OFFICE OF
STATE TREASURER
DENISE L. NAPPIER

NEWS

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Connecticut Taxpayers Will Save $6.2 Million Due to Early Payment of State Debt; Nappier Says Sound Fiscal Management Key to Savings Resulting from Paying off All Remaining Deficit Notes

Connecticut Treasurer Denise L. Nappier said today that the State Treasury has used surplus funds to pay off all remaining deficit notes that were issued to fund two years of state budget deficits earlier this decade. The just-completed early repayment of just over $146 million in state debt resulted in payments being made as much as three years ahead of schedule, and will save Connecticut taxpayers $6.2 million in interest payments.

Nappier said the Treasurer's Office worked closely with the state Office of Policy and Management and the Connecticut General Assembly during the past two years to set the stage for the early debt payments.

"Paying off debt early and putting these deficit notes behind us is good news for Connecticut taxpayers, and the result of solid planning and prudent management," Nappier said. "The $6.2 million savings will be included in the state's 2007 fiscal year budget, and will permit those dollars to be used more effectively to reduce the tax burden or respond to real needs of our citizens and businesses, rather than on interest payments."

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The payments covered the remaining $146 million in Economic Recovery Notes, from the original $316.9 million issued by the state in December 2002 ($219.2 million) and June 2004 ($97.7 million) to fund state budget deficits in fiscal years 2002 and 2003. Some of the debt ($70.1 million) was paid off on schedule last fiscal year from surplus funds provided from the 2005 budget surplus and the balance was paid from annual budget appropriations as the debt became due.

The action by the Treasurer's Office was made possible by the way in which the debt was issued at the time of the budget deficits. The Treasurer's Office structured the deficit bonds to be repaid over a relatively short five-year period and included the use of variable rate bonds to provide low cost funding and to allow the option to redeem the bonds early, at a time when the state's fiscal situation had improved.

More…

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Treasurer Nappier added, “The state originally structured these deficit notes with a relatively short repayment schedule and this repayment of the notes on an even earlier schedule bodes well for the State’s financial health and should be viewed favorably by the credit rating agencies.”

In 2005, $137.7 million was set aside to pay Economic Recovery Notes due in fiscal years 2006 (70.1 million) and 2007 ($67.6 million). During the 2006 session, the legislature provided another $85.5 million from the 2006 fiscal year surplus to pay notes due in 2008 ($65.3 million) and 2009 ($20.2 million).

The Treasury’s efforts in working with the legislature and OPM to structure the Economic Recovery Notes debt ensured that $153.1 million, which would come due in 2007, 2008 and 2009 would be available for early redemption and defeasance. The variable rate notes were redeemed and fixed rate notes were defeased with the surplus funds.

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