

RATING ACTION COMMENTARY

Fitch Rates Connecticut's \$439MM STO Bonds 'AA'; Outlook Stable

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Fitch Ratings - New York - 21 May 2026: Fitch Ratings has assigned a 'AA' rating to the State of Connecticut's \$439.135 million special tax obligation (STO) refunding bonds, transportation infrastructure purposes 2026 series A. The par amount is subject to change.

Fitch has also affirmed Connecticut's outstanding STO bonds at 'AA'.

The Rating Outlook is Stable.

RATING ACTIONS

ENTITY / DEBT ▾	RATING TYPE ▾	RATING ▾	RATING ACTION ▾	PRIOR ▾
Connecticut, State of (CT) [General Government]				
Connecticut, State of (CT) /Special Tax Oblig Trans Infr/1 LT	LT	AA Rating Outlook Stable	Affirmed	AA Rating Outlook Stable

[VIEW ADDITIONAL RATING DETAILS](#)

Connecticut's 'AA' STO bond rating reflects strong resilience of the financing structure, the state's active management of special transportation fund (STF) revenues, and slow

underlying growth prospects for Connecticut's transportation revenues that are in line with other states. All outstanding STO bonds carry a senior lien.

The rating on the STO bonds remains capped at Connecticut's 'AA' Issuer Default Rating (IDR) due to the state's ability to statutorily adjust the rates and distribution of pledged taxes and fees.

DEDICATED TAX AND REVENUE BOND SECURITY

The STO bonds are backed by a gross lien on transportation-related revenues and other pledged receipts deposited to the STF, prior to any other use. The largest pledged revenue sources include a portion of statewide general and motor vehicle retail sales and use taxes, the state's motor fuels tax, a tax on the gross earnings of oil companies, and motor vehicle registration receipts. Funds deposited into the STF may not be withdrawn from the fund, except to pay debt service on STO bonds and transportation-related expenses.

DEDICATED TAX AND REVENUE BOND KEY RATING DRIVERS

Revenue Risk - 'a'

Stable Revenue Stream with Limited Growth Prospects: The bonds are backed by a mix transportation-related revenues and a portion of the statewide sales tax that show relative stability over time. Fitch assesses the revenue type at 'a', reflecting the narrow but largely essential revenues from fuel taxes. Fitch assesses revenue sensitivity at 'a' based on historical patterns of moderate declines and fairly quick recovery through the economic cycle, as well as the state's record of supporting revenues through tax policy changes. Revenue growth prospects are assessed at 'a', reflecting Fitch's expectation of growth in line with inflation.

Resilience - 'aa'

Leverage Limits and High Resiliency: Pledged revenues can absorb Fitch's standard 10% stress for the 'a' revenue risk assessment and still provide strong coverage of the more than 1.5x minimum 'aa' coverage requirement at maximum anticipated leverage, based on the 2x ABT.

Exposure To Related Government Operations

Rating Capped by State IDR: The STO bonds are exposed to Connecticut's operating performance given the state's ability and demonstrated willingness to alter the flow of

revenues to the transportation fund. There is no appropriation risk associated with the security. This interdependence caps the STO rating at the state's 'AA' IDR.

DEDICATED TAX SENSITIVITIES

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

-- A sustained erosion in pledged receipts or state actions that reduce pledged revenues to the STF with coverage of maximum anticipated leverage falling closer to, or below, 1.65x over time.

-- A downgrade of Connecticut's IDR, given that the rating on STO bonds is capped by the state's IDR.

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

-- An upgrade of Connecticut's IDR, coupled with a reduction in assumed leverage such that stressed coverage exceeds 2x.

PROFILE

Connecticut's economy is anchored by several key sectors. These include sophisticated defense-related manufacturing, finance, insurance, and health and education institutions. Tourism, linked in part to Native American gaming in the southeast, also plays an important role.

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 indicates 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

Fitch does not provide ESG relevance scores for the State of Connecticut special tax obligation bonds.

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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 Dedicated Tax and Revenue Bond Rating Criteria \(pub. 01 May 2026\)](#)

[U.S. Public Finance State Governments and Territories Rating Criteria \(pub. 01 May 2026\)](#)
(including rating assumption sensitivity)

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Connecticut, State of (CT)

EU Endorsed, UK Endorsed

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