Gov. Jerry Brown says California has a "wall of debt" that must be reduced – and is now using it as his chief rationale for a temporary boost in taxes.

At the same time, however, he is proposing to borrow billions more by issuing some of the bonds that voters have authorized for public works projects. And therein lies a rub.

Brown's "wall of debt" refers mostly to an estimated $35 billion in loans and deferred payments that former Gov. Arnold Schwarzenegger and the Legislature adopted to paper over the state budget's chronic deficits.

However, Brown's revised budget also notes that the state has more than $80 billion in outstanding bonds and faces an estimated $181 billion in unfunded liabilities for public employee pensions and retiree health care (a number that may be too low).

Moreover, there is $50 billion-plus in bonds authorized by voters but not yet sold.

The state ordinarily sells general obligation bonds twice each year, once in the spring and again in the fall. The governor wants to defer the spring sale this year, but he still plans to peddle $1.53 billion in bonds next fall and another $2.37 billion next spring.

The state, moreover, needs another $10 billion or so in short-term "revenue anticipation" loans to cover cash flow needs in the 2011-12 fiscal year – notes that can be sold only when the state has a budget in place. But Treasurer Bill Lockyer says that since so much of Brown's budget depends on the extension of temporary tax increases, Wall Street may be unwilling to buy the notes unless the budget includes more spending cuts that are automatically triggered if voters reject taxes.

Even were the short-term loan problem to be resolved, the longer-term bond picture would remain clouded.

California has one of the nation's lowest government credit ratings already, thanks largely to its chronic budget deficits, and servicing its outstanding debt now consumes about 6 percent of the general fund budget. Lockyer says that were the authorized bonds to be sold, debt service could rise to 10 percent.

That would put new strains on an already stressed-out state treasury, but at the same time the passage of those bonds has created expectations that they will be issued. Throughout the state,
for instance, local transportation officials are worried that budget pressures will curb the sale of state bonds on which their projects depend.

The highly contentious high-speed rail project is also dependent on a $9.95 billion bond issue.

Maybe it should be a wake-up call, that we have squandered too much of California's limited borrowing capacity on spending that should be financed differently.

We should, for instance, build highways with gas taxes, not general obligation bonds, and water projects should be financed by water users, not taxpayers.