

Strategic Growth Plan— Comments

LEGISLATIVE ANALYST'S OFFICE

Presented To:

Conference Committee on Infrastructure Bonds

Hon. Kevin Murray, Chair





Governor's Strategic Growth Plan

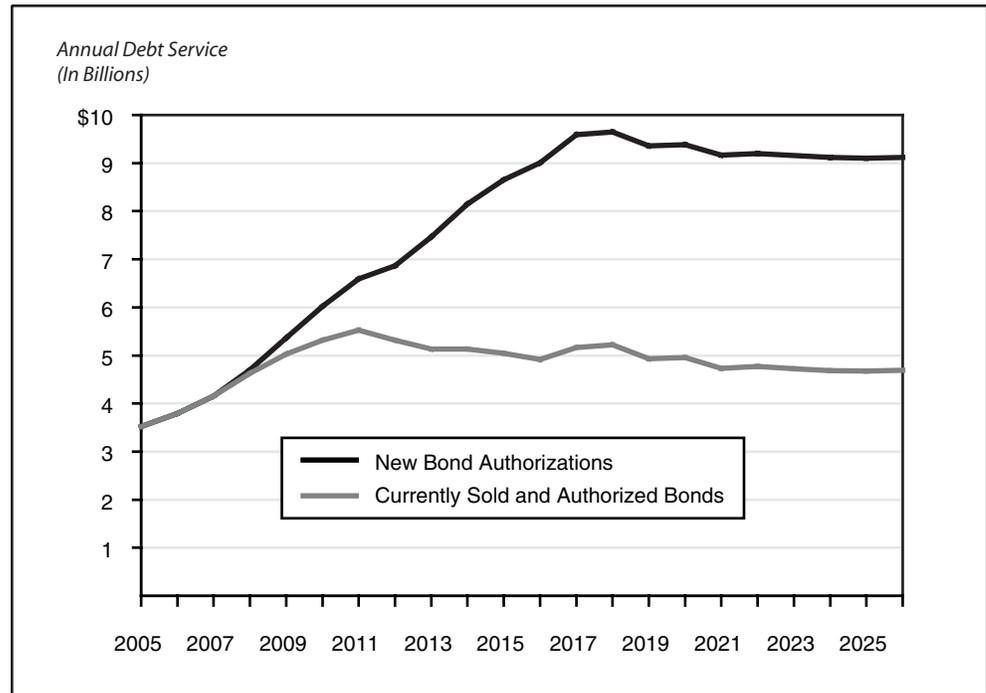
(In Billions)

Program	Ten-Year Totals			Totals
	General Obligation Bonds	Existing Sources	New Sources	
Transportation/air quality	\$12.0	\$47.0	\$48.0	\$107.0
K-12	26.3	21.9	—	48.2
Higher education	11.7	—	—	11.7
Flood control and water supply	9.0	21.0	5.0	35.0
Public safety	6.8	5.1	5.5	17.4
Courts and others	2.2	0.7	0.4	3.3
Totals	\$68.0	\$95.7	\$58.9	\$222.6

- Proposed general obligation (GO) bond level of the *coming decade* is *slightly below* the amount of GO bonds approved by the voters over the last decade.
- About one-half* of proposed funding is related to transportation/air quality.
- About 43 percent* of the funding would be provided from existing resources such as state and federal gas tax revenues.



What Would the Strategic Growth Plan Cost?



- The Governor’s Strategic Growth Plan will add roughly \$4.4 billion to annual General Fund debt-service costs when fully phased in.
- Combined with the debt service on already sold bonds, and bonds that are already authorized but not yet sold, total debt-service costs would surpass \$9 billion annually in about ten years.
- The state’s debt-service ratio for infrastructure bonds would peak at 5.8 percent in 2014-15 under the Governor’s plan.



Legislative Considerations

- Policy Should Drive Facilities, Not the Reverse**
- Legislative Oversight**
 - State plan needed.
 - Tie bond authorizations to planning cycle.
 - Continuous appropriations limit oversight.
- Debt Cap**
 - Could interfere with optimal mix of spending.
 - Could encourage less-than-optimal bond structure.
 - Could lead to distortions of General Fund revenue.