

MOODY'S

RATINGS

Rating Action: Moody's Ratings assigns Aa3 to State of Connecticut's 2024 Series F, G & H GO bonds; outlook positive

23 Sep 2024

New York, September 23, 2024 -- Moody's Ratings (Moody's) has assigned a Aa3 rating to the State of Connecticut's \$935 million General Obligation Bonds, consisting of \$600 million General Obligation Bonds (2024 Series F), \$200 million of General Obligation Bonds (2024 Series G) (Social Bonds), and \$135 million of General Obligation Refunding Bonds (2024 Series H). We maintain Aa3 ratings on the issuer and approximately \$17.6 billion of outstanding general obligation debt. The outlook is positive.

RATINGS RATIONALE

The Aa3 issuer rating reflects the state's commitment to numerous governance improvements that have led to significant budgetary reserves, strong financial performance, stable debt levels and significant pension contributions well in excess of a tread water payment level. While Connecticut's credit profile has continued to improve since the adoption of fiscal guardrails in 2018, liabilities remain high, resulting in high fixed costs that limit budget flexibility compared to state sector peers. The Aa3 rating also reflects Connecticut's high income and wealth levels, somewhat offset by real GDP, employment and population growth that has lagged the nation for several years.

The state's general obligation rating is on par with the issuer rating given the state's full faith and credit pledge to the debt.

RATING OUTLOOK

Connecticut's positive outlook reflects the expectation that state's trend of positive financial performance will continue under its extended fiscal guardrail framework, enabling it to proactively pay down its high pension liability.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Reduced pension and debt leverage to below 350% of state revenue, and reduced fixed costs below 20% of state revenue
- Evidence of sustained economic performance that approximates the nation

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Increase in liabilities to 550% of state revenue or higher
- Weakened economic trends and revenue declines without commensurate budget adjustments
- Significant decline in budget reserve fund and liquidity position

LEGAL SECURITY

Connecticut's GO bonds are backed by the state's full faith and credit pledge.

USE OF PROCEEDS

The proceeds of the Series F Bonds are being issued for various state projects and purposes, the proceeds of the Series G Bonds are be used for a reimbursement program for local school construction projects, and the proceeds of Series H Bonds will be used to refund some or all of the outstanding 2014 Series F and Series G General Obligation bonds.

PROFILE

The State of Connecticut has a population of 3.6 million people, and is located in the coastal northeastern US, bordered by Rhode Island (Aa2 stable), Massachusetts (Aa1 stable) and New York state (Aa1 stable) with 618 miles of shoreline, according to the National Oceanic and Atmospheric Administration (NOAA). The state has a large and diverse economy with a gross state product of \$340.2 billion in 2023. It is the second wealthiest state in the country with per capita income of nearly 130% of the US average.

METHODOLOGY

The principal methodology used in these ratings was US States and Territories published in July 2024 and available at <https://ratings.moodys.com/rmc-documents/425428>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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