



# Erick Russell

## CONNECTICUT STATE TREASURER

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### TREASURER RUSSELL ANNOUNCES \$826 MILLION GENERAL OBLIGATION BOND SALE INCLUDING “SOCIAL BONDS” FOR SCHOOL CONSTRUCTION

*Bond Pricing Achieves Lowest Interest Rate Spread in at Least Ten Years*

**Hartford, CT** – Connecticut State Treasurer Erick Russell announced the results of a successful \$826 million State of Connecticut General Obligation (GO) bond offering today that will fund the construction of schools across the state and other critical investments. Connecticut's enhanced economic position created favorable borrowing conditions, yielding the lowest interest rate spread on the 20-year maturity in over a decade, compared to the market.

The sale included \$400 million of tax-exempt new money bonds that will fund a variety of capital improvements and grant programs impacting aid to towns and cities, public safety, housing, voting technology, and more. An additional \$250 million in “Social Bonds” will finance local school construction projects.

“Investors continue to reward Connecticut’s commitment to financial stability and economic growth,” said **Treasurer Russell**. “This bond sale will fund projects critical to the health, safety, and wellbeing of our residents while leveraging our position of fiscal strength to hold down long-term costs. This is yet another example of how the hard work of getting our state’s fiscal house in order has direct benefits for taxpayers. We’re now able to make these critical investments alongside other urgent priorities without the specter of financial crisis that held us back from our full economic potential for so many years.”

In addition to the new money bonds, \$176 million of refunding bonds were issued to refinance existing bonds at more favorable rates, saving an estimated \$24.4 million over the next ten years.

## **Retail Order Period**

Consistent with past practice, Treasurer Russell gave retail investors priority with a dedicated one-day retail-only order period on Monday, December 18th. Over \$883 million of retail orders were received, the third-strongest retail order response in the history of the State's GO bond program. The sale was the largest municipal bond offering in the national market this week, which contributed to vigorous investor participation.

## **Orders and Interest Cost**

The sale included a total of \$650 million of tax-exempt new money bonds, consisting of \$400 million of 2024 Series A Bonds and \$250 million of 2024 Series B Social Bonds to finance local school construction projects. In addition, \$176 million of 2024 Series C refunding tax-exempt bonds were offered to refinance existing bonds for debt service savings, which are also Social Bonds.

Orders from both retail and institutional investors on all three series of bonds totaled \$2.26 billion, well exceeding the amount of bonds offered, allowing the State to lower its borrowing costs in the final pricing. The overall interest cost on the 20-year portion of the bond sale was 3.26%. Bond yields are set on the day of pricing at spreads to an industry-standard benchmark AAA municipal bond index. Despite relatively high interest rates in recent years, the State's bond pricing spread on this sale for the 20-year bond relative to the benchmark index was the lowest level in at least ten years, which will save taxpayers money in the long-term. This is a result of investor confidence and the series of credit rating upgrades achieved in recent years.

The ten-year, 2024 Series C Refunding Social Bonds had a borrowing cost of 2.52% and will refinance previously issued higher-interest bonds for debt service savings of approximately \$24.4 million over the next ten years.

## **Projects Funded**

The 2024 Series A and 2024 Series B bonds will fund:

- \$250.0 million for school construction
- \$75.0 million for the Small Town Economic Assistance Program
- \$68.6 million for technology and equipment upgrades, including ballot counting tabulators
- \$51.6 million for grants to schools and higher education
- \$43.1 million for grants to municipalities
- \$37.8 million for energy upgrades at various state facilities
- \$33.0 million for housing projects
- \$25.0 million for freight rail line infrastructure improvements
- \$23.0 million for police department cameras and video storage
- \$20.0 million for grants to health centers and mental health
- \$15.7 million for renovations and improvements to state-owned facilities
- \$7.2 million for economic development

## **Social Bonds**

Both the 2024 Series B Bonds and 2024 Series C Refunding Bonds are designated and marketed as “Social Bonds.” These bonds will fund new local school construction grants across the state as well as refinance existing bonds previously issued for school construction. This sale marks the State’s fifth and sixth Social Bond issuance.

Social Bonds allow investors to purchase bonds that finance socially responsible projects. Connecticut Social Bonds are sold consistent with the International Capital Market Association’s Social Bond Principles. The spending of bond proceeds is also aligned with the United Nations Sustainable Development Goals (“UNSDGs”) of Quality Education.

Connecticut Social Bonds provide reimbursement funding to the K-12 school construction program, which provides a significantly higher reimbursement rate to more needy communities.

## **Summary of GO Credit Ratings**

Prior to the sale, all four major credit rating agencies affirmed the State’s GO bond credit ratings as follows: Moody’s Investors Service affirmed its “Aa3” rating with a Stable Outlook; S&P Global Ratings affirmed its “AA-” rating with a Stable Outlook; Fitch Ratings affirmed its “AA-” rating with a Stable Outlook, and Kroll affirmed its “AA+” rating with a Stable Outlook.

Jefferies, LLC led the bond underwriting syndicate that sold the bonds. The bonds are scheduled to close on January 11, 2024.

More information on Connecticut’s bonding programs is available at [www.buyctbonds.com](http://www.buyctbonds.com).

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## **About the Office of the Treasurer**

The Office of the Treasurer is charged with safeguarding Connecticut’s financial resources through prudent cash management and debt management, with the State Treasurer serving as principal fiduciary for six state pension and nine state trust funds. Additionally, the Office enhances the state’s fiscal stability through programs promoting financial literacy and college savings, and it leverages business partnerships to support the advancement of Connecticut’s social and policy priorities, including combating gun violence and protecting our environment. The Office of the Treasurer is led by State Treasurer Erick Russell, the only Black elected state treasurer in the country. To learn more, visit [portal.ct.gov/ott](http://portal.ct.gov/ott).