

MOODY'S

RATINGS

Rating Action: Moody's Ratings assigns Aa3 to 2025 GO bonds; outlook positive

03 Apr 2025

New York, April 03, 2025 -- Moody's Ratings (Moody's) has assigned a Aa3 rating to the State of Connecticut \$500 million General Obligation Bonds (2025 Series A), the \$1.15 billion General Obligation Refunding Bonds (2025 Series B) and the \$300 million Taxable General Obligation Bonds (2025 Series A). Connecticut's outstanding general obligation (GO) debt as of fiscal 2024 totaled approximately \$17 billion. 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 2025 Series A and Taxable 2025 Series A bonds will provide new money for various capital projects throughout the state, and the Refunding 2025 Series B will be used to refund outstanding obligations for financial savings.

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 \$372.6 billion by the end of Q4 2024. It is the second wealthiest state in the country with per capita income of nearly 120% 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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