State of Connecticut
General Obligation Bonds

General Obligation Bonds (2015 Series F)

General Obligation Bonds (Green Bonds, 2015 Series G)

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KBRA KROLL BOND RATING AGENCY

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 $650 million General Obligation Bonds, 2015 Series F and General Obligation Green Bonds, 2015 Series G. 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 $17.5 billion.

This rating is based on KBRA's **U.S. State General Obligation Rating Methodology**, published on March 28, 2012. KBRA's rating evaluation of the long-term credit quality of state general obligation bonds focuses on four key rating determinants:

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

For further information and a full discussion of the Key Rating Determinants, please see **the State of Connecticut General Obligation Bonds, Series 2015 A and Taxable Series 2015 A** report published on March 11, 2015. KBRA's **most recent rating report** was published on July 23, 2015.

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. The 2015 Series 2015 F & G Bonds will be issued as fixed rate bonds.

Use of Proceeds

Proceeds of the 2015 Series F Bonds will be used for various capital projects of the State. The 2015 Series G Bonds are identified as "Green Bonds". The Series G Bonds will finance a portion of various high priority clean water projects across the State which includes design, construction and improvements to wastewater treatment plants and related energy efficiency projects.

Key Rating Strengths
▪ Current leadership has demonstrated an ability and willingness to raise revenues and adjust expenditures to maintain budget balance.
▪ A strong financial management framework exists for tracking revenues and monitoring budget performance as well as an established mechanism for adjusting budgeted expenditures during the fiscal year.
▪ Connecticut has the highest personal per capita income in the country at $65,846 for calendar year 2014.
▪ 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, the progressive nature of the income tax structure and the level of capital gains tax collections.
- In FY 2015, the State's Budget Reserve Fund was drawn down to an amount equal to 2.3% of FY 2015 General Fund appropriations, a level KBRA considers to be low, given the volatility of the State's revenue base.
- State debt burden is high on a per capita basis and as a percentage of personal income.
- Connecticut has a relatively high level of unfunded pension liabilities.

Rating Summary

Connecticut's economic recovery is continuing, though at a slower pace than the New England region and the U.S. as a whole. KBRA views the State's financial position as having improved under the current administration but projects that budget pressures will continue as long as economic growth is relatively slow. KBRA views the State's budget challenges as mitigated by the State's demonstrated ability and willingness to raise revenues and make spending cuts during the fiscal year to maintain balanced operations during its slow recovery period. KBRA notes that the State has revised its revenue projections for FY 2016 downward, based on revised economic forecasts and recent collection experience. KBRA will continue to monitor the State's ability to accurately project revenues as well as State actions to balance financial operations.

Based on the State Comptroller's monthly letter dated September 30, 2015, the State's General Fund ended fiscal year 2015 with a deficit of $113.2 million, which represented 0.6% of FY 2015 expenditures. The deficit was largely driven by higher than expected expenditures and lower than anticipated revenues. Total actual personal income tax revenues for FY 2015 were down $113.5 million, or 1.2% under budget. Based on State statute, the Budget Reserve Fund will be drawn down to fund the end of year deficit. As a result of this transfer, the Budget Reserve Fund is projected to be drawn down from $519.2 million to $406.0 million, or approximately 2.3% of FY 2015 General Fund appropriations. While KBRA views the magnitude of the projected FY 2015 deficit as minimal, it does represent a significant drawdown of the State's Budget Reserve Fund.

Based on the monthly Office of Policy and Management (OPM) letter dated October 19, 2015, OPM is projecting a $118.4 million General Fund deficit at the end of FY 2016. This projected deficit is primarily due to lower than anticipated revenues, specifically personal income taxes. Currently, projected expenditures are minimally higher than budget. For FY 2016, total actual General Fund revenues for FY 2016 are projected to be $214 million lower than budgeted. Personal incomes taxes account for $196 million of this reduction in projections, with lower than anticipated withholding taxes, capital gains taxes and other non-wage income. Based on these current revenue projections, the projected operating deficit at the end of FY 2016 would have been $221 million. On September 18, 2015, the Governor made $103 million in rescissions, which leaves a remaining deficit of $118.4 million.

Based on FY 2016 results to date and revisions in projections of revenue growth by both internal State and third party forecasters over the last several months, OPM has reduced its projections for growth for personal income withholding taxes to 3.2% and for estimated and final tax collections (capital gains and other non-wage income) to 4.5%. Approximately 15.0% of personal income taxes represent taxes on capital gains, which exposes the State to the financial markets. The Governor has directed OPM to develop a plan to address the deficit and has begun bipartisan discussions within the Legislature to resolve the budget gap for FY 2016. OPM has stated that the budget deficit will be resolved either by legislative action or by additional rescissions made by the Governor. The State's liquidity position remains fairly strong, with the State's total available cash at $2.2 billion as of October 17, 2015.

As with many states, the revenue base of the State's General Fund is largely comprised of economically sensitive revenues, including personal income tax, sales tax and corporate taxes and the slower than anticipated economic growth over the last several years has created challenges in maintaining balanced financial operations. The volatility of the State's revenue base is increased by its fairly progressive income tax and a relatively high level of capital gains taxes, which reflects the State high wealth levels. The State revises its revenue forecasts three times a year through a consensus revenue forecasting process undertaken by OPM and the legislative Office of Fiscal Analysis (OFA). The State closely monitors its budget to actual financial performance on a monthly basis. Under State statutes, the Governor may implement a certain level of expenditure reductions, or rescissions, without legislative approval, to maintain a balanced budget. KBRA expects that the State will continue to actively monitor revenue projections and budget performance and act to increase revenues or reduce expenditures in order to maintain budget balance.

In KBRA's view, 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. State statutes dictate that unappropriated surplus left in the General Fund shall be transferred to the Budget Reserve Fund until the Fund reaches an amount equal to 10.0% of General Fund appropriations. The State's statutes allow for broad revenue raising ability. Beginning in November 1992, the State's Constitution provides that the General Assembly must adopt a balanced budget.

KBRA views Connecticut's resource base as continuing to recover from the Great Recession. Although the state lags the New England region and the United States on various employment indicators, recent improvement in overall employment and a notable decline in the unemployment rate suggest a strengthening economic environment statewide. Unlike nationwide trends, Connecticut's overall employment did not experience growth until 2014. Across the rest of the New England region and the United States, overall employment began to increase in 2011. Based on preliminary figures as of September 2015, total State employment has grown 3.4% since 2010 and 2.1% since the end of 2014 alone. The state's employment growth has been somewhat slower than the 4.2% growth for the region and 9.4% for the U.S since 2010; however employment has increased at a higher rate than both the region in 2014 and to date in 2015. Connecticut's recent employment gains reflect the continued recovery of the state's economy and increased employment opportunities in industries such as insurance, and leisure and hospitality. State management is projecting further employment growth in research and development (R&D) and management & business sectors. Connecticut continues to be the wealthiest state in the nation on a per capita basis with low levels of poverty. As of September 2015, the State's unemployment rate declined to 5.1%, compared to 4.4% for the region and 5.1% for the U.S.

Based on the 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 Determinant ratings 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

KBRA continues to view Connecticut's relatively slow economic growth as putting pressure on State fiscal operations. 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 will continue to monitor the level of federal defense spending and the impact of any spending cuts 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 put 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.
- Cuts in federal spending for defense that causes significant contraction in the State's defense related industries.

Financial Performance and Liquidity Position Update

FY 2015 Financial Results

Based on the State Comptroller's monthly letter dated September 30, 2015, the State's General Fund ended fiscal year 2015 with a deficit of $113.2 million, which represented 0.6% of FY 2015 expenditures. The deficit was largely driven by higher than expected expenditures and lower than anticipated revenues. Total actual personal income tax revenues for FY 2015 were down $113.5 million, or 1.2% under budget. Based on State statute, the Budget Reserve Fund will be drawn down to fund the end of year deficit. As a result of this transfer, the Budget Reserve Fund is projected to be drawn down from $519.2 million to $406.0 million, or approximately 2.3% of FY 2015 General Fund appropriations. While KBRA views the magnitude of the projected FY 2015 deficit as minimal, it does represent a material drawdown of the State's Budget Reserve Fund.

For FY 2015, total General Fund revenues increased at an economic growth rate of 1.8% from FY 2014, with personal income tax revenues and sales taxes increasing at estimated growth rates of 5.3% and 2.7%, respectively over FY 2014.

FY 2016-FY 2017 Biennium Budget

On June 3, 2015, the General Assembly passed a biennial budget bill for FY 2016 and FY 2017, which was subsequently amended in special session. The final adopted budget, as amended, included significant revenue enhancements and also modifications to spending cuts, as compared to the Governor's proposed budget. The budget included an increase of General Fund appropriations of 4.0% in FY 2016 and 3.0% in FY 2017. Total General Fund revenues were projected to grow at an economic growth rate of 4.0% in FY 2016 and 3.7% in FY 2017. Personal Income taxes and sales taxes were projected to grow at an economic growth rate of 5.2% and 3.2%, respectively, in FY 2016. The biennial budget projected a budget surplus of $0.8 million in FY 2016 and $2.5 million in FY 2017.

The FY 2016 - FY 2017 biennial budget also includes $802.1 million in revenue enhancements for FY 2016 and $664.4 million in revenue enhancements for FY 2017. Significant revenue changes include an increase to the top personal income tax marginal rate, limits on the use of deductions in the corporate tax and increases in the health provider tax. Changes to the sales tax included elimination of the exemption for clothing and shoes under $50 and the increase of taxes on computer related services. Under the new budget, significant portions of the sales tax revenues will be intercepted to fund an increased municipal aid program for property tax relief and to fund the "Let's Go CT" transportation initiative. In both FY 2016 and FY 2017, the use of one time revenues is minimal, representing 1.0% or less of revenues.

Under the proposed budget, significant expenditure reductions from current service levels are made in the General Fund in both FY 2016 and FY 2017, which reduce appropriations to State agencies and programs. Areas of spending cuts include the Medicaid program, Department of Social Services (including transition of certain low income adults to the Health Insurance Exchange) and other social service programs. The proposed budget will hold K-12 school aid relatively flat and funding for the State's higher education system is reduced somewhat. The proposed budget includes the State's full actuarially required contributions for its pension funds. The budget also includes approximately $48 million in each year for the amortization of the remaining GAAP based fund deficit in the General Fund; this amortization is scheduled to commence in FY 2016.

The proposed budget for FY 2016 also included the last year of increased COLA payments under labor contracts negotiated in FY 2011. Current labor contracts for most of the State's labor unions expire on June 30, 2016. The proposed budget includes no across-the-board layoffs and no furlough days for the State's work force, though hiring restrictions continue.

FY 2016 Financial Performance

Based on the monthly OPM letter dated October 19, 2015, OPM is projecting a $118.4 million General Fund deficit at the end of FY 2016. This projected deficit is primarily due to lower than anticipated revenues, specifically personal income taxes. Currently, projected expenditures are minimally higher than budgeted. For FY 2016, total actual General Fund revenues for FY 2016 are projected to be $213.5 million lower than budgeted. Personal incomes taxes account for $196 million of this reduction in projections, with lower than anticipated withholding taxes, capital gains taxes and other non-wage income. Based on these current revenue projections, the projected operating deficit at the end of FY 2016 would have been $221.2 million. On September 18, 2015, the Governor made $103 million in rescissions, which leaves a remaining deficit of $118.4 million.

Based on FY 2016 results to date and revisions in projections of revenue growth by both internal State and third party forecasters over the last several months, OPM has reduced its projections for growth for personal income withholding taxes to 3.2% and for estimated and final tax collections (capital gains and other non-wage income) to 4.5%. Approximately 15.0% of personal income taxes represent taxes on capital gains, which exposes the State to the financial markets. Consensus revenue projections released by OPM and the OFA on November 10, show a minimal further reduction of $4 million in projections for the General Fund. The Governor has directed OPM to develop a plan to address the deficit and has begun bipartisan discussions within the Legislature to resolve the budget gap for FY 2016. OPM has stated that the budget deficit will be resolved either by legislative action or by additional rescissions made by the Governor.

The State of Connecticut's continuing slow recovery from the recent Great Recession has challenged management's ability to accurately budget and grow revenues. This level of slow growth coupled with the unpredictability of financial markets has resulted in actual income tax collections that have been consistently below budgeted expectations in both FY 2015 and FY 2016 to date. Despite growth in statewide employment consistent with pre-recession levels, a lack of growth in wages continues to challenge the state's ability to grow its personal income tax revenues. According to data provided by the State, average annual employment growth was 0.9% and wages grew at an average annual rate of 4.0% between FY 2004 and FY 2008. From FY 2011 to FY 2015, employment grew at the same average annual rate of 0.9% while wages only grew at an average annual rate 1.4%. This reflects the fact that much of employment growth within the State over the last several years has been in relatively lower paying sectors such as leisure and hospitality and professional and business services. The once prominent financial services industry continues to consolidate across the tri state area which has further reduced the number of high paying jobs within the State. OPM states that the State's ability to project personal income taxes generated by capital gains is impacted not only by financial market performance but by the level of capital gains held by investors, which has been diminished by market sell offs and changes in tax laws over the last several years.

At a meeting with State commissioners on October 28, 2015, the Governor outlined current and longer term budgetary challenges faced by the State and presented ideas and recommendations for meeting these challenges. These included efforts to improve the State's business tax structure, to increase the efficiency of state government and reduce the budgetary impact of future pension contributions for the State Employee's Retirement System (SERS).For FY 2016, the Governor proposed a target reduction of the State's workforce by 500 additional jobs and a deferment of scheduled raises for 1,600 State managers. These recommendations have not yet been solidified into specific proposals. Some of the recommendations would require legislative action and some may require agreement with SEBAC, the coalition of State employee unions. In KBRA's view, some actions may be subject to legal challenge. KBRA will continue to monitor actions taken by the State to address future budgetary challenges.

Liquidity Position

The State's liquidity position remains fairly strong. As of October 17, 2015, the State's available cash was $2.2 billion and the common cash pool was $680 million. The State's level of available cash at a given point in the fiscal year reflects the seasonality of cash flow and any year-to-date deficits or surpluses.

Debt and Continuing Obligations Update

Pension Funding and Potential Reforms

The State engaged the Center for Retirement Research at Boston College (CRR) to study the condition of the State's retirement systems. CRR has published a report recommending various changes to the actuarial assumptions of the State's multiple employer defined benefit pension plans. According to CRR, the three major factors that have contributed to the level of unfunded liabilities within the State's two largest plans, the State Employees Retirement System (SERS) and Teachers' Retirement System (TRS), are legacy costs from benefits granted but not funded, historical failure to fund required actuarially required pension contributions, and low investment returns relative to expectations since FY 2000.

In order to improve the plans' fiscal health, CRR recommends that the State calculate amortization payments using a "level dollar" approach as opposed to a "level-percent-of-payroll" approach. According to CRR, the latter approach allows unfunded liabilities (and so the level of pension contributions) to grow even if the State makes the full actuarial required contribution (ARC) while the "level dollar" approach would not. In addition, CRR recommends lowering the investment return assumptions for both plans. Since 2000, the combined investment return for SERS and TRS has averaged 5.6%, compared to the plans' assumed returns of 8.0% and 8.5% respectively.

As part of the recommendations and ideas presented by the Governor on October 28, 2015 and discussed above, changes to the current State pension system were outlined as follows:

1) Reducing plan investments return assumptions.
2) Utilizing a "level dollar" amortization and 15-year rolling amortization of benefit payments.
3) Controlling future benefit costs through collective bargaining.
4) Splitting the SERS system in two funds, one as a closed pay-as-you-go plan for Tier 1 retirees, and one as an open plan for Tiers 2, 2A, and 3 retirees/employees.

As presented by OPM, the recommendations for pension reform for the SERS system noted above represents a significant change in the current method of funding pensions for the State. Under this proposal, the level and timing of benefits would not change and benefit payments would be projected based on actuarial assumptions. Based on the State outline of these recommendations, the effect on pension funding requirements would be a more level funding level for Tier 1 pension payments; however the funding requirements would be extended for the life of the benefits granted. The impetus for these reforms is the projected increase in future pension payments for Tier 1 SERS retirees under lowered investment return scenarios. If all the plans' actuarial assumptions are met and the pension systems achieve the current assumed investment return of 8.0%, CRR estimates that the State's actuarially required contribution (ARC) will rise steadily to $3.1 billion by 2032 under the current plan. If actual annual investment returns are 5.5%, CRR estimates that the ARC would potentially have to rise to $6.7 billion in order to achieve full funding within the current closed amortization period ending in 2032.

KBRA views favorably the State's efforts for planning to address its longer term fiscal challenges but notes that these proposals are very preliminary. These proposals and recommendations will require legislative action and agreement from labor unions and, in some cases, may be subject to legal challenge. KBRA will continue to monitor the State's efforts to address these challenges and assess the impact of specific programs on its financial operations.

The State of Connecticut remains committed to paying the ARC for all statewide defined benefit pension plans, which KBRA views favorably. As of June 30, 2014, the SERS and Teachers' Retirement System (TRS) had funded ratios of 42.0% and 59.0% respectively, based on the plans' actuarial value of assets. The FY 2016 ARC for SERS and TRS, without any changes to the plans assumptions and benefits structure, are approximately $1.5 billion and $976 million respectively, which represent approximately 13.7% of the adopted FY 2016 budget.

State Resource Base Update

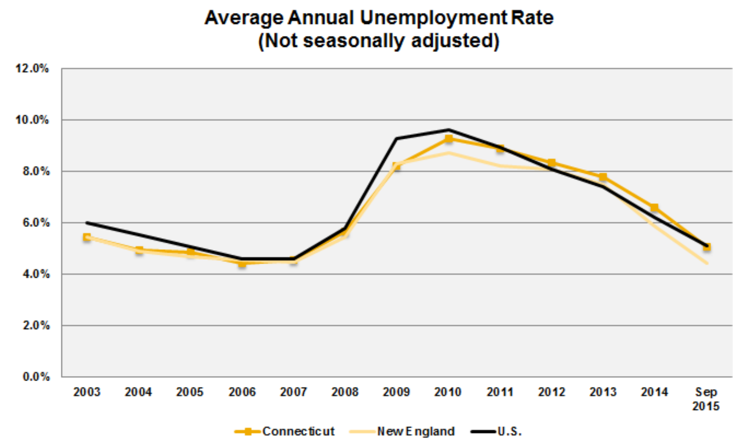
KBRA views Connecticut's resource base as continuing to recover from the Great Recession. Although the state lags the New England region and the United States on various employment indicators, recent improvement in overall employment and a notable decline in the unemployment rate suggest a strengthening economic environment statewide. Unlike nationwide trends, Connecticut's overall employment did not experience growth until 2014. Across the rest of the New England region and the United States, overall employment began to increase in 2011. Based on preliminary figures as of September 2015, total State employment has grown 3.4% since 2010 and 2.1% since the end of 2014 alone. The State's employment growth has been somewhat slower than the 4.2% growth for the region and 9.4% for the U.S since 2010; however employment has increased at a higher rate than both the region in 2014 and to date in 2015. Connecticut's recent employment gains reflect the continued recovery of the State's economy and increased employment opportunities in industries such as insurance, and leisure and hospitality. State management is projecting further employment growth in research and development (R&D) and management & business sectors. Connecticut continues to be the wealthiest state in the nation on a per capita basis with low levels of poverty.

Non-Agricultural Employment (Not Seasonally Adjusted)

	Connecticut		New England		U.S.	
in thousands	Employment	% Chg	Employment	% Chg	Employment	% Chg
2009	1,741.0		7,108.8		131,233.0	
2010	1,737.4	-0.2%	7,102.7	-0.1%	130,275.0	-0.7%
2011	1,744.9	0.4%	7,140.1	0.5%	131,842.0	1.2%
2012	1,730.4	-0.8%	7,169.4	0.4%	134,104.0	1.7%
2013	1,724.5	-0.3%	7,202.1	0.5%	136,393.0	1.7%
2014	1,760.4	2.1%	7,326.8	1.7%	139,042.0	1.9%
September 2015*	1,796.6	2.1%	7,401.5	1.0%	142,587.0	2.5%

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

As of September 2015, the State's unemployment rate has declined to 5.1%, compared to 4.4% for the region and 5.1% for the U.S.



Source: U.S. Bureau of Labor Statistics

The State of Connecticut's population has grown 0.5% since 2010 which is lower than the national rate of 2.2% in the same period of time. The state's population has a high level of educational attainment at 38.0%, defined as the population ages 25 and over with a Bachelor's degree or higher and ranks among the top 15% of states across the nation. The State's educational attainment, which is 126.2% of the national level, is largely driven by the presence of the financial services, insurance, and certain defense industry employment. Connecticut's age dependency ratio, which measures the nonworking population against the working population, remained steady at 58.7% from 2010 to 2014, indicating that the age concentration of the state's population remains relatively consistent. Finally, despite the increased per capita income, Connecticut's estimated poverty level grew 0.7% from 2010 to 2014 to 10.8%.

	Connecticut			New England[1]			U.S.		
	2014	% Chg from 2010	2014 U.S. Percentile	2014	% Chg from 2010	CT as % of NE Avg	2014	% Chg from 2010	CT as % of U.S. Avg
Population	3,596,080	0.5%		14,618,806	1.1%	**24.6%**	316,128,839	2.2%	**1.1%**
Age Dependency Ratio[2]	58.7%	0.0%		56.2%	0.1%		60.2%	1.3%	
Population with B.A. Degree or higher[3]	38.0%	2.5%	Top 15%	37.7%	2.2%	**100.8%**	30.1%	1.9%	**126.2%**
Poverty Level	10.8%	0.7%		11.7%	0.5%	**92.4%**	15.5%	0.2%	**69.7%**
Personal Income (in billions)	$236.8	19.8%		$849.5	18.9%		$14,945	20.4%	
Personal Income per capita	$65,846	19.2%		$57,862	17.1%	**113.8%**	$46,871	16.8%	**140.5%**
Gross State Product (in billions)	$253.0	8.8%		$924.9	12.7%		$17,348	18.5%	
GSP per capita	$70,353	8.3%		$63,003	11.0%	**111.7%**	$54,407	15.0%	**129.3%**

Source: U.S. Census Bureau, U.S. Bureau of Economic Analysis
[1] New England is defined as Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont
[2] Age dependency ratio is the sum of the population under 18 yrs and over 65 yrs divided by persons age 18 to 64 yrs
[3] Percent of the population aged 25 and older

The state's wealth levels are the highest of all U.S. states at a personal income per capita of $65,846, which represents 140.5% of the U.S. average. On a per capita basis, the state's GDP at $70,353 was 129.3% of the national level in 2014.

Bankruptcy Assessment

Under Chapter 9 of the U.S. Bankruptcy Code, State governments are not permitted to petition courts for protection from creditors, including holders of their general obligation debt.

Conclusion

KBRA has assigned a long-term rating of AA with a stable outlook to the State of Connecticut's $650 million General Obligation Bonds (2015 Series F) and General Obligation Bonds (Green Bonds 2015 Series G). 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.

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