenue variability on estimates of General Fund debt capacity.

As shown in Figure 5.12, the resulting estimates of additional debt capacity over the next 10 years range from a low of $45.10 billion to a high of $96.90 billion.

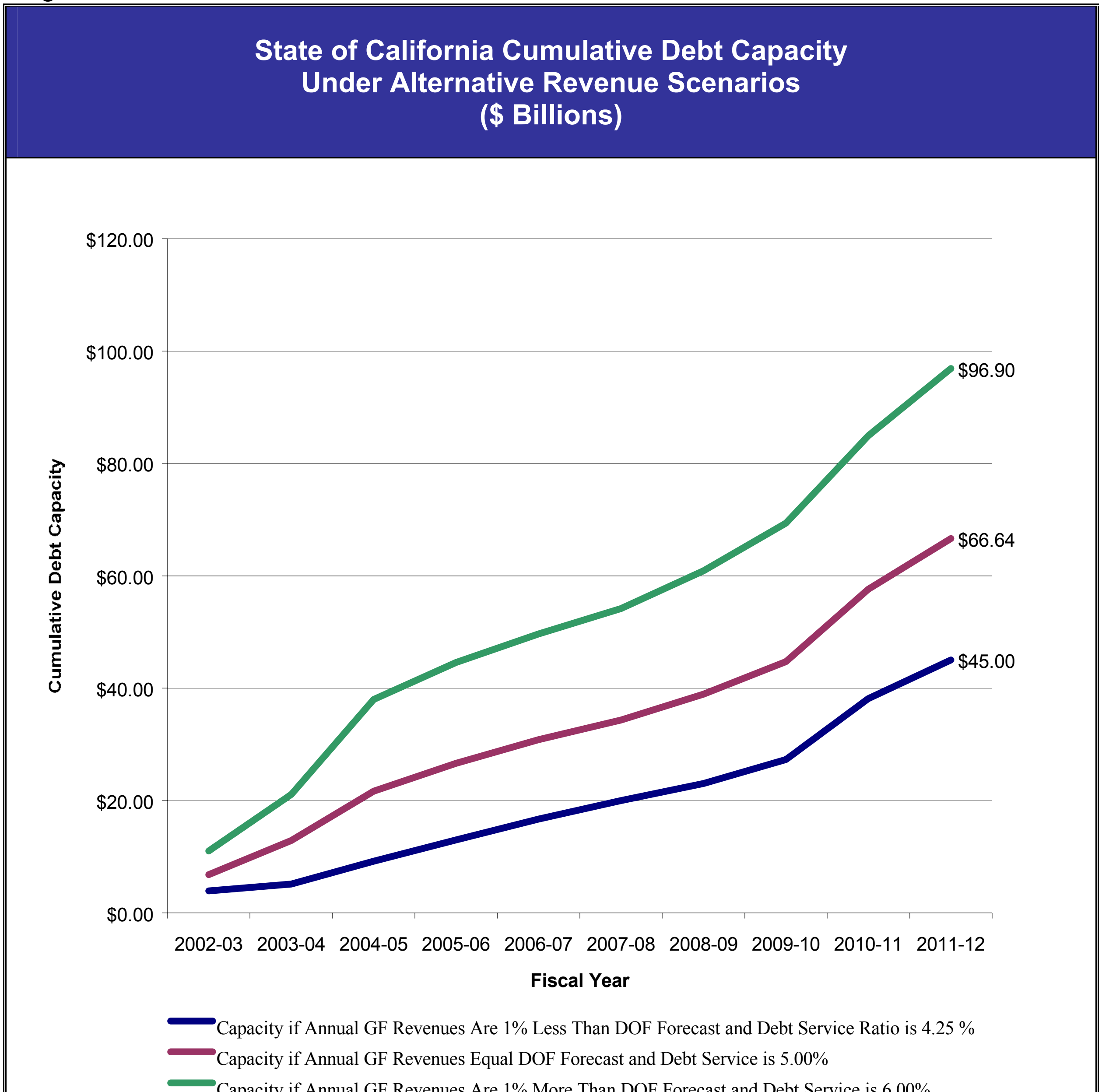
Figure 5.12

State of California Debt Capacity Under Alternative Revenue and Debt Ratio Scenarios ($ Billions)				
Scenario	Ratio of Debt Service to General Funds	10-year Cumulative Debt Capacity @ Revenue Forecast –1%(1)	10-year Cumulative Debt Capacity @ Base Case Revenue Forecast(1)	10-year Cumulative Debt Capacity @ Revenue Forecast +1%(1)
1	4.25%	$45.10	$52.97	$61.50
2	5.00%	$57.39	$66.64	$76.57
3	6.00%	$73.83	$84.78	$96.90

Source: Department of Finance, September 2002(1)
(1) The DOF September 2002 revenue projections forecast revenue through fiscal year 2011-12. To calculate bond issuance capacity for a full 10 years, the growth rate in General Fund revenue provided by the DOF for fiscal year 2011-12 also was assumed for fiscal year 2012-13.

Figure 5.13 illustrates the range of debt capacity resulting from this final sensitivity analysis, using the lowest, middle, and highest revenue scenarios for illustrative purposes. See Appendices 10-8 through 10-13 for additional details.

Figure 5.13



Source: Department of Finance, September 2002[1]

[1] *The DOF September 2002 revenue projections forecast revenue through fiscal year 2011-12. To calculate bond issuance capacity for a full 10 years, the growth rate in General Fund revenue provided by the DOF for fiscal year 2011-12 also was assumed for fiscal year 2012-13.*

The estimated levels of debt capacity shown in Figure 5.12 and Figure 5.13 have changed from a similar analysis presented in the 2001 Debt Affordability Report. For example, the 2001 debt capacity estimate assuming base case General Fund revenues and 4.25 percent debt serve ratio was projected to be $50.12 billion in the 2001 Report, compared with $52.97 billion in the 2002

Report. The modest increase in future capacity can be attributed to the implementation of the Strategic Debt Management Plan, in particular the shift to level debt service, which offsets the capacity reductions which otherwise would have resulted due to lower forecast of long-term state revenues in 2002, as compared to 2001.

This final comparison illustrates again how the actual amount of debt the State can afford to issue will depend on both policy decisions about debt strategies and the performance of the economy and the State's General Fund revenues, thus underscoring the need for an ongoing annual evaluation of debt capacity projections, as well as the importance of infrastructure investment strategies that sustain California's economic growth.

APPENDIX 1

State of California Outstanding Net Tax-Supported Bonds as of June 30, 2002 ($ Thousands)

General Obligation Bonds (Non-Self Liquidating)	Voter Authorization Date	Voter Authorization Amount	Bonds Outstanding	Unissued
California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002	3/5/2002	$2,600,000	$0	$2,600,000
California Earthquake Safety and Housing Rehabilitation Bond Act of 1988	6/7/1988	150,000	0	0
California Library Construction and Renovation Bond Act of 1988	11/8/1988	75,000	48,390	2,595
California Library Construction and Renovation Bond Act of 2000	3/7/2000	350,000	490	349,500
California Park and Recreational Facilities Act of 1984	6/5/1984	370,000	149,805	1,100
California Parklands Act of 1980	11/4/1980	285,000	38,280	0
California Safe Drinking Water Bond Law of 1976	6/8/1976	175,000	46,985	2,500
California Safe Drinking Water Bond Law of 1984	11/6/1984	75,000	29,540	0
California Safe Drinking Water Bond Law of 1986	11/4/1986	100,000	64,485	0
California Safe Drinking Water Bond Law of 1988	11/8/1988	75,000	48,000	8,265
California Wildlife, Coastal, and Park Land Conservation Act of 1988	6/7/1988	776,000	447,670	14,980
Class Size Reduction Public Education Facilities Bond Act of 1998 (Hi Ed)	11/3/1998	2,500,000	1,011,985	1,465,570
Class Size Reduction Public Education Facilities Bond Act of 1998 (K-12)	11/3/1998	6,700,000	5,935,280	540,300
Clean Air and Transportation Improvement Bond Act of 1990	6/5/1990	1,990,000	1,243,340	355,225
Clean Water and Water Conservation Bond Law of 1978	6/6/1978	375,000	47,050	0
Clean Water and Water Reclamation Bond Law of 1988	11/8/1988	65,000	46,165	0
Clean Water Bond Law of 1970	11/3/1970	250,000	4,500	0
Clean Water Bond Law of 1974	6/4/1974	250,000	9,725	0
Clean Water Bond Law of 1984	11/6/1984	325,000	92,140	0
Community Parklands Act of 1986	6/3/1986	100,000	47,255	0
County Correctional Facility Capital Expenditure and Youth Facility Bond Act of 1988	11/8/1988	500,000	302,550	0
County Correctional Facility Capital Expenditure Bond Act of 1986	6/3/1986	495,000	243,895	0
County Jail Capital Expenditure Bond Act of 1981	11/2/1982	280,000	72,300	0
County Jail Capital Expenditure Bond Act of 1984	6/5/1984	250,000	63,650	0
Earthquake Safety and Public Buildings Rehabilitation Bond Act of 1990	6/5/1990	300,000	177,930	90,000
Fish and Wildlife Habitat Enhancement Act of 1984	6/5/1984	85,000	30,200	3,000
Hazardous Substance Cleanup Bond Act of 1984	11/6/1984	100,000	10,000	0
Higher Education Facilities Bond Act of 1986	11/4/1986	400,000	151,900	0
Higher Education Facilities Bond Act of 1988	11/8/1988	600,000	293,205	10,805
Higher Education Facilities Bond Act of June 1990	6/5/1990	450,000	250,085	5,000
Higher Education Facilities Bond Act of June 1992	6/2/1992	900,000	655,560	16,110
Housing and Homeless Bond Act of 1988	11/8/1988	300,000	0	0
Housing and Homeless Bond Act of 1990	6/5/1990	150,000	6,455	0
Lake Tahoe Acquisitions Bond Act	8/2/1982	85,000	32,400	0
New Prison Construction Bond Act of 1981	6/8/1982	495,000	71,500	0
New Prison Construction Bond Act of 1984	6/5/1984	300,000	52,500	0
New Prison Construction Bond Act of 1986	11/4/1986	500,000	203,965	1,500
New Prison Construction Bond Act of 1988	11/8/1988	817,000	401,205	12,260
New Prison Construction Bond Act of 1990	6/5/1990	450,000	239,530	8,100
Passenger Rail and Clean Air Bond Act of 1990	6/5/1990	1,000,000	593,505	13,900
Public Education Facilities Bond Act of 1996	3/26/1996	3,000,000	2,531,960	130,185
1988 School Facilities Bond Act	11/8/1988	800,000	413,495	7,000
1990 School Facilities Bond Act	6/5/1990	800,000	440,395	3,745
1992 School Facilities Bond Act	11/3/1992	900,000	603,592	12,094
Safe, Clean Reliable Water Supply Act of 1996	11/5/1996	995,000	353,685	618,000
Safe Drinking Water Bond Act of 2000	3/7/2000	1,970,000	167,000	1,801,000
Safe Neighborhood Parks Bond Act of 2000	3/7/2000	2,100,000	356,000	1,737,500
School Building and Earthquake Bond Act of 1974	11/5/1974	40,000	31,990	0
School Facilities Bond Act of 1988	6/7/1988	800,000	369,730	0
School Facilities Bond Act of 1990	11/6/1990	800,000	475,580	3,500
School Facilities Bond Act of 1992	6/2/1992	1,900,000	1,204,740	31,400
Seismic Retrofit Bond Act of 1996	3/26/1996	2,000,000	1,352,795	525,645
Senior Center Bond Act of 1984	11/6/1984	50,000	10,000	0
State Beach, Park, Recreational and Historical Facilities Bonds	6/4/1974	250,000	1,115	0
State School Building Lease-Purchase Bond Law of 1982	11/2/1982	500,000	49,270	0
State School Building Lease-Purchase Bond Law of 1984	11/6/1984	450,000	136,250	0
State School Building Lease-Purchase Bond Law of 1986	11/4/1986	800,000	328,650	0
State, Urban, and Coastal Park Bond Act of 1976	11/2/1976	280,000	16,930	0
Veterans' Homes Bond Act of 2000	3/7/2000	50,000	0	50,000
Voting Modernization Bond Act of 2002	3/5/2002	200,000	0	200,000
Water Conservation and Water Quality Bond Law of 1986	6/3/1986	150,000	75,815	27,600
Water Conservation Bond Law of 1988	11/8/1988	60,000	32,950	15,935
Total General Obligation Bonds		**$44,938,000**	**$22,115,362**	**$10,664,314**

APPENDIX 1 (Continued)

State of California Outstanding Net Tax-Supported Bonds
as of June 30, 2002 ($ Thousands)

Lease-Purchase Revenue Bonds	Bonds Outstanding	Unissued
California Community Colleges	$572,000	$170,468
Department of the Youth Authority	12,640	7,378
Department of Corrections	2,438,432	340,040
Energy Efficiency Program (Various State Agencies)	95,645	264,085
The Regents of The University of California	1,003,018	1,438,822
Trustees of The California State University	641,150	191,309
Department of Forestry and Fire Protections	0	27,127
Various State Office Buildings	1,579,050	1,740,470
Total Lease-Purchase Revenue Bonds	**$6,341,935**	**$4,179,699**
Total Outstanding Net Tax-Supported Bonds	**$28,457,297**	**$14,844,013**

APPENDIX 2

State of California Schedule of Debt Service Requirements for General Obligation Bonds (Non Self-Liquidating) – as of June 30, 2002

Fiscal Year	Interest Payments	Principal Payments [a]	Total Payments [b]
2002-03 [c]	$1,210,070,505	$506,735,000	$1,716,805,505
2003-04	1,166,530,143	1,330,800,000	2,497,330,143
2004-05	1,088,396,469	1,244,789,389	2,333,185,858
2005-06	1,014,442,271	1,173,910,000	2,188,352,271
2006-07	945,471,837	1,204,445,000	2,149,916,837
2007-08	880,313,089	1,149,188,078	2,029,501,167
2008-09	813,772,940	1,155,675,000	1,969,447,940
2009-10	746,955,164	1,212,415,000	1,959,370,164
2010-11	680,200,257	1,177,464,045	1,857,664,303
2011-12	611,456,434	826,085,000	1,437,541,434
2012-13	567,256,110	689,810,000	1,257,066,110
2013-14	533,083,390	559,740,000	1,092,823,390
2014-15	505,762,178	566,435,000	1,072,197,178
2015-16	475,884,104	540,820,000	1,016,704,104
2016-17	446,230,385	566,360,000	1,012,590,385
2017-18	416,460,591	578,170,000	994,630,591
2018-19	385,997,771	616,920,000	1,002,917,771
2019-20	353,946,634	635,770,000	989,716,634
2020-21	322,134,710	575,920,000	898,054,710
2021-22	292,355,044	703,080,000	995,435,044
2022-23	254,863,633	683,530,000	938,393,633
2023-24	220,976,793	585,605,000	806,581,793
2024-25	191,295,559	553,010,000	744,305,559
2025-26	163,025,250	559,215,000	722,240,250
2026-27	134,197,125	564,320,000	698,517,125
2027-28	105,546,654	534,760,000	640,306,654
2028-29	79,109,540	560,675,000	639,784,540
2029-30	50,684,783	601,065,000	651,749,783
2030-31	20,562,717	298,190,000	318,752,717
2031-32	7,250,083	160,460,000	167,710,083
Total	**$14,684,232,162**	**$22,115,361,512**	**$36,799,593,674**

[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 July 1, 2002 through June 30, 2003.

Schedule of Debt Service Requirements for Lease-Purchase Revenue Bonds – as of June 30, 2002

Fiscal Year	Interest Payments	Principal Payments [a]	Total Payments
2002-03 [b]	$338,685,197	$311,311,119	$649,996,315
2003-04	322,686,241	319,661,386	642,347,627
2004-05	307,965,900	333,789,507	641,755,408
2005-06	288,583,267	352,997,555	641,580,822
2006-07	275,591,865	305,363,920	580,955,786
2007-08	257,063,005	312,891,788	569,954,793
2008-09	244,914,681	334,252,732	579,167,413
2009-10	222,063,777	322,126,634	544,190,411
2010-11	194,052,596	333,970,000	528,022,596
2011-12	176,410,789	316,400,000	492,810,789
2012-13	159,640,730	324,150,000	483,790,730
2013-14	142,578,388	326,015,000	468,593,388
2014-15	124,937,050	343,350,000	468,287,050
2015-16	106,591,223	323,270,000	429,861,223
2016-17	88,933,511	326,760,000	415,693,511
2017-18	71,622,136	339,750,000	411,372,136
2018-19	54,100,358	296,390,000	350,490,358
2019-20	38,585,165	264,680,000	303,265,165
2020-21	26,143,433	196,295,000	222,438,433
2021-22	15,903,849	164,300,000	180,203,849
2022-23	8,977,713	107,325,000	116,302,713
2023-24	4,132,016	28,060,000	32,192,016
2024-25	2,557,980	29,670,000	32,227,980
2025-26	1,399,375	14,225,000	15,624,375
2026-27	685,250	14,930,000	15,615,250
Total	**$3,474,805,494**	**$6,341,934,641**	**$9,816,740,135**

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

[b] Total represents the remaining debt service requirements from July 1, 2002 through June 30, 2003.

APPENDIX 4

State of California Schedule of Debt Service Requirements for General Obligation Bonds (Non Self-Liquidating) and Lease-Purchase Revenue Bonds – as of June 30, 2002

Fiscal Year	Lease-Purchase Revenue Bonds [a]	General Obligation Bonds [a, b]	Total Payments
2002-03 [c]	$649,996,315	$1,716,805,505	$2,366,801,821
2003-04	642,347,627	2,497,330,143	3,139,677,770
2004-05	641,755,408	2,333,185,858	2,974,941,265
2005-06	641,580,822	2,188,352,271	2,829,933,093
2006-07	580,955,786	2,149,916,837	2,730,872,623
2007-08	569,954,793	2,029,501,167	2,599,455,960
2008-09	579,167,413	1,969,447,940	2,548,615,353
2009-10	544,190,411	1,959,370,164	2,503,560,575
2010-11	528,022,596	1,857,664,303	2,385,686,898
2011-12	492,810,789	1,437,541,434	1,930,352,223
2012-13	483,790,730	1,257,066,110	1,740,856,840
2013-14	468,593,388	1,092,823,390	1,561,416,778
2014-15	468,287,050	1,072,197,178	1,540,484,228
2015-16	429,861,223	1,016,704,104	1,446,565,327
2016-17	415,693,511	1,012,590,385	1,428,283,895
2017-18	411,372,136	994,630,591	1,406,002,727
2018-19	350,490,358	1,002,917,771	1,353,408,129
2019-20	303,265,165	989,716,634	1,292,981,798
2020-21	222,438,433	898,054,710	1,120,493,143
2021-22	180,203,849	995,435,044	1,175,638,892
2022-23	116,302,713	938,393,633	1,054,696,346
2023-24	32,192,016	806,581,793	838,773,808
2024-25	32,227,980	744,305,559	776,533,539
2025-26	15,624,375	722,240,250	737,864,625
2026-27	15,615,250	698,517,125	698,517,125
2027-28		640,306,654	640,306,654
2028-29		639,784,540	639,784,540
2029-30		651,749,783	651,749,783
2030-31		318,752,717	318,752,717
2031-32		167,710,083	167,710,083
Total	**$9,816,740,135**	**$36,799,593,674**	**$46,600,718,559**

[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 July 1, 2002 through June 30, 2003.

APPENDIX 5

Equivalent Credit Ratings Major National Municipal Credit Rating Agencies		
Fitch Ratings	**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-

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

APPENDIX 6

State of California Schedule of Debt Service Requirements For Restructuring and New Planned Bond Sales During Fiscal Years 2002-03 and 2003-04

Fiscal Year	Existing Debt Service on Outstanding Issues [(a, b, c)]	Restructured Debt Service	General Obligation Bonds	Lease-Purchase Revenue Bonds	Debt Service on Planned Bond Sales [(d)]	Debt Service on Outstanding Issues & Planned Bond Sales
2002-03	$2,366,801,821	$2,366,801,821				$2,366,801,821
2003-04	3,139,677,770	2,257,278,909	$146,625,000	$48,880,000	$195,505,000	2,452,783,909
2004-05	2,974,941,265	3,026,095,227	267,375,000	139,620,400	406,995,400	3,433,090,627
2005-06	2,829,933,093	2,881,747,505	267,375,000	139,616,113	406,991,113	3,288,738,617
2006-07	2,730,872,623	2,795,381,022	267,375,000	139,620,675	406,995,675	3,202,376,697
2007-08	2,599,455,960	2,649,777,897	312,100,000	139,621,900	451,721,900	3,101,499,797
2008-09	2,548,615,353	2,601,719,921	348,933,313	139,622,888	488,556,200	3,090,276,121
2009-10	2,503,560,575	2,587,784,368	348,930,838	139,621,163	488,552,000	3,076,336,368
2010-11	2,385,686,898	2,545,647,297	348,930,350	139,618,963	488,549,313	3,034,196,610
2011-12	1,930,352,223	2,044,405,584	348,925,750	139,617,950	488,543,700	2,532,949,284
2012-13	1,740,856,840	1,839,213,626	348,925,363	139,619,213	488,544,575	2,327,758,201
2013-14	1,561,416,778	1,600,861,252	348,931,075	139,623,263	488,554,338	2,089,415,590
2014-15	1,540,484,228	1,573,930,452	348,928,625	139,615,038	488,543,663	2,062,474,115
2015-16	1,446,565,327	1,486,090,364	348,928,463	139,614,763	488,543,225	1,974,633,589
2016-17	1,428,283,895	1,461,211,769	348,929,313	139,615,938	488,545,250	1,949,757,019
2017-18	1,406,002,727	1,438,879,163	348,928,750	139,621,775	488,550,525	1,927,429,688
2018-19	1,353,408,129	1,414,494,522	348,928,200	139,619,625	488,547,825	1,903,042,347
2019-20	1,292,981,798	1,354,573,704	348,932,650	139,621,838	488,554,488	1,843,128,191
2020-21	1,120,493,143	1,162,512,285	348,930,363	139,619,325	488,549,688	1,651,061,973
2021-22	1,175,638,892	1,204,299,716	348,928,738	139,617,713	488,546,450	1,692,846,166
2022-23	1,054,696,346	1,122,823,914	348,928,163	139,616,475	488,544,638	1,611,368,551
2023-24	838,773,808	895,687,639	348,927,300	139,619,225	488,546,525	1,384,234,164
2024-25	776,533,539	801,819,032	348,928,088	139,618,425	488,546,513	1,290,365,544
2025-26	737,864,625	774,861,387	348,930,450	139,620,963	488,551,413	1,263,412,799
2026-27	698,517,125	753,378,837	348,932,300	139,617,288	488,549,588	1,241,928,424
2027-28	640,306,654	720,062,934	348,929,538	139,622,275	488,551,813	1,208,614,747
2028-29	639,784,540	724,172,408	348,931,050	90,738,788	439,669,838	1,163,842,245
2029-30	651,749,783	775,522,676	348,927,850		348,927,850	1,124,450,526
2030-31	318,752,717	501,360,504	348,928,938		348,928,938	850,289,442
2031-32	167,710,083	167,710,083	348,930,150		348,930,150	516,640,233
2032-33			348,929,738		348,929,738	348,929,738
2033-34			157,578,075		157,578,075	157,578,075
2034-35						
Total	**$46,600,718,559**	**$47,530,105,816**	**$10,141,663,425**	**$3,490,481,975**	**$13,632,145,400**	**$61,162,251,216**

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

[(b)] Total represents the remaining debt service requirements from July 1, 2002 through June 30, 2003.

[(c)] Does not include commercial paper outstanding.

[(d)] Assumes: General Obligation Bond Issues - $2.55 billion in FY 2002-03, $2.10 billion in FY 2003-04;
Lease-Purchase Bond Issues - $640 million in FY 2002-03, $1.188 billion in FY 2003-04

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 Tax-Supported Debt	% Change	Debt Service on Existing Net Tax-Supported Debt	% Change
1989-90	29,828	n/a	$655,567,167	n/a	$38,546,178	n/a					$6,615,190	n/a	$758,147	n/a
1990-91	30,458	2.11%	669,842,266	2.18%	40,563,041	5.23%					9,651,951	45.91%	955,294	26.00%
1991-92	30,987	1.74	701,571,581	4.74	42,925,671	5.82					14,283,908	47.99	1,365,450	42.94
1992-93	31,314	1.06	714,107,358	1.79	42,757,910	-0.39					17,334,904	21.36	1,749,095	28.10
1993-94	31,523	0.67	735,104,437	2.94	40,527,732	-5.22					19,465,014	12.29	2,112,544	20.78
1994-95	31,711	0.60	771,470,153	4.95	44,547,812	9.92					20,468,488	5.16	2,327,205	10.16
1995-96	31,962	0.79	812,404,210	5.31	46,731,104	4.90					20,167,323	-1.47	2,443,354	4.99
1996-97	32,452	1.53	861,557,437	6.05	49,831,217	6.63					20,425,580	1.28	2,479,116	1.46
1997-98	32,862	1.26	931,626,971	8.13	55,261,557	10.90					21,572,386	5.61	2,456,013	-0.93
1998-99	33,417	1.69	997,292,832	7.05	58,510,860	5.88					22,873,745	6.03	2,586,759	5.32
1999-00	34,040	1.86	1,094,769,896	9.77	72,226,473	23.44					24,497,560	7.10	2,700,051	4.38
2000-01	34,730	2.03	1,116,602,172	1.99	71,428,000	-1.11					26,886,153	9.75	2,949,863	9.25
2001-02	35,345	1.77	1,133,472,112	1.51	73,898,000	3.46					28,457,296	5.84	2,706,272	-8.26
2002-03	35,920	1.63	1,201,332,920	5.99	79,158,000	7.12	78,419,000	6.12	79,897,000	8.12	27,624,320	-2.93	2,366,802	-12.54
2003-04	36,480	1.56	1,284,109,658	6.89	75,537,000	-4.57	74,048,000	-5.57	77,041,000	-3.57	25,973,859	-5.97	3,139,678	32.65
2004-05	37,029	1.50	1,367,222,054	6.47	80,424,000	6.47	78,098,000	5.47	82,796,000	7.47	24,395,280	-6.08	2,974,941	-5.25
2005-06	37,581	1.49	1,455,303,672	6.44	84,863,000	5.52	81,628,000	4.52	88,194,000	6.52	22,868,372	-6.26	2,829,933	-4.87
2006-07	38,139	1.48	1,547,386,577	6.33	90,085,000	6.15	85,835,000	5.15	94,503,000	7.15	21,358,563	-6.60	2,730,873	-3.50
2007-08	38,701	1.47	1,644,430,860	6.27	95,642,000	6.17	90,271,000	5.17	101,278,000	7.17	19,896,483	-6.85	2,599,456	-4.81
2008-09	39,269	1.47	1,746,662,151	6.22	101,673,000	6.31	95,061,000	5.31	108,677,000	7.31	18,406,556	-7.49	2,548,615	-1.96
2009-10	39,837	1.45	1,854,292,972	6.16	107,883,000	6.11	99,917,000	5.11	116,402,000	7.11	16,872,014	-8.34	2,503,561	-1.77
2010-11	40,415	1.45	1,968,232,310	6.14	115,342,000	6.91	105,826,000	5.91	125,614,000	7.91	15,360,580	-8.96	2,385,687	-4.71
2011-12	41,001	1.45	2,089,252,441	6.15	123,402,000	6.99	112,163,000	5.99	135,648,000	7.99	14,218,095	-7.44	1,930,352	-19.09
Projected Annual Average (FY 2002-03 to FY 2011-12)		**1.50%**		**6.31%**		**5.32%**		**4.32%**		**6.32%**				

Sources:

Population - Department of Finance - May 2002 Estimate (FY 1989-90 to FY 2009-10; FY 2010-11 and FY 2011-12 extrapolated from FY 2009-10)

Personal Income - Department of Finance Projections

GF Revenues - Office of the State Controller (FY 1989-90 to FY 2000-01)

Department of Finance, September 2002 Revenue Projections (FY 2001-02 through FY 2011-12)

[a] Projected annual growth rates of GF Revenues minus 1.00% per annum

[b] Projected annual growth rates of GF Revenues plus 1.00% per annum

Projected Cash flow Needs for Projects Funded by Bond Authorizations in 2002 and 2004 ($ Millions)

Fiscal Year	Housing 2002	K-12 2002	Hi-Ed 2002	Water 2002	K-12 2004	Hi-Ed 2004	Hi-Speed Rail 2004	Total Sales
2002-03	$0	$500	$0	$0	$0	$0	$0	$500
2003-04	525	3,100	0	50	0	0	0	3,675
2004-05	525	3,400	412	105	430	0	0	4,872
2005-06	525	3,400	413	50	2,700	0	59	7,147
2006-07	525	1,000	412	85	3,000	800	118	5,940
2007-08	0	0	413	90	3,000	500	156	4,159
2008-09	0	0	0	110	870	500	215	1,695
2009-10	0	0	0	134		500	255	889
2010-11	0	0	0	164		0	1,190	1,354
2011-12	0	0	0	200		0	1,390	1,590
Total Sales	**$2,100**	**$11,400**	**$1,650**	**$988**	**$10,000**	**$2,300**	**$3,383**	**$31,821**

2002 and 2004 Bonds expected to be issued after fiscal year 2011-12	**9,019**
Total Bond Authorizations, 2002 and 2004	**$40,840**

APPENDIX 9

Bond Financing Assumptions

The assumptions found below are incorporated into the calculations of bond financing capacity contained in this Report. Please see Appendix 7 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 September Department of Finance (DOF) forecast. The projections have an average annual growth rate of 5.32 percent through fiscal year 2011-12.

2. To determine a range of bond financing 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 General Fund revenues from fiscal years 2002-03 through 2012-13 have been increased and decreased, in turn, by 1 percent from forecast to produce two additional scenarios of bond financing 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 6.31 percent.

5. Interest cost of 5.75 percent on all projected bond issues.

6. 30-year final maturity for all general obligation bonds and 25-year final maturity for all lease revenue bonds.

7. Level annual debt service payment.

8. Annual bond issuances from FY 2002-03 through FY 2012-13 ramp up to produce a constant ratio of debt service to general fund revenues of 4.25 percent from FY 2004-05 through FY 2012-13, (except for two alternative analyses assuming growth to 5 percent and 6.00 percent, respectively.

THE STATE OF CALIFORNIA **Appendix 10-1**
Debt Affordability Report - October 2002

Computation of Debt Ratios for Total Net Tax-Supported Debt as of June 30, 2002 Plus $14.844 billion in Projected Bond Financings ($ thousands) - Authorized but Unissued Bonds
General Fund Revenues Growth @ DOF Forecast

FYE June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 - 2041	TOTAL
General Fund Debt - Existing													
General Obligation Bonds	$ 21,644,727	$ 21,185,727	$ 19,940,937	$ 18,766,347	$ 17,548,112	$ 16,398,924	$ 15,240,384	$ 13,992,894	$ 12,700,300	$ 11,799,535	$ 11,046,785		
Lease Purchase Financings	6,030,624	5,710,962	5,377,173	5,024,175	4,718,811	4,405,919	4,071,667	3,749,540	3,415,570	3,099,170	2,775,020		
Sub-Total	27,675,350	26,896,689	25,318,110	23,790,522	22,266,923	20,804,843	19,312,051	17,742,434	16,115,870	14,898,705	13,821,805		
General Fund Debt - Projected													
General Obligation Bonds	2,550,000	4,650,000	6,793,000	7,989,680	9,316,855	9,705,190	10,043,655	10,139,230	9,947,995	9,745,770	9,531,910		
Lease Purchase Financings	640,000	1,815,920	2,667,715	3,170,745	4,011,150	3,922,530	3,828,805	3,729,700	3,624,900	3,514,075	3,396,875		
Sub-Total	3,190,000	6,465,920	9,460,715	11,160,425	13,328,005	13,627,720	13,872,460	13,868,930	13,572,895	13,259,845	12,928,785		
TOTAL	30,865,350	33,362,609	34,778,825	34,950,947	35,594,928	34,432,563	33,184,511	31,611,364	29,688,765	28,158,550	26,750,590		
Principal Payments - Existing Debt													
General Obligation Bonds	506,735	459,000	1,244,789	1,174,590	1,218,235	1,149,188	1,158,540	1,247,490	1,292,594	900,765	752,750	$ 11,046,785	$ 22,151,462
Lease Purchase Financings	311,311	319,661	333,790	352,998	305,364	312,892	334,253	322,127	333,970	316,400	324,150	2,775,020	6,341,935
Sub-Total	818,046	778,661	1,578,579	1,527,588	1,523,599	1,462,080	1,492,793	1,569,617	1,626,564	1,217,165	1,076,900	13,821,805	28,493,396
Principal Repayments - Projected Debt													
General Obligation Bonds	-	-	-	28,320	46,140	111,665	161,535	177,425	191,235	202,225	213,860	9,531,910	10,664,315
Lease Purchase Financings	-	12,080	35,205	53,970	67,595	88,620	93,725	99,105	104,800	110,825	117,200	3,396,875	4,180,000
Sub-Total	-	12,080	35,205	82,290	113,735	200,285	255,260	276,530	296,035	313,050	331,060	12,928,785	14,844,315
TOTAL	818,046	790,741	1,613,784	1,609,878	1,637,334	1,662,365	1,748,053	1,846,147	1,922,599	1,530,215	1,407,960	26,750,590	43,337,711
Interest Payments - Projected Debt													
General Obligation Bonds	-	146,625	267,375	390,598	459,407	535,719	558,048	577,510	583,006	572,010	560,382	7,585,957	12,236,636
Lease Purchase Financings	-	36,800	104,415	153,394	182,318	230,641	225,545	220,156	214,458	208,432	202,059	2,023,305	3,801,524
TOTAL	-	183,425	371,790	543,991	641,724	766,360	783,594	797,666	797,463	780,441	762,441	9,609,262	16,038,160
Debt Service Payments - Existing Debt													
General Obligation Bonds	1,716,806	1,614,931	2,384,340	2,240,167	2,214,425	2,079,823	2,022,553	2,043,594	2,017,625	1,551,595	1,355,423	16,472,085	37,713,366
Lease Purchase Financings	649,996	642,348	641,755	641,581	580,956	569,955	579,167	544,190	528,023	492,811	483,791	4,429,749	10,784,322
Sub-Total	2,366,802	2,257,279	3,026,095	2,881,748	2,795,381	2,649,778	2,601,720	2,587,784	2,545,647	2,044,406	1,839,214	20,901,834	48,497,687
Debt Service Payments - Projected Debt													
General Obligation Bonds	-	146,625	267,375	418,918	505,547	647,384	719,583	754,935	774,241	774,235	774,242	17,117,867	22,900,951
Lease Purchase Financings	-	48,880	139,620	207,364	249,913	319,261	319,270	319,261	319,258	319,257	319,259	5,420,180	7,981,524
Sub-Total	-	195,505	406,995	626,281	755,459	966,645	1,038,854	1,074,196	1,093,498	1,093,491	1,093,501	22,538,047	30,882,475
TOTAL D/S PMTS (Existing & Projected)	2,366,802	2,452,784	3,433,091	3,508,029	3,550,840	3,616,423	3,640,574	3,661,981	3,639,146	3,137,897	2,932,715	43,439,881	79,380,162
Projected Bond Financings													
General Obligation Bonds	2,550,000	2,100,000	2,143,000	1,225,000	1,373,315	500,000	500,000	273,000	-	-	-	-	10,664,315
Lease Purchase Financings	640,000	1,188,000	887,000	557,000	908,000	-	-	-	-	-	-	-	4,180,000
TOTAL	3,190,000	3,288,000	3,030,000	1,782,000	2,281,315	500,000	500,000	273,000	-	-	-	-	14,844,315
CUMULATIVE TOTAL	3,190,000	6,478,000	9,508,000	11,290,000	13,571,315	14,071,315	14,571,315	14,844,315	14,844,315	14,844,315	14,844,315		

Computation of Debt Ratios

FYE June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GF Revenues	$79,158,000	$75,537,000	$80,424,000	$84,863,000	$90,085,000	$95,642,000	$101,673,000	$107,883,000	$115,342,000	$123,402,000	$132,025,226	$ 132,025,226
Growth Rate of General Fund Revenues	7.12%	-4.57%	6.47%	5.52%	6.15%	6.17%	6.31%	6.11%	6.91%	6.99%	6.99%	0.00%
TOTAL D/S PMTS (Existing & Projected)	2,366,802	2,452,784	3,433,091	3,508,029	3,550,840	3,616,423	3,640,574	3,661,981	3,639,146	3,137,897	2,932,715	2,694,366
Debt Service to General Fund Revenues	2.99%	3.25%	4.27%	4.13%	3.94%	3.78%	3.58%	3.39%	3.16%	2.54%	2.22%	2.04%

THE STATE OF CALIFORNIA **Appendix 10-2**
Debt Affordability Report - October 2002

Computation of Debt Ratios for Total Net Tax-Supported Debt as of June 30, 2002 Plus $6.478 billion in Projected Bond Financings ($ thousands) - Planned Bond Sales for Fiscal Years 2002-03 and 2003-04
General Fund Revenues Growth @ DOF Forecast

FYE June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 - 2041	TOTAL
General Fund Debt - Existing													
General Obligation Bonds	$ 21,644,727	$ 21,185,727	$ 19,940,937	$ 18,766,347	$ 17,548,112	$ 16,398,924	$ 15,240,384	$ 13,992,894	$ 12,700,300	$ 11,799,535	$ 11,046,785		
Lease Purchase Financings	6,030,624	5,710,962	5,377,173	5,024,175	4,718,811	4,405,919	4,071,667	3,749,540	3,415,570	3,099,170	2,775,020		
Sub-Total	27,675,350	26,896,689	25,318,110	23,790,522	22,266,923	20,804,843	19,312,051	17,742,434	16,115,870	14,898,705	13,821,805		
General Fund Debt - Projected													
General Obligation Bonds	2,550,000	4,650,000	4,650,000	4,650,000	4,650,000	4,605,275	4,521,145	4,432,180	4,338,100	4,238,615	4,133,410		
Lease Purchase Financings	640,000	1,815,920	1,780,715	1,743,490	1,704,120	1,662,485	1,618,455	1,571,895	1,522,660	1,470,595	1,415,535		
Sub-Total	3,190,000	6,465,920	6,430,715	6,393,490	6,354,120	6,267,760	6,139,600	6,004,075	5,860,760	5,709,210	5,548,945		
TOTAL	30,865,350	33,362,609	31,748,825	30,184,012	28,621,043	27,072,603	25,451,651	23,746,509	21,976,630	20,607,915	19,370,750		
Principal Payments - Existing Debt													
General Obligation Bonds	506,735	459,000	1,244,789	1,174,590	1,218,235	1,149,188	1,158,540	1,247,490	1,292,594	900,765	752,750	$ 11,046,785	$ 22,151,462
Lease Purchase Financings	311,311	319,661	333,790	352,998	305,364	312,892	334,253	322,127	333,970	316,400	324,150	2,775,020	6,341,935
Sub-Total	818,046	778,661	1,578,579	1,527,588	1,523,599	1,462,080	1,492,793	1,569,617	1,626,564	1,217,165	1,076,900	13,821,805	28,493,396
Principal Repayments - Projected Debt													
General Obligation Bonds	-	-	-	-	-	44,725	84,130	88,965	94,080	99,485	105,205	4,133,410	4,650,000
Lease Purchase Financings	-	12,080	35,205	37,225	39,370	41,635	44,030	46,560	49,235	52,065	55,060	1,415,535	1,828,000
Sub-Total	-	12,080	35,205	37,225	39,370	86,360	128,160	135,525	143,315	151,550	160,265	5,548,945	6,478,000
TOTAL	818,046	790,741	1,613,784	1,564,813	1,562,969	1,548,440	1,620,953	1,705,142	1,769,879	1,368,715	1,237,165	19,370,750	34,971,396
Interest Payments - Projected Debt													
General Obligation Bonds	-	146,625	267,375	267,375	267,375	267,375	264,803	259,966	254,850	249,441	243,720	3,002,758	5,491,663
Lease Purchase Financings	-	36,800	104,415	102,391	100,251	97,987	95,593	93,061	90,384	87,553	84,559	769,488	1,662,482
TOTAL	-	183,425	371,790	369,766	367,626	365,362	360,396	353,027	345,234	336,994	328,280	3,772,246	7,154,145
Debt Service Payments - Existing Debt													
General Obligation Bonds	1,716,806	1,614,931	2,384,340	2,240,167	2,214,425	2,079,823	2,022,553	2,043,594	2,017,625	1,551,595	1,355,423	16,472,085	37,713,366
Lease Purchase Financings	649,996	642,348	641,755	641,581	580,956	569,955	579,167	544,190	528,023	492,811	483,791	4,429,749	10,784,322
Sub-Total	2,366,802	2,257,279	3,026,095	2,881,748	2,795,381	2,649,778	2,601,720	2,587,784	2,545,647	2,044,406	1,839,214	20,901,834	48,497,687
Debt Service Payments - Projected Debt													
General Obligation Bonds	-	146,625	267,375	267,375	267,375	312,100	348,933	348,931	348,930	348,926	348,925	7,136,168	10,141,663
Lease Purchase Financings	-	48,880	139,620	139,616	139,621	139,622	139,623	139,621	139,619	139,618	139,619	2,185,023	3,490,482
Sub-Total	-	195,505	406,995	406,991	406,996	451,722	488,556	488,552	488,549	488,544	488,545	9,321,191	13,632,145
TOTAL D/S PMTS (Existing & Projected)	2,366,802	2,452,784	3,433,091	3,288,739	3,202,377	3,101,500	3,090,276	3,076,336	3,034,197	2,532,949	2,327,758	30,223,025	62,129,833
Projected Bond Financings													
General Obligation Bonds	2,550,000	2,100,000	-	-	-	-	-	-	-	-	-	-	4,650,000
Lease Purchase Financings	640,000	1,188,000	-	-	-	-	-	-	-	-	-	-	1,828,000
TOTAL	3,190,000	3,288,000	-	-	-	-	-	-	-	-	-	-	6,478,000
CUMULATIVE TOTAL	3,190,000	6,478,000	6,478,000	6,478,000	6,478,000	6,478,000	6,478,000	6,478,000	6,478,000	6,478,000	6,478,000		

Computation of Debt Ratios

FYE June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GF Revenues	$79,158,000	$75,537,000	$80,424,000	$84,863,000	$90,085,000	$95,642,000	$101,673,000	$107,883,000	$115,342,000	$123,402,000	$132,025,226	$ 132,025,226
Growth Rate of General Fund Revenues	7.12%	-4.57%	6.47%	5.52%	6.15%	6.17%	6.31%	6.11%	6.91%	6.99%	6.99%	0.00%
TOTAL D/S PMTS (Existing & Projected)	2,366,802	2,452,784	3,433,091	3,288,739	3,202,377	3,101,500	3,090,276	3,076,336	3,034,197	2,532,949	2,327,758	2,089,416
Debt Service to General Fund Revenues	2.99%	3.25%	4.27%	3.88%	3.55%	3.24%	3.04%	2.85%	2.63%	2.05%	1.76%	1.58%

THE STATE OF CALIFORNIA **Appendix 10-3**
Debt Affordability Report - October 2002

Computation of Debt Ratios for Total Net Tax-Supported Debt as of June 30, 2002 Plus $30.982 billion in Projected Bond Financings ($ thousands) - $14.844 billion Authorized but Unissued Bonds and $16.138 billion November 2002 Ballot Bonds
General Fund Revenues Growth @ DOF Forecast

FYE June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 - 2041	TOTAL
General Fund Debt - Existing													
General Obligation Bonds	$ 21,644,727	$ 21,185,727	$ 19,940,937	$ 18,766,347	$ 17,548,112	$ 16,398,924	$ 15,240,384	$ 13,992,894	$ 12,700,300	$ 11,799,535	$ 11,046,785		
Lease Purchase Financings	6,030,624	5,710,962	5,377,173	5,024,175	4,718,811	4,405,919	4,071,667	3,749,540	3,415,570	3,099,170	2,775,020		
Sub-Total	27,675,350	26,896,689	25,318,110	23,790,522	22,266,923	20,804,843	19,312,051	17,742,434	16,115,870	14,898,705	13,821,805		
General Fund Debt - Projected													
General Obligation Bonds	3,050,000	8,825,000	15,410,000	20,935,970	24,165,070	24,893,930	25,099,480	25,070,720	24,768,520	24,473,345	23,947,055		
Lease Purchase Financings	640,000	1,815,920	2,667,715	3,170,745	4,011,150	3,922,530	3,828,805	3,729,700	3,624,900	3,514,075	3,396,875		
Sub-Total	3,690,000	10,640,920	18,077,715	24,106,715	28,176,220	28,816,460	28,928,285	28,800,420	28,393,420	27,987,420	27,343,930		
TOTAL	31,365,350	37,537,609	43,395,825	47,897,237	50,443,143	49,621,303	48,240,336	46,542,854	44,509,290	42,886,125	41,165,735		
Principal Payments - Existing Debt													
General Obligation Bonds	506,735	459,000	1,244,789	1,174,590	1,218,235	1,149,188	1,158,540	1,247,490	1,292,594	900,765	752,750	$ 11,046,785	$ 22,151,462
Lease Purchase Financings	311,311	319,661	333,790	352,998	305,364	312,892	334,253	322,127	333,970	316,400	324,150	2,775,020	6,341,935
Sub-Total	818,046	778,661	1,578,579	1,527,588	1,523,599	1,462,080	1,492,793	1,569,617	1,626,564	1,217,165	1,076,900	13,821,805	28,493,396
Principal Repayments - Projected Debt													
General Obligation Bonds	-	-	-	87,030	166,215	274,140	404,450	435,760	466,200	495,175	526,290	23,947,055	26,802,315
Lease Purchase Financings	-	12,080	35,205	53,970	67,595	88,620	93,725	99,105	104,800	110,825	117,200	3,396,875	4,180,000
Sub-Total	-	12,080	35,205	141,000	233,810	362,760	498,175	534,865	571,000	606,000	643,490	27,343,930	30,982,315
TOTAL	818,046	790,741	1,613,784	1,668,588	1,757,409	1,824,840	1,990,968	2,104,482	2,197,564	1,823,165	1,720,390	41,165,735	59,475,711
Interest Payments - Projected Debt													
General Obligation Bonds	-	175,375	507,438	886,075	1,203,818	1,389,492	1,431,401	1,443,220	1,441,566	1,424,190	1,407,217	19,273,886	30,583,678
Lease Purchase Financings	-	36,800	104,415	153,394	182,318	230,641	225,545	220,156	214,458	208,432	202,059	2,023,305	3,801,524
TOTAL	-	212,175	611,853	1,039,469	1,386,136	1,620,133	1,656,946	1,663,376	1,656,024	1,632,622	1,609,277	21,297,192	34,385,202
Debt Service Payments - Existing Debt													
General Obligation Bonds	1,716,806	1,614,931	2,384,340	2,240,167	2,214,425	2,079,823	2,022,553	2,043,594	2,017,625	1,551,595	1,355,423	16,472,085	37,713,366
Lease Purchase Financings	649,996	642,348	641,755	641,581	580,956	569,955	579,167	544,190	528,023	492,811	483,791	4,429,749	10,784,322
Sub-Total	2,366,802	2,257,279	3,026,095	2,881,748	2,795,381	2,649,778	2,601,720	2,587,784	2,545,647	2,044,406	1,839,214	20,901,834	48,497,687
Debt Service Payments - Projected Debt													
General Obligation Bonds	-	175,375	507,438	973,105	1,370,033	1,663,632	1,835,851	1,878,980	1,907,766	1,919,365	1,933,507	43,220,941	57,385,993
Lease Purchase Financings	-	48,880	139,620	207,364	249,913	319,261	319,270	319,261	319,258	319,257	319,259	5,420,180	7,981,524
Sub-Total	-	224,255	647,058	1,180,469	1,619,946	1,982,893	2,155,121	2,198,241	2,227,024	2,238,622	2,252,767	48,641,122	65,367,517
TOTAL D/S PMTS (Existing & Projected)	2,366,802	2,481,534	3,673,153	4,062,216	4,415,327	4,632,671	4,756,841	4,786,026	4,772,671	4,283,027	4,091,980	69,542,956	113,865,204
Projected Bond Financings													
General Obligation Bonds	3,050,000	5,775,000	6,585,000	5,613,000	3,395,315	1,003,000	610,000	407,000	164,000	200,000	-	-	26,802,315
Lease Purchase Financings	640,000	1,188,000	887,000	557,000	908,000	-	-	-	-	-	-	-	4,180,000
TOTAL	3,690,000	6,963,000	7,472,000	6,170,000	4,303,315	1,003,000	610,000	407,000	164,000	200,000	-	-	30,982,315
CUMULATIVE TOTAL	3,690,000	10,653,000	18,125,000	24,295,000	28,598,315	29,601,315	30,211,315	30,618,315	30,782,315	30,982,315	30,982,315		

Computation of Debt Ratios

FYE June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GF Revenues	$79,158,000	$75,537,000	$80,424,000	$84,863,000	$90,085,000	$95,642,000	$101,673,000	$107,883,000	$115,342,000	$123,402,000	$132,025,226	$ 132,025,226
Growth Rate of General Fund Revenues	7.12%	-4.57%	6.47%	5.52%	6.15%	6.17%	6.31%	6.11%	6.91%	6.99%	6.99%	0.00%
TOTAL D/S PMTS (Existing & Projected)	2,366,802	2,481,534	3,673,153	4,062,216	4,415,327	4,632,671	4,756,841	4,786,026	4,772,671	4,283,027	4,091,980	3,853,627
Debt Service to General Fund Revenues	2.99%	3.29%	4.57%	4.79%	4.90%	4.84%	4.68%	4.44%	4.14%	3.47%	3.10%	2.92%

Computation of Debt Ratios for Total Net Tax-Supported Debt as of June 30, 2002 Plus $46.665 billion in Projected Bond Financings ($ thousands) - $14.844 billion Authorized but Unissued Bonds, $16.138 billion November 2002 Ballot Bonds and $15.683 billion November 2004 Ballot Bonds
General Fund Revenues Growth @ DOF Forecast

FYE June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 - 2041	TOTAL
General Fund Debt - Existing													
General Obligation Bonds	$ 21,644,727	$ 21,185,727	$ 19,940,937	$ 18,766,347	$ 17,548,112	$ 16,398,924	$ 15,240,384	$ 13,992,894	$ 12,700,300	$ 11,799,535	$ 11,046,785		
Lease Purchase Financings	6,030,624	5,710,962	5,377,173	5,024,175	4,718,811	4,405,919	4,071,667	3,749,540	3,415,570	3,099,170	2,775,020		
Sub-Total	27,675,350	26,896,689	25,318,110	23,790,522	22,266,923	20,804,843	19,312,051	17,742,434	16,115,870	14,898,705	13,821,805		
General Fund Debt - Projected													
General Obligation Bonds	3,050,000	8,825,000	15,840,000	24,119,290	31,223,915	35,512,080	37,152,060	37,698,120	38,385,395	39,252,450	38,466,910		
Lease Purchase Financings	640,000	1,815,920	2,667,715	3,170,745	4,011,150	3,922,530	3,828,805	3,729,700	3,624,900	3,514,075	3,396,875		
Sub-Total	3,690,000	10,640,920	18,507,715	27,290,035	35,235,065	39,434,610	40,980,865	41,427,820	42,010,295	42,766,525	41,863,785		
TOTAL	31,365,350	37,537,609	43,825,825	51,080,557	57,501,988	60,239,453	60,292,916	59,170,254	58,126,165	57,665,230	55,685,590		
Principal Payments - Existing Debt													
General Obligation Bonds	506,735	459,000	1,244,789	1,174,590	1,218,235	1,149,188	1,158,540	1,247,490	1,292,594	900,765	752,750	$ 11,046,785	$ 22,151,462
Lease Purchase Financings	311,311	319,661	333,790	352,998	305,364	312,892	334,253	322,127	333,970	316,400	324,150	2,775,020	6,341,935
Sub-Total	818,046	778,661	1,578,579	1,527,588	1,523,599	1,462,080	1,492,793	1,569,617	1,626,564	1,217,165	1,076,900	13,821,805	28,493,396
Principal Repayments - Projected Debt													
General Obligation Bonds	-	-	-	92,710	208,690	370,835	555,020	615,940	666,725	722,945	785,540	38,466,910	42,485,315
Lease Purchase Financings	-	12,080	35,205	53,970	67,595	88,620	93,725	99,105	104,800	110,825	117,200	3,396,875	4,180,000
Sub-Total	-	12,080	35,205	146,680	276,285	459,455	648,745	715,045	771,525	833,770	902,740	41,863,785	46,665,315
TOTAL	818,046	790,741	1,613,784	1,674,268	1,799,884	1,921,535	2,141,538	2,284,662	2,398,089	2,050,935	1,979,640	55,685,590	75,158,711
Interest Payments - Projected Debt													
General Obligation Bonds	-	175,375	507,438	910,800	1,386,859	1,795,375	2,041,945	2,136,243	2,167,642	2,207,160	2,257,016	32,586,116	48,171,969
Lease Purchase Financings	-	36,800	104,415	153,394	182,318	230,641	225,545	220,156	214,458	208,432	202,059	2,023,305	3,801,524
TOTAL	-	212,175	611,853	1,064,194	1,569,177	2,026,016	2,267,490	2,356,400	2,382,100	2,415,592	2,459,075	34,609,421	51,973,492
Debt Service Payments - Existing Debt													
General Obligation Bonds	1,716,806	1,614,931	2,384,340	2,240,167	2,214,425	2,079,823	2,022,553	2,043,594	2,017,625	1,551,595	1,355,423	16,472,085	37,713,366
Lease Purchase Financings	649,996	642,348	641,755	641,581	580,956	569,955	579,167	544,190	528,023	492,811	483,791	4,429,749	10,784,322
Sub-Total	2,366,802	2,257,279	3,026,095	2,881,748	2,795,381	2,649,778	2,601,720	2,587,784	2,545,647	2,044,406	1,839,214	20,901,834	48,497,687
Debt Service Payments - Projected Debt													
General Obligation Bonds	-	175,375	507,438	1,003,510	1,595,549	2,166,210	2,596,965	2,752,183	2,834,367	2,930,105	3,042,556	71,053,026	90,657,284
Lease Purchase Financings	-	48,880	139,620	207,364	249,913	319,261	319,270	319,261	319,258	319,257	319,259	5,420,180	7,981,524
Sub-Total	-	224,255	647,058	1,210,874	1,845,462	2,485,471	2,916,235	3,071,445	3,153,625	3,249,362	3,361,815	76,473,206	98,638,807
TOTAL D/S PMTS (Existing & Projected)	2,366,802	2,481,534	3,673,153	4,092,621	4,640,843	5,135,249	5,517,955	5,659,229	5,699,272	5,293,768	5,201,029	97,375,040	147,136,495
Projected Bond Financings													
General Obligation Bonds	3,050,000	5,775,000	7,015,000	8,372,000	7,313,315	4,659,000	2,195,000	1,162,000	1,354,000	1,590,000	-	-	42,485,315
Lease Purchase Financings	640,000	1,188,000	887,000	557,000	908,000	-	-	-	-	-	-	-	4,180,000
TOTAL	3,690,000	6,963,000	7,902,000	8,929,000	8,221,315	4,659,000	2,195,000	1,162,000	1,354,000	1,590,000	-	-	46,665,315
CUMULATIVE TOTAL	3,690,000	10,653,000	18,555,000	27,484,000	35,705,315	40,364,315	42,559,315	43,721,315	45,075,315	46,665,315	46,665,315		

Computation of Debt Ratios

FYE June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GF Revenues	$79,158,000	$75,537,000	$80,424,000	$84,863,000	$90,085,000	$95,642,000	$101,673,000	$107,883,000	$115,342,000	$123,402,000	$132,025,226	$ 132,025,226
Growth Rate of General Fund Revenues	7.12%	-4.57%	6.47%	5.52%	6.15%	6.17%	6.31%	6.11%	6.91%	6.99%	6.99%	0.00%
TOTAL D/S PMTS (Existing & Projected)	2,366,802	2,481,534	3,673,153	4,092,621	4,640,843	5,135,249	5,517,955	5,659,229	5,699,272	5,293,768	5,201,029	4,962,669
Debt Service to General Fund Revenues	2.99%	3.29%	4.57%	4.82%	5.15%	5.37%	5.43%	5.25%	4.94%	4.29%	3.94%	3.76%

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Computation of Debt Ratios for Total Net Tax-Supported Debt as of June 30, 2002 Plus $52.970 billion in Projected Bond Financings ($ thousands) - Gradual Increase to 4.25% Ratio of Debt Service to GF Revenues
General Fund Revenues Growth @ DOF Forecast

FYE June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 - 2041	TOTAL
General Fund Debt - Existing													
General Obligation Bonds	$ 21,644,727	$ 21,185,727	$ 19,940,937	$ 18,766,347	$ 17,548,112	$ 16,398,924	$ 15,240,384	$ 13,992,894	$ 12,700,300	$ 11,799,535	$ 11,046,785		
Lease Purchase Financings	6,030,624	5,710,962	5,377,173	5,024,175	4,718,811	4,405,919	4,071,667	3,749,540	3,415,570	3,099,170	2,775,020		
Sub-Total	27,675,350	26,896,689	25,318,110	23,790,522	22,266,923	20,804,843	19,312,051	17,742,434	16,115,870	14,898,705	13,821,805		
General Fund Debt - Projected													
General Obligation Bonds	4,815,000	6,760,000	11,560,000	15,761,560	19,923,110	23,431,475	26,980,155	31,680,675	42,962,635	50,432,460	49,557,270		
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-		
Sub-Total	4,815,000	6,760,000	11,560,000	15,761,560	19,923,110	23,431,475	26,980,155	31,680,675	42,962,635	50,432,460	49,557,270		
TOTAL	32,490,350	33,656,689	36,878,110	39,552,082	42,190,033	44,236,318	46,292,206	49,423,109	59,078,505	65,331,165	63,379,075		
Principal Payments - Existing Debt													
General Obligation Bonds	506,735	459,000	1,244,789	1,174,590	1,218,235	1,149,188	1,158,540	1,247,490	1,292,594	900,765	752,750	$ 11,046,785	$ 22,151,462
Lease Purchase Financings	311,311	319,661	333,790	352,998	305,364	312,892	334,253	322,127	333,970	316,400	324,150	2,775,020	6,341,935
Sub-Total	818,046	778,661	1,578,579	1,527,588	1,523,599	1,462,080	1,492,793	1,569,617	1,626,564	1,217,165	1,076,900	13,821,805	28,493,396
Principal Repayments - Projected Debt													
General Obligation Bonds	-	-	-	63,440	123,450	271,635	371,320	444,480	538,040	725,175	875,190	49,557,270	52,970,000
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	-	-	63,440	123,450	271,635	371,320	444,480	538,040	725,175	875,190	49,557,270	52,970,000
TOTAL	818,046	778,661	1,578,579	1,591,028	1,647,049	1,733,715	1,864,113	2,014,097	2,164,604	1,942,340	1,952,090	63,379,075	81,463,396
Interest Payments - Projected Debt													
General Obligation Bonds	-	276,863	388,700	664,700	906,290	1,145,579	1,347,310	1,551,359	1,821,639	2,470,352	2,899,866	46,334,853	59,807,509
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	-	276,863	388,700	664,700	906,290	1,145,579	1,347,310	1,551,359	1,821,639	2,470,352	2,899,866	46,334,853	59,807,509
Debt Service Payments - Existing Debt													
General Obligation Bonds	1,716,806	1,614,931	2,384,340	2,240,167	2,214,425	2,079,823	2,022,553	2,043,594	2,017,625	1,551,595	1,355,423	16,472,085	37,713,366
Lease Purchase Financings	649,996	642,348	641,755	641,581	580,956	569,955	579,167	544,190	528,023	492,811	483,791	4,429,749	10,784,322
Sub-Total	2,366,802	2,257,279	3,026,095	2,881,748	2,795,381	2,649,778	2,601,720	2,587,784	2,545,647	2,044,406	1,839,214	20,901,834	48,497,687
Debt Service Payments - Projected Debt													
General Obligation Bonds	-	276,863	388,700	728,140	1,029,740	1,417,214	1,718,630	1,995,839	2,359,679	3,195,527	3,775,056	95,892,123	112,777,509
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	276,863	388,700	728,140	1,029,740	1,417,214	1,718,630	1,995,839	2,359,679	3,195,527	3,775,056	95,892,123	112,777,509
TOTAL D/S PMTS (Existing & Projected)	2,366,802	2,534,141	3,414,795	3,609,888	3,825,121	4,066,992	4,320,350	4,583,623	4,905,326	5,239,932	5,614,270	116,793,957	161,275,196
Projected Bond Financings													
General Obligation Bonds	4,815,000	1,945,000	4,800,000	4,265,000	4,285,000	3,780,000	3,920,000	5,145,000	11,820,000	8,195,000	-	-	52,970,000
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	4,815,000	1,945,000	4,800,000	4,265,000	4,285,000	3,780,000	3,920,000	5,145,000	11,820,000	8,195,000	-	-	52,970,000
CUMULATIVE TOTAL	4,815,000	6,760,000	11,560,000	15,825,000	20,110,000	23,890,000	27,810,000	32,955,000	44,775,000	52,970,000	52,970,000		

Computation of Debt Ratios

FYE June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GF Revenues	$79,158,000	$75,537,000	$80,424,000	$84,863,000	$90,085,000	$95,642,000	$101,673,000	$107,883,000	$115,342,000	$123,402,000	$132,025,226	$ 132,025,226
Growth Rate of General Fund Revenues	7.12%	-4.57%	6.47%	5.52%	6.15%	6.17%	6.31%	6.11%	6.91%	6.99%	6.99%	0.00%
TOTAL D/S PMTS (Existing & Projected)	2,366,802	2,534,141	3,414,795	3,609,888	3,825,121	4,066,992	4,320,350	4,583,623	4,905,326	5,239,932	5,614,270	5,375,919
Debt Service to General Fund Revenues	2.99%	3.35%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.07%

THE STATE OF CALIFORNIA **Appendix 10-6**
Debt Affordability Report - October 2002

Computation of Debt Ratios for Total Net Tax-Supported Debt as of June 30, 2002 Plus $66.635 billion in Projected Bond Financings ($ thousands) - Gradual Increase to 5.00% Ratio of Debt Service to GF Revenues
General Fund Revenues Growth @ DOF Forecast

FYE June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 - 2041	TOTAL
General Fund Debt - Existing													
General Obligation Bonds	$ 21,644,727	$ 21,185,727	$ 19,940,937	$ 18,766,347	$ 17,548,112	$ 16,398,924	$ 15,240,384	$ 13,992,894	$ 12,700,300	$ 11,799,535	$ 11,046,785		
Lease Purchase Financings	6,030,624	5,710,962	5,377,173	5,024,175	4,718,811	4,405,919	4,071,667	3,749,540	3,415,570	3,099,170	2,775,020		
Sub-Total	27,675,350	26,896,689	25,318,110	23,790,522	22,266,923	20,804,843	19,312,051	17,742,434	16,115,870	14,898,705	13,821,805		
General Fund Debt - Projected													
General Obligation Bonds	6,785,000	12,855,000	21,630,000	26,504,030	30,535,440	33,636,230	37,713,120	42,837,375	54,963,595	63,046,240	61,903,660		
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-		
Sub-Total	6,785,000	12,855,000	21,630,000	26,504,030	30,535,440	33,636,230	37,713,120	42,837,375	54,963,595	63,046,240	61,903,660		
TOTAL	34,460,350	39,751,689	46,948,110	50,294,552	52,802,363	54,441,073	57,025,171	60,579,809	71,079,465	77,944,945	75,725,465		
Principal Payments - Existing Debt													
General Obligation Bonds	506,735	459,000	1,244,789	1,174,590	1,218,235	1,149,188	1,158,540	1,247,490	1,292,594	900,765	752,750	$ 11,046,785	$ 22,151,462
Lease Purchase Financings	311,311	319,661	333,790	352,998	305,364	312,892	334,253	322,127	333,970	316,400	324,150	2,775,020	6,341,935
Sub-Total	818,046	778,661	1,578,579	1,527,588	1,523,599	1,462,080	1,492,793	1,569,617	1,626,564	1,217,165	1,076,900	13,821,805	28,493,396
Principal Repayments - Projected Debt													
General Obligation Bonds	-	-	-	115,970	188,590	374,210	548,110	640,745	753,780	967,355	1,142,580	61,903,660	66,635,000
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	-	-	115,970	188,590	374,210	548,110	640,745	753,780	967,355	1,142,580	61,903,660	66,635,000
TOTAL	818,046	778,661	1,578,579	1,643,558	1,712,189	1,836,290	2,040,903	2,210,362	2,380,344	2,184,520	2,219,480	75,725,465	95,128,396
Interest Payments - Projected Debt													
General Obligation Bonds	-	390,138	739,163	1,243,725	1,523,982	1,755,788	1,934,083	2,168,504	2,463,149	3,160,407	3,625,159	56,491,279	75,495,375
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	-	390,138	739,163	1,243,725	1,523,982	1,755,788	1,934,083	2,168,504	2,463,149	3,160,407	3,625,159	56,491,279	75,495,375
Debt Service Payments - Existing Debt													
General Obligation Bonds	1,716,806	1,614,931	2,384,340	2,240,167	2,214,425	2,079,823	2,022,553	2,043,594	2,017,625	1,551,595	1,355,423	16,472,085	37,713,366
Lease Purchase Financings	649,996	642,348	641,755	641,581	580,956	569,955	579,167	544,190	528,023	492,811	483,791	4,429,749	10,784,322
Sub-Total	2,366,802	2,257,279	3,026,095	2,881,748	2,795,381	2,649,778	2,601,720	2,587,784	2,545,647	2,044,406	1,839,214	20,901,834	48,497,687
Debt Service Payments - Projected Debt													
General Obligation Bonds	-	390,138	739,163	1,359,695	1,712,572	2,129,998	2,482,193	2,809,249	3,216,929	4,127,762	4,767,739	118,394,939	142,130,375
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	390,138	739,163	1,359,695	1,712,572	2,129,998	2,482,193	2,809,249	3,216,929	4,127,762	4,767,739	118,394,939	142,130,375
TOTAL D/S PMTS (Existing & Projected)	2,366,802	2,647,416	3,765,258	4,241,443	4,507,953	4,779,776	5,083,913	5,397,034	5,762,576	6,172,167	6,606,952	139,296,773	190,628,063
Projected Bond Financings													
General Obligation Bonds	6,785,000	6,070,000	8,775,000	4,990,000	4,220,000	3,475,000	4,625,000	5,765,000	12,880,000	9,050,000	-	-	66,635,000
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	6,785,000	6,070,000	8,775,000	4,990,000	4,220,000	3,475,000	4,625,000	5,765,000	12,880,000	9,050,000	-	-	66,635,000
CUMULATIVE TOTAL	6,785,000	12,855,000	21,630,000	26,620,000	30,840,000	34,315,000	38,940,000	44,705,000	57,585,000	66,635,000	66,635,000		

Computation of Debt Ratios

FYE June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GF Revenues	$79,158,000	$75,537,000	$80,424,000	$84,863,000	$90,085,000	$95,642,000	$101,673,000	$107,883,000	$115,342,000	$123,402,000	$132,025,226	$ 132,025,226
Growth Rate of General Fund Revenues	7.12%	-4.57%	6.47%	5.52%	6.15%	6.17%	6.31%	6.11%	6.91%	6.99%	6.99%	0.00%
TOTAL D/S PMTS (Existing & Projected)	2,366,802	2,647,416	3,765,258	4,241,443	4,507,953	4,779,776	5,083,913	5,397,034	5,762,576	6,172,167	6,606,952	6,368,612
Debt Service to General Fund Revenues	2.99%	3.50%	4.68%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	4.82%

Computation of Debt Ratios for Total Net Tax-Supported Debt as of June 30, 2002 Plus $84.775 billion in Projected Bond Financings ($ thousands) - Gradual Increase to 6.00% Ratio of Debt Service to GF Revenues
General Fund Revenues Growth @ DOF Forecast

FYE June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 - 2041	TOTAL
General Fund Debt - Existing													
General Obligation Bonds	$ 21,644,727	$ 21,185,727	$ 19,940,937	$ 18,766,347	$ 17,548,112	$ 16,398,924	$ 15,240,384	$ 13,992,894	$ 12,700,300	$ 11,799,535	$ 11,046,785		
Lease Purchase Financings	6,030,624	5,710,962	5,377,173	5,024,175	4,718,811	4,405,919	4,071,667	3,749,540	3,415,570	3,099,170	2,775,020		
Sub-Total	27,675,350	26,896,689	25,318,110	23,790,522	22,266,923	20,804,843	19,312,051	17,742,434	16,115,870	14,898,705	13,821,805		
General Fund Debt - Projected													
General Obligation Bonds	10,025,000	18,930,000	34,835,000	40,174,795	44,259,155	47,252,805	51,942,065	58,014,145	70,877,480	79,717,145	78,224,090		
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-		
Sub-Total	10,025,000	18,930,000	34,835,000	40,174,795	44,259,155	47,252,805	51,942,065	58,014,145	70,877,480	79,717,145	78,224,090		
TOTAL	37,700,350	45,826,689	60,153,110	63,965,317	66,526,078	68,057,648	71,254,116	75,756,579	86,993,350	94,615,850	92,045,895		
Principal Payments - Existing Debt													
General Obligation Bonds	506,735	459,000	1,244,789	1,174,590	1,218,235	1,149,188	1,158,540	1,247,490	1,292,594	900,765	752,750	$ 11,046,785	$ 22,151,462
Lease Purchase Financings	311,311	319,661	333,790	352,998	305,364	312,892	334,253	322,127	333,970	316,400	324,150	2,775,020	6,341,935
Sub-Total	818,046	778,661	1,578,579	1,527,588	1,523,599	1,462,080	1,492,793	1,569,617	1,626,564	1,217,165	1,076,900	13,821,805	28,493,396
Principal Repayments - Projected Debt													
General Obligation Bonds	-	-	-	210,205	295,640	546,350	780,740	897,920	1,041,665	1,285,335	1,493,055	78,224,090	84,775,000
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	-	-	210,205	295,640	546,350	780,740	897,920	1,041,665	1,285,335	1,493,055	78,224,090	84,775,000
TOTAL	818,046	778,661	1,578,579	1,737,793	1,819,239	2,008,430	2,273,533	2,467,537	2,668,229	2,502,500	2,569,955	92,045,895	113,268,396
Interest Payments - Projected Debt													
General Obligation Bonds	-	576,438	1,088,475	2,003,013	2,310,051	2,544,901	2,717,036	2,986,669	3,335,813	4,075,455	4,583,736	69,979,124	96,200,711
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	-	576,438	1,088,475	2,003,013	2,310,051	2,544,901	2,717,036	2,986,669	3,335,813	4,075,455	4,583,736	69,979,124	96,200,711
Debt Service Payments - Existing Debt													
General Obligation Bonds	1,716,806	1,614,931	2,384,340	2,240,167	2,214,425	2,079,823	2,022,553	2,043,594	2,017,625	1,551,595	1,355,423	16,472,085	37,713,366
Lease Purchase Financings	649,996	642,348	641,755	641,581	580,956	569,955	579,167	544,190	528,023	492,811	483,791	4,429,749	10,784,322
Sub-Total	2,366,802	2,257,279	3,026,095	2,881,748	2,795,381	2,649,778	2,601,720	2,587,784	2,545,647	2,044,406	1,839,214	20,901,834	48,497,687
Debt Service Payments - Projected Debt													
General Obligation Bonds	-	576,438	1,088,475	2,213,218	2,605,691	3,091,251	3,497,776	3,884,589	4,377,478	5,360,790	6,076,791	148,203,214	180,975,711
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	576,438	1,088,475	2,213,218	2,605,691	3,091,251	3,497,776	3,884,589	4,377,478	5,360,790	6,076,791	148,203,214	180,975,711
TOTAL D/S PMTS (Existing & Projected)	2,366,802	2,833,716	4,114,570	5,094,965	5,401,072	5,741,029	6,099,496	6,472,373	6,923,126	7,405,196	7,916,004	169,105,048	229,473,398
Projected Bond Financings													
General Obligation Bonds	10,025,000	8,905,000	15,905,000	5,550,000	4,380,000	3,540,000	5,470,000	6,970,000	13,905,000	10,125,000	-	-	84,775,000
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	10,025,000	8,905,000	15,905,000	5,550,000	4,380,000	3,540,000	5,470,000	6,970,000	13,905,000	10,125,000	-	-	84,775,000
CUMULATIVE TOTAL	10,025,000	18,930,000	34,835,000	40,385,000	44,765,000	48,305,000	53,775,000	60,745,000	74,650,000	84,775,000	84,775,000		

Computation of Debt Ratios

FYE June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GF Revenues	$79,158,000	$75,537,000	$80,424,000	$84,863,000	$90,085,000	$95,642,000	$101,673,000	$107,883,000	$115,342,000	$123,402,000	$132,025,226	$ 132,025,226
Growth Rate of General Fund Revenues	7.12%	-4.57%	6.47%	5.52%	6.15%	6.17%	6.31%	6.11%	6.91%	6.99%	6.99%	0.00%
TOTAL D/S PMTS (Existing & Projected)	2,366,802	2,833,716	4,114,570	5,094,965	5,401,072	5,741,029	6,099,496	6,472,373	6,923,126	7,405,196	7,916,004	7,677,661
Debt Service to General Fund Revenues	2.99%	3.75%	5.12%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	5.82%

Computation of Debt Ratios for Total Net Tax-Supported Debt as of June 30, 2002 Plus $45.095 billion in Projected Bond Financings ($ thousands)
General Fund Revenues Growth @ DOF Forecast Minus 1%

FYE June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 - 2041	TOTAL
General Fund Debt - Existing													
General Obligation Bonds	$ 21,644,727	$ 21,185,727	$ 19,940,937	$ 18,766,347	$ 17,548,112	$ 16,398,924	$ 15,240,384	$ 13,992,894	$ 12,700,300	$ 11,799,535	$ 11,046,785		
Lease Purchase Financings	6,030,624	5,710,962	5,377,173	5,024,175	4,718,811	4,405,919	4,071,667	3,749,540	3,415,570	3,099,170	2,775,020		
Sub-Total	27,675,350	26,896,689	25,318,110	23,790,522	22,266,923	20,804,843	19,312,051	17,742,434	16,115,870	14,898,705	13,821,805		
General Fund Debt - Projected													
General Obligation Bonds	3,880,000	5,145,000	9,225,000	12,996,080	16,588,510	19,672,800	22,387,825	26,275,045	36,669,890	42,965,865	42,225,220		
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-		
Sub-Total	3,880,000	5,145,000	9,225,000	12,996,080	16,588,510	19,672,800	22,387,825	26,275,045	36,669,890	42,965,865	42,225,220		
TOTAL	31,555,350	32,041,689	34,543,110	36,786,602	38,855,433	40,477,643	41,699,876	44,017,479	52,785,760	57,864,570	56,047,025		
Principal Payments - Existing Debt													
General Obligation Bonds	506,735	459,000	1,244,789	1,174,590	1,218,235	1,149,188	1,158,540	1,247,490	1,292,594	900,765	752,750	$ 11,046,785	$ 22,151,462
Lease Purchase Financings	311,311	319,661	333,790	352,998	305,364	312,892	334,253	322,127	333,970	316,400	324,150	2,775,020	6,341,935
Sub-Total	818,046	778,661	1,578,579	1,527,588	1,523,599	1,462,080	1,492,793	1,569,617	1,626,564	1,217,165	1,076,900	13,821,805	28,493,396
Principal Repayments - Projected Debt													
General Obligation Bonds	-	-	-	53,920	107,570	230,710	309,975	367,780	445,155	614,025	740,645	42,225,220	45,095,000
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	-	-	53,920	107,570	230,710	309,975	367,780	445,155	614,025	740,645	42,225,220	45,095,000
TOTAL	818,046	778,661	1,578,579	1,581,508	1,631,169	1,692,790	1,802,768	1,937,397	2,071,719	1,831,190	1,817,545	56,047,025	73,588,396
Interest Payments - Projected Debt													
General Obligation Bonds	-	223,100	295,838	530,438	747,275	953,839	1,131,186	1,287,300	1,510,815	2,108,519	2,470,537	39,620,845	50,879,691
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	-	223,100	295,838	530,438	747,275	953,839	1,131,186	1,287,300	1,510,815	2,108,519	2,470,537	39,620,845	50,879,691
Debt Service Payments - Existing Debt													
General Obligation Bonds	1,716,806	1,614,931	2,384,340	2,240,167	2,214,425	2,079,823	2,022,553	2,043,594	2,017,625	1,551,595	1,355,423	16,472,085	37,713,366
Lease Purchase Financings	649,996	642,348	641,755	641,581	580,956	569,955	579,167	544,190	528,023	492,811	483,791	4,429,749	10,784,322
Sub-Total	2,366,802	2,257,279	3,026,095	2,881,748	2,795,381	2,649,778	2,601,720	2,587,784	2,545,647	2,044,406	1,839,214	20,901,834	48,497,687
Debt Service Payments - Projected Debt													
General Obligation Bonds	-	223,100	295,838	584,358	854,845	1,184,549	1,441,161	1,655,080	1,955,970	2,722,544	3,211,182	81,846,065	95,974,691
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	223,100	295,838	584,358	854,845	1,184,549	1,441,161	1,655,080	1,955,970	2,722,544	3,211,182	81,846,065	95,974,691
TOTAL D/S PMTS (Existing & Projected)	2,366,802	2,480,379	3,321,933	3,466,105	3,650,226	3,834,327	4,042,881	4,242,864	4,501,617	4,766,949	5,050,396	102,747,899	144,472,378
Projected Bond Financings													
General Obligation Bonds	3,880,000	1,265,000	4,080,000	3,825,000	3,700,000	3,315,000	3,025,000	4,255,000	10,840,000	6,910,000	-	-	45,095,000
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	3,880,000	1,265,000	4,080,000	3,825,000	3,700,000	3,315,000	3,025,000	4,255,000	10,840,000	6,910,000	-	-	45,095,000
CUMULATIVE TOTAL	3,880,000	5,145,000	9,225,000	13,050,000	16,750,000	20,065,000	23,090,000	27,345,000	38,185,000	45,095,000	45,095,000		

Computation of Debt Ratios

FYE June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GF Revenues	$78,419,010	$74,047,624	$78,097,790	$81,627,417	$85,834,043	$90,270,477	$95,060,055	$99,915,548	$105,824,525	$112,161,207	$118,877,323	$ 118,877,323
Growth Rate of General Fund Revenues	6.12%	-5.57%	5.47%	4.52%	5.15%	5.17%	5.31%	5.11%	5.91%	5.99%	5.99%	0.00%
TOTAL D/S PMTS (Existing & Projected)	2,366,802	2,480,379	3,321,933	3,466,105	3,650,226	3,834,327	4,042,881	4,242,864	4,501,617	4,766,949	5,050,396	4,812,051
Debt Service to General Fund Revenues	3.02%	3.35%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.05%

THE STATE OF CALIFORNIA **Appendix 10-9**
Debt Affordability Report - October 2002

Computation of Debt Ratios for Total Net Tax-Supported Debt as of June 30, 2002 Plus $61.500 billion in Projected Bond Financings ($ thousands)
General Fund Revenues Growth @ DOF Forecast Plus 1%

FYE June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 - 2041	TOTAL
General Fund Debt - Existing													
General Obligation Bonds	$ 21,644,727	$ 21,185,727	$ 19,940,937	$ 18,766,347	$ 17,548,112	$ 16,398,924	$ 15,240,384	$ 13,992,894	$ 12,700,300	$ 11,799,535	$ 11,046,785		
Lease Purchase Financings	6,030,624	5,710,962	5,377,173	5,024,175	4,718,811	4,405,919	4,071,667	3,749,540	3,415,570	3,099,170	2,775,020		
Sub-Total	27,675,350	26,896,689	25,318,110	23,790,522	22,266,923	20,804,843	19,312,051	17,742,434	16,115,870	14,898,705	13,821,805		
General Fund Debt - Projected													
General Obligation Bonds	5,685,000	8,520,000	13,885,000	18,739,095	23,394,025	27,477,820	31,850,910	37,550,315	49,902,225	58,530,760	57,510,395		
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-		
Sub-Total	5,685,000	8,520,000	13,885,000	18,739,095	23,394,025	27,477,820	31,850,910	37,550,315	49,902,225	58,530,760	57,510,395		
TOTAL	33,360,350	35,416,689	39,203,110	42,529,617	45,660,948	48,282,663	51,162,961	55,292,749	66,018,095	73,429,465	71,332,200		
Principal Payments - Existing Debt													
General Obligation Bonds	506,735	459,000	1,244,789	1,174,590	1,218,235	1,149,188	1,158,540	1,247,490	1,292,594	900,765	752,750	$ 11,046,785	$ 22,151,462
Lease Purchase Financings	311,311	319,661	333,790	352,998	305,364	312,892	334,253	322,127	333,970	316,400	324,150	2,775,020	6,341,935
Sub-Total	818,046	778,661	1,578,579	1,527,588	1,523,599	1,462,080	1,492,793	1,569,617	1,626,564	1,217,165	1,076,900	13,821,805	28,493,396
Principal Repayments - Projected Debt													
General Obligation Bonds	-	-	-	70,905	140,070	311,205	436,910	525,595	638,090	846,465	1,020,365	57,510,395	61,500,000
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	-	-	70,905	140,070	311,205	436,910	525,595	638,090	846,465	1,020,365	57,510,395	61,500,000
TOTAL	818,046	778,661	1,578,579	1,598,493	1,663,669	1,773,285	1,929,703	2,095,212	2,264,654	2,063,630	2,097,265	71,332,200	89,993,396
Interest Payments - Projected Debt													
General Obligation Bonds	-	326,888	489,900	798,388	1,077,498	1,345,156	1,579,975	1,831,427	2,159,143	2,869,378	3,365,519	53,635,267	69,478,539
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	-	326,888	489,900	798,388	1,077,498	1,345,156	1,579,975	1,831,427	2,159,143	2,869,378	3,365,519	53,635,267	69,478,539
Debt Service Payments - Existing Debt													
General Obligation Bonds	1,716,806	1,614,931	2,384,340	2,240,167	2,214,425	2,079,823	2,022,553	2,043,594	2,017,625	1,551,595	1,355,423	16,472,085	37,713,366
Lease Purchase Financings	649,996	642,348	641,755	641,581	580,956	569,955	579,167	544,190	528,023	492,811	483,791	4,429,749	10,784,322
Sub-Total	2,366,802	2,257,279	3,026,095	2,881,748	2,795,381	2,649,778	2,601,720	2,587,784	2,545,647	2,044,406	1,839,214	20,901,834	48,497,687
Debt Service Payments - Projected Debt													
General Obligation Bonds	-	326,888	489,900	869,293	1,217,568	1,656,361	2,016,885	2,357,022	2,797,233	3,715,843	4,385,884	111,145,662	130,978,539
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	326,888	489,900	869,293	1,217,568	1,656,361	2,016,885	2,357,022	2,797,233	3,715,843	4,385,884	111,145,662	130,978,539
TOTAL D/S PMTS (Existing & Projected)	2,366,802	2,584,166	3,515,995	3,751,040	4,012,949	4,306,139	4,618,605	4,944,807	5,342,880	5,760,249	6,225,097	132,047,497	179,476,226
Projected Bond Financings													
General Obligation Bonds	5,685,000	2,835,000	5,365,000	4,925,000	4,795,000	4,395,000	4,810,000	6,225,000	12,990,000	9,475,000	-	-	61,500,000
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	5,685,000	2,835,000	5,365,000	4,925,000	4,795,000	4,395,000	4,810,000	6,225,000	12,990,000	9,475,000	-	-	61,500,000
CUMULATIVE TOTAL	5,685,000	8,520,000	13,885,000	18,810,000	23,605,000	28,000,000	32,810,000	39,035,000	52,025,000	61,500,000	61,500,000		

Computation of Debt Ratios

FYE June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GF Revenues	$79,896,990	$77,041,156	$82,795,881	$88,193,756	$94,502,650	$101,277,184	$108,676,300	$116,400,812	$125,612,739	$135,646,577	$146,481,909	$ 146,481,909
Growth Rate of General Fund Revenues	8.12%	-3.57%	7.47%	6.52%	7.15%	7.17%	7.31%	7.11%	7.91%	7.99%	7.99%	0.00%
TOTAL D/S PMTS (Existing & Projected)	2,366,802	2,584,166	3,515,995	3,751,040	4,012,949	4,306,139	4,618,605	4,944,807	5,342,880	5,760,249	6,225,097	5,986,734
Debt Service to General Fund Revenues	2.96%	3.35%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.09%

THE STATE OF CALIFORNIA **Appendix 10-10**
Debt Affordability Report - October 2002

Computation of Debt Ratios for Total Net Tax-Supported Debt as of June 1, 2002 Plus $57.390 Billion in Projected Bond Financings ($ thousands) - Gradual Increase to 5.00% Ratio of Debt Service to GF Revenues
General Fund Revenues Growth @ DOF Forecast Minus 1%

FYE June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 - 2041	TOTAL
General Fund Debt - Existing													
General Obligation Bonds	$ 21,644,727	$ 21,185,727	$ 19,940,937	$ 18,766,347	$ 17,548,112	$ 16,398,924	$ 15,240,384	$ 13,992,894	$ 12,700,300	$ 11,799,535	$ 11,046,785		
Lease Purchase Financings	6,030,624	5,710,962	5,377,173	5,024,175	4,718,811	4,405,919	4,071,667	3,749,540	3,415,570	3,099,170	2,775,020		
Sub-Total	27,675,350	26,896,689	25,318,110	23,790,522	22,266,923	20,804,843	19,312,051	17,742,434	16,115,870	14,898,705	13,821,805		
General Fund Debt - Projected													
General Obligation Bonds	5,840,000	10,940,000	19,055,000	23,097,750	26,624,490	29,130,290	32,345,245	36,504,110	47,454,045	54,278,655	53,293,980		
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-		
Sub-Total	5,840,000	10,940,000	19,055,000	23,097,750	26,624,490	29,130,290	32,345,245	36,504,110	47,454,045	54,278,655	53,293,980		
TOTAL	33,515,350	37,836,689	44,373,110	46,888,272	48,891,413	49,935,133	51,657,296	54,246,544	63,569,915	69,177,360	67,115,785		
Principal Payments - Existing Debt													
General Obligation Bonds	506,735	459,000	1,244,789	1,174,590	1,218,235	1,149,188	1,158,540	1,247,490	1,292,594	900,765	752,750	$ 11,046,785	$ 22,151,462
Lease Purchase Financings	311,311	319,661	333,790	352,998	305,364	312,892	334,253	322,127	333,970	316,400	324,150	2,775,020	6,341,935
Sub-Total	818,046	778,661	1,578,579	1,527,588	1,523,599	1,462,080	1,492,793	1,569,617	1,626,564	1,217,165	1,076,900	13,821,805	28,493,396
Principal Repayments - Projected Debt													
General Obligation Bonds	-	-	-	107,250	168,260	329,200	475,045	551,135	645,065	835,390	984,675	53,293,980	57,390,000
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	-	-	107,250	168,260	329,200	475,045	551,135	645,065	835,390	984,675	53,293,980	57,390,000
TOTAL	818,046	778,661	1,578,579	1,634,838	1,691,859	1,791,280	1,967,838	2,120,752	2,271,629	2,052,555	2,061,575	67,115,785	85,883,396
Interest Payments - Projected Debt													
General Obligation Bonds	-	335,800	629,050	1,095,663	1,328,121	1,530,908	1,674,992	1,859,852	2,098,986	2,728,608	3,121,023	48,610,267	65,013,268
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	-	335,800	629,050	1,095,663	1,328,121	1,530,908	1,674,992	1,859,852	2,098,986	2,728,608	3,121,023	48,610,267	65,013,268
Debt Service Payments - Existing Debt													
General Obligation Bonds	1,716,806	1,614,931	2,384,340	2,240,167	2,214,425	2,079,823	2,022,553	2,043,594	2,017,625	1,551,595	1,355,423	16,472,085	37,713,366
Lease Purchase Financings	649,996	642,348	641,755	641,581	580,956	569,955	579,167	544,190	528,023	492,811	483,791	4,429,749	10,784,322
Sub-Total	2,366,802	2,257,279	3,026,095	2,881,748	2,795,381	2,649,778	2,601,720	2,587,784	2,545,647	2,044,406	1,839,214	20,901,834	48,497,687
Debt Service Payments - Projected Debt													
General Obligation Bonds	-	335,800	629,050	1,202,913	1,496,381	1,860,108	2,150,037	2,410,987	2,744,051	3,563,998	4,105,698	101,904,247	122,403,268
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	335,800	629,050	1,202,913	1,496,381	1,860,108	2,150,037	2,410,987	2,744,051	3,563,998	4,105,698	101,904,247	122,403,268
TOTAL D/S PMTS (Existing & Projected)	2,366,802	2,593,079	3,655,145	4,084,660	4,291,762	4,509,886	4,751,757	4,998,771	5,289,699	5,608,403	5,944,911	122,806,081	170,900,956
Projected Bond Financings													
General Obligation Bonds	5,840,000	5,100,000	8,115,000	4,150,000	3,695,000	2,835,000	3,690,000	4,710,000	11,595,000	7,660,000	-	-	57,390,000
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	5,840,000	5,100,000	8,115,000	4,150,000	3,695,000	2,835,000	3,690,000	4,710,000	11,595,000	7,660,000	-	-	57,390,000
CUMULATIVE TOTAL	5,840,000	10,940,000	19,055,000	23,205,000	26,900,000	29,735,000	33,425,000	38,135,000	49,730,000	57,390,000	57,390,000		

Computation of Debt Ratios

FYE June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GF Revenues	$78,419,010	$74,047,624	$78,097,790	$81,627,417	$85,834,043	$90,270,477	$95,060,055	$99,915,548	$105,824,525	$112,161,207	$118,877,323	$ 118,877,323
Growth Rate of General Fund Revenues	6.12%	-5.57%	5.47%	4.52%	5.15%	5.17%	5.31%	5.11%	5.91%	5.99%	5.99%	0.00%
TOTAL D/S PMTS (Existing & Projected)	2,366,802	2,593,079	3,655,145	4,084,660	4,291,762	4,509,886	4,751,757	4,998,771	5,289,699	5,608,403	5,944,911	5,706,550
Debt Service to General Fund Revenues	3.02%	3.50%	4.68%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	4.80%

THE STATE OF CALIFORNIA
Debt Affordability Report - October 2002

Computation of Debt Ratios for Total Net Tax-Supported Debt as of June 1, 2002 Plus $76.570 Billion in Projected Bond Financings ($ thousands) - Gradual Increase to 5.00% Ratio of Debt Service to GF Revenues
General Fund Revenues Growth @ DOF Forecast Plus 1%

FYE June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 - 2041	TOTAL
General Fund Debt - Existing													
General Obligation Bonds	$ 21,644,727	$ 21,185,727	$ 19,940,937	$ 18,766,347	$ 17,548,112	$ 16,398,924	$ 15,240,384	$ 13,992,894	$ 12,700,300	$ 11,799,535	$ 11,046,785		
Lease Purchase Financings	6,030,624	5,710,962	5,377,173	5,024,175	4,718,811	4,405,919	4,071,667	3,749,540	3,415,570	3,099,170	2,775,020		
Sub-Total	27,675,350	26,896,689	25,318,110	23,790,522	22,266,923	20,804,843	19,312,051	17,742,434	16,115,870	14,898,705	13,821,805		
General Fund Debt - Projected													
General Obligation Bonds	7,625,000	14,775,000	24,315,000	29,888,915	34,695,245	38,449,570	43,474,125	49,833,050	63,100,885	72,471,690	71,160,200		
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-		
Sub-Total	7,625,000	14,775,000	24,315,000	29,888,915	34,695,245	38,449,570	43,474,125	49,833,050	63,100,885	72,471,690	71,160,200		
TOTAL	35,300,350	41,671,689	49,633,110	53,679,437	56,962,168	59,254,413	62,786,176	67,575,484	79,216,755	87,370,395	84,982,005		
Principal Payments - Existing Debt													
General Obligation Bonds	506,735	459,000	1,244,789	1,174,590	1,218,235	1,149,188	1,158,540	1,247,490	1,292,594	900,765	752,750	$ 11,046,785	$ 22,151,462
Lease Purchase Financings	311,311	319,661	333,790	352,998	305,364	312,892	334,253	322,127	333,970	316,400	324,150	2,775,020	6,341,935
Sub-Total	818,046	778,661	1,578,579	1,527,588	1,523,599	1,462,080	1,492,793	1,569,617	1,626,564	1,217,165	1,076,900	13,821,805	28,493,396
Principal Repayments - Projected Debt													
General Obligation Bonds	-	-	-	126,085	208,670	420,675	625,445	736,075	872,165	1,109,195	1,311,490	71,160,200	76,570,000
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	-	-	126,085	208,670	420,675	625,445	736,075	872,165	1,109,195	1,311,490	71,160,200	76,570,000
TOTAL	818,046	778,661	1,578,579	1,653,673	1,732,269	1,882,755	2,118,238	2,305,692	2,498,729	2,326,360	2,388,390	84,982,005	105,063,396
Interest Payments - Projected Debt													
General Obligation Bonds	-	438,438	849,563	1,398,113	1,718,613	1,994,977	2,210,850	2,499,762	2,865,400	3,628,301	4,167,122	64,980,479	86,751,616
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	-	438,438	849,563	1,398,113	1,718,613	1,994,977	2,210,850	2,499,762	2,865,400	3,628,301	4,167,122	64,980,479	86,751,616
Debt Service Payments - Existing Debt													
General Obligation Bonds	1,716,806	1,614,931	2,384,340	2,240,167	2,214,425	2,079,823	2,022,553	2,043,594	2,017,625	1,551,595	1,355,423	16,472,085	37,713,366
Lease Purchase Financings	649,996	642,348	641,755	641,581	580,956	569,955	579,167	544,190	528,023	492,811	483,791	4,429,749	10,784,322
Sub-Total	2,366,802	2,257,279	3,026,095	2,881,748	2,795,381	2,649,778	2,601,720	2,587,784	2,545,647	2,044,406	1,839,214	20,901,834	48,497,687
Debt Service Payments - Projected Debt													
General Obligation Bonds	-	438,438	849,563	1,524,198	1,927,283	2,415,652	2,836,295	3,235,837	3,737,565	4,737,496	5,478,612	136,140,679	163,321,616
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	438,438	849,563	1,524,198	1,927,283	2,415,652	2,836,295	3,235,837	3,737,565	4,737,496	5,478,612	136,140,679	163,321,616
TOTAL D/S PMTS (Existing & Projected)	2,366,802	2,695,716	3,875,658	4,405,945	4,722,664	5,065,429	5,438,015	5,823,622	6,283,213	6,781,901	7,317,826	157,042,513	211,819,304
Projected Bond Financings													
General Obligation Bonds	7,625,000	7,150,000	9,540,000	5,700,000	5,015,000	4,175,000	5,650,000	7,095,000	14,140,000	10,480,000	-	-	76,570,000
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	7,625,000	7,150,000	9,540,000	5,700,000	5,015,000	4,175,000	5,650,000	7,095,000	14,140,000	10,480,000	-	-	76,570,000
CUMULATIVE TOTAL	7,625,000	14,775,000	24,315,000	30,015,000	35,030,000	39,205,000	44,855,000	51,950,000	66,090,000	76,570,000	76,570,000		

Computation of Debt Ratios

FYE June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GF Revenues	$79,896,990	$77,041,156	$82,795,881	$88,193,756	$94,502,650	$101,277,184	$108,676,300	$116,400,812	$125,612,739	$135,646,577	$146,481,909	$ 146,481,909
Growth Rate of General Fund Revenues	8.12%	-3.57%	7.47%	6.52%	7.15%	7.17%	7.31%	7.11%	7.91%	7.99%	7.99%	0.00%
TOTAL D/S PMTS (Existing & Projected)	2,366,802	2,695,716	3,875,658	4,405,945	4,722,664	5,065,429	5,438,015	5,823,622	6,283,213	6,781,901	7,317,826	7,079,463
Debt Service to General Fund Revenues	2.96%	3.50%	4.68%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	4.83%

Computation of Debt Ratios for Total Net Tax-Supported Debt as of June 1, 2002 Plus $73.830 Billion in Projected Bond Financings ($ thousands) - Gradual Increase to 6.00% Ratio of Debt Service to GF Revenues
General Fund Revenues Growth @ DOF Forecast Minus 1%

FYE June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 - 2041	TOTAL
General Fund Debt - Existing													
General Obligation Bonds	$ 21,644,727	$ 21,185,727	$ 19,940,937	$ 18,766,347	$ 17,548,112	$ 16,398,924	$ 15,240,384	$ 13,992,894	$ 12,700,300	$ 11,799,535	$ 11,046,785		
Lease Purchase Financings	6,030,624	5,710,962	5,377,173	5,024,175	4,718,811	4,405,919	4,071,667	3,749,540	3,415,570	3,099,170	2,775,020		
Sub-Total	27,675,350	26,896,689	25,318,110	23,790,522	22,266,923	20,804,843	19,312,051	17,742,434	16,115,870	14,898,705	13,821,805		
General Fund Debt - Projected													
General Obligation Bonds	9,055,000	16,865,000	31,645,000	36,294,665	39,559,070	41,812,380	45,459,155	50,348,720	61,932,765	69,349,290	68,042,995		
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-		
Sub-Total	9,055,000	16,865,000	31,645,000	36,294,665	39,559,070	41,812,380	45,459,155	50,348,720	61,932,765	69,349,290	68,042,995		
TOTAL	36,730,350	43,761,689	56,963,110	60,085,187	61,825,993	62,617,223	64,771,206	68,091,154	78,048,635	84,247,995	81,864,800		
Principal Payments - Existing Debt													
General Obligation Bonds	506,735	459,000	1,244,789	1,174,590	1,218,235	1,149,188	1,158,540	1,247,490	1,292,594	900,765	752,750	$ 11,046,785	$ 22,151,462
Lease Purchase Financings	311,311	319,661	333,790	352,998	305,364	312,892	334,253	322,127	333,970	316,400	324,150	2,775,020	6,341,935
Sub-Total	818,046	778,661	1,578,579	1,527,588	1,523,599	1,462,080	1,492,793	1,569,617	1,626,564	1,217,165	1,076,900	13,821,805	28,493,396
Principal Repayments - Projected Debt													
General Obligation Bonds	-	-	-	195,335	270,595	491,690	693,225	790,435	910,955	1,128,475	1,306,295	68,042,995	73,830,000
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	-	-	195,335	270,595	491,690	693,225	790,435	910,955	1,128,475	1,306,295	68,042,995	73,830,000
TOTAL	818,046	778,661	1,578,579	1,722,923	1,794,194	1,953,770	2,186,018	2,360,052	2,537,519	2,345,640	2,383,195	81,864,800	102,323,396
Interest Payments - Projected Debt													
General Obligation Bonds	-	520,663	969,738	1,819,588	2,086,943	2,274,647	2,404,212	2,613,901	2,895,051	3,561,134	3,987,584	60,669,679	83,803,139
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	-	520,663	969,738	1,819,588	2,086,943	2,274,647	2,404,212	2,613,901	2,895,051	3,561,134	3,987,584	60,669,679	83,803,139
Debt Service Payments - Existing Debt													
General Obligation Bonds	1,716,806	1,614,931	2,384,340	2,240,167	2,214,425	2,079,823	2,022,553	2,043,594	2,017,625	1,551,595	1,355,423	16,472,085	37,713,366
Lease Purchase Financings	649,996	642,348	641,755	641,581	580,956	569,955	579,167	544,190	528,023	492,811	483,791	4,429,749	10,784,322
Sub-Total	2,366,802	2,257,279	3,026,095	2,881,748	2,795,381	2,649,778	2,601,720	2,587,784	2,545,647	2,044,406	1,839,214	20,901,834	48,497,687
Debt Service Payments - Projected Debt													
General Obligation Bonds	-	520,663	969,738	2,014,923	2,357,538	2,766,337	3,097,437	3,404,336	3,806,006	4,689,609	5,293,879	128,712,674	157,633,139
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	520,663	969,738	2,014,923	2,357,538	2,766,337	3,097,437	3,404,336	3,806,006	4,689,609	5,293,879	128,712,674	157,633,139
TOTAL D/S PMTS (Existing & Projected)	2,366,802	2,777,941	3,995,833	4,896,670	5,152,919	5,416,114	5,699,157	5,992,121	6,351,654	6,734,015	7,133,093	149,614,508	206,130,826
Projected Bond Financings													
General Obligation Bonds	9,055,000	7,810,000	14,780,000	4,845,000	3,535,000	2,745,000	4,340,000	5,680,000	12,495,000	8,545,000	-	-	73,830,000
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	9,055,000	7,810,000	14,780,000	4,845,000	3,535,000	2,745,000	4,340,000	5,680,000	12,495,000	8,545,000	-	-	73,830,000
CUMULATIVE TOTAL	9,055,000	16,865,000	31,645,000	36,490,000	40,025,000	42,770,000	47,110,000	52,790,000	65,285,000	73,830,000	73,830,000		

Computation of Debt Ratios

FYE June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GF Revenues	$78,419,010	$74,047,624	$78,097,790	$81,627,417	$85,834,043	$90,270,477	$95,060,055	$99,915,548	$105,824,525	$112,161,207	$118,877,323	$ 118,877,323
Growth Rate of General Fund Revenues	6.12%	-5.57%	5.47%	4.52%	5.15%	5.17%	5.31%	5.11%	5.91%	5.99%	5.99%	0.00%
TOTAL D/S PMTS (Existing & Projected)	2,366,802	2,777,941	3,995,833	4,896,670	5,152,919	5,416,114	5,699,157	5,992,121	6,351,654	6,734,015	7,133,093	6,894,743
Debt Service to General Fund Revenues	3.02%	3.75%	5.12%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	5.80%

Computation of Debt Ratios for Total Net Tax-Supported Debt as of June 1, 2002 Plus $96.895 Billion in Projected Bond Financings ($ thousands) - Gradual Increase to 6.00% Ratio of Debt Service to GF Revenues
General Fund Revenues Growth @ DOF Forecast Plus 1%

FYE June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 - 2041	TOTAL
General Fund Debt - Existing													
General Obligation Bonds	$ 21,644,727	$ 21,185,727	$ 19,940,937	$ 18,766,347	$ 17,548,112	$ 16,398,924	$ 15,240,384	$ 13,992,894	$ 12,700,300	$ 11,799,535	$ 11,046,785		
Lease Purchase Financings	6,030,624	5,710,962	5,377,173	5,024,175	4,718,811	4,405,919	4,071,667	3,749,540	3,415,570	3,099,170	2,775,020		
Sub-Total	27,675,350	26,896,689	25,318,110	23,790,522	22,266,923	20,804,843	19,312,051	17,742,434	16,115,870	14,898,705	13,821,805		
General Fund Debt - Projected													
General Obligation Bonds	10,975,000	21,100,000	37,985,000	44,331,845	49,094,030	52,977,960	58,885,465	66,303,205	80,696,320	91,225,640	89,527,860		
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-		
Sub-Total	10,975,000	21,100,000	37,985,000	44,331,845	49,094,030	52,977,960	58,885,465	66,303,205	80,696,320	91,225,640	89,527,860		
TOTAL	38,650,350	47,996,689	63,303,110	68,122,367	71,360,953	73,782,803	78,197,516	84,045,639	96,812,190	106,124,345	103,349,665		
Principal Payments - Existing Debt													
General Obligation Bonds	506,735	459,000	1,244,789	1,174,590	1,218,235	1,149,188	1,158,540	1,247,490	1,292,594	900,765	752,750	$ 11,046,785	$ 22,151,462
Lease Purchase Financings	311,311	319,661	333,790	352,998	305,364	312,892	334,253	322,127	333,970	316,400	324,150	2,775,020	6,341,935
Sub-Total	818,046	778,661	1,578,579	1,527,588	1,523,599	1,462,080	1,492,793	1,569,617	1,626,564	1,217,165	1,076,900	13,821,805	28,493,396
Principal Repayments - Projected Debt													
General Obligation Bonds	-	-	-	223,155	322,815	601,070	872,495	1,012,260	1,181,885	1,455,680	1,697,780	89,527,860	96,895,000
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	-	-	223,155	322,815	601,070	872,495	1,012,260	1,181,885	1,455,680	1,697,780	89,527,860	96,895,000
TOTAL	818,046	778,661	1,578,579	1,750,743	1,846,414	2,063,150	2,365,288	2,581,877	2,808,449	2,672,845	2,774,680	103,349,665	125,388,396
Interest Payments - Projected Debt													
General Obligation Bonds	-	631,063	1,213,250	2,184,138	2,549,081	2,822,907	3,046,233	3,385,914	3,812,434	4,640,038	5,245,474	80,391,757	109,922,289
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	-	631,063	1,213,250	2,184,138	2,549,081	2,822,907	3,046,233	3,385,914	3,812,434	4,640,038	5,245,474	80,391,757	109,922,289
Debt Service Payments - Existing Debt													
General Obligation Bonds	1,716,806	1,614,931	2,384,340	2,240,167	2,214,425	2,079,823	2,022,553	2,043,594	2,017,625	1,551,595	1,355,423	16,472,085	37,713,366
Lease Purchase Financings	649,996	642,348	641,755	641,581	580,956	569,955	579,167	544,190	528,023	492,811	483,791	4,429,749	10,784,322
Sub-Total	2,366,802	2,257,279	3,026,095	2,881,748	2,795,381	2,649,778	2,601,720	2,587,784	2,545,647	2,044,406	1,839,214	20,901,834	48,497,687
Debt Service Payments - Projected Debt													
General Obligation Bonds	-	631,063	1,213,250	2,407,293	2,871,896	3,423,977	3,918,728	4,398,174	4,994,319	6,095,718	6,943,254	169,919,617	206,817,289
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	631,063	1,213,250	2,407,293	2,871,896	3,423,977	3,918,728	4,398,174	4,994,319	6,095,718	6,943,254	169,919,617	206,817,289
TOTAL D/S PMTS (Existing & Projected)	2,366,802	2,888,341	4,239,345	5,289,040	5,667,277	6,073,755	6,520,448	6,985,959	7,539,967	8,140,124	8,782,468	190,821,451	255,314,976
Projected Bond Financings													
General Obligation Bonds	10,975,000	10,125,000	16,885,000	6,570,000	5,085,000	4,485,000	6,780,000	8,430,000	15,575,000	11,985,000	-	-	96,895,000
Lease Purchase Financings	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	10,975,000	10,125,000	16,885,000	6,570,000	5,085,000	4,485,000	6,780,000	8,430,000	15,575,000	11,985,000	-	-	96,895,000
CUMULATIVE TOTAL	10,975,000	21,100,000	37,985,000	44,555,000	49,640,000	54,125,000	60,905,000	69,335,000	84,910,000	96,895,000	96,895,000		

Computation of Debt Ratios

FYE June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GF Revenues	$79,896,990	$77,041,156	$82,795,881	$88,193,756	$94,502,650	$101,277,184	$108,676,300	$116,400,812	$125,612,739	$135,646,577	$146,481,909	$ 146,481,909
Growth Rate of General Fund Revenues	8.12%	-3.57%	7.47%	6.52%	7.15%	7.17%	7.31%	7.11%	7.91%	7.99%	7.99%	0.00%
TOTAL D/S PMTS (Existing & Projected)	2,366,802	2,888,341	4,239,345	5,289,040	5,667,277	6,073,755	6,520,448	6,985,959	7,539,967	8,140,124	8,782,468	8,544,113
Debt Service to General Fund Revenues	2.96%	3.75%	5.12%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	5.83%