

Glimmer of optimism in California's economic situation

By David Siders, Sacramento Bee

Wall Street, which has long frowned on California and its budget grief, cracked a smile Tuesday.

In its first sale of general obligation bonds since the passage of a rare, on-time state spending plan, California will pay tens of millions of dollars less in interest than it did last fall.

The lower rates on the \$2.4 billion bond sale, completed Tuesday to restructure existing state debt, reflect general market conditions, but also improving investor confidence in a state where the high cost of borrowing was once a benchmark of its precarious financial condition.

Just two years ago, credit rating agencies were downgrading California's long-term bond rating, squeamish about political standstill in Sacramento and the state's use of IOUs to pay bills. The fiscal landscape was so grim that at one point the state couldn't sell bonds and had to halt projects already under way.

"There's a sense that this is structurally a sounder budget than we've seen over the years," said Gary Schlossberg, a senior economist at Wells Capital Management. "There's a lot more discipline there."

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