

## RATING ACTION COMMENTARY

### **Fitch Upgrades Connecticut's IDR to 'AA'; Rates \$1.4B GO Bonds 'AA'; Outlook Stable**

Wed 10 Sep, 2025 - 11:25 AM ET

Fitch Ratings - San Francisco - 10 Sep 2025: Fitch Ratings has upgraded the state of Connecticut's Long-Term Issuer Default Rating (IDR) to 'AA' from 'AA-'. Fitch has also assigned a 'AA' rating to the following state general obligation (GO) bonds:

- \$800 million GO bonds (2025 series C);
- \$300 million GO refunding bonds (2025 series D);
- \$300 million taxable GO bonds (2025 series B).

The bonds are expected to be offered by negotiated sale the week of Sept. 18, 2025. Par amounts are subject to change pending final sale. Bond proceeds will fund statewide capital programs.

Fitch has also upgraded the following ratings:

- Connecticut's outstanding GO bonds to 'AA' from '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 to 'AA' from 'AA-';
- The University of Connecticut's (UConn) GO bonds to 'AA' from 'AA-';
- Connecticut Higher Education Supplemental Loan Authority's (CHESLA) state-supported revenue bonds to 'AA-' from 'A+'.

The Rating Outlook is Stable.

RATING ACTIONS

ENTITY / DEBT ⚡	RATING ⚡			PRIOR ⚡
Connecticut, State of (CT) [General Government]	LT IDR	AA	Upgrade	AA-
Connecticut, State of (CT) /General Obligation - Unlimited Tax/1 LT	LT	AA	Upgrade	AA-
Connecticut, State of (CT) /Special Capital Reserve Fund/1 LT	LT	AA-	Upgrade	A+
Connecticut, State of (CT) /State Appropriation/1 LT	LT	AA-	Upgrade	A+
Connecticut, State of (CT) /State Contract/1 LT	LT	AA	Upgrade	AA-
Connecticut, State of (CT) /UConn State Debt Service Commitment/1 LT	LT	AA	Upgrade	AA-

VIEW ADDITIONAL RATING DETAILS

The upgrade reflects Fitch's expectation that Connecticut will maintain policies that foster structural balance while revenues grow in line with national inflation and expenditures grow consistent with statutory budget guardrails.

Connecticut's 'AA' IDR and GO bond ratings also reflect Connecticut's wealthy and diverse economy, superior gap-closing capacity, and Fitch's expectation that the state will manage comparatively elevated pressure from long-term liabilities, carrying costs, and expenditure growth without eroding fiscal resilience.

The Capital Region Development Authority (CRDA) bonds carry a 'AA' rating, reflecting 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.

University of Connecticut's (UConn) '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' 'AA-' 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.

## **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 - 'aa'**

Absent tax policy changes, Fitch expects underlying revenues to grow approximately in line with 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, and the ability to levy new taxes and fees and adjust rates.

## **Expenditure Framework - 'aa'**

Connecticut's natural pace of spending growth is expected to outpace revenue growth despite robust budget controls which extend through the next decade. The state has consistently demonstrated it can cover comparatively high fixed costs. For over a decade, the state has made full actuarial contributions to pensions supplemented by statutory additional pension payments from excess revenues. It benefits from a high degree of budgetary autonomy, which is typical for 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, even after significant recent supplementary funding, because the state carries 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 annual margin of budgeted revenues over spending. Budget management features sophisticated fiscal monitoring and frequent revenue and budget forecasting, which 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**

- Consistent economic or revenue growth below Fitch's long-term expectations for national inflation;
- Weakening of budget management policies and practices that materially amplifies structural challenges.

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

-- 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;

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

## **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 2024 points to a modest 2.8% 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>.

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## **PARTICIPATION STATUS**

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any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

## **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, v3.1.1 (1)

## **ADDITIONAL DISCLOSURES**

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

## **ENDORSEMENT STATUS**

Connecticut, State of (CT)

EU Endorsed, UK Endorsed

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