



## **News for Immediate Release**

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### **Pennsylvania's \$900 Million Bond Sale Captures Record Low Rate**

Wall Street Response Shows Faith in Commonwealth; State Continues to Retain Double-A Credit Rating

**Harrisburg** – When Pennsylvania floated a Build America Bonds deal this week, which was the largest in the nation to be competitively bid to date, the commonwealth obtained the lowest interest rate of any of its non-refinancing deals since 1968—3.13 percent.

According to Governor Edward G. Rendell, Wall Street's reaction to the \$900 million bond sale affirms that the financial and investment communities continue to regard Pennsylvania's fiscal management practices highly.

"The market's strong response when the national economic outlook is still uncertain confirms Pennsylvania's record of sound fiscal management and the financial community's faith in the value of our bonds," said Governor Rendell of the sale that was completed on Wednesday.

"And the best news for Pennsylvanians is that the proceeds will be used for construction projects around the state, which will further stimulate the state economy – especially in local communities."

Build America Bonds, which were enacted as part of the American Reinvestment and Recovery Act, are federally taxable bonds—as opposed to the commonwealth's traditional tax-exempt bonds. Sales of these bonds nationally began in April.

The winning bidder in the sale was Barclays Capital Inc. The six other bidders were: Citigroup Global Markets; J.P. Morgan Securities; Wachovia Bank, N.A.; Merrill Lynch & Co.; Goldman, Sachs & Co.; and Morgan Stanley & Co.

"As part of the bond sale process, the key Wall Street rating agencies reaffirmed our double-A credit rating," the Governor said. "The broad interest in this sale is more evidence of the strong position that Pennsylvania is in to weather the economic storm and break out of this recession."

Even with this week's bond issue, the commonwealth maintains per capita debt levels that are below the 50-state average, the Governor noted.

Build America Bonds are attractive to investors because they produce higher yields and, since they are backed by the commonwealth's double-A credit rating, they are secure.

"Faith in the commonwealth's financial strength is not confined to Wall Street," said Governor Rendell. "A recent Pew Center on the States study described Pennsylvania as among the 10 best states with respect to financial condition. Since I took office in 2003, we have focused on improving the management of government and reducing costs."

The commonwealth has ongoing recurring annual savings of about \$1.75 billion as a result of management, productivity and purchasing initiatives. These include consolidating warehouses and centralizing supply purchases, as well as lowering energy costs.

The commonwealth has reduced energy consumption in state-owned buildings by 20 percent, saving \$2.4 million annually. And since January 2004, the commonwealth has saved nearly \$25 million by strategically purchasing various forms of energy, including natural gas, electricity and coal.

"We were making budget cuts even before the start of the most recent recession," the Governor said. "In fact, the cost of managing state government now is 9 percent less than it was in 2002-03. My own Governor's Office budget is funded at 1997-98 levels."

The commonwealth also has furloughed employees and has been working under a hiring freeze since September 2008. As a result, today there are 4,300 fewer employees than in 2003.

Other recent cost-savings include:

- Restricting out-of-state trips starting in September 2008, which cut travel costs by \$14 million annually;
- Reducing the size of the commonwealth fleet by 500 fewer vehicles than compared to last year;
- Freezing all cabinet and non-union salaries, saving a total of \$87.3 million between January 2009 and June 2010.

"We still have rough times ahead as we recover from this recession," Governor Rendell said. "But because of the tough decisions we have made throughout my administration, we are well-positioned for that recovery."

**Media contacts:**

Gary Tuma, Governor's Office; 717-783-1116  
Susan Hooper, Office of the Budget; 717-265-8067

**Editor's Note:** For more information about this week's bond sale, go to the Office of the Budget Web site at [www.budget.state.pa.us](http://www.budget.state.pa.us) and click on the Bond and Tax Note Sale Information link in the left navigation bar.

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