FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms Connecticut's IDR at 'A+', Rates $900MM GO Bonds 'A+'; Outlook Stable

Fri 15 May, 2020 - 4:02 PM ET

Fitch Ratings - New York - 15 May 2020: Fitch Ratings has assigned an 'A+' rating to the following obligations of the state of Connecticut:

--$500 million taxable GO bonds (2020 Series A);

--$400 million tax-exempt GO bonds (2020 Series C).

The taxable GO bonds will be offered by negotiated sale on or about May 28, 2020. The tax-exempt GO bonds will be offered by negotiated sale on or about June 10, 2020.

In addition, Fitch has affirmed the state's Issuer Default Rating (IDR) and outstanding GO bonds at 'A+' and affirmed the ratings on bonds linked to the IDR as listed at the end of this release.

The Rating Outlook is Stable.

SECURITY

The GO bonds are supported by the full faith and credit of the state pledged to payment of principal and interest.

ANALYTICAL CONCLUSION

Connecticut's 'A+' IDR and GO rating reflect the large deposits it has made to the budget reserve fund (BRF), the state's rainy day fund, detailed budget monitoring, mechanisms to reduce spending and a willingness to raise revenues. These provide the state with broad flexibility as it confronts economic and revenue losses expected through the fiscal 2020-2021 biennium due to the coronavirus pandemic. The ratings also incorporate Fitch's expectation that the state's wealthy and mature economy is likely to be flat or grow only slowly over time, a factor that will continue to challenge the state in matching revenues to expenditures. The long-term liability burden remains well above the U.S. state average. Although carrying costs for liabilities are a moderate burden on the state's resource base, they limit expenditure flexibility compared with most states.

ECONOMIC RESOURCE BASE

Connecticut has a diverse and mature economic base anchored by a large finance sector and important manufacturing and education and health sectors. The impact of the Great Recession on Connecticut was severe, and economic growth in the recovery that followed trailed that of the U.S. The state is the wealthiest in the U.S. as measured by per capita personal income. Prior to the coronavirus pandemic, growth had also begun to advance in key finance and manufacturing sectors.

KEY RATING DRIVERS

Revenue Framework: 'a'

The state's largest tax revenue source, personal income tax (PIT), is subject to considerable cyclicality, but the state has instituted measures to shield the general fund from its volatility. Sales, corporate income, transportation and gaming taxes diversify resources. Tax policy changes have been required since the Great Recession to boost revenues and Fitch believes modest future economic growth will continue to constrain underlying revenue growth potential. The state has unlimited legal ability to levy taxes.

Expenditure Framework: 'aa'

Connecticut's natural pace of spending growth is expected to be higher than that of revenues given projections for weak growth in revenues. The state has consistently demonstrated the ability to cover its comparatively high fixed costs, including making full actuarial contributions to pensions for more than a decade, and it benefits from the large degree of budget autonomy common to states.

Long-Term Liability Burden: 'a'

The state's long-term liability burden is elevated and among the highest for a U.S. state, but still considered moderate. Long-term debt consists primarily of GO and transportation borrowings, with much of GO borrowing undertaken on behalf of local schools. Net pension liabilities are more significant, with the state carrying obligations for state retirees as well as for local school teachers.

Operating Performance: 'a'

Gap-closing capacity is strong and resiliency has improved with sizable deposits to the BRF in fiscal years 2018 and 2019, as required under the state's revenue volatility cap enacted in 2018. Cyclical revenues, budgetary burdens from fixed costs and forecast out-year budget gaps indicate structural challenges that remain unaddressed, although close budget monitoring, including frequent revenue forecasting, allows the state to quickly identify revenue underperformance and implement corrective actions.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

--Improved Economic and Revenue Growth Prospects: Strengthened trends in economic and revenue growth over a longer time frame;

--Lower Liability Burden: The state's ability to gradually lower its elevated liability burden while managing comparatively high fixed cost burden;

Factors that could, individually or collectively, lead to negative rating action/downgrade:

--More Severe Downturn: An extended economic contraction that persists through the current biennium, consistent with Fitch's downside coronavirus scenario, or an inability to quickly rebuild fiscal flexibility once growth resumes, could diminish financial resilience ;

--Growing Liabilities and Structural Challenges: An erosion in strong budget management practices, including actions during the current recession that further build the state's liability burden or enlarge structural challenges.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Public Finance issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit https://www.fitchratings.com/site/re/10111579.

CURRENT DEVELOPMENTS

Sector-Wide Coronavirus Implications

The recent outbreak of the coronavirus and related government containment measures worldwide creates an uncertain global environment for U.S. state and local governments and related entities in the near term. As severe limitations on economic activity only began recently, most state governments' fiscal and economic data do not fully reflect credit impairment. Material changes in revenues and expenditures are occurring across the country and likely to worsen in the coming weeks and months as economic activity suffers and public health spending increases. Fitch's ratings are forward looking, and Fitch will monitor developments in state and local governments related to the severity and duration of the virus outbreak, and incorporate revised expectations for future performance and assessment of key risks.

In its baseline scenario, Fitch assumes sharp economic contractions hit major economies in the first half of 2020 at a speed and depth that is unprecedented since World War II. Recovery begins from the third quarter of 2020 onward as the health crisis subsides after a short but severe global recession. GDP remains below its fourth quarter 2019 level until mid-2022. A severe but plausible downside scenario includes a prolonged health crisis and negative economic shock. Additional details, including key assumptions and implications of the baseline scenario and a downside scenario, are described in the April 2020 report "Fitch Ratings Coronavirus Scenarios: Baseline and Downside Cases - Update" on www.fitchratings.com.

Federal Aid Provides Some Support for State Budgets

Federal aid measures enacted in recent months will benefit state budgets, although details remain fluid. The Families First Coronavirus Response included a 6.2% increase in the Federal Medical Assistance Percentage (FMAP) for Medicaid for every quarter of the national emergency declared by the president on March 13. FMAP is the rate at which the federal government reimburses states for Medicaid spending. Connecticut is expecting to receive $234 million in federal aid in fiscal 2020 as result of the FMAP increase. The ultimate value of the FMAP rate increase will depend primarily on the state's actual Medicaid spending.

Under the Coronavirus Aid, Relief and Economic Security (CARES) Act enacted on March 27, the U.S. Treasury department distributed $150 billion to state and local governments using a population-based formula. The statute limits the use of funds to coronavirus expense reimbursement rather than to offset anticipated state tax revenue losses. Connecticut and its eligible local units of government were eligible to receive $1.38 billion from the U.S. Treasury, all of which has been distributed to the state.

The Federal Reserve Board's recently announced $500 billion Municipal Liquidity Facility (MLF) provides a potential source of short-term liquidity for state and local governments. Under the MLF, a the New York Federal Reserve Bank will set up a special purpose vehicle (SPV) to directly purchase short-term debt issued by states, the District of Columbia and the largest counties and cities. According to the Federal Reserve, Connecticut could borrow just over $4.1 billion to address the state's own cash flow needs or to support the needs of local governments in the state. Critical details for this program, including how quickly purchases will begin, are yet to be determined.

Coronavirus - Connecticut Liquidity Update:

Fitch anticipates Connecticut will address short-term liquidity pressure with no interruption in timely payments for key operating expenses, including debt service. Connecticut extended its deadline for filing several key tax payments, including personal income tax (PIT), corporate income tax (CIT), and pass-through entities tax, to July 15, in step with the federal government's extension. The state currently projects that just under $2 billion in receipts will shift to July 15, representing about 12% of fiscal 2020 net general fund tax revenues of $17 billion forecast at budget adoption. Year-to-date through April, net general fund tax revenues are 11.7% below the prior year level, driven by the impact of delayed filing deadlines on the estimated and final payments components of PIT. The budgetary impact of delayed filing is expected to be minimal because the new filing deadlines fall within the state's accrual period for fiscal 2020.

Connecticut held $2.5 billion in its BRF, or approximately 15% of net general fund tax revenues and 13% of general fund appropriations, following the deposit of $1.3 billion in fiscal 2019, providing an immediate source of available liquidity to bridge possible cash flow challenges. The state reports an average of approximately $4.6 billion in available cash during fiscal 2020, including the BRF and other state cash resources.

Coronavirus - Connecticut Budgetary Update

Connecticut appears well-positioned to meet the initial budgetary challenges arising from the pandemic, although it continues to work on solutions to the identified budget gap for the second year of the fiscal 2020-2021 biennium. The ability to address budgetary challenges was enhanced materially during the fiscal 2018-2019 biennium, when the state's new revenue volatility cap enabled it to shift revenue over-performance into the BRF, rapidly building its balance. The BRF grew from $213 million in fiscal 2017 (1.1% of general fund appropriations) to $2.5 billion in fiscal 2019 (13% of general fund appropriations).

As originally enacted, the biennial budget for fiscal 2020-2021 provided for $19.3 billion in appropriations in fiscal 2020 and almost $20 billion in fiscal 2021. In addition to baseline revenue growth, revenue changes in the budget included a new agreement for the hospital tax rate in addition to other extensions of lapsing tax policy, a delayed phase in of car sales taxes to the special transportation fund (STF) until fiscal 2022 and a sales tax extension to certain services and prepared foods. An operating surplus of $141 million was originally forecast, and $318.3 million in revenue subject to the volatility cap was planned for deposit to the BRF.

Fiscal expectations for the biennium have deteriorated considerably as the pandemic and associated economic disruptions pressure state finances. The April 30 estimates for fiscal 2020 and fiscal 2021 reflect net declines of $1.1 billion and $2.2 billion in forecast revenues relative to the enacted budget, stemming from the impact of the coronavirus lockdown on economic activity and delayed receipt of federal funds unrelated to the pandemic. The state has also shouldered an estimated $354 million in direct coronavirus-related spending, although the majority of this will ultimately be covered by federal receipts. As of its April 2020 consensus update, the state forecasts a deficit of $934 million in fiscal 2020 and $2.2 billion in fiscal 2021. Economic forecast assumptions underlying the forecast are based on recent developments, although Fitch views it as possible that steeper losses may emerge given the degree of uncertainty in performance going forward.

With limited time remaining in fiscal 2020, the state anticipates tapping the BRF to close the fiscal 2020 gap. The BRF balance would fall by a net $616 million, to just under $1.9 billion, after the planned volatility cap deposit noted above, which is tied to tax collections prior to the pandemic. For fiscal 2021, the state is in the process of identifying rescissions, formulating a deficit mitigation plan with the legislature to trim budgeted spending growth and reversing revenue reduction measures in the enacted budget. Currently no volatility cap transfer to the BRF is anticipated in fiscal 2021, leaving the BRF balance of nearly $1.9 billion before any further draws.

Connecticut's strong financial resilience appears to be sufficient to absorb the potential budgetary effects of Fitch's coronavirus baseline scenario in the near term, although the state continues to work on solutions address the identified fiscal 2021 gap. Using Fitch's forecast for U.S. GDP in 2020 of -5.6% under the company-wide coronavirus baseline scenario noted above, the Fitch Analytical Stress Test (FAST) results show state tax revenues could experience a more than 20% decline in year one of an unaddressed downturn scenario, followed by a return to growth, but with a cumulative decline over the three-year scenario that would leave revenues about 12% below the 2019 level. In a more severe downside scenario, Connecticut's first-year decline would be 40%, followed by a slower rebound and a cumulative three-year decline of about 30%. A downturn of this magnitude, should it occur, would likely weigh on the state's ability to rebuild resilience through the eventual recovery period.

CREDIT PROFILE

Connecticut has a diverse, mature and wealthy economic base, with flat to modestly declining population trends and an aging demographic profile, consistent with many other states in the region. The state's diverse economy includes a sophisticated, defense-related manufacturing sector, important finance and insurance sectors in Fairfield County and Hartford, respectively, health and education institutions, and tourism linked in part to Indian gaming in the state's southeast.

In contrast to past economic expansions, the state's employment performance in the expansion that recently ended had been unusually slow. Economic impacts of the pandemic and lockdown have unfolded rapidly in employment data, with Fitch calculating that based on first time claims since mid-March, jobs lost as a percent of the labor force equals a steep 31%, more severe than the 19.3% median for all U.S. states. The state's unemployment rate has historically run below the U.S. rate but exceeded the nation for much of the recovery; the unemployment rate was 4.1% in 2019 compared to 3.9% for the U.S. Personal income per capita ranks highest among the states, at 140% of the national level, although annual growth in aggregate personal income has been below the nation since 2011.

REVENUE FRAMEWORK

Tax revenues for general fund needs are diverse, with PIT, CIT and sales taxes serving as the primary tax sources. PIT receipts, particularly those derived from non-withholding, are particularly important, but their volatility has had a negative impact on the state's financial position. An inflationary-adjusted revenue volatility cap enacted in 2017 partly addressed this cyclicality by directing non-withholding revenue (estimates and final component of the PIT and the fiscal 2018-enacted pass-through entity tax, explained below) above the cap to the BRF. A separate, statutorily-enacted revenue cap that limits appropriations to a level below expected revenue begins in fiscal 2020. The revenue cap, required to reach 98% in fiscal 2026, is phased in at 0.25% increments. The separate STF receives a range of transportation-related receipts as well as resources from the general fund.

Historical growth in revenues, after adjusting for the estimated impact of tax policy changes, has been below inflation and well below the pace of national GDP growth, due to contractions in the important financial services sector as well as the maturity of the state's economy.

The enacted budget for the 2020-2021 biennium factored in the April 2019 consensus revenue forecast which included the new limit on appropriations to 99.5% of the revenue forecast and recognized approved tax policy actions and higher expectations for baseline revenue performance. Even with these tax measures implemented, available revenue in fiscal 2020 was estimated at 1.4% below fiscal 2019, as the revenue cap phase-in, lower expectations for the pass-through entity tax and the falloff of one time federal aid are incorporated.

The state has an unlimited legal ability to raise tax revenues. Tax rate competitiveness is more of a factor in Connecticut than in some other states due to the nature of its taxpayer base, its relatively small size, and its proximity to neighboring states' urban employment centers. Passage of the federal Tax Cut and Jobs Act (TCJA) heightened this concern, as the limit on the deduction for state and local taxes increased residents' effective tax burden.

As part of the fiscal 2019 budget discussions, the state enacted legislation intended to mitigate the expected negative effects of TCJA on state taxpayers. Approved legislation created a revenue-neutral tax on pass-through entities, offset by a personal income tax credit, and allowed municipalities to create charitable organizations in support of town services accompanied by a local property tax credit. Collections from the tax on pass-through entities have been strong while the charitable deduction option has proven unsuccessful.

Transportation revenues, while statutorily dedicated for transportation needs, have been subject in the past to frequent diversion for general operations. To reduce diversions, voters approved a constitutional amendment in November 2018 that restricts moneys collected in the STF to transportation purposes. The fiscal 2019 revised budget also accelerated the deposit of motor vehicle sales taxes to the STF from the general fund, although the budget for the 2020-2021 biennium scaled back the increase until fiscal 2022.

EXPENDITURE FRAMEWORK

As with many smaller states, Connecticut's scope of spending is very broad, with the state responsible for delivering or funding numerous services routinely handled at the local level in other states. Formula funding for local schools and subsidies for higher education highlight the state's role in education, which extends as well to making teacher pension contributions and funding school capital. Municipal aid is also significant, although previous sharing of sales tax revenue was suspended through fiscal year 2021 and was instead funded through targeted general fund grants. The return of sales tax revenue sharing in fiscal 2022 is a contributor to the state's projected out-year budget gaps. Municipal aid in fiscal 2020 modestly increases by about 2% from fiscal 2019.

The state's constitutional cap on expenditure growth, excluding appropriations for certain fixed or federal requirements, limits increases in annual appropriations to compound annual growth of personal income over the past five calendar years or of the annual growth in the U.S. consumer price index less food and energy, whichever is greater. This cap, in concert with comparatively weak forecast revenue growth, results in the state's need to limit annual growth in expenditures.

The state retains solid ability to cut spending despite successive budgetary adjustments during the current and last biennia. Statute requires swift response in the event of forecast underperformance, either through rescissions, allotment cuts, or with legislative concurrence, depending on the size of the projected deficit. Fitch believes agreements with its collective bargaining units, particularly with the state employee bargaining agent coalition (SEBAC), have successfully constrained growth in annual expenditures but nevertheless may restrain the state's flexibility to adjust expenditures in an unforeseen economic or financial downturn. SEBAC's current contract extended the agreement on pension and healthcare benefits from fiscal 2022 to fiscal 2027 and provided layoff protection through June 30, 2021 for existing employees. The wage agreement remains in effect through fiscal 2021.

The state's relatively high carrying costs for debt service, actuarial pension contributions, and other post-employment benefits (OPEB), totaling 21.3% of governmental expenditures in fiscal 2019, continue to constrain policy options. Carrying costs in fiscal 2019 included the state's commitment to match the 3% employee contribution to the state's OPEB trust fund; this contribution totaled $120 million. The enacted 2020-2021 budget achieved annual savings beginning in fiscal 2020 through revisions to the SEBAC agreement which re-amortizes a portion of the outstanding unfunded pension liability for the state employee retirement system (SERS) and through reforms to TRS that also extend the amortization period (discussed in greater detail below.)

Spending for Medicaid remains a key fiscal challenge for Connecticut and for all U.S. states. The fiscal challenge of Medicaid is common to all U.S. states and the nature of the program as well as federal government rules limit the states' options in managing the pace of spending growth. Federal action to revise Medicaid's programmatic and financial structure appears less likely in the near term given divided control in Congress. As with all federal initiatives, Medicaid remains subject to regulatory changes that could affect various aspects of the program.

LONG-TERM LIABILITY BURDEN

Connecticut's long-term liability burden for debt and pensions, adjusted to Fitch's standard 6% return assumption, is amongst the highest for a U.S. state at 25% of 2018 personal income as of Fitch's 2019 State Pension Update report. It remains a moderate, albeit elevated, burden on resources. As updated by the fiscal 2019 state audit and more recent information, including upcoming bond sales, long-term debt alone totals $26.4 billion, or 9.4% of 2019 personal income, and the state's total adjusted liability burden approximates 25.7% of 2019 personal income, inclusive of the 2019 legislative changes which increased the unfunded pension liabilities.

Almost 70% of outstanding debt is GO, including a large share issued for local school capital needs. GO borrowing also includes $2.2 billion in pension bonds (POBs) issued in 2008 to improve the funded ratio of the TRS and $488 million of remaining GO bonds issued by Hartford as part of the contract assistance agreement between the state and the city. Annual new debt issuance is limited to $1.9 billion per year under a state-enacted bond cap, excluding UCONN and Connecticut State Colleges and University 2020 higher education borrowing, as well as borrowing for refunding purposes.

Both of the state's two major pension systems have relatively low funded ratios driven by weak contribution practices in the past. Both plans have received nearly full actuarial contributions for over a decade, the TRS under a covenant linked to the GO pension bonds. As part of the 2020-2021 biennial budget, the state appropriated $380.9 million from the fiscal 2019 operating surplus to fund a SCRF for the benefit of pension bondholders. Supported by an opinion of the state attorney general, the SCRF is deemed to provide adequate protection of bondholders as required by covenants in the POB, which permitted the state to re-amortize and extend the unfunded liability of TRS, thereby reducing future annual contributions. Following this action, the state's actuarially determined contribution (ADC) for TRS was lowered by approximately $183 million and $188 million, respectively, for fiscal years 2020 and 2021.

Should amounts on deposit in the SCRF total less than the minimum requirement, state statute directs net revenue of the state's lottery to be deposited in the SCRF until the minimum balance is attained. In conjunction with the TRS re-amortization, the investment return assumption was lowered to 6.9% from 8%. The state reports that an updated actuarial valuation as of June 30, 2018, dated June 18, 2019, determined that these changes resulted in TRS' unfunded actuarial accrued liability (UAAL) increasing from $13.2 billion to $16.8 billion.

The 2019 budget act also extended SERS' amortization period; from 22.8 years to 27.9 years, which was ultimately agreed to by SEBAC and approved by the legislature. The extension follows multiple other revisions for SERS which extended the state's closed amortization period, lowered the return assumption to 6.9%, revised benefits, increased employee pension contributions for all existing members, revised the COLA formula and timing for post-2022 retirees, and created a new hybrid defined benefit/defined contribution tier for all new employees. An updated actuarial valuation as of June 30, 2019 showed an increase in SERS' UAAL, to $22.3 billion.

The state currently estimates an OPEB liability of $19.9 billion (7.1% of 2019 personal income) inclusive of recent changes to collective bargaining agreements and healthcare benefit assumptions. The state's OPEB trust had a market value of $968 million as of June 30, 2019.

OPERATING PERFORMANCE

Connecticut's financial resilience is built on strong powers to address budgetary weakness, including administrative and legislative actions to reduce spending, a willingness to raise revenues, and strong reserve funding mechanisms. Financial resilience is supported by multiple revenue monitoring mechanisms, including consensus forecasting, and disciplined mechanisms to respond to identified budgetary weakness. Budgetary challenges have been historically driven by revenue underperformance in the context of fixed costs that consume a large share of budgetary resources. Fitch believes tax rate increases adopted in recent biennial budgets, together with impacts of the passage of the TCJA, could make future revenue initiatives more challenging.

Gap-closing capacity had declined in recent biennia due to the state's comparatively weak economic and revenue performance during the recently-ended recovery. With the state unable to swiftly rebuild sizable balances in the BRF after depleting it in fiscal 2011, expenditure cuts and revenue increases were the state's primary sources of financial resilience.

The enactment of a revenue volatility cap in fiscal 2018 in conjunction with passage of the TCJA pushed the state's collection of PIT estimates and finals over the cap, resulting in a significant $972 million net deposit to the BRF, after applying $483 million (3% of revenues) of the windfall to solving a fiscal 2018 budget gap. The deposit boosted the BRF to 6.5% of fiscal 2018 revenues from 1.2% in fiscal 2017. The volatility cap threshold is adjusted annually by a formula of compound annual growth in personal income over the prior five-year period. This change has the effect of annually increasing the threshold that mandates deposits to the BRF. The threshold amount may also be modified by a three-fifths majority of the General

Assembly in response to changes in state or federal tax law or significant adjustments to economic growth or tax collections.

If the BRF reaches a balance of 15% of the next year's projected net general fund appropriations, no additional deposits are required and revenues over the cap are applied to reducing the state's liabilities. The BRF may be drawn upon to cure a prior fiscal year deficit or if estimated general fund revenues decline by 1% or more from the forecast used to enact the budget. Future legislation can also assign surplus balances to other uses. These powers permitted the state's use of the BRF as part of its actions to close the budget gap in fiscal 2018 and follows draws on the BRF balance to close ending deficits in fiscal years 2015, 2016 and 2017.

Despite the challenges posed by its slow recovery from the Great Recession, the state's budget management has generally improved in recent biennia, with a greater reliance on structural solutions and continued full actuarial pension contributions. Fitch also recognizes state actions to bolster balances in the BRF, protect the general fund from PIT cyclicality, and moderate annual growth in expenditures and debt issuance through statute in addition to bond covenants that impose limitations through June 30, 2023.

Nonetheless, above average fixed costs, lack of consensus on transportation capital funding, and contractually agreed-upon appropriations to correct a longstanding GAAP deficit are likely to weigh on the state in future years. Appropriations to amortize the GAAP deficit were pledged in a 2014 bond issue whereby the state covenanted to amortize this deficit, now at $679.6 million as of June 30, 2018, by fiscal 2028. The state made one payment toward this goal in fiscal 2016 and included a second payment in the enacted budget for fiscal 2020. The state continues to project budgetary imbalance in fiscal years after 2021 and will need to identify revenue solutions or expenditure reductions to reach balance absent higher revenue growth.

Related Ratings

In conjunction with affirmation of the state's IDR, Fitch has affirmed the following linked ratings:

--University of Connecticut state debt service commitment bonds, subject to annual appropriation, at 'A';

--Connecticut Higher Education Supplemental Loan Authority state supported revenue bonds at 'A';

--Capital Region Development Authority (formerly known as the Capital City Economic Development Authority) appropriation-backed parking and energy fee revenue bonds, 2004 series B and series 2018 refunding bonds at 'A';

--Connecticut Development Authority (CDA) general fund obligation bonds series 2004A and 2006A at 'A';

--Connecticut Innovations general fund obligation bonds series 2014A at 'A'.

The Rating Outlook is Stable.

CRITERIA VARIATION

None identified.

ADDITIONAL NOTES

ESG Considerations

ESG issues are credit neutral or have only a minimal credit impact on the entity(ies), either due to their nature or the way in which they are being managed by the entity(ies). For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by information from Lumesis.

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.

RATING ACTIONS

ENTITY/DEBT	RATING		
Connecticut, State of (CT) [General Government]	LT IDR	A+	Affirmed
• Connecticut, State of (CT) /General Obligation - Unlimited Tax/1 LT	LT	A+	Affirmed
• Connecticut, State of (CT) /Special Capital Reserve Fund/1 LT	LT	A	Affirmed

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

U.S. Public Finance Tax-Supported Rating Criteria (pub. 27 Mar 2020) (including rating assumption sensitivity)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

FAST States & Locals - Fitch Analytical Stress Test Model, v2.4.0 (1)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Capital City Economic Development Authority	EU Endorsed
Capital Region Development Authority (CT)	EU Endorsed
Connecticut Development Authority (CT)	EU Endorsed
Connecticut Higher Education Supplemental Loan Authority (CT)	EU Endorsed
Connecticut Innovations, Inc. (CT)	EU Endorsed
Connecticut, State of (CT)	EU Endorsed
University of Connecticut (CT)	EU Endorsed

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