Lower bond interest rate to save CT $42M over 10 years

By Christine Stuart, CTMirror.org Published 11:41 am EDT, Monday, July 29, 2019

CHRISTINE STUART

HARTFORD — Late last week, Connecticut Treasurer Shawn Wooden celebrated his first successful bond refinancing that will save Connecticut taxpayers $42.9 million over the next 10 years.

Wooden and his staff oversaw an online bidding war to refinance $239.9 million in Connecticut's general obligation bonds. It was the first bond sale following passage of the two-year, $43.8 billion budget, which includes changes to the Teacher's Retirement System.

"Wall Street is not only paying attention, they are investing in our future. With renewed investor confidence, Connecticut hopes to continue to lower borrowing costs and ensure greater savings to taxpayers in our state," Wooden said.

He cited pension reforms and budget surpluses for the reduction in interest rates.

“Every incremental step we’ve taken to get our fiscal house in order — from pension funding reforms to budget surpluses — has strengthened our standing in the financial markets,” Wooden said.

A total of 11 firms competed in the sale to refinance bonds that have a 4.82 percent interest rate. J.P. Morgan led the winning syndicate that included Estrada Hinojosa & Company, Inc., a Hispanic-owned firm; Academy Securities, a Hispanic-owned disabled veteran-owned firm, and; Piper Jaffray, a regional firm with a Connecticut office. J.P. Morgan had the winning bid coming in at 1.67 percent on the 10-year bond issue. This dramatic reduction in interest costs, from 4.82 percent to 1.67 percent, adds up to $42.9 million in savings to Connecticut over the next 10 years, roughly $4.2 million annually for the next decade.

“Together, working with the governor and the Legislature — from restructuring our teachers’ pensions, to shoring up our rainy day fund and making smarter long-term debt investments — each step we take continues to move this state forward to fiscal stability and greater economic growth,” Wooden added.

Gov. Ned Lamont, who was in Utah at the National Governors Association meeting over the weekend, also applauded the refinancing.

“Just like when you apply for a credit card, the better your credit, the lower the interest rate you will pay,” Lamont said. “Connecticut has a better credit score today as a result of our collective actions and responsible long-term financial planning.”

Earlier this month, the Kroll Bond Rating Agency elevated its outlook from negative to stable and reaffirmed its AA- rating for the state. Standard & Poor’s, Moody’s, and Fitch each maintained their previous ratings. S&P rated Connecticut bonds an “A” with a positive outlook, Moody’s at “A1” with a stable outlook, and Fitch at “A+” with a stable outlook.

It’s the second time in four months that a major credit rating agency has upgraded its outlook for Connecticut bonds.

In March, Standard & Poor’s upgraded Connecticut’s credit rating from stable to positive and affirmed its “A” rating on approximately $18.3 billion of the state’s general obligation bonds.

The General Assembly and Lamont are still negotiating a bond package for 2020.