

# Debt Service - State Treasurer

## OTT14100

### Budget Summary

Account	Actual FY 12	Governor Estimated FY 13	Governor Recommended		Legislative	
			FY 14	FY 15	FY 14	FY 15
<b>Other Current Expenses</b>						
Debt Service	1,611,604,469	1,626,307,248	1,495,000,853	1,615,881,403	1,434,000,853	1,554,881,403
UConn 2000 - Debt Service	116,703,248	117,729,372	135,251,409	156,037,386	135,251,409	156,037,386
CHEFA Day Care Security	4,248,133	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000
Pension Obligation Bonds - TRB	80,894,031	121,386,576	145,076,576	133,922,226	145,076,576	133,922,226
<b>GAAP Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,321</b>	<b>0</b>	<b>11,321</b>
<b>Agency Total - General Fund</b>	<b>1,813,449,880</b>	<b>1,870,923,196</b>	<b>1,780,828,838</b>	<b>1,911,352,336</b>	<b>1,719,828,838</b>	<b>1,850,352,336</b>
<b>Other Current Expenses</b>						
Debt Service	439,965,712	457,974,187	473,814,137	493,218,293	463,814,137	483,218,293
<b>Agency Total - Special Transportation Fund</b>	<b>439,965,712</b>	<b>457,974,187</b>	<b>473,814,137</b>	<b>493,218,293</b>	<b>463,814,137</b>	<b>483,218,293</b>
<b>Other Current Expenses</b>						
Debt Service	38,337	7,147	0	0	0	0
<b>Agency Total - Regional Market Operation Fund</b>	<b>38,337</b>	<b>7,147</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total - Appropriated Funds</b>	<b>2,253,453,930</b>	<b>2,328,904,530</b>	<b>2,254,642,975</b>	<b>2,404,570,629</b>	<b>2,183,642,975</b>	<b>2,333,570,629</b>
<b>Additional Funds Available</b>						
Private Contributions	125,296,181	0	0	0	0	0
<b>Agency Grand Total</b>	<b>2,378,750,111</b>	<b>2,328,904,530</b>	<b>2,254,642,975</b>	<b>2,404,570,629</b>	<b>2,183,642,975</b>	<b>2,333,570,629</b>

Account	Legislative				Difference from Governor Recommended			
	FY 14		FY 15		FY 14		FY 15	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount

### Current Services

#### Increase Debt Service to Reflect Increased Bond Issuance

Debt Service	0	38,693,605	0	159,574,155	0	0	0	0
UConn 2000 - Debt Service	0	17,522,037	0	38,308,014	0	0	0	0
<b>Total - General Fund</b>	<b>0</b>	<b>56,215,642</b>	<b>0</b>	<b>197,882,169</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### Background

General Fund debt service requirements reflect the amount of General Obligation (GO) bonds allocated through the State Bond Commission (SBC). Bond allocations by the SBC increased from \$854 million in FY 11 to \$1.3 billion in FY 12. Year- to-date SBC allocations for FY 13 are \$1.501 billion (as of June 30, 2013).

#### Governor

Increase the General Fund debt service account by \$38,693,605 in FY 14 and \$159,574,155 in FY 15 to reflect a projected increase in the level of FY 13 GO bond issuance from \$1.3 billion to \$1.5 billion. Increase UConn 2000 debt service by \$17,522,037 in FY 14 and \$38,308,014 in FY 15 to reflect the projected issuance schedule of \$189 million in FY 13 and \$248 million in FY 14.

#### Legislative

Same as Governor

Account	Legislative				Difference from Governor Recommended			
	FY 14		FY 15		FY 14		FY 15	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount

### Adjust Debt Service to Reflect Current Requirements

Debt Service	0	15,839,950	0	35,244,106	0	0	0	0
<b>Total - Special Transportation Fund</b>	<b>0</b>	<b>15,839,950</b>	<b>0</b>	<b>35,244,106</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### 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. The FY 13 debt service budget originally assumed that \$550 million in STO bonds would be issued in June 2012, but due to: (1) delays in the production and delivery of rail cars and (2) the use of cash received from the American Recovery and Reinvestment Act of 2009 (ARRA), the 2012 issuance was reduced to \$300 million.

#### Governor

Adjust Special Transportation Fund debt service to reflect increased issuance of STO bond issuance. The original debt service budget assumed that \$550 million in STO bonds would be issued in FY 13. The actual amount issued in December 2012 was \$627 million.

#### Legislative

Same as Governor

### Adjust Debt Service to Reflect POB Requirements

Pension Obligation Bonds - TRB	0	23,690,000	0	12,535,650	0	0	0	0
<b>Total - General Fund</b>	<b>0</b>	<b>23,690,000</b>	<b>0</b>	<b>12,535,650</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### 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

Increase the POB account by \$23,690,000 in FY 14 and \$12,535,650 in FY 15 to reflect the increase in the amount of bond principal that will be paid off in FY 14 and FY 15. 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 Debt Service to Reflect Repayment of Bonds

Debt Service	0	(7,147)	0	(7,147)	0	0	0	0
<b>Total - Regional Market Operation Fund</b>	<b>0</b>	<b>(7,147)</b>	<b>0</b>	<b>(7,147)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### Governor

Eliminate debt service for the Regional Market Operations Fund to reflect final amortization (repayment) of the bonds.

#### Legislative

Same as Governor

## Policy Revisions

### Reduce Debt Service to Reflect ERN Refunding

Debt Service	0	(196,000,000)	0	(196,000,000)	0	(46,000,000)	0	(46,000,000)
<b>Total - General Fund</b>	<b>0</b>	<b>(196,000,000)</b>	<b>0</b>	<b>(196,000,000)</b>	<b>0</b>	<b>(46,000,000)</b>	<b>0</b>	<b>(46,000,000)</b>

#### Background

The FY 09 deficit of \$947.6 million was financed through the November 2009 issuance of Economic Recovery Notes (ERNs), which were authorized by PA 09-2 of the June Special Session. The current payment schedule for the ERNs requires them to be paid off by FY 16.

Account	Legislative				Difference from Governor Recommended			
	FY 14		FY 15		FY 14		FY 15	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount

**Governor**

Reduce the General Fund debt service account by \$150 million in each of FY 14 and FY 15 to reflect the anticipated refinancing of the ERNs, which the Governor has proposed will be part of a larger issuance of up to \$750 million in bonds to finance the GAAP deficit. The new payment schedule would require the ERNs to be paid off by FY 18 (a two year extension). The refinancing is expected to be done at a 3% interest rate in the fall of 2013. The goal of the ERN refinancing is to achieve \$150 million in debt service savings in each year of the biennium.

**Legislative**

Reduce the General Fund debt service account by \$196 million in each fiscal year to reflect the anticipated ERN refinancing. The refinancing will be done as part of the issuance of up to \$750 million in bonds to finance the GAAP deficit. The new payment schedule would require the ERNs to be paid off by FY 18 (a two year extension). The refinancing is expected to be done at a 3% interest rate in the fall of 2013. The goal of the ERN refinancing is to achieve \$196 million in debt service savings in each year of the biennium.

**Reduce Debt Service to Reflect Anticipated Bond Premiums**

Debt Service	0	(35,000,000)	0	(35,000,000)	0	(15,000,000)	0	(15,000,000)
<b>Total - General Fund</b>	<b>0</b>	<b>(35,000,000)</b>	<b>0</b>	<b>(35,000,000)</b>	<b>0</b>	<b>(15,000,000)</b>	<b>0</b>	<b>(15,000,000)</b>

**Background**

Between FY 02 and FY 13, the General Fund debt service account lapsed between \$4 million and \$75 million per year due to premiums received on General Obligation (GO) bonds issuances. (Bond purchasers pay a premium to receive a higher rate of interest than the one at which the bonds would otherwise have sold.)

**Governor**

Reduce the debt service account by \$20 million in each of FY 14 and FY 15 to reflect anticipated bond premiums on GO bonds. Premiums are expected to continue because the Federal Reserve is maintaining interest rates at very low levels, which creates an economic environment that encourages bond buyers to purchase tax-exempt bonds at a premium.

**Legislative**

Reduce the debt service account by a total of \$35 million in each fiscal year to reflect additional anticipated bond premiums on GO bonds.

**Reduce Special Tax Obligation Bond Debt Service**

Debt Service	0	(10,000,000)	0	(10,000,000)	0	(10,000,000)	0	(10,000,000)
<b>Total - Special Transportation Fund</b>	<b>0</b>	<b>(10,000,000)</b>	<b>0</b>	<b>(10,000,000)</b>	<b>0</b>	<b>(10,000,000)</b>	<b>0</b>	<b>(10,000,000)</b>

**Background**

The Special Transportation Fund debt service account pays debt service on Special Tax Obligation (STO) bonds, which are used to finance a variety of transportation infrastructure projects. It has lapsed approximately \$10 million in each of the last five fiscal years.

**Legislative**

Reduce the Special Transportation Fund debt service account by \$10 million in each of FY 14 and FY 15 to reflect the amount historically lapsed in each of the last five fiscal years in this account.

**Adjust Funding for GAAP**

Nonfunctional - Change to Accruals	0	(7,068)	0	8,281	0	0	0	0
<b>Total - General Fund</b>	<b>0</b>	<b>(7,068)</b>	<b>0</b>	<b>8,281</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Governor**

Reduce funding by \$7,068 in FY 14 and increase funding by \$8,281 in FY 15 to reflect changes to GAAP accruals as a result of a policy change.

**Legislative**

Same as Governor

**Totals**

Budget Components	Legislative				Difference from Governor Recommended			
	FY 14		FY 15		FY 14		FY 15	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount
<b>Governor Estimated - GF</b>	0	1,870,923,196	0	1,870,923,196	0	0	0	0
Current Services	0	79,912,710	0	210,420,859	0	0	0	0
Policy Revisions	0	(231,007,068)	0	(230,991,719)	0	(61,000,000)	0	(61,000,000)
<b>Total Recommended - GF</b>	0	1,719,828,838	0	1,850,352,336	0	(61,000,000)	0	(61,000,000)
<b>Governor Estimated - TF</b>	0	457,974,187	0	457,974,187	0	0	0	0
Current Services	0	15,839,950	0	35,244,106	0	0	0	0
Policy Revisions	0	(10,000,000)	0	(10,000,000)	0	(10,000,000)	0	(10,000,000)
<b>Total Recommended - TF</b>	0	463,814,137	0	483,218,293	0	(10,000,000)	0	(10,000,000)
<b>Governor Estimated - RF</b>	0	7,147	0	7,147	0	0	0	0
Current Services	0	(7,147)	0	(7,147)	0	0	0	0
<b>Total Recommended - RF</b>	0	0	0	0	0	0	0	0