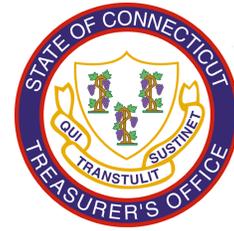


**OFFICE OF THE STATE TREASURER
FACT SHEET – APRIL 29, 2015**



Senate Bill 1133 - Use of Bond Premiums

- **Requires premiums on General Obligation bonds to be used to fund capital projects, instead of interest. Consistent with other State of Connecticut bonding programs and the practice of other states.**

WHY DO IT?

- ✓ Benefits current taxpayers and future generations by reducing high debt levels and lowering future debt service payments
- ✓ Helps to protect and strengthen our State's creditworthiness
- ✓ No fiscal impact for FY 16 and FY 17 budgets if effective – as recommended – on July 1, 2017, thereby preserving the State's flexibility to use bond premiums – one last time – to indirectly balance the budget for the ensuing biennium

Fix Shortfall in General Fund Debt Service Budget – FY 16 & FY 17

- **Add back \$178 million to cover payments to bond holders over the biennium.**

WHY DO IT?

- ✓ Nearly half of the add back is attributable to increased bond issuance to support the Governor's plans to approve more bonding projects, as well as more rapid spending.
- ✓ Enough is enough! Overly aggressive assumptions in the amount of premiums that the State may receive over the biennium – before receipt – exceeds Treasury's conservative estimates for what State may eventually get.
- ✓ Mitigates the worst case scenario of potential reputational risk should there be a shortfall in the debt service budget account, which would cause the Treasurer to seek permission before a public body to pay debt service for what is already deemed appropriated based on State law.