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FitchRatings

RATING ACTION COMMENTARY

Fitch Rates Connecticut's $1.2 Billion STO Bonds 'AA'; Outlook Stable

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Fitch Ratings - New York - 05 Nov 2026: Fitch Ratings has assigned a 'AA' rating to the State of Connecticut's $1.2 billion special tax obligation (STO) bonds, transportation infrastructure purposes 2026 series B. The par amount is subject to change.

The bonds are scheduled to be sold through negotiation on Dec. 1 and 2, 2026.

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 the 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 in 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 Funds deposited in the STF may not be withdrawn from the fund, except to pay debt service on STO bonds and transportation-related expenses.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 of transportation-related revenues and a portion of the statewide sales tax that have shown 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 relatively 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 'aa' minimum 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.

ADDITIONAL CREDIT FACTORS (ACFS)

Fitch has applied an ACF with positive influence for revenue control, given the demonstrated ability and willingness of the State of Connecticut to actively manage pledged revenues.

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, causing coverage at maximum anticipated leverage to fall closer to or below 1.7x 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 healthcare and educational institutions. Tourism, linked in part to Native American gaming in the southeast, also plays an important role.

Population growth in Connecticut, as in much of the Northeast, has been well below the U.S. average in recent decades. Census data for 2025 indicate a modest 2.3% increase since the 2020 Census. This was stronger than recent annual estimates but below growth rates in 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.

CLIMATE VULNERABILITY SIGNALS

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

ESG CONSIDERATIONS

Fitch does not provide ESG relevance scores for Connecticut's Special Tax Obligation Bonds.

In cases where Fitch does not provide ESG relevance scores in connection with the credit rating of a transaction, programme, instrument or issuer, Fitch will disclose any ESG factor that is a key rating driver in the key rating drivers section of the relevant rating action commentary. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products.

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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)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

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