

Debt Service - State Treasurer

OTT14100

Budget Summary

Account	Actual FY 14	Governor Estimated FY 15	Governor Recommended		Legislative	
			FY 16	FY 17	FY 16	FY 17
Other Current Expenses						
Debt Service	1,376,554,365	1,507,940,589	1,650,954,823	1,765,932,976	1,650,954,823	1,765,932,976
UConn 2000 - Debt Service	120,234,493	136,820,121	143,382,944	157,057,219	148,382,944	162,057,219
CHEFA Day Care Security	4,284,134	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000
Pension Obligation Bonds - TRB	145,076,576	133,922,226	132,732,646	119,597,971	132,732,646	119,597,971
Nonfunctional - Change to Accruals	(6,000)	402	0	0	0	0
Agency Total - General Fund	1,646,143,568	1,784,183,338	1,932,570,413	2,048,088,166	1,937,570,413	2,053,088,166
Debt Service	449,913,761	476,884,116	501,950,536	562,993,251	501,950,536	562,993,251
Agency Total - Special Transportation Fund	449,913,761	476,884,116	501,950,536	562,993,251	501,950,536	562,993,251
Total - Appropriated Funds	2,096,057,330	2,261,067,454	2,434,520,949	2,611,081,417	2,439,520,949	2,616,081,417

Account	Legislative				Difference from Governor Recommended			
	FY 16		FY 17		FY 16		FY 17	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount
Debt Service	0	(54,861,800)	0	(32,887,551)	0	0	0	0
Total - General Fund	0	(54,861,800)	0	(32,887,551)	0	0	0	0

Current Services

Reflect Revised Budget Request

Debt Service	0	(54,861,800)	0	(32,887,551)	0	0	0	0
Total - General Fund	0	(54,861,800)	0	(32,887,551)	0	0	0	0

Governor

Reduce the General Fund debt service budget by \$54,861,800 in FY 16 and \$32,887,551 in FY 17 to reflect: (1) a decrease of \$22.6 million in FY 16 and \$22.2 million in FY 17 due to the second phase of refinancing the Economic Recovery Notes (ERNs) used to fund the FY 09 General Fund deficit (see below), (2) a decrease of \$25.9 million in FY 16 and \$3.7 million in FY 17 to adjust for premiums received on the December 2014 issuance of \$240 million in General Obligation bonds, (3) a decrease of \$5.1 million in FY 16 and \$3.8 million in FY 17 due a lower than anticipated interest rates on the December 2014 GO bond issuance, and (4) an decrease of \$1.2 million in FY 16 and \$3.2 million due to savings achieved on \$256.6 million in GO bonds refunded in December 2014.

The Office of the State Treasurer refinanced the 2009 ERNs in two separate issuances in order to minimize the call premium on the original notes. The first \$306.9 million refunding was completed in October 2013 and the second was done in December 2014. The OST decided to: (1) downsize the second issuance from \$122.0 million to \$61.0 million and (2) pay off the remaining \$61.0 million with debt service savings due to premiums received on GO bonds issued in FY 15. As a consequence of this decision, savings of \$22.6 million in FY 16 and \$22.2 million in FY 17 were generated in the biennial budget.

Legislative

Same as Governor

Increase Debt Service to Reflect Current Requirements

Debt Service	0	340,637,983	0	453,343,324	0	0	0	0
UConn 2000 - Debt Service	0	16,531,573	0	30,237,098	0	0	0	0
Total - General Fund	0	357,169,556	0	483,580,422	0	0	0	0

Background

The debt service budget figures reflect: (1) adjustments for prior year activities such as bond issuance, the receipt of bond premiums, and savings due to bond refundings, and (2) the estimated amount of funding required to service General Obligations (GO) bonds that are projected to be issued in the current fiscal year.

Account	Legislative				Difference from Governor Recommended			
	FY 16		FY 17		FY 16		FY 17	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount

Governor

Increase the General Fund debt service budget by \$340,637,983 in FY 16 and \$453,343,324 in FY 17 to reflect: (1) an increase of \$187.5 million in FY 16 and a decrease of \$1.5 million in FY 17 due to the first phase of refinancing the Economic Recovery Notes used to fund the FY 09 General Fund deficit, (2) an increase of \$63.3 million in FY 16 and \$103.1 million in FY 17 for debt service on GO bonds that are projected to be issued in the current fiscal year, (3) an increase of \$32.1 million in FY 16 due to the scheduled increase in debt service payments on GAAP Conversion bonds, (4) increases of \$54.4 million in FY 16 and \$11.8 million in FY 17 to adjust for bond premiums received in the FY 15, (5) an increase of \$4.0 million in FY 16 to adjust for savings on bonds refunded in FY 15 and (6) a decrease of \$0.7 million in each year for a variety of smaller adjustments.

Increase the UConn 2000 debt service budget by \$16,531,573 in FY 16 and \$30,237,098 in FY 17 to reflect an increase in planned bond issuance due to the Next Generation Connecticut infrastructure improvement program. Bond issuance in FY 15 was \$109.1 million and planned issuance for FY 16 is \$250.0 million in each of FY 16 and FY 17.

Legislative

Same as Governor

Adjust Debt Service to Reflect POB Requirements

Pension Obligation Bonds - TRB	0	(1,189,580)	0	(14,324,255)	0	0	0	0
Total - General Fund	0	(1,189,580)	0	(14,324,255)	0	0	0	0

Background

In April 2008, \$2.276 billion in taxable Pension Obligation Bonds (POBs) were issued for a term of 25 years at an average interest rate of 5.88%. The bond proceeds were invested in the Teachers Retirement Fund, which currently has an assumed long term return on assets of 8.5%. The issuance was authorized by PA 07-186.

Governor

Reduce the POB account by \$1,189,580 in FY 16 and \$14,324,255 in FY 17 to reflect the scheduled decrease in the amount of bond principal that will be paid off in FY 16 and FY 17. The amount of principal paid off in each year during the term of the bonds was established when the bonds were issued.

Legislative

Same as Governor

Adjust Special Tax Obligation Bond Debt Service

Debt Service	0	18,969,655	0	59,906,921	0	0	0	0
Total - Special Transportation Fund	0	18,969,655	0	59,906,921	0	0	0	0

Background

Special Transportation Fund debt service reflects the level of Special Tax Obligation (STO) bond issuance needed to support the transportation projects that are currently under construction.

Governor

Increase Special Transportation Fund debt service by \$18,969,655 in FY 16 and \$59,906,921 in FY 17 to reflect increased STO bonds issuance in FY 15. The original debt service budget assumed that \$600 million in STO bonds would be issued in FY 15. The actual amount issued in October 2014 was \$731.5 million.

Legislative

Same as Governor

Account	Legislative				Difference from Governor Recommended			
	FY 16		FY 17		FY 16		FY 17	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount

Policy Revisions

Adjust Debt Service to Reflect Projected Lapse Savings

Debt Service	0	(142,761,949)	0	(162,463,386)	0	0	0	0
UConn 2000 - Debt Service	0	(4,968,750)	0	(5,000,000)	0	5,000,000	0	5,000,000
Total - General Fund	0	(147,730,699)	0	(167,463,386)	0	5,000,000	0	5,000,000

Background

Between FY 02 and FY 14, the General Fund debt service account lapsed between \$4 million and \$80 million per year due to savings on bond refundings, premiums*, and differences between issuance and actual assumptions.

(*Bond purchasers pay a premium to receive a higher interest rate than the one at which the bonds would otherwise have sold.)

Governor

Reduce the General Fund debt service budget by \$142,761,949 in FY 16 and \$162,463,386 in FY 17 to reflect projected lapse savings primarily due to bond premiums.

Reduce the UConn 2000 debt service budget by \$9,968,750 in FY 16 and \$10,000,000 in FY 17 to reflect projected savings due to differences between the actual interest rates at which bonds are issued and the assumed interest rates.

Legislative

Reduce the General Fund debt service budget by \$142,761,949 in FY 16 and \$162,463,386 in FY 17 to reflect projected lapse savings primarily due to bond premiums.

Reduce the UConn 2000 debt service budget by \$4,968,750 in FY 16 and \$5,000,000 in FY 17 to reflect projected savings due to differences between the actual interest rates at which bonds are issued and the assumed interest rates.

Increase Debt Service to Reflect Increased STO Bond Issuance

Debt Service	0	6,096,765	0	26,202,214	0	0	0	0
Total - Special Transportation Fund	0	6,096,765	0	26,202,214	0	0	0	0

Background

Special Tax Obligation (STO) bonds are issued to provide funding for transportation infrastructure projects and to purchase transportation-related equipment.

Governor

Increase the Special Transportation Fund debt service budget by \$6,096,765 in FY 16 and \$26,202,214 in FY 17 to support the Governor's transportation proposals, including: (1) \$2.8 billion over five years for the Let's Go CT! program, (2) \$74 million in each of FY 16 and FY 17 for the Local Transportation Capital Improvement Program, (2) \$208.1 million in each of FY 16 and FY 17 for bus and rail improvements, (3) \$70 million in each of FY 16 and FY 17 for the Fix it First State Bridge Program, (4) \$25.5 million in each of FY 16 and FY 17 for highway and bridge equipment and (5) other proposals.

Legislative

Same as Governor

Consolidate Funding for GAAP

Nonfunctional - Change to Accruals	0	(402)	0	(402)	0	0	0	0
Total - General Fund	0	(402)	0	(402)	0	0	0	0

Governor

Reduce funding by \$402 in FY 16 and \$402 in FY 17 to reflect the consolidation of Generally Accepted Accounting Principles (GAAP) funding within the Office of the State Comptroller - Miscellaneous Accounts.

Legislative

Same as Governor

Totals

Budget Components	Legislative				Difference from Governor Recommended			
	FY 16		FY 17		FY 16		FY 17	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount
Governor Estimated - GF	0	1,784,183,338	0	1,784,183,338	0	0	0	0
Current Services	0	301,118,176	0	436,368,616	0	0	0	0
Policy Revisions	0	(147,731,101)	0	(167,463,788)	0	5,000,000	0	5,000,000
Total Recommended - GF	0	1,937,570,413	0	2,053,088,166	0	5,000,000	0	5,000,000
Governor Estimated - TF	0	476,884,116	0	476,884,116	0	0	0	0
Current Services	0	18,969,655	0	59,906,921	0	0	0	0
Policy Revisions	0	6,096,765	0	26,202,214	0	0	0	0
Total Recommended - TF	0	501,950,536	0	562,993,251	0	0	0	0