

02 APR 2025

Fitch Rates Connecticut's \$1.95B GO Bonds 'AA-'; Outlook Positive

Fitch Ratings - San Francisco - 02 Apr 2025: Fitch Ratings has assigned a 'AA-' rating to the following state of Connecticut general obligation (GO) bonds:

- \$500 million GO bonds (2025 series A);
- \$1,151 million GO refunding bonds (2025 series B);
- \$300 million taxable GO bonds (2025 series A).

The bonds are expected to be offered by negotiated sale the week of April 21, 2025. Par amounts are subject to change pending final sale. Bond proceeds will fund statewide capital programs.

Fitch has also affirmed the following ratings:

- Connecticut's Issuer Default Rating (IDR) at 'AA-';
- Connecticut's outstanding GO bonds at 'AA-';
- Capital Region Development Authority's (CRDA, formerly known as the Capital City Economic Development Authority) appropriation-backed parking and energy fee revenue bonds 2004, series B and series 2018 refunding bonds at 'AA-'.
- The University of Connecticut's (UConn) GO bonds at 'AA-';
- Connecticut Higher Education Supplemental Loan Authority's (CHESLA) state-supported revenue bonds at 'A+';
- Connecticut Development Authority and Connecticut Innovations' general fund obligation bonds at 'A+'.

The Rating Outlook is Positive.

Connecticut's 'AA-' IDR and GO bond ratings reflect its superior gap-closing capacity, as well as its wealthy and diverse, yet slow-growing, economic profile. The ratings also reflect Fitch's expectations

for revenue growth below long-term national inflation. The ratings incorporate the state's elevated long-term liability burden, carrying costs and expenditure growth trends, most of which are likely to remain comparatively high over time.

The Positive Outlook reflects Fitch's view that Connecticut is likely to maintain recent underlying revenue growth at or slightly above Fitch's long-term expectations for national inflation, while the state maintains its renewed commitment to budgetary guardrails that constrain the pace of expenditure growth.

The CRDA bonds' 'AA-' rating reflects Fitch's view that the ultimate security for the bonds, the state's full faith and credit obligation to fulfil debt service commitments (DSCs) to the CRDA under the state contract without further legislative appropriation, should be considered *pari passu* to the state's GO bonds.

UConn's 'AA-' GO bonds are on par with Connecticut's 'AA-' IDR. Fitch considers the state's DSC for the bonds *pari passu* to the state's GO bonds. DSC appropriates principal and interest with the same statutory language as state GO bonds, requiring no further legislative approval.

CHESLA bonds' 'A+' rating, one notch below Connecticut's 'AA-' IDR, reflects the state's pledge to fund the special capital reserve fund (SCRF) without further legislative approval. Although debt service for the bonds is deemed appropriated by statute, it is not appropriated in the same manner as GO bond debt service.

The 'A+' rating on the Connecticut Development Authority and Connecticut Innovations general fund obligation bonds — one notch below Connecticut's 'AA-' IDR — reflects the state's pledge to fund the SCRF without requiring further legislative approval. Although debt service for the bonds is deemed appropriated by statute, it is not appropriated in the same manner as GO bond debt service.

SECURITY

The GO bonds are supported by the full faith and credit of the state pledged to payment of principal and interest.

KEY RATING DRIVERS

Revenue Framework - 'a'

Absent tax policy changes, Fitch expects underlying revenues to grow only modestly over time and below the rate of inflation, consistent with the state's wealthy and diverse, but slow-growing, economic profile. The state has complete legal control over its revenue system through mechanisms such as base-broadening, as well as the ability to levy new taxes and fees and adjust rates.

Expenditure Framework - 'aa'

Connecticut's natural pace of spending growth is expected to marginally outpace revenue growth despite recently extending robust budget controls for the next decade. The state has consistently

demonstrated it can cover comparatively high fixed costs, with more than a decade of full actuarial contributions to pensions supplemented by statutory additional pension payments from excess revenues. It benefits from the large degree of budgetary autonomy common to states.

Long-Term Liability Burden - 'a'

The state's long-term liability burden is elevated and among the highest for U.S. states but still moderate relative to personal income. Net pension liabilities are a more significant burden, with the state carrying obligations for state retirees and local schoolteachers. Other post-employment benefits also represent a significant liability, although one the state has been able to modify through benefit reductions.

Operating Performance - 'aaa'

Connecticut's robust fiscal resilience is bolstered by statutory mechanisms supporting accumulation of reserves, including setting aside volatile revenue collections over specific thresholds in the budget reserve fund (BRF) and a required excess margin of revenues over budgeted spending. Budget management powers and sophisticated fiscal monitoring, including frequent revenue and budget forecasting, allow the state to quickly identify budget underperformance and address emerging gaps.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

-- Weakening of budget management policies and practices that materially amplifies structural challenges;

-- Actions that elevate the state's liability burden closer to 40% or more of personal income.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

-- Consistent economic or revenue growth, at or above Fitch's long-term expectations for national inflation, while the state maintains its renewed commitment to budgetary guardrails that constrain expenditure growth;

-- Material and sustained success in gradually lowering its elevated liability burden to less than 20% of personal income while actively managing a comparatively high fixed-cost burden.

PROFILE

Connecticut's economy is anchored by a sophisticated defense-related manufacturing sector; important finance and insurance sectors in Fairfield County and Hartford, respectively; health and education institutions; and tourism linked in part to Native American gaming in the southeast. Population growth in Connecticut, as with much of the Northeast, has been well below the U.S. average in recent decades. Census data for 2023 point to a modest 1.2% uptick since the 2010 census, stronger than recent annual estimates but below the rates of several neighboring states and the nation overall.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

Fitch Ratings Analysts

Bryan Quevedo

Director
Primary Rating Analyst
+1 415 732 7576
Fitch Ratings, Inc. One Post Street Suite 900 San Francisco, CA 94104

Douglas Offerman

Senior Director
Secondary Rating Analyst
+1 212 908 0889

Eric Kim

Senior Director
Committee Chairperson
+1 212 908 0241









Media Contacts

Cristina Bermudez



New York
+1 212 612 7892
cristina.bermudez@thefitchgroup.com

Rating Actions

ENTITY/DEBT	RATING	RECOVERY	PRIOR	
Connecticut, State of (CT)	LT IDR	AA- 	Affirmed	AA- 

ENTITY/DEBT	RATING	RECOVERY	PRIOR
[General Government]			
<ul style="list-style-type: none"> Connecticut, State of (CT) /General Obligation - Unlimited Tax/ 1 LT 	AA- 	Affirmed	AA- 
<ul style="list-style-type: none"> Connecticut, State of (CT) /Special Capital Reserve Fund/ 1 LT 	A+ 	Affirmed	A+ 
<ul style="list-style-type: none"> Connecticut, State of (CT) /State Appropriation/ 1 LT 	A+ 	Affirmed	A+ 
<ul style="list-style-type: none"> Connecticut, State 	AA- 	Affirmed	AA- 

ENTITY/DEBT	RATING	RECOVERY	PRIOR
of (CT) /State Contract/ 1 LT			

<ul style="list-style-type: none"> Connecticut, State of (CT) /UConn State Debt Service Commitment/ 1 LT 	LT	AA- 	Affirmed	AA- 
---	----	---	----------	---

RATINGS KEY OUTLOOK WATCH

POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

Applicable Criteria

[U.S. Public Finance State Governments and Territories Rating Criteria \(pub.04 Feb 2025\) \(including rating assumption sensitivity\)](#)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

FAST Econometric API - Fitch Analytical Stress Test Model, v3.1.0 [\(1\)](#)

Additional Disclosures

Solicitation Status

Endorsement Status

Connecticut, State of (CT) EU Endorsed, UK Endorsed

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: <https://www.fitchratings.com/understandingcreditratings>. In addition, the following <https://www.fitchratings.com/rating-definitions-document> details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. ESMA and the FCA are required to publish historical default rates in a central repository in accordance with Articles 11(2) of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 and The Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019 respectively.

Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at <https://www.fitchratings.com/site/regulatory>. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal

opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed. Fitch Ratings makes routine, commonly-accepted adjustments to reported financial data in accordance with the relevant criteria and/or industry standards to provide financial metric consistency for entities in the same sector or asset class.

The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see [Best- and Worst-Case Measures](#) under the Rating Performance page on Fitch's website.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the

applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001. Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

dv01, a Fitch Solutions company, and an affiliate of Fitch Ratings, may from time to time serve as loan data agent on certain structured finance transactions rated by Fitch Ratings.

Copyright © 2025 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.

Endorsement policy

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be. Fitch's approach to endorsement in the EU and the UK can be found on Fitch's [Regulatory Affairs](#) page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.

ENDORSEMENT POLICY - Fitch's approach to ratings endorsement so that ratings produced outside the EU may be used by regulated entities within the EU for regulatory purposes, pursuant to the terms of

the EU Regulation with respect to credit rating agencies, can be found on the [EU Regulatory Disclosures](#) page. The endorsement status of all International ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for all structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.