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[Golden State Munis: Opportunity in Uncertainty?](#)

As one of the largest states in terms of economic prowess and population, California also happens to be one of the largest issuers of municipal bonds. As such, the state's bonds can be found predominately in several national municipal bond funds. At the same, as a high-tax state, California munis are a top draw for investors living within the Golden State's borders. So, when concerns about California's finances creep into the news, it makes sense for investors to get nervous.

These days, investors are getting nervous: California is facing a big budget deficit.

The question is whether investors should be losing sleep over the news. California has long been a boom or bust economy, and that dynamic is playing out today. Given the state's history of solving its budget woes, the budget deficit may not be a massive concern — but caution may be warranted.

Growing Budget Woes

California is one of the largest issuers of municipal bonds in the nation, with nearly \$675 billion in debt outstanding. With such a huge amount of debt issued, concerns about the state's fiscal health affect not only Californians but also investors looking at national municipal bond funds. For example, the \$41 billion iShares National Muni Bond ETF (MUB) has about 17% of its portfolio in California bonds.

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