FOR IMMEDIATE RELEASE
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JUNE SALE OF $500 MILLION OF GENERAL OBLIGATION BONDS WILL INCLUDE COVENANT TO LOCK IN FISCAL DISCIPLINE

HARTFORD, CT -- Connecticut plans to issue $500 million of General Obligation bonds in June that, for the first time, will include a bond covenant that commits the State to four distinct financial measures adopted by the General Assembly to guarantee fiscal restraint, Treasurer Nappier announced today.

"This bond covenant is a declaration to the municipal finance marketplace of Connecticut's seriousness in addressing its fiscal challenges. Every bond issued with this covenant will include a pledge that the State will address its long-term liabilities, rein in spending and borrowing, and rebuild its Budget Reserve Fund. This is the clearest message yet that Connecticut is on a much needed disciplined path in managing its fiscal affairs," Treasurer Nappier said.

"The concrete actions that the State is taking to strengthen our reserve fund and bring our spending and borrowing practices within our means go right to the heart of what rating agencies have been saying for some time," added Treasurer Nappier.

Legislation approved by the Governor and General Assembly in October and amended earlier this month requires a five-year bond covenant which includes the following four promises:

- The "Volatility Cap" requires that estimated and final tax payments to the State that exceed $3.15 billion in Fiscal Year 2018 must be transferred into the State's Budget Reserve Fund. For Fiscal Year 2019 and beyond, this threshold will be indexed annually to the rate of growth of Connecticut's personal income.

- The "Revenue Cap" constrains the amount of revenue that can be appropriated, equal to 99.5 percent of estimated revenue in Fiscal Year 2020, and declining thereafter by one quarter of a percentage point per year until it reaches 98 percent in Fiscal Year 2026.

- The "Statutory Spending Cap" says that the annual growth in state spending cannot exceed the percentage increase in personal income or inflation, whichever is greater.

- The “Bond Cap" restricts bond allocations to $2 billion per year and bond allotments and bond issuance to $1.9 billion per year each, with the limits adjusted annually based on the U.S. Consumer Price Index.

The covenant prohibits the State from altering the four caps for five years from issuance of the bonds and prevents changes to the formula that establishes the State’s debt limit – General Obligation bond authorizations may not exceed 1.6 times General Fund tax receipts, except in cases where the Governor has declared an emergency and three-fifths of each chamber of the General Assembly votes in support of a change to any cap for that year.

Each time the State has an offering of General Obligation or credit revenue bonds from May 15, 2018 prior to July 1, 2020, it must include the covenant.

June Bond Sale

The next General Obligation bond sale includes $400 million in new money bonds and $100 million in refunding bonds. The bonds are being offered to individual investors on a priority basis during a retail order period scheduled for Monday, June 4th. The final pricing and institutional sale are scheduled for Tuesday, June 5th.

Of the $400 million in new money bonds, more than half will provide funding for school construction projects. The remaining funds will be used for grants-in-aid to towns, economic development, brownfield remediation, general capital improvements and the clean water and drinking water programs.

The bonds will be offered through an underwriting syndicate led by Bank of America/Merrill Lynch as senior underwriter.

The bonds are scheduled to close on June 20, 2018. Disclosure counsel are Day Pitney LLP and Soeder & Associates. Tax counsel are Robinson & Cole and Soeder & Associates. Financial advisors are Acacia Financial Group, Inc. and PFM Financial Advisors LLC.

More information on the bond offering is available at www.buyCTbonds.com.

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CONTACT: DAVID BARRETT, DIRECTOR OF COMMUNICATIONS, (860) 702-3164
DAVID.S.BARRETT@CT.GOV