FitchRatings

RATING ACTION COMMENTARY

# Fitch Rates Connecticut's $1.7B GO Bonds 'AA'; Outlook Stable

Wed 23 Sep, 2026 - 2:14 PM ET

Fitch Ratings - New York - 23 Sep 2026: Fitch Ratings has assigned 'AA' ratings to the following general obligation (GO) bonds to be issued by the state of Connecticut:

-$800 million 2026 series C;

-$330 million refunding 2026 series D;

-$225 million refunding 2026 series E (forward delivery);

-$300 million taxable 2026 series B.

The bonds are expected to be offered by negotiated sale on Oct. 6 and 7, 2026.

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) /General Obligation - Unlimited Tax/1 LT | LT | AA Rating Outlook Stable | Affirmed | AA Rating Outlook Stable |

VIEW ADDITIONAL RATING DETAILS

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

## SECURITY

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

## KEY RATING DRIVERS

**Revenue Framework - 'aa'**

Absent tax policy changes, Fitch expects underlying revenue to grow roughly in line with 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 outpace revenue growth despite robust budget controls that extend through the next decade. The state has consistently demonstrated that 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 revenue. It benefits from a high degree of budgetary autonomy, 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 (NPLs) remain a more significant burden, even after substantial recent supplementary funding, because the state carries obligations for state retirees and local schoolteachers. Other post-employment benefits (OPEB) also represent a significant liability, although the state has been able to modify this liability through benefit reductions.

**Operating Performance - 'aaa'**

Connecticut's robust fiscal resilience is bolstered by statutory mechanisms supporting accumulation of reserves, These include setting aside volatile revenue collections over specific thresholds in the budget reserve fund (BRF) and a required excess annual margin of budgeted revenue overspending. Budget management features sophisticated fiscal monitoring and frequent revenue and budget forecasting, allowing 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 several key sectors, including sophisticated defense-related manufacturing, finance, insurance and healthcare and educational institutions. Population growth has lagged the U.S. average in recent decades, although it has increased modestly since the 2010 census.

## DATE OF RELEVANT COMMITTEE

28 April 2026

## 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.

## CLIMATE VULNERABILITY SIGNALS

The results of our Climate.VS screener did not indicate an elevated risk for Connecticut.

## 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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## APPLICABLE CRITERIA

U.S. Public Finance State Governments and Territories Rating Criteria: Effective Feb. 4, 2025 to May 1, 2025 (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

Solicitation Status

Endorsement Policy

## ENDORSEMENT STATUS

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

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