State of Connecticut
General Obligation Refunding Notes
Economic Recovery Notes, 2014 Series A

Analytical Contacts:

Kate Hackett, Managing Director
khackett@kbra.com, 646-731-2304

Gopal Narsimhamurthy, Senior Analyst
gnarsimhamurthy@kbra.com, 646-731-2446

Executive Summary

Kroll Bond Rating Agency ("KBRA") has assigned a long-term rating of AA with a stable outlook to the State of Connecticut's $61.6 million General Obligation Refunding Notes (Economic Recovery Notes, 2014 Series A). In addition, KBRA affirms the long-term rating of AA with a stable outlook on the State's outstanding General Obligation Bonds, excluding Bonds backed by a letter of credit or liquidity facility. After issuance of these Bonds, the State's outstanding general obligation debt will total approximately $16.4 billion.

This rating is based on KBRA's **U.S. State General Obligation Rating Methodology**, published on March 28, 2012.

This report serves as an update to the **State of Connecticut General Obligation Bonds 2014 Series F, G, & H** published on November 19, 2014. For further information and a full discussion of the Key Rating Determinants, please see this report as well as **State of Connecticut General Obligation 2012 Series A & B** report published on March 29, 2012.

Security

The Bonds are general obligations of the State and are secured by Connecticut's full faith and credit pledge. All General Obligation Bond debt service of the State is deemed appropriated without further action by the State Legislature.

Use of Proceeds

Proceeds from the General Obligation Notes (Economic Recovery Notes, 2014 Series A) will be used to restructure a portion of the State's outstanding $573 million General Obligation Economic Recovery Notes, 2009 Series A. The Refunding Notes will be issued as SIFMA Index Notes plus a spread determined at the time of pricing. This is the second phase of the planned restructuring, the first having occurred in October 2013. This phase of the restructuring will provide budget savings in 2015 by extending the final maturity of the Notes to 2018 as originally scheduled in the restructuring plan.

Key Rating Strengths
• Current leadership has demonstrated an ability and willingness to raise revenues and adjust expenditures.
• A strong financial management framework exists for tracking revenues and monitoring budget performance.
• The State has implemented a plan for funding its accumulated GAAP deficit and converting to GAAP based budgeting as part of the FY 2014- FY 2015 Biennium Budget.
• Connecticut has the highest per capita income in the country at $61,679 as of the fourth quarter of 2013.
• Available cash balances provide good liquidity for operations, without utilization of external borrowing.

Key Rating Concerns
• Slower than expected economic recovery continues to impact revenue collection, threatening budget balance.
• Revenue base is volatile due to concentration in the financial services sector and progressive nature of the income tax structure.
• Though the State is expecting to increase the Budget Reserve Fund to an amount equal to 3% of General Fund expenditures by the end of FY 2014, this level of reserves remains somewhat low, given the relative volatility of the revenue base.
• State debt burden is high on a per capita basis and as a percentage of personal income.
• Connecticut has a high level of unfunded pension liabilities.

Rating Summary

KBRA views the State's ongoing lag in economic recovery and its impact on budgetary operations as continuing to pressure the fiscal operations of the State. The slow pace of the economic recovery, compared to the region and the nation, has created increased demand for services while some economically sensitive revenue collections, including income tax and sales tax collections, continue to be below expectations. KBRA will continue to monitor the State's consensus revenue process and its ability to accurately project estimates of income tax revenues related to the realization of capital gains and other economically sensitive revenues. KBRA expects that the State will continue to actively monitor its budget projections and act to increase revenues or reduce expenditures in order to maintain budget balance.

The Office of the State Comptroller and the State's Office of Policy and Management (OPM) has reported that the General Fund ended fiscal year 2014 with a surplus of $248.5 million, which reflects an increase over the surplus of $121.3 million projected at the time of the last KBRA review. These year-end results incorporate the State's transition to budgeting on a GAAP basis and reflect GAAP accounting principles. State financial management reports that the increase in the FY 2014 operating surplus results from ongoing control of expenditures across State operations. The entire operating surplus will be deposited into the Budget Reserve Fund, bringing the balance in the Budget Reserve Fund to $519.2 million or approximately 3% of FY 2014 General Fund expenditures.

On November 10, 2014, the most recent consensus revenue forecast developed by OPM and the legislature's Office of Fiscal Analysis was released. Based on the revenue estimates in this forecast and certain expenditure trends identified by OPM, OPM projected a $99.5 million deficit in the General Fund for FY 2015, prior to any management actions to balance the budget. OPM is taking the following steps to address the potential General Fund deficit. On November 12, OPM directed all state agencies to reduce expenditures and significantly restrict hiring to maintain a balanced budget, which amounted to $54.7 million in expenditure reductions, or rescissions. After adjusting for planned rescissions, as indicated by the State Comptroller in his letter to Governor Malloy on December 1, 2014, OPM projects a deficit of $44.8 million in the General Fund for FY 2015. KBRA will continue to monitor the action taken by OPM to maintain balance in the General Fund.

KBRA recognizes that the State has actively managed its fiscal pressures in a difficult economic climate and has acted quickly and decisively to restore balanced fiscal operations when needed, as evidenced by actions taken by the Governor and the General Assembly at the end of 2012. Conversion to GAAP-based budgeting and funding of the accumulated GAAP deficit in this biennium has been a priority of the Malloy administration since the Governor took office in January 2011. The

FY 2014-FY 2015 biennium budget represents the first budget to be developed by the State based on GAAP accounting. The State has funded a portion of the accumulated deficit in the General Fund through the issuance of general obligation bonds and will fund the remaining deficit through ongoing appropriations.

The State continues to operate under a strong framework of financial management policies and procedures. The statutory requirement for the State to monitor and report budget performance on a monthly basis, as well as the requirement that a deficit mitigation plan be developed by the Governor in the event the General Fund deficit exceeds 1.0% of appropriations, has allowed transparency in a time of fiscal pressure.

Based on review of the four KBRA Rating Determinants included in the KBRA Methodology for rating State General Obligation debt, KBRA has determined that the ratings assigned to all of the four Rating Determinants remain consistent with previously designated levels. KBRA continues to assign an overall rating of AA to the State's General Obligation Bonds. KBRA's Rating Determinants and associated rating assessments are summarized as follows:

- Management Structure, Budgeting Practices and Policies: AA+
- Debt and Additional Continuing Obligations: AA-
- Financial Performance and Liquidity Position: AA
- State Resource Base: AA-

Outlook: Stable

The stable outlook reflects KBRA's expectation that the State's leadership will maintain their commitment to fiscal discipline and quickly take all action necessary to maintain budgetary balance. KBRA will continue to monitor the State's consensus revenue process and its ability to accurately project estimates of income tax revenues related to the realization of capital gains and other economically sensitive revenues. KBRA continues to view Connecticut's lagging recovery, compared to the New England region and the U.S., as putting pressure on State fiscal operations. Though the risk of the federal sequestration program impacting Connecticut's defense contractors has been somewhat mitigated by the passage of a federal budget bill in January 2014, KBRA will continue to monitor the impact of the wind-down of the wars in Iraq and Afghanistan and any impact on the State's economy and finances.

In KBRA's view, the following factors may contribute to a rating upgrade:

- Several years of structurally balanced budgets and actual results showing General Fund operating surpluses.
- Restoration of the Budget Reserve Fund to a level equal to 10.0% of annual expenditures (State statutory Budget Reserve Fund target).
- Significant increase in the funded ratios for the State's pension systems.

In KBRA's view, the following factors may contribute to a downgrade of the rating:

- Continued slower than expected economic recovery which causes revenues, such as personal income taxes and sales taxes, to decline and puts pressure on the General Fund.
- Failure to take actions necessary to maintain budget discipline and balanced financial operations.
- Significant reliance on non-recurring revenues to balance the budget.

- Failure to appropriate necessary funds over time as part of an implementation plan for funding long-term liabilities related to accumulated GAAP deficits and pension liabilities.
- Cuts in federal spending for defense that causes significant contraction in the State's defense related industries.

Financial Performance and Liquidity Position

FY 2014 Financial Operations

The Office of the State Comptroller and the State's Office of Policy and Management (OPM) has reported that the General Fund ended fiscal year 2014 with a surplus of $248.5 million, which reflects an increase over the surplus of $121.3 million projected at the time of the last KBRA review. These FY 2014 year-end results incorporate the State's transition to budgeting on a GAAP basis and reflect GAAP accounting principles. State financial management indicates that the increase in the FY 2014 operating surplus results from ongoing control of expenditures across State operations. The entire operating surplus will be deposited into the Budget Reserve Fund, bringing the balance in the Budget Reserve Fund to $519.2 million or approximately 3.0% of FY 2014 General Fund expenditures.

The Office of the State Comptroller released the FY 2013 audited financial statement (CAFR) reported on a GAAP basis on February 28, 2014. For FY 2013, the General Fund ended the year with a surplus on a GAAP basis of $322.0 million and a negative unassigned fund balance (accumulated GAAP deficit) of $1.2 billion. In October of 2013, the State issued $560 million in GAAP Conversion Bonds that will amortize over 15 years, beginning in FY 2016. Net proceeds of these Bonds were deposited into the General Fund and will fund approximately 50% of the accumulated GAAP deficit and improve the State's cash position. The effect of this deposit was to reduce the negative unassigned fund balance to approximately $618 million. The remaining accumulated GAAP deficit will be funded from appropriations over 13 years, beginning with the FY 2016 budget.

The table below shows the results of General Fund operations on a budgetary basis from FY 2009 to FY 2013.

Statement of Revenues, Expenditures, and Net Surplus for General Fund FY 2009-FY 2013 (modified cash/budgetary basis)					
(in millions)	**2013 [5]**	**2012**	**2011**	**2010**	**2009**
Net Surplus July 1st	0	0	0	-947.6	0
Proceeds of Economic Recovery Notes				947.6	
Operating Revenues	19,405.90	18,561.60	17,604.30	16,410.00	15,700.80
Operating Expenditures	19,025.80	18,781.60	17,845.10	17,208.00	17,234.90
Other	18.7	76.5	-75.3	-30.6	586.5
Net Operating Surplus (Deficit)	398.8	-143.6	-316.1	-828.6	-947.6
Transfer (to) from Budget Reserve Fund	-178	143.60 [4]	103.2	1,278.50	0
Reserved for Subsequent Years Expenditure	220.8			449.90 [2]	
Reserved from Prior Year			449.9		
Net Surplus (Deficit) June 30th	**$0**	**$0**	**236.90 [3]**	**$0**	**($947.6)[1]**
Source: Connecticut 2013 Official Statement					

[1] FY 2009 net deficit funded by Economic Recovery Notes (2009 Series A) issued in FY 2010.

[2] FY 2010 net surplus was $449.9 million after transfer of Budget Reserve Fund. This amount reserved for FY 2011 operations.

[3] In FY 2011, $14.5 million of the surplus will be deposited in the OPEB Trust Fund and $222.4 million was transferred to the Budget Reserve Fund.

[4] The FY 2012 operating deficit was funded by a transfer from the Budget Reserve Fund, leaving a remaining balance of $93.4 million.

[5] Final Budgetary Basis FY 2013 results. Balance in Budget Reserve Fund is $271.5 million at end of FY 2013.

FY 2015 Budget

On November 10, 2014, the most recent consensus revenue forecast developed by OPM and the legislature's Office of Fiscal Analysis was released. Based on the revenues estimates in this current forecast and certain expenditure trends identified by OPM, OPM is currently projecting a $99.5 million deficit in the General Fund for FY 2015, prior to any management actions to balance the budget. On the revenue side, OPM has projected a shortfall of $59.1 million shortfall in General Fund revenues against budgeted levels for FY 2015. Additionally, OPM has been monitoring expenditure trends in a number of state agencies which may contribute to a General Fund deficit if action is not taken. OPM is taking the following steps to address the potential General Fund deficit. On November 12, OPM directed all state agencies to reduce expenditures and significantly restrict hiring to maintain a balanced budget, which amounted to $54.7 million in expenditure reductions, or rescissions. After adjusting for planned rescissions, as indicated by the State Comptroller in his letter to Governor Malloy on December 1, 2014, OPM projects a deficit of $44.8 million in the General Fund for FY 2015. KBRA will continue to monitor the action taken by OPM to maintain balance in the General Fund.

As part of the current budget forecast, OPM continues to report on the deferral of certain Medicaid reimbursements anticipated to be received from the federal government in FY 2015. The deferred funds under review total approximately $250 million and refer to the State's reimbursement methodology relating to the Medicaid expansion population covered under the Affordable Care Act. Pending resolution, the federal government has withheld half of the disputed amount. OPM and affected state agencies are working with the federal government to address issues relating to claim methodology and anticipate resolution before the end of FY 2015. Though Medicaid expenditures and federal reimbursements are generally accounted for outside of the General Fund, a resolution which reduced federal eligibility levels under Medicaid expansion may adversely impact the General Fund.

State Pension System Valuations

The State Teacher's Retirement System (TRS) has completed its biennial pension valuation report, as of June 30 2014. On an actuarial basis, the plan's funded ratio increased from 55% to 59%. Based on a market valuation of assets, the plan's funded ratio increased from 54% to 61%. This increase in funded ratio is largely the result of strong investment performance; the market value of pension plan assets increased from $13.5 billion to $16.2 billion for an increase of 20% over the last two years.

In addition, the State Employees' Retirement System completed its biennial pension valuation on November 19, 2014. As of June 30, 2014, the plan's funded ratio declined nominally on an actuarial basis to 41.5% from 42.3% two years prior due to an increase in liabilities as a result of changes in assumptions and the plan's profile of retirees. Based on a market valuation of assets, the plan's funded ratio increased from 36.8% to 41.0%. The SERS' market value of assets grew from $8.5 billion to $10.5 billion for an increase of 23.6% from June 30, 2012 to June 30, 2014.

TRS and SERS also completed reports for both plans under the new GASB rules on pension reporting as required under GASB Statement 67. Based on its GASB 67 report, the State pension system funded ratio levels did not change significantly. Management has stated that there will be no change to the State's pension funding methodology and the actuarially required pension contribution (ARC) will continue to be calculated as it has been historically for both plans. GASB Statement 68, which requires the state's year-end financial statement to reflect the new pension accounting rules for all State retirement plans, goes into effect for FY 2015.

Liquidity Position

The State's liquidity position remains fairly strong. For FY 2014, the State's available cash averaged $2.0 billion and the common cash pool averaged approximately $790 million on a weekly basis. As of November 15, 2014, the State's available cash was $1.1 billion, which, according to State management, reflects seasonality of the State's cash flow, the impact of the federal deferral of Medicaid reimbursement funds, and the projected General Fund deficit. The common cash pool represents cash resources directly available on a daily basis to fund State operations. Available cash includes bond funds and other balances which can be made available to the common cash pool through temporary transfers under long established state practice. The State has no plans to issue cash flow notes.

State Resource Base

The State's economic recovery is continuing, though at a slower rate than New England and the U.S., as evidenced by the lag in job recovery from recession levels and ongoing lack of job growth in the State's key employment. The state's 2013 unemployment rate of 7.8% remains slightly higher than the New England region and United States at 7.5% and 7.4% respectively.

The Recessions Effects on the State of Connecticut's Employment Sectors

(in thousands)	Connecticut Jobs Lost Mar '08-Feb '10	% of Total Non-Farm Jobs Lost	Connecticut Jobs Recovered Feb '10-Jun '14	% of Total Non-Farm Jobs Recovered
Services	(35.8)	-23.0%	34.7	29.4%
Manufacturing	(25.4)	-16.3%	(0.1)	-0.1%
Trade	(21.0)	-13.5%	12.8	10.8%
Construction	(24.1)	-15.5%	13.8	11.7%
Financial Activities	(11.2)	-7.2%	(3.2)	-2.7%
Leisure and Hospitality	(26.8)	-17.2%	40.7	34.4%
Government	(6.5)	-4.2%	(9.3)	-7.9%
Information	(6.8)	-4.4%	0.0	0.0%
Transportation and Utilities	(4.9)	-3.2%	6.2	5.2%
Mining and Logging	(0.3)	-0.2%	0.1	0.1%
Education and Health Services	7.4	4.8%	22.5	19.0%
Total Non-Farm	**Jobs Lost** 155.4	**100.0%**	**Jobs Recovered** 118.2	**100.0%**
Job Recovery Rate	**76%**			

Source: U.S. Bureau of Labor Statistics
**Jobs lost is defined as Employment Peak minus Employment Trough*
**Jobs recovered is defined as Current Employment level minus Employment Trough*
**Connecticut Employment Peak Jun 08* **Connecticut Employment Trough Jan 10*

Employment and Unemployment Rates

The State has been in economic recovery since February 2010 and, as of June 2014, had recovered 76.0% of the total non-farm jobs lost in the recession. Connecticut's recovery rate remains lower than New England's recovery rate of 109.0% and the U.S.'s recovery rate of 111.0% in the same time period. Despite growth in some employment sectors, including education, health services, leisure and hospitality, the State continues to struggle with recovery of finance, manufacturing and government sector jobs. Since the end of the recession in February 2010, the state has continued losing jobs in these sectors, with the financial sector declining 2.7%. This compares to growth in these sectors in the U.S. overall of 5.3% and 2.3% respectively. Government sector employment in Connecticut has also trended below the U.S. having declined 4.2% since from February 2010 to

June 2014. Stagnant defense spending across the state continues to limit growth in federal government employment opportunities.

Non-Agricultural Employment (Not Seasonally Adjusted)						
	Connecticut		New England		U.S.	
in thousands	Employment	% Chg	Employment	% Chg	Employment	% Chg
2008	1,699.0	0.0%	7,065.0	0.3%	137,170.0	-0.6%
2009	1,626.6	-4.3%	6,813.0	-3.6%	131,233.0	-4.3%
2010	1,608.0	-1.1%	6,800.0	-0.2%	130,275.0	-0.7%
2011	1,625.1	1.1%	6,866.0	1.0%	131,842.0	1.2%
2012	1,640.4	0.9%	6,953.0	1.3%	134,104.0	1.7%
2013	1,654.7	0.9%	7,029.0	1.1%	136,368.0	1.7%
Oct. 2014*	1,694.6	2.4%	7,231.1	2.9%	140,817.0	3.3%

Source: U.S. Bureau of Labor Statistics
New England: Maine, Massachusetts, New Hampshire, Vermont, Rhode Island, and Connecticut
** Preliminary as of October 2014*

The State had a 2013 unemployment rate of 7.8% compared to the U.S. and New England unemployment rates of 7.4% and 7.5% respectively during the same time period. Declining unemployment rates continue into 2014 with Connecticut's preliminary October 2014 unemployment rate coming in at 6.3% compared to the 5.8% for the U.S. and 5.3% for the New England region.

Unemployment Rates (Not Seasonally Adjusted)			
Year	Connecticut	New England	U.S.
2007	4.6%	4.5%	4.6%
2008	5.6%	5.4%	5.8%
2009	8.2%	8.3%	9.3%
2010	9.3%	8.7%	9.6%
2011	8.9%	8.2%	8.9%
2012	8.3%	8.1%	8.1%
2013	7.8%	7.5%	7.4%
Oct 2014*	6.3%	5.3%	5.8%

Source: U.S. Bureau of Labor Statistics
** Preliminary as of October 2014*

Personal Income

Despite continued economic strain, Connecticut remains one of the wealthiest states in the nation as measured by per capita personal income of $62,418 which is 134% of the national average as of the second quarter of 2014. Connecticut's personal income continues to improve, growing 1.27% from Q1 2014 to Q2 2014 compared to the U.S. growth rate of 1.54% and the regional rate of 1.38%.

KBRA LONG-TERM RATING: AA
OUTLOOK: STABLE

Appendix 1: Tear Sheet

Issuance

$61.6 million General Obligation Refunding Notes (Economic Recovery Notes, 2014 Series A).

Security

The Bonds are general obligations of the State and are secured by its full faith and credit pledge.

Use of Proceeds

Proceeds from the General Obligation Notes (Economic Recovery Notes, 2014 Series A) will be used to restructure a portion of the State's outstanding $573 million General Obligation Economic Recovery Notes, 2009 Series A. The Refunding Notes will be issued as SIFMA Index Notes plus a spread determined at the time of pricing. This is the second phase of the planned restructuring, the first having occurred in October 2013. This phase of the restructuring will provide budget savings in 2015 by extending the final maturity of the Notes to 2018 as originally scheduled in the restructuring plan.

Key Rating Strengths
• Current leadership has demonstrated an ability and willingness to raise revenues and adjust expenditures.
• A strong financial management framework exists for tracking revenues and monitoring budget performance.
• A strong financial management framework exists for tracking revenues and monitoring budget performance.
• The State has implemented a plan for funding its accumulated GAAP deficit and converting to GAAP based budgeting as part of the FY 2014- FY 2015 Biennium Budget.
• Connecticut has the highest per capita income in the country at $61,679 as of the fourth quarter of 2013.
• Available cash balances provide good liquidity for operations, without utilization of external borrowing.
Key Rating Concerns
• Slower than expected economic recovery continues to impact revenue collection, threatening budget balance.
• Revenue base is volatile due to concentration in the financial services sector and progressive nature of the income tax structure.
• Though the State is expecting to increase the Budget Reserve Fund to an amount equal to 3% of General Fund expenditures by the end of FY 2014, this level of reserves remains somewhat low, given the relative volatility of the revenue base.
• State debt burden is high on a per capita basis and as a percentage of personal income.
• Connecticut has a high level of unfunded pension liabilities.

KBRA views the State's ongoing lag in economic recovery and its impact on budgetary operations as continuing to pressure the fiscal operations of the State. The slow pace of the economic recovery, compared to the region and the nation, has created increased demand for services while some economically sensitive revenue collections, including income tax and sales tax collections, continue to be below expectations. KBRA will continue to monitor the State's consensus revenue process and its ability to accurately project estimates of income tax revenues related to the realization of capital gains and other economically sensitive revenues. KBRA expects that the State will continue to actively monitor its budget projections and act to increase revenues or reduce expenditures in order to maintain budget balance.

The Office of the State Comptroller and the State's Office of Policy and Management (OPM) has reported that the General Fund ended fiscal year 2014 with a surplus of $248.5 million, which reflects an increase over the surplus of $121.3 million projected at the time of the last KBRA review. These year-end results incorporate the State's transition to budgeting on a GAAP basis and reflect GAAP accounting principles. State financial management reports that the increase in the FY 2014 operating surplus results from ongoing control of expenditures across State operations. The entire operating surplus will be deposited into the Budget Reserve Fund, bringing the balance in the Budget Reserve Fund to $519.2 million or approximately 3% of FY 2014 General Fund expenditures.

On November 10, 2014, the most recent consensus revenue forecast developed by OPM and the legislature's Office of Fiscal Analysis was released. Based on the revenue estimates in this forecast and certain expenditure trends identified by OPM, OPM projected a $99.5 million deficit in the General Fund for FY 2015, prior to any management actions to balance the budget. OPM is taking the following steps to address the potential General Fund deficit. On November 12, OPM directed all state agencies to reduce expenditures and significantly restrict hiring to maintain a balanced budget, which amounted to $54.7 million in expenditure reductions, or rescissions. After adjusting for planned rescissions, as indicated by the State Comptroller in his letter to Governor Malloy on December 1, 2014, OPM projects a deficit of $44.8 million in the General Fund for FY 2015. KBRA will continue to monitor the action taken by OPM to maintain balance in the General Fund.

KBRA recognizes that the State has actively managed its fiscal pressures in a difficult economic climate and has acted quickly and decisively to restore balanced fiscal operations when needed, as evidenced by actions taken by the Governor and the General Assembly at the end of 2012. Conversion to GAAP-based budgeting and funding of the accumulated GAAP deficit in this biennium has been a priority of the Malloy administration since the Governor took office in January 2011. The FY 2014-FY 2015 biennium budget represents the first budget to be developed by the State based on GAAP accounting. The State has funded a portion of the accumulated deficit in the General Fund through the issuance of general obligation bonds and will fund the remaining deficit through ongoing appropriations.

The State continues to operate under a strong framework of financial management policies and procedures. The statutory requirement for the State to monitor and report budget performance on a monthly basis, as well as the requirement that a deficit mitigation plan be developed by the Governor in the event the General Fund deficit exceeds 1.0% of appropriations, has allowed transparency in a time of fiscal pressure.

Based on review of the four KBRA Rating Determinants included in the KBRA Methodology for rating State General Obligation debt, KBRA has determined that the ratings assigned to all of the four Rating Determinants remain consistent with previously designated levels. KBRA continues to assign an overall rating of AA to the State's General Obligation Bonds.

Outlook: Stable

The stable outlook reflects KBRA's expectation that the State's leadership will maintain their commitment to fiscal discipline and quickly take all action necessary to maintain budgetary balance. KBRA will continue to monitor the State's consensus revenue process and its ability to accurately project estimates of income tax revenues related to the realization of capital gains and other economically sensitive revenues. KBRA continues to view Connecticut's lagging recovery, compared to the New England region and the U.S., as putting pressure on State fiscal operations. Though the risk of the federal sequestration program impacting Connecticut's defense contractors has been somewhat mitigated by the passage of a federal budget bill in January 2014, KBRA will continue to monitor the impact of the wind-down of the wars in Iraq and Afghanistan and any impact on the State's economy and finances.

Analytical Contacts:

Kate Hackett, Managing Director
khackett@kbra.com, 646-731-2304

Gopal Narsimhamurthy, Senior Analyst
gnarsimhamurthy@kbra.com, 646-731-2446