

Strategic Growth Plan: Building California for Future Generations

In January, the Governor proposed a comprehensive Strategic Growth Plan (SGP) to build the critical infrastructure that is the foundation of the state’s vibrant economy. The Legislature embraced this concept and approved a \$115.8 billion SGP package, which includes \$37.3 billion in new general obligation bonds to be placed on the November 2006 ballot, and \$50.1 billion in existing funding, and \$28.4 billion in new leveraged funding sources (Figure INF-01).

Figure INF-01
Legislatively Approved Strategic Growth Plan
(Dollars in Billions)

Program	Total	General Obligation and Lease Revenue Bonds		Existing Funding Sources	New Funding Sources
		GO	LR		
Transportation/Air Quality	\$86.8	\$19.9	-	\$46.5	\$20.4
K-12	14.9	7.3	-	3.6	4.0
Higher Education	3.1	3.1	-	-	-
Levee Repair and Flood Control	8.1	4.1	-	-	4.0
Housing and Development	2.9	2.9	-	-	-
Total	\$115.8	\$37.3	\$0.0	\$50.1	\$28.4

This package consists of the following components:

Education

\$10.4 billion in new general obligation bonds for K-12 and Higher Education facilities, including funds for overcrowded schools, charter schools, career technical education, the University of California, California State University, and California Community Colleges. In addition, local school districts will provide \$4.0 billion as their match for the new funds, and \$3.6 billion in remaining, previously authorized general obligation bonds will be fully apportioned to help meet the needs of local districts.

Transportation

\$19.9 billion in new general obligation bonds for transportation and air quality projects, including traffic congestion relief, public transportation, port improvements, highway safety, seismic retrofits, and railroad crossings. Existing sources for transportation projects include \$26.4 billion in state and federal fuel taxes and weight fees that are being used for capital purposes. This excludes funding for maintenance, planning and other non capital purposes. Additionally, \$526 million is expected to be available from tribal gaming revenues and bonds and \$8.6 billion from Proposition 42. Both the tribal funds and the Proposition 42 amounts exclude funds that are dedicated to local streets and roads, the Traffic Congestion Relief Program and transit operating subsidies. The additional funding made available due to reauthorizations of federal transit and highway funding law is estimated to make \$10 billion available over the next 10 years. Savings in Caltrans' support budget that began in 2005-06 are expected to generate \$375 million in additional capital capacity over the decade, taking into account that \$125 million of these savings are pledged to the Bay Area Toll Bridge Seismic program. The figures provided here include refined estimates made after the development of the Governor's Budget. New funding sources for transportation projects include \$9 billion from the portion of revenues from new and renewed local sales tax measures that historically has been used for projects on the state system. The state-local partnership portion of the proposed general obligation bond act will help to incentivise local agencies to raise this funding. The bond measure requires \$300 million in local matching for grade crossings. Additionally, \$3.1 billion in Grant Anticipation Revenue Vehicle (GARVEE) bonding against future federal revenues is available. AB 1467, recently enrolled, provides authority for new toll facilities and public-private partnerships for goods movement. Since this proposal is significantly different from previous proposals, it is difficult to anticipate which potential public-private projects might be authorized. Initial estimates are that private funding of as much as \$8 billion may be possible.

Flood Protection

\$4.1 billion in new general obligation bonds for levee repair and flood control projects, including levee improvements in the Central Valley and Sacramento-San Joaquin Bay Delta, project enhancements to increase the level of flood protection, flood control subventions to local governments, and floodplain mapping activities. In addition, between new local matching funds as well as anticipated contributions from the federal government, over \$3.5 billion of other funds will be invested into the various projects. Finally, the \$500 million General Fund in AB 142, recently enrolled, will be utilized for the repair and improvement of critical levees.

Housing

\$2.9 billion in new general obligation bonds for housing construction and assistance, including homeownership programs, affordable rental housing construction, farm worker housing, and housing for the homeless and foster care youth.

Affordability of the Strategic Growth Plan

While the size of this bond package is considerable and will increase the state's general obligation debt, that debt load should be quite manageable over the term of the bonds. Two factors contribute significantly to the affordability of the SGP bond package. First, the May Revision proposes to utilize so-called spillover funds from the sales tax on gasoline to pay debt service on outstanding and newly authorized transportation bonds (See Transportation Section for details.) This will reduce the draw on the General Fund for debt service while using the spillover funds for transportation purposes as originally envisioned. Second, as the Economic Recovery Bonds (ERBs) are retired, the effect of that retirement will free up a considerable amount of General Fund resources that can be applied to debt service payments without reducing support for any other program in the state's budget (See Paying Down Debt section for details). Figure INF-02 displays the effect of the bond package on debt service and the mitigating effect of these two factors on the additional budgetary impact of that debt service. Beginning in 2009-10, the combined resources of the spillover funding and retired ERBs are greater than the incremental debt created by the SGP bond package. They will not only cover this incremental debt, but will make a substantial contribution to paying the debt service attributable to already outstanding bonds.

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Figure INF-02

Debt Affordability for Strategic Growth Plan

Year	Revenue	Base Debt Service	Incremental Debt Service for SGP	Total Debt Service	GF Debt Service Ratio	Less: Spill over funds for Transportation	Less: ERB Resources	Total Spillover and ERB Resources	Net GF Debt Service Obligation	Net GF Debt Service Ratio
2006 - 07	\$94,338.0	\$4,212.0	\$0.0	\$4,212.0	4.46%	\$355.1		\$355.1	\$3,856.9	4.09%
2007 - 08	98,795.0	4,569.7	97.6	4,667.3	4.72%	336.3		336.3	4,331.0	4.38%
2008 - 09	104,476.0	5,047.0	540.0	5,587.0	5.35%	422.8		422.8	5,164.2	4.94%
2009 - 10	110,903.0	5,394.6	878.1	6,272.8	5.66%	700.4	1,679.0	2,379.4	3,893.4	3.51%
2010 - 11	118,559.0	5,631.3	1,252.1	6,883.4	5.81%	820.5	1,763.0	2,583.5	4,299.9	3.63%
2011 - 12	127,269.0	5,436.9	1,673.1	7,110.0	5.59%	356.0	1,851.0	2,207.0	4,903.0	3.85%
2012 - 13	135,505.0	5,215.3	2,023.9	7,239.2	5.34%	333.9	1,944.0	2,277.9	4,961.3	3.66%
2013 - 14	142,227.8	5,130.1	2,237.6	7,367.7	5.18%	308.2	2,044.0	2,352.2	5,015.5	3.53%
2014 - 15	149,339.1	5,038.9	2,339.3	7,378.1	4.94%	279.2	2,149.0	2,428.2	4,949.9	3.31%
2015 - 16	156,806.1	4,878.8	2,443.3	7,322.0	4.67%	247.8	2,256.0	2,503.8	4,818.2	3.07%
2016 - 17	164,646.4	5,130.0	2,500.2	7,630.2	4.63%		2,369.0	2,369.0	5,261.2	3.20%
2017 - 18	172,878.7	5,152.3	2,499.7	7,651.9	4.43%		2,488.0	2,488.0	5,163.9	2.99%
2018 - 19	181,522.7	4,856.2	2,499.1	7,355.3	4.05%		2,612.0	2,612.0	4,743.3	2.61%
2019 - 20	190,598.8	4,870.8	2,498.5	7,369.3	3.87%		2,743.0	2,743.0	4,626.3	2.43%
2020 - 21	200,128.7	4,636.1	2,497.9	7,134.0	3.56%		2,880.0	2,880.0	4,254.0	2.13%
2021 - 22	210,135.2	4,663.0	2,497.2	7,160.2	3.41%		3,024.0	3,024.0	4,136.2	1.97%
2022 - 23	220,641.9	4,609.4	2,496.5	7,105.9	3.22%		3,175.0	3,175.0	3,930.9	1.78%
2023 - 24	231,674.0	4,548.6	2,495.7	7,044.3	3.04%		3,333.8	3,333.8	3,710.5	1.60%
2024 - 25	243,257.7	4,560.8	2,494.9	7,055.7	2.90%		3,500.5	3,500.5	3,555.2	1.46%
2025 - 26	255,420.6	4,558.8	2,494.1	7,052.9	2.76%		3,675.5	3,675.5	3,377.3	1.32%