Attachment C

SB150 Fact Sheet

Concerning the State Treasurer's Authority to Manage State Public Financing

What is a debt rating?

- Like individuals, states, cities, businesses, etc. each has its own credit rating.
- Higher credit ratings allow for lower interest rates when executing financial transactions.
- Standard and Poor's, Moody's and Fitch have taken more aggressive actions with respect to Federal and municipal credit ratings :
    - S&P lowered US rating from AAA to AA+ in 2011, could be lowered further in next 2 years depending on spending reductions and financial climate.
    - Over 15 states have received ratings downgrades since the US downgrade.

Colorado is an Outlier in its Financial Obligation Management Procedures:

- Financial management of the State's financial obligations is currently decentralized; agencies mostly issue their own financial obligations.
    - A single point of contact for the State's financial obligations currently does not exist
    - Agencies often manage complicated transactions with little oversight or public finance expertise
    - Refinancing opportunities may go unnoticed with lack of debt management oversight
- Potential consequences of current structure:
    - *Higher costs due to financial expertise and missed refinancing opportunities.*
        - Because individual agencies are not experienced and frequent issuers in the market, this could lead to higher costs of funds or ill-advised financial structures.
        - Refinancing opportunities that are sensitive to market conditions may be overlooked.
    - *Credit strength.*
        - Credit ratings agencies have no central point of contact for the States' finances. Stability and structure are vital to maintaining the State's strong credit rating.
        - Maintaining the State's strong credit rating is key to lower costs of borrowing.
    - *Unintended consequences of lack of organization*
        - Failure to follow post-issuance compliance requirements by the SEC and IRS lead to events of default.
        - Since many obligations are secured by collateral such as State buildings, defaults could lead to an losing State assets

Solutions provided by SB150

- SB150 provides a centralized financial management structure based on these basic principles:
    - **Stable**: The state needs to be viewed as an organized financial institution that is responsible for all of its agencies' financial decisions.
    - **Comprehensive**: Every single decision needs to be made with state's financial stability as the top priority, as each has the potential to affect the state's credit.
    - **Consistent**: One point of contact with expertise and frequent contact in the market.
- SB150 Financial Management Structure:
    - Authorization of COPs and other financial instruments remain with Legislature.
    - Treasury manages oversight of post-issuance disclosure for state obligations.
    - Treasurer's Office works with departments to structure, price and close authorized finance transactions.
        - Builds rapport with ratings agencies, market participants, and others interested in State's credit.
        - Works with Capital Development Committee, OSPB, Controller, and State Architect to approve Debt Management Policy.
        - Creates and maintains a database for all collateral related to financial transactions, with the guidance of the State Architect's office.