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## **Election Will Test California Voters' Attitude on New Bonded Debt.**

No one knows exactly how much Californians owe to holders of state and local government bonds – but it's a lot, at least several hundred billion dollars.

The state alone is on the hook for \$75 billion in "general obligation" bonds of various types, with another \$27.6 billion authorized but unissued, according to the State Treasurer's Office.

That doesn't count billions more in "revenue bonds" for public works projects, including squirrelly "lease revenue bonds" meant to evade voter approval.

The state stopped monitoring local government debt many years ago, but it's generally believed that cities, school districts, counties and other local governments have at least \$250 billion more in outstanding bond debt.

Whatever the total, it doesn't count interest, and as a rule of the thumb, repaying long-term government bonds doubles their face values. Nor does it include non-bond debt, such as hundreds of billions of dollars in "unfunded liabilities" for retiree pensions and health care.

But back to bonds.

Among other things, the Nov. 8 election will tell us whether Californians' long-standing willingness to increase public debt remains strong, even though more bond issues translate into either higher local property taxes or a bigger share of the state budget for bond service.

There is one big statewide bond issue (Proposition 51) on the ballot, a \$9 billion measure for school and college construction that education groups and developers are pushing over the objections of Gov. Jerry Brown, who contends the system for allocating school bond money is fatally flawed and needs reform.

And there is another measure, Proposition 53, that would subject state revenue bond issues of \$2 billion or more to voter approval, curbing the power of officials to incur certain kinds of huge bond debts on their own.

Meanwhile, according to CaliforniaCityFinance.com, a website devoted to California government finance, local Nov. 8 ballots will carry \$25.3 billion in local school bond proposals and another \$7.3 billion in other local government bonds.

Californians have been willing to incur hundreds of billions of dollars in debt because they believe it will pay off in better schools and other public facilities and because they don't fully grasp the effects, such as higher taxes or shifts of money from other needs.

The advocates of local bond issues often are self-serving – firms that hope to get construction contracts, for example – and their campaigns downplay, or even misstate, the financial

consequences.

We know now that many school districts issued “capital appreciation bonds” that have only light repayment obligations initially, but require immense balloon payments decades later.

In recent months, we’ve also had revelations of pay-to-play schemes in local bond issues, in which those who put up campaign money are secretly promised no-bid contracts. An FBI investigation is underway on one such scheme in Fresno, and the Legislature this year was compelled to partially crack down on the smarmy practice.

In brief, we Californians have placed ourselves on the hook for hundreds of billions of dollars in debt without really understanding how the money is being spent or what its ultimate cost will be.

Given that, Proposition 53, while widely opposed by the political establishment, might be a wake-up call. Requiring bond promoters to justify their big plans to voters – Brown’s twin water tunnel and bullet train projects, for example – isn’t such a bad idea.

THE SACRAMENTO BEE

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