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Friday, October 12, 2007

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## Survey Finds Split on Hiking State's Bond Authority [Email this article »](#)

Posted on Wednesday, September 12, 2007  
Source: Bond Buyer

by *Matthew Hanson*

In a survey yesterday, California municipal market participants were split nearly evenly on whether the state's voters should be asked to approve more bonding authority for the Golden State, less than a year after a record of more than \$43 billion was approved during the last general election in November.

The survey, part of The Bond Buyer's annual California Public Finance Conference, polled some 200 total voters who responded to a series of 10 questions.

Issuer officials represented the largest share of voters, at 47%. Broker-dealers represented about 12% of the group, while bond insurers and attorneys made up about 9% each of those polled. The rest classified themselves as investors, rating agency analysts, or other.

"Clearly the state is in a balancing act," said Elizabeth Hill, California's legislative analyst who participated in a panel that evaluated the survey results. Hill said that while the state faces mounting costs of maintaining and expanding its public infrastructure, it is still on the hook for bonds it issued to help shore up its budget.

JPMorgan's Robert Muller said that the investor community has plenty of room to continue buying California general obligation bonds. One limiting factor, however, is that companies in the bond insurance industry are nearing their capacity for how much exposure they can have to a single borrower.

Moderator Jason Kissane, managing director at MBIA Insurance Corp., which sponsored the survey, agreed that California is his firm's single-largest municipal exposure.

Beyond the question of whether the market can absorb more California debt, 35% of those surveyed said California should raise the gas tax and index it to inflation in order to ensure there are funds for improving its record on highway and transportation maintenance. That was the most popular answer to the question on meeting infrastructure maintenance needs.

Adding tolls was second, with 23% of responses, while expanding the use of sales taxes on gasoline and introducing other usage-based fees each won 21% of the votes cast.

Hill said estimates suggest that California needs to spend \$2 billion each year just to maintain the current state of its transportation assets, adding that the gas tax has not been raised since 1994.

But raising the gas tax is hardly a viable political option in the Golden State, said Daniel Weintraub, a public affairs columnist for the Sacramento Bee who sat on the panel.

"Republicans have made it clear they're not going to go there," Weintraub said, though he added that the last gas-tax increase came during the term of a conservative Republican governor.

A method more likely to win the necessary support in the state capitol would be to pursue options for public-private partnerships, he said. One such option might include building a tolled corridor exclusively for use by the trucking industry especially to move freight from the states ports.

The survey also asked conference attendees' opinions on access to health care - another of the issues states around the country are scrambling to fund. More than half of audience said they thought the state would never adopt a universal health insurance plan.

On another question, just over half of those surveyed said they thought California would

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be more likely to fund its \$48 billion retiree health care liability now that it has been officially tabulated and reported. Only 7% said they thought the state would now be less likely to fund the liability, while 41% said they thought the figure would not affect the chances that California would fund its other post-employment benefits obligation.

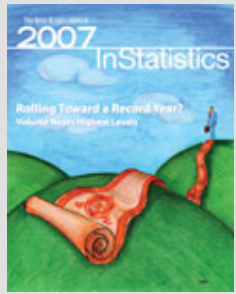
About 51% of issuer officials surveyed said they thought OPEB bond proceeds would make up less than half of the assets in state and local California OPEB trusts 10 years from now. An additional 32% said they thought bond proceeds would comprise more than 25% but less than half of the trust assets. (c) 2007 The Bond Buyer and SourceMedia, Inc. All Rights Reserved. <http://www.bondbuyer.com/> <http://www.sourcemedia.com/>

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