Statewide Expenditures

This chapter describes items in the Budget related to statewide expenditures.

Debt Service and Bond Authority

Debt Service—General Fund debt service expenditures will increase by a net of $24.6 million (0.46 percent), to a total of $5.4 billion, as compared to the revised current year estimate. This net increase is comprised of a decrease of $36.5 million for general obligation (GO) debt service ($4.6 billion total) and an increase of $61.1 million for lease revenue bonds ($745.5 million total). The change in GO debt service reflects estimated debt service costs for bonds issued in 2012 ($188.2 million). Program costs reflect a slight decrease compared to the current year because the Treasurer's Office has structured bond redemptions to accomodate the $1.9 billion Proposition 1A financing obligation due June of 2013. General Fund offsets from the Transportation Debt Service Fund increased slightly to $703.3 million.

While General Fund debt service is estimated to increase only slightly in the budget year, General Fund debt service has been a fast-growing area of the Budget. In 2002-03 General Fund debt service was $2.1 billion, or 2.9 percent of revenues, versus $5.4 billion, or 5.6 percent of estimated revenues, in 2012-13. This trend is expected to continue through the end of this decade, with debt service projected to peak at $7.5 billion in 2019-20. In large part, the increase in debt service is due to the issuance of new voter-approved bonds to fund the state's infrastructure needs, with over $100 billion of bonds authorized since 2000. Additionally, since December 2008, the state changed how it funds GO bond-funded projects due to the Pooled Money Investment Board's decision to suspend interim financing for GO bond-funded projects. This change required the state to issue bonds sooner than it previously would have, and at first in larger amounts.

One of the Administration's priorities has been to manage the "Wall of Debt", including the amount of General Fund resources dedicated to debt service. To this end, the Administration has been working with agencies to expedite the use of new and idle bond cash (as noted in the Infrastructure Investment section below) to fund needed projects and create jobs. The Administration continues to judiciously manage the GO bond program to ensure bonds are sold only when agencies can demonstrate an immediate need for additional proceeds. This limits the General Fund resources required for debt service. The state did not issue any additional bonds last spring because the amount of excess bond proceeds on hand was found sufficient to meet cash needs. The Administration has continued to work to identify alternative funding sources to offset General Fund debt service costs where applicable, such as weight fees to offset transportation debt service.

Extinguish Excess Bond Authority—Consistent with the Administration's ongoing efforts to make government more efficient, this proposal reduces up to nine GO bond acts authorized by the voters between 1976 and 1998 by up to $44 million. This remaining authority is no longer needed or cannot be legally issued for another purpose. Secondly, this proposal eliminates $250 million in lease revenue bond authority associated with two state office building projects that were authorized in 1993 and 1994 that were never pursued. The two state office buildings are the Riverside/San Bernardino Office Building ($150 million authority) and the Long Beach Office Building ($75 million authority).

Infrastructure Investment

The Administration has worked closely with state agencies to expedite the use of new and idle bond cash to create tens of thousands of jobs and bolster economic recovery efforts by funding major infrastructure projects throughout California. Bond cash balances that were in excess of $10 billion as of January 2011 are expected to be substantially expended by July 2012. This infusion of cash will begin hundreds of new projects to make much-needed infrastructure investments and jump-start the creation of new jobs. By using existing bond cash more efficiently, Caltrans was able to move forward with 120 new projects this year with a total construction cost of more than $5.4 billion, including an anticipated $3 billion in leveraged non-state funds. These projects created an equivalent of approximately 100,000 new jobs. Other significant areas of state infrastructure investments include over 450 new K-12 school construction projects and an average of about 125 new projects each month within the natural resources area, for such activities as flood control and water quality assurance. The Administration will be working to release the required Five-Year Infrastructure Report this spring and will be evaluating infrastructure priorities for the next five years.

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