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STATE TREASURER
DENISE L. NAPPIER

NEWS

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Credit Rating Agencies Affirm Connecticut's Strong Credit Rating

State to Issue "Economic Recovery Notes" for First Time in Decade; Nappier Working to Achieve Additional Savings from Debt Program

State Treasurer Denise L. Nappier announced today that the three leading credit rating agencies have all confirmed the State of Connecticut's strong credit ratings.

Standard & Poors, Fitch and Moody's assigned AA, AA and Aa ratings, respectively, to the State's general obligation debt as the State prepared to go into the market with a $224 million offering this week to finance the fiscal 2002 General Fund budget deficit.

Treasurer Nappier said "the ratings confirmation was a signal that the agencies are expecting the State's leaders to come to early agreement on the budget issues that face them." The decisions by the rating agencies provide State leaders with an opportunity to adopt a plan that balances the current year budget and begins to address the structural deficit issues that will require further work in the coming biennial budget process. Nappier said "it is clear that the rating agencies are closely monitoring Connecticut's efforts to solve the budget dilemma."

"I have no doubt that much will be said at the Capitol in the coming weeks on this issue," Nappier said. "There has never been a better example of the need for actions to speak louder than words. From my perspective in the Treasury, there may be additional savings that can be achieved in our debt management program, and we are hard at work to determine the extent of those potential savings."

Nappier noted that during the past four years, through refinancing and defeasing outstanding debt, the Treasurer's Office has already reduced current and future debt service requirements by $225 million.

The reports emphasize the State's high income levels and diverse economy as credit strengths but note the State's high debt level as cause for concern. The precipitous drop in tax revenues, particularly from income tax on unearned income such as dividends and capital gains, has created a current year budget deficit estimated to be between $400

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and $500 million. The agencies noted that Governor Rowland has called a special session of the General Assembly to convene next week to try to resolve the problem.

All three agencies stressed the need to adopt a balanced budget plan for the coming biennium to maintain the State's rating. S&P and Moody's also retained their "negative outlook" on State bonds. Nappier added that the resolution of the current budget crisis "must not be dependent on gimmicks or one-shot revenues."

The issue being sold this week, called Economic Recovery Notes, was authorized by the General Assembly as the final step in financing the 2002 budget deficit after the entire budget reserve fund (rainy day fund) was used to help balance the budget. It is the first time the State has borrowed for a deficit since 1991.

The issue includes a combination of fixed rate and variable rate obligations that mature annually beginning on December 1, 2003 until they are fully paid on December 1, 2007. The authorizing legislation limited the final maturity to five years from the issue date. The fixed rate bonds mature from 2003-2006 and will be offered in a retail order period today and will be priced tomorrow.

"At the Treasury, we will continue to take advantage of low interest rates to provide budget savings, as we have in recent years. But our ability to achieve those savings depends in large measure on the strength of our credit rating," Nappier said.

By refinancing and defeasing outstanding debt during the past four years, the Treasurer's Office has reduced current and future debt service requirements by $225 million. Of this amount, $121 million was the result of the most aggressive debt-refinancing program in state history, with $2.1 billion of outstanding debt refinanced to lower rates. Refinancings were completed for General Obligation Bond, Special Tax Obligation Bonds, Clean Water Fund Bonds, Bradley Airport Bonds, and UCONN Student fee revenue bonds.

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