



# Treasurer Shawn T. Wooden

Presentation to the Appropriations Committee

February 22, 2021



# Debt Service Budget Summary

\$ in Millions

	FY 2022			FY 2023		
	OTT Submitted	Governor Proposed	Difference	OTT Submitted	Governor Proposed	Difference
<i><u>General Fund</u></i>						
GO Debt Service	2,010	1,990	(20)	2,126	2,076	(50)
UConn 2000	210	210	-	224	224	-
CHEFA Day Care	6	6	-	6	6	-
Pension Obligation Bonds - TRB	203	203	-	307	307	-
Municipal Restructuring	55	55	-	54	54	-
<b>TOTAL - General Fund</b>	<b>2,483</b>	<b>2,463</b>	<b>(20)</b>	<b>2,716</b>	<b>2,666</b>	<b>(50)</b>
<i><u>Special Transportation Fund</u></i>						
Debt Service	784	779	(5)	854	851	(3)
<b>TOTAL - Special Transportation Fund</b>	<b>784</b>	<b>779</b>	<b>(5)</b>	<b>854</b>	<b>851</b>	<b>(3)</b>
<b>TOTAL - ALL FUNDS</b>	<b>3,266</b>	<b>3,242</b>	<b>(24)</b>	<b>3,570</b>	<b>3,518</b>	<b>(52)</b>



# What are Bond Premiums?

- **An up-front payment by investors to the State in exchange for the State paying a higher stated interest rate on a given bond compared to market rates.**
- **The premium amount is equal to the difference between the higher interest rate and what would have been paid at market rates.**

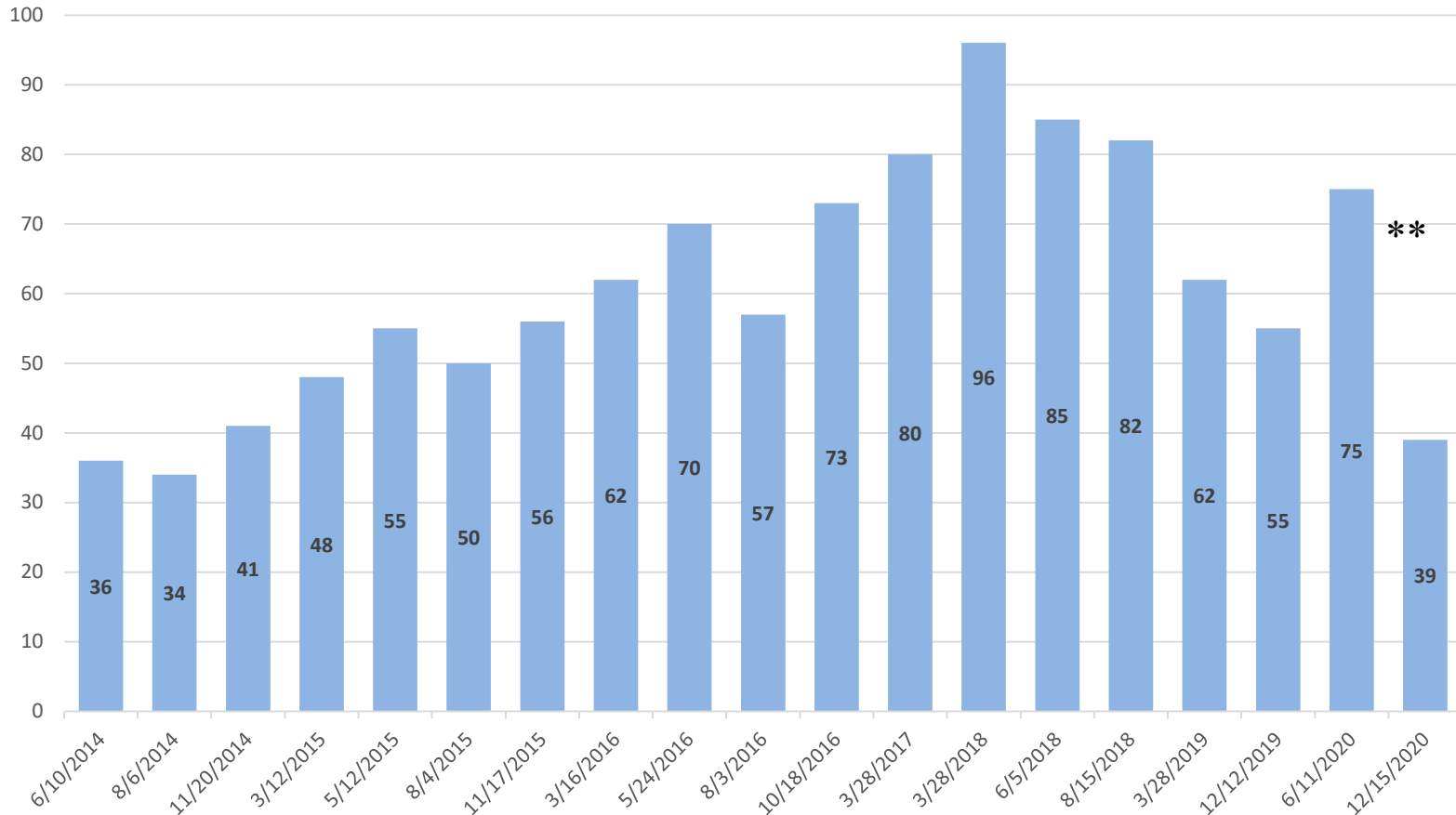
## Why do investors want to buy bonds with a premium structure?

- **Market phenomenon in a low interest rate market that results from investors' wanting to purchase bonds with higher interest rates to avoid certain negative provisions in the federal tax code.**
- **Higher coupon premium bonds are less sensitive to rising interest rates making them more liquid and easier to sell.**
- **Once interest rates rise, bond premiums are expected to become less of a factor in the market.**



# Recent History of CT General Obligation Bond Pricing Spreads

*(Basis Point Spread of Longest 5% Maturity\* to the AAA Municipal Bond Index)*



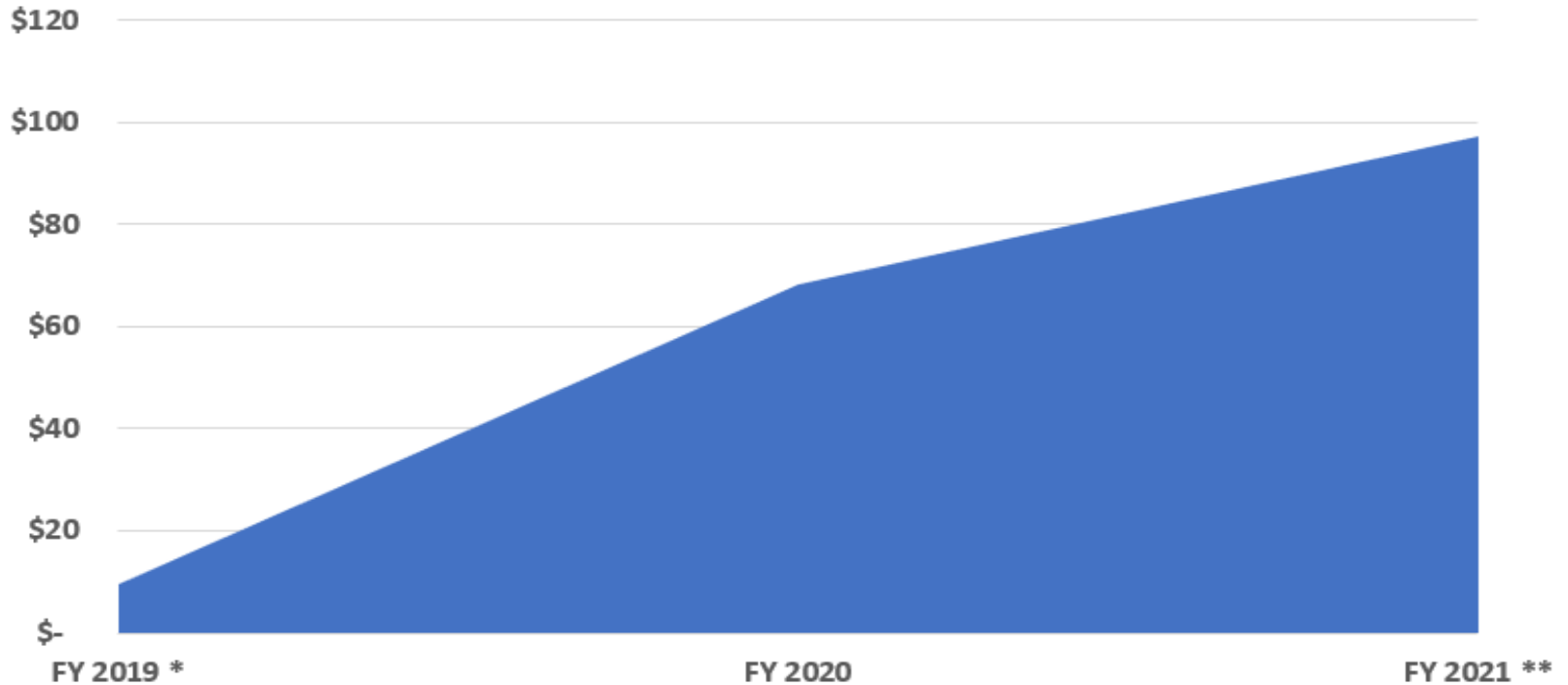
\* Using the longest 5% maturity in a bond issue is the standard industry benchmark for comparison purposes.

\*\* This bond sale occurred several months into the COVID pandemic, which had caused earlier worldwide market upheaval and uncertainty. At the time of the sale, municipal bond spreads were beginning to settle, hence the higher spread compared pre-pandemic bond pricings.



# Cumulative Refunding Savings Under Treasurer Wooden Administration

\$ Millions



\* Beginning 1/1/2019

\*\* Year to date



# Treasury Staffing Trends



# Treasury Personnel Budget Funding

