April 29, 2015

Dear Mesdames and Messrs. of the General Assembly:

Attached is a simple Fact Sheet on two issues of importance to the State:

- Reducing our outstanding debt and future debt service costs
- Fixing a shortfall in the debt service budget for the upcoming biennium

Senate Bill 1133, if enacted, would require that premiums on general obligation bonds be used to fund previously authorized capital projects. In this way, the amount of bonds that would need to be issued to fund a given set of capital projects would be reduced. I have recommended that the legislation take effect on July 1, 2017 so as not to impact the biennial budget for fiscal years 2016 and 2017.

Regrettably, the Finance, Revenue & Bonding Committee has not yet favorably reported the bill. It is important, however, to emphasize that this legislation is in the best interests of current and future taxpayers. Moreover, it reflects a better practice for the use of bond premiums in a low interest rate environment, and is consistent with responsible borrowing and stewardship of public resources.

Meanwhile, there needs to be a fix in the debt service budget for the biennial budget currently under consideration. By the Treasury's calculations, an additional $82.9 million for FY16 and $95.4 million for FY17, for a total of $178.3 million over the biennium, should be restored to the general fund debt service account.

I am of the opinion that failure to add back $178.3 million for the ensuing biennium increases the risk that the State's debt service requirements will exceed budgeted appropriations, which could harm the State's reputation.

Accordingly, your favorable consideration of these matters would be appreciated.

Sincerely,

Denise L. Nappier

Denise L. Nappier
State Treasurer

cc: Benjamin Barnes, Secretary, Office of Policy & Management
Alan Calandro, Director, Office of Fiscal Analysis