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California's $83 Billion of Bond Debt Isn't Enough for Some.

- **Golden State is selling $2.1 billion of bonds this week**
- **California has $31 billion of unissued bonds still pending**

California's sale of $2.1 billion in bonds this week isn't enough for some buyers and interest groups.

The state is sitting on $31 billion of unsold bonds, about a fifth of the $149 billion approved by voters over the decades, according to a financial report by the state treasurer. And the state hasn't matched recent voter enthusiasm for billion-dollar measures with immediate sales: most of the $17 billion added to the authorized pool since 2014 haven't been issued.

Proponents of initiatives approved by voters, such as school construction and water infrastructure, would like to see California sell those bonds sooner. State officials, on the other hand, have focused on paying down outstanding debt and timing sales more closely to when those projects get started.

The subdued pace demonstrates the fiscal restraint that along with the state's economic rebound has helped boost California bond prices. But California isn't seizing the opportunity to tackle its significant capital needs such as water projects at low costs, said Dora Lee, vice president at Belle Haven Investments, which manages about $7 billion of municipal bonds.

"They're not only missing out in terms of lower interest rates, they're missing out on future economic growth and they're limiting their choices down the road," she said.

Sitting Idle

California has about $83 billion in outstanding general obligation and lease revenue debt, down by $3 billion from 2016, according to state treasurer reports.

Governor Jerry Brown's administration doesn't want to sell bonds before the proceeds are needed for different stages of construction, said H.D. Palmer, a spokesman for the finance department. Otherwise, "you start racking up debt service costs for cash that's sitting idle," he said.

Indeed, a large increase in outstanding bonds could pressure California's rating, which at AA- from S&P Global Ratings is lower than the company's average AA rating for states but is at the highest in almost two decades.

"They could afford to issue a bit more debt than they're currently amortizing and maintain their current credit profile but not a significant amount," said Bernhard Fischer, senior fixed-income analyst at Principal Global Investors, which oversees about $8 billion in munis. Fischer said the state could probably sell about $1 billion more than it is now.

Those chafing at the pace include the California School Boards Association, which wants quicker sales of $7 billion on bonds for construction projects at elementary and high schools and $2 billion for community colleges. Brown, who opposed the measure, had wanted tighter accountability requirements before selling the debt.

So far about $433 million have been sold for the schools and about $17 million for community colleges, excluding what will be allotted from the proceeds of this week's deal. If the current pace continues, it would take more than a decade to sell the bonds, said Nancy Chaires Espinoza, a lobbyist for the association.

"The bond sales aren't keeping pace with demand," she said.

Bloomberg Markets

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March 6, 2018, 6:55 AM PST