

RatingsDirect®

Summary:

University of Connecticut; General Obligation; General Obligation Equivalent Security

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Credit Profile

US\$120.0 mil GO bnds (Connecticut) ser 2014 A due 04/01/2034		
<i>Long Term Rating</i>	AA/Stable	New
US\$100.0 mil GO rfdg bnds (Connecticut) ser 2014 A due 04/01/2025		
<i>Long Term Rating</i>	AA/Stable	New

Rationale

Standard & Poor's Ratings Services has assigned its 'AA' long-term rating, and stable outlook, to the University of Connecticut's \$120 million general obligation (GO) bonds, series 2014 A and \$100 million GO bonds, 2014 refunding series A. At the same time, Standard & Poor's has affirmed its 'AA' rating, with a stable outlook, on the university's \$919 million parity debt outstanding.

We base the rating on the security provided by the state debt service commitment, which is defined by Public Act 95-230 (UCONN 2000), and the master indenture. The State of Connecticut ('AA' GO rating) is obligated to pay an annual amount sufficient to cover debt service on any state debt service commitment-authorized GO debt of the university. As part of the state's contract with bondholders, the funds necessary to meet the debt service commitment are paid by the state treasurer to the trustee from the state's general fund and these payments are not subject to further legislative authorization or appropriation. While the bonds are secured by a GO pledge of the university and do not carry a GO pledge of the state, in our view the debt service payment mechanism established by the statute and bond documents, which mandates and obligates Connecticut to make annual payments without further legislative approval, provides strong bondholder security similar to the state's GO pledge. Under the UCONN 2000 legislation enacted in 1995, the debt service commitment extends for the life of the bonds. These bonds will fund various capital projects for the university and the health center and also refund bonds outstanding for interest cost savings.

Connecticut has a long track record of supporting investments in the university. In 1995, the legislature approved the UCONN 2000 program to strengthen the university and the overall economic development prospects of the state. Since that time it has been expanded and extended by the legislature (21st Century UCONN) and includes three phases of investment to modernize, expand, and rehabilitate the university's physical plant. The current program extends through 2024 and totals \$4.6 billion including \$4.3 billion of bond authorization secured by the debt service commitment. The most recent expansion/extension was during the 2013 legislative session.

The University of Connecticut was founded in 1881 and offers eight undergraduate and 23 graduate and professional degree programs at 14 colleges and schools. There are 30,474 students. In addition to the main campus in Storrs, Conn., there are five undergraduate regional campuses located throughout the state, one of which houses the graduate School of Social Work. A sixth campus houses the university's health center, which includes the school of medicine,

the school of dental medicine, medical and dental clinics, and John Dempsey Hospital in Farmington; and a seventh campus houses the School of Law. The university is the flagship institution of the State of Connecticut. The university has received a significant amount of support from the state in the form of operating appropriations and the issuance of the debt service commitment bonds to modernize, enhance, and expand its physical plant.

The 'AA' rating on Connecticut's GO bonds reflect what we view as the state's:

- Diverse economic base, which has experienced cyclical performance over time;
- High wealth and income levels;
- Capacity to adjust revenues and expenditures, which we believe has provided it with flexibility to manage budget volatility;
- Active monitoring of revenues and expenditures to identify gaps; and
- Adequate operating liquidity, which has improved due to stronger revenue performance and the recent generally accepted accounting principles conversion bond issue.

In our view, despite these strong fundamentals, the state has a history of what we consider cyclical budget performance, which has led to its issuance of debt to cover operating deficits in recessionary periods. Connecticut's above-average debt levels and high unfunded postretirement liabilities represent a significant fixed cost pressure and we expect this to accelerate based on new bond authorizations in recent years for operating and capital purposes.

(For additional information on Connecticut, see the report published March 5, 2014, on RatingsDirect on the Global Credit Portal.)

Outlook

The stable outlook mirrors our stable outlook on the state of Connecticut.

Related Criteria And Research

Related Criteria

- USPF Criteria: State Ratings Methodology, Jan. 3, 2011
- USPF Criteria: Appropriation-Backed Obligations, June 13, 2007

Ratings Detail (As Of March 25, 2014)

University of Connecticut, Connecticut

Connecticut

University of Connecticut (Connecticut)

<i>Long Term Rating</i>	AA/Stable	Affirmed
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University of Connecticut (Connecticut) GO bnds ser 2004 A dtd 01/15/2004 due 01/15/2005-2024

<i>Long Term Rating</i>	AA/Stable	Affirmed
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<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
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University of Connecticut (Connecticut) GO rfdg bnds

<i>Long Term Rating</i>	AA/Stable	Affirmed
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University of Connecticut (Connecticut) GO (AGM) (SEC MKT)

Ratings Detail (As Of March 25, 2014) (cont.)		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Univ of Connecticut		
<i>Long Term Rating</i>	AA/Stable	Affirmed
University of Connecticut GO		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
University of Connecticut (Connecticut) GO		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Univ of Connecticut GO		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Univ of Connecticut (Connecticut) GO		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

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