



STATE OF MAINE
OFFICE OF THE STATE TREASURER

39 State House Station, Augusta, ME 04333-0039

www.maine.gov/treasurer

HENRY E.M. BECK, ESQ.
State Treasurer

March 3, 2021

Senator Cathy Breen, Chair
Representative Teresa Pierce
Joint Standing Committee on Appropriations and Financial Affairs

Via Electronic Delivery

Testimony on LD 221, 2022/2023 Biennial Budget (Debt Service-Treasury)

Senator Breen, Representative Pierce and Honorable Members:

We are pleased to be with you to provide information on the general obligation debt service section of the proposed biennial budget, which appears on page A-483.

The Governor's budget calls for general obligation debt service of payments of \$113MM per fiscal year. This a baseline request and assumes a bond sale costs of 4% and issuance of \$150MM in June 2021, June 2022 and June 2023. However, to date, based on internal borrowing requests, that June 2021 figure is expected to be lower, and the 4% bond sale cost is an intentional overestimate. This assumption of 4% bond sale costs has allowed for carry forward to maintain the baseline. The same is true for historical overestimates of internal borrowing costs. The rate of the cash pool has decreased significantly in the current rate environment. This presents a challenge when it comes to cash pool earnings distributed to the general fund but reduces costs of internal borrowing that is paid back through sale and the debt service line items.

We support this section as proposed by the Administration. We are happy to provide information and answer any questions.