OFFICE OF STATE TREASURER DENISE L. NAPPIER

NEWS

FOR IMMEDIATE RELEASE
Thursday, May 5, 2005

Nappier Says Results of Innovative, Successful Bond Issues Will Bring Long-Term Savings for State Taxpayers

Connecticut State Treasurer Denise L. Nappier said today that **Connecticut taxpayers will save nearly $39 million** over the next 20 years from two recent refinancings of outstanding state debt and an innovative new money transaction. The last of the transactions was completed last week.

Taxpayers will see savings from each of the three recent transactions:

- On the issuance of $300 million in new General Obligation money earlier this year, the Treasurer's Office used interest rate swap agreements to obtain **$20.2 million in savings**, compared to traditional fixed rate bonds.

- There will be **$14.5 million in savings** realized by taxpayers from a $340 million General Obligation refunding transaction, including just over $700,000 in savings from a new financing structure that indexed a portion of the bonds to the consumer price index, providing additional interest rate savings.

- Previous to the two General Obligation bond issues, a $91million Special Tax Obligation transportation refinancing resulted in a **savings to taxpayers of $4 million.**

With completion of the two refunding transactions, the total amount of State debt refunded and defeased under the Nappier administration is $5.5 billion. Total debt service savings to the state budget -- and taxpayers -- has nearly reached a half-billion dollars ($467 million).

"We are continuing our efforts to take advantage of attractive interest rates and lock in low cost financing for approved state projects and to refinance existing bonds for added savings," Nappier said. "Actively managing the State's debt helps to relieve pressure on the state budget, both now and in the future, and reduces the amount of money that taxpayers will need to pay in interest costs on our State's bonded debt."

The new money GO bonds, authorized by the State Legislature and State Bond Commission, were issued to provide funding for local construction of schools and other

CONTACT: BERNARD L. KAVALER
DIRECTOR OF COMMUNICATION
(860) 702-3277 FAX (860) 702-3043
BERNARD.KAVALER@PO.STATE.CT.US

capital projects as well as funding for the State's portion of the new Connecticut Convention Center in downtown Hartford, which is scheduled to open in June.

The interest rate swap agreements converted the variable rates on the bonds to a fixed rate at a savings over that of traditional fixed rate bonds. The interest rate swaps were competitively bid among seven major swap counterparties, each of which was required to pre-qualify by signing a uniform State master swap agreement containing terms and conditions advantageous to the State.

"These master swap agreements will serve Connecticut and its taxpayers for years to come," Nappier said, "by allowing the State to move quickly to take advantage of further market opportunities to reduce the cost of the State's debt."

The transactions took place in December 2004, March 2005, and April 2005 with the second of the refunding transactions closing last week.

The Special Tax Obligation bond sale was managed by Goldman Sachs. Updike, Kelly & Spellacy and Lewis & Munday serve as bond counsel on the program. Public Resources Advisory Group and A.C. Advisory provide financial advice to the State on the Special Tax Obligation program.

Merrill Lynch senior managed the new money General Obligation bond issue and Morgan Stanley senior managed the General Obligation refunding transaction. Day, Berry & Howard is lead counsel for the General Obligation bonding program and Hunton & Williams is tax counsel. P. G. Corbin & Company, Inc. is the State's financial advisor on the General Obligation bonding program.

CONTACT: BERNARD L. KAVALER
DIRECTOR OF COMMUNICATION
(860) 702-3277 FAX (860) 702-3043
BERNARD.KAVALER@PO.STATE.CT.US