



**OFFICE OF
STATE TREASURER
DENISE L. NAPPIER**

NEWS

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Nappier Says Success of General Obligation Bond Issues Helps Alleviate Budget Pressure; Additional Refinancing Planned to Reduce Debt Burden on Taxpayers

*Bond issues provide \$18 million of State budget relief in FY2003 and
\$26 million in savings over remaining life of the bonds for Connecticut taxpayers;*

Refundings could achieve additional savings of \$2 million annually

Connecticut State Treasurer Denise L. Nappier said today that the successful issuance of over \$1 billion of General Obligation bonds in two bond issues in recent months will help alleviate growing pressure on the current state budget by \$18 million and save taxpayers nearly \$26 million over the remaining life of the bonds. Nappier also announced plans to refinance as much as \$1 billion during the next 12 months, which – if interest rates remain low – could save the state as much as \$2 million a year in debt service payments.

"We have worked diligently to take advantage of falling interest rates to lock in low cost financing for approved state projects and to refinance existing bonds for added savings for taxpayers," Nappier said. "Actively managing the State's debt helps to relieve pressure on the state budget, both now and in the future."

The recent transactions included the issuance of \$624 million of bonds, authorized by the State Bond Commission, to provide new funding for local school construction projects, economic development projects, open space land preservation, municipal capital grants and state building projects.

Another \$412 million of refunding bonds were issued to refinance existing bonds to today's lower interest rates and reduce the State's total debt level by over \$4 million. The interest cost on the refunding bonds was a very low 3.80%, **the lowest interest rate on any State General Obligation Bonds in the last thirty years.**

Altogether, the recent bond issues will provide \$18 million of unanticipated savings not reflected in the current FY2003 fiscal year budget and \$26 million in savings over the remaining life of the bonds for Connecticut taxpayers.

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"While I firmly believe that Connecticut must rein in the amount of debt that it issues, we will continue to meet our statutory obligations prudently and effectively, and work to lessen the burden on taxpayers wherever possible," Nappier said.

ADDITIONAL REFINANCINGS PLANNED

A week ago, the Treasurer's Office sought and received approval from the State Bond Commission to refinance up to \$1 billion in state transportation debt, and is planning an additional General Obligation refunding, expanding what is already the most comprehensive refinancing effort in state history.

"As the interest rate environment continues to provide us with an opportunity to refinance high interest rate bonds to lower Connecticut's debt burden and save taxpayers money, we will do so," Nappier said. "I am hopeful that over the next 12 months, we will be able to substantially reduce our debt payments for the next decade and beyond."

Nappier estimated that the completion of a \$200 million refunding, now planned for later this year, could save at least \$400,000 per year over the 15 years of the refunding bonds. If the Treasury were able to refund \$1 billion in existing bonds, it could result in a savings of nearly \$2 million per year for each of the next 15 years.

Regarding this year's bond issues, in June, a \$379.5 million bond issue was the single largest bond sale ever senior managed by M. R. Beal, a minority owned national investment banking firm. "This highly qualified firm demonstrated what it can do on a larger scale, structuring and lead-managing a highly successful and complex sale," Nappier said. These bonds were priced on June 11, 2002 and closed on June 25, 2002.

Merrill Lynch senior managed the \$656.4 million August bond issue. The State enhanced the refunding savings by investing the refunding escrow in AAA rated Fannie Mae securities, providing a higher investment return than traditional US Treasury securities. The State also elected to insure a portion of the bonds to provide investors with an array of investment options increasing overall demand for the bonds. These bonds were priced on August 21, 2002 and closed on September 5, 2002.

Both tax-exempt fixed rate bond issues were structured over 20 years. The uninsured bonds carry ratings of Aa2/AA/AA and the insured bonds carry ratings of Aaa/AAA/AAA.