

## Debt Service - State Treasurer

### OTT14100

#### Budget Summary

Account	Actual FY 15	Actual FY 16	Appropriation FY 17	Governor Recommended		Legislative	
				FY 18	FY 19	FY 18	FY 19
<b>Other Current Expenses</b>							
Debt Service	1,417,188,349	1,682,659,701	1,765,932,976	1,981,094,017	1,916,204,257	1,955,817,562	1,858,767,569
UConn 2000 - Debt Service	136,543,508	148,249,734	172,057,219	189,526,253	210,955,639	189,526,253	210,955,639
CHEFA Day Care Security	4,268,356	4,085,086	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000
Pension Obligation Bonds - TRB	133,528,190	132,732,646	119,597,971	140,219,021	118,400,521	140,219,021	118,400,521
<b>Grant Payments to Local Governments</b>							
Municipal Restructuring	-	-	-	-	-	20,000,000	20,000,000
<b>Agency Total - General Fund</b>	<b>1,691,528,403</b>	<b>1,967,727,167</b>	<b>2,063,088,166</b>	<b>2,316,339,291</b>	<b>2,251,060,417</b>	<b>2,311,062,836</b>	<b>2,213,623,729</b>
Debt Service	460,022,123	493,938,883	562,993,251	614,679,938	680,223,716	614,679,938	680,223,716
<b>Agency Total - Special Transportation Fund</b>	<b>460,022,123</b>	<b>493,938,883</b>	<b>562,993,251</b>	<b>614,679,938</b>	<b>680,223,716</b>	<b>614,679,938</b>	<b>680,223,716</b>
<b>Total - Appropriated Funds</b>	<b>2,151,550,526</b>	<b>2,461,666,050</b>	<b>2,626,081,417</b>	<b>2,931,019,229</b>	<b>2,931,284,133</b>	<b>2,925,742,774</b>	<b>2,893,847,445</b>

Account	Governor Recommended		Legislative		Difference from Governor	
	FY 18	FY 19	FY 18	FY 19	FY 18	FY 19

### Policy Revisions

#### Make Miscellaneous Updates and Changes

Debt Service	-	-	(25,276,455)	(32,978,355)	(25,276,455)	(32,978,355)
<b>Total - General Fund</b>	<b>-</b>	<b>-</b>	<b>(25,276,455)</b>	<b>(32,978,355)</b>	<b>(25,276,455)</b>	<b>(32,978,355)</b>

#### Legislative

Adjust debt service related to the following programs:

- 1) Capital Region Development Authority (CRDA) - reflect expiration of debt (\$1.8 million each year in the CRDA program related to retirement of Series A bonds in 2016);
- 2) Connecticut Health and Educational Facilities (CHEFA) day care program - reflect net projected expenditures for the CHEFA day care program based on the current amortization schedule less anticipated reimbursements from day care providers (\$1.4 million each year); and
- 3) Department of Correction (DOC) - elimination of funding for the debt service component related to a potential DOC energy conservation capital lease (\$3.5 million in each year of the biennium).

In addition, adjust debt service to reflect possible savings due to several debt management and issuance strategies, along with updating expected borrowing costs to reflect market rates. Debt reduction strategies include pursuing bond refunding opportunities (and reflecting the impact of previous refundings), reassessing arbitrage rebates and fees, use of excess premiums, and updating interest rate projections for variable rate bonds.

#### Reduce Debt Service to Reflect General Obligation Bond Caps

Debt Service	-	-	-	(24,458,333)	-	(24,458,333)
<b>Total - General Fund</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(24,458,333)</b>	<b>-</b>	<b>(24,458,333)</b>

#### Background

The amount of funding provided for debt service depends on both existing outstanding debt and projections of the costs of repayment of newly issued debt. New debt issued is related to the recent and anticipated spending in bond-funded programs. Based on the Treasurer's estimates, the Governor's recommended budget assumes \$2.3 billion of General Obligation bond issuance each year of the biennium.

Account	Governor Recommended		Legislative		Difference from Governor	
	FY 18	FY 19	FY 18	FY 19	FY 18	FY 19

### Legislative

Reflect savings of \$24.45 million in FY 19 associated with the bond caps established in P.A. 17-2 (JSS). The new caps on General Obligation bond use are for bond allocation (\$2 billion), issuance (\$1.9 billion), and allotment (\$1.9 billion). Based on these caps, it is expected that bond spending will be reduced, leading to lower than expected bond issuances for the biennium and lower debt service payments necessary for FY 19.

### Establish Municipal Restructuring

Municipal Restructuring	-	-	20,000,000	20,000,000	20,000,000	20,000,000
<b>Total - General Fund</b>	<b>-</b>	<b>-</b>	<b>20,000,000</b>	<b>20,000,000</b>	<b>20,000,000</b>	<b>20,000,000</b>

### Legislative

Provide \$20,000,000 in each of FY 18 and FY 19 for assistance for financially distressed municipalities.

## Current Services

### Increase Debt Service

Debt Service	215,161,041	150,271,281	215,161,041	150,271,281	-	-
<b>Total - General Fund</b>	<b>215,161,041</b>	<b>150,271,281</b>	<b>215,161,041</b>	<b>150,271,281</b>	<b>-</b>	<b>-</b>

### Background

Debt service reflects the state's obligation to make payments on services and goods provided in previous years. The State Bond Commission approved the allocation of \$2.4 billion in FY 15 and \$2.9 billion in FY 16 for capital projects.

In FY 18, approximately 95 percent of the general fund debt service payment is to repay bonds that were issued prior to FY 17. The payments for FY 18 and FY 19 include \$58 million towards the FY 13 GAAP Deficit Conversation Bonds in each year. The 2009 Economic Recovery Notes are scheduled to be retired after the FY 18 payment of \$179 million.

### Governor

Provide funding of \$215 million in FY 18 and \$150 million in FY 19 to fund the increase in debt service due to increased bond spending in previous years. The decrease from FY 18 to FY 19 reflects retirement of 2009 Economic Recovery Notes in FY 18, which is partially offset by projected issuance of new bonds.

### Legislative

Same as Governor

### Increase UConn 2000 Debt Service

UConn 2000 - Debt Service	17,469,034	38,898,420	17,469,034	38,898,420	-	-
<b>Total - General Fund</b>	<b>17,469,034</b>	<b>38,898,420</b>	<b>17,469,034</b>	<b>38,898,420</b>	<b>-</b>	<b>-</b>

### Background

The state first established a major bonding program for the University of Connecticut under PA 95-230 (UConn 2000). This program has been extended under the title UConn 21st Century and, most recently, as Next Generation Connecticut (PA 13-233). Since FY 11, over \$1.5 billion has been authorized for UConn bond projects. Under current law, another \$1.3 billion is scheduled to be authorized from FY 18 through FY 24, including \$295 million in FY 18 and \$251 million in FY 19. The Governor's proposal delays \$29.6 million of the previously scheduled FY 18 authorization and \$25.1 million of the FY 19 authorization until after the biennium.

### Governor

Provide funding of \$17.5 million in FY 18 and \$38.9 million in FY 19 to fund the increase in debt service for UConn bond programs due to increased spending in previous years.

### Legislative

Same as Governor

### Follow Pension Obligation Bond Repayment Schedule

Pension Obligation Bonds - TRB	20,621,050	(1,197,450)	20,621,050	(1,197,450)	-	-
<b>Total - General Fund</b>	<b>20,621,050</b>	<b>(1,197,450)</b>	<b>20,621,050</b>	<b>(1,197,450)</b>	<b>-</b>	<b>-</b>

Account	Governor Recommended		Legislative		Difference from Governor	
	FY 18	FY 19	FY 18	FY 19	FY 18	FY 19

### Background

In 2008, \$2.3 billion in Pension Obligation Bonds (POBs) were issued by the state. Proceeds of the bond sale were added to the Teachers' Retirement Fund. A repayment schedule was developed when the bonds were issued that requires specific semi-annual payments until the bond is fully repaid in FY 32. While set by the bond covenant, the state's annual contribution to the debt service of the POBs varies from year to year.

### Governor

Provide funding of \$20.6 million in FY 18 and reduce funding by \$1.2 million in FY 19 to meet POBs repayment schedule. The Governor's proposal follows the POB repayment schedule.

### Legislative

Same as Governor

### Increase Special Transportation Fund Debt Service

Debt Service	51,686,687	117,230,465	51,686,687	117,230,465	-	-
<b>Total - Special Transportation Fund</b>	<b>51,686,687</b>	<b>117,230,465</b>	<b>51,686,687</b>	<b>117,230,465</b>	<b>-</b>	<b>-</b>

### Background

Debt service reflects the state's obligation to make payments on services and goods provided in previous years. Approximately 90 percent of the transportation fund FY 18 debt service payment is to repay bonds that were issued prior to FY 17. In FY 16, the state began a funding ramp up for capital transportation programs known as Let's Go! CT, including bond authorization for the program of over \$795 million.

### Governor

Increase Special Transportation Fund debt service by \$51.7 million in FY 18 and \$117.2 million in FY 19 to reflect the increased STO bond issuance in FY 16 and FY 17, along with projected increase in issuances in FY 18 and FY 19.

### Legislative

Same as Governor

## Totals

Budget Components	Governor Recommended		Legislative		Difference from Governor	
	FY 18	FY 19	FY 18	FY 19	FY 18	FY 19
FY 17 Appropriation - GF	2,063,088,166	2,063,088,166	2,063,088,166	2,063,088,166	-	-
Policy Revisions	-	-	(5,276,455)	(37,436,688)	(5,276,455)	(37,436,688)
Current Services	253,251,125	187,972,251	253,251,125	187,972,251	-	-
<b>Total Recommended - GF</b>	<b>2,316,339,291</b>	<b>2,251,060,417</b>	<b>2,311,062,836</b>	<b>2,213,623,729</b>	<b>(5,276,455)</b>	<b>(37,436,688)</b>
FY 17 Appropriation - TF	562,993,251	562,993,251	562,993,251	562,993,251	-	-
Current Services	51,686,687	117,230,465	51,686,687	117,230,465	-	-
<b>Total Recommended - TF</b>	<b>614,679,938</b>	<b>680,223,716</b>	<b>614,679,938</b>	<b>680,223,716</b>	<b>-</b>	<b>-</b>