

Rating Action: Moody's assigns A1 to Connecticut GO bonds, 2020 Series A&B; outlook stable

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New York, December 03, 2019 -- Moody's Investors Service has assigned an A1 rating to the state of Connecticut's \$700 million General Obligation Bonds (2020 Series A) and \$191.8 million General Obligation Refunding Bonds (2020 Series B). The outlook is stable.

RATINGS RATIONALE

The A1 GO rating reflects Connecticut's high income levels, strengthened governance, and significantly improved liquidity, offset by high liabilities and the resulting high fixed costs for debt service, pension, and post-employment benefits relative to the state's budget. The rating also reflects a lagging economy and recent consecutive years of population loss, which make liabilities more burdensome.

RATING OUTLOOK

Connecticut's outlook is stable, reflecting high level of budgetary reserves and the state's strong provisions to promote fiscal discipline, which pair redressing elements of its high leverage position and requiring GAAP-based budgeting.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Achievement and maintenance of higher GAAP-basis combined available reserve levels
- Established trend of structural budget balance
- Evidence of sustained stronger economic performance
- Reduced pension and debt leverage relative to Moody's 50-state medians, resulting in lower annual fixed costs

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Significant additional leverage, encompassing bonded debt, pension and OPEB obligations and negative unassigned GAAP balances
- Rapid acceleration of revenue/economic/demographic weakness
- Significant decline in liquidity position

LEGAL SECURITY

The state's GO rating represents the credit quality of the state's full faith and credit pledge.

USE OF PROCEEDS

The 2020 Series A GO will be used for various projects and purposes. The 2020 Series B GO Refunding Bonds will be used to refund all or a portion of certain outstanding state general obligation bonds.

PROFILE

The State of Connecticut has a population of 3.57 million people located in the coastal northeastern US, bordered by Rhode Island (Aa2 stable), Massachusetts (Aa1 stable) and New York (Aa1 stable) with 618 miles of shoreline, according to the National Oceanic and Atmospheric Administration (NOAA). The state has a large and diverse economy with a gross state product of \$274 billion in 2018. It is the wealthiest state in the country with per capita income of 140% of the US average.

METHODOLOGY

The principal methodology used in these ratings was US States and Territories published in April 2018. Please see the Rating Methodologies page on www.moody's.com for a copy of this methodology.

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