S&P Global
Ratings

RatingsDirect®

Connecticut; Appropriations; Gas Tax; General Obligation; General Obligation Equivalent Security; Moral Obligation

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Connecticut; Appropriations; Gas Tax; General Obligation; General Obligation Equivalent Security; Moral Obligation

Credit Profile		
US$300.0 mil taxable GO rfdg bnds ser 2021A due 06/01/2031		
Long Term Rating	A+/Stable	New
US$300.0 mil GO bnds (Social Bnds) ser 2021B due 06/01/2041		
Long Term Rating	A+/Stable	New
US$225.0 mil GO rfdg bnds (forward delivery) (Social bnds) ser 2021D due 07/15/2031		
Long Term Rating	A+/Stable	New
US$175.0 mil GO rfdg bnds ser 2021C due 07/15/2024		
Long Term Rating	A+/Stable	New
Connecticut GASTAX		
Long Term Rating	AA-/Stable	Upgraded
Connecticut GO		
Long Term Rating	A+/Stable	Upgraded
Connecticut GO		
Long Term Rating	A+/Stable	Upgraded
Connecticut GASTAX (BAM)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GASTAX (BAM)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GASTAX (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GASTAX (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (AGM)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (AGM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (AGM) (SEC MKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (AGM) (SEC MKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded

Credit Profile (cont.)		
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
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Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
State of Connecticut spl tax oblig bnds transp infrastructure purposes ser 2021A due 05/01/2041		
Unenhanced Rating	AA-(SPUR)/Stable	Current
Capital Region Development Authority, Connecticut		
State of Connecticut, Connecticut		
Capital Region Dev Auth (Connecticut) GOEQUIV		
Long Term Rating	A+/Stable	Upgraded
Capital Region Dev Auth (Connecticut) GOEQUIV		
Long Term Rating	A+/Stable	Upgraded
Capital Region Dev Auth (Connecticut) GOEQUIV		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut Hlth & Educl Facs Auth, Connecticut		
State of Connecticut, Connecticut		
Connecticut Hlth & Educl Facs Auth (Connecticut) (BAM)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut Hsg Fin Auth, Connecticut		
State of Connecticut, Connecticut		
Connecticut Hsg Fin Auth (Connecticut) state-supported sp oblig bnds		
Long Term Rating	A+/Stable	Upgraded
Connecticut Hsg Fin Auth (Connecticut) state-supported sp oblig bnds		
Long Term Rating	A+/Stable	Upgraded
Connecticut Hsg Fin Auth (Connecticut) state-supported sp oblig bnds (Connecticut) ser 24 due 06/15/2048		

Credit Profile (cont.)		
Long Term Rating	A+/Stable	Upgraded
Connecticut Hlth & Educl Facs Auth, Connecticut		
Connecticut St Univ Sys, Connecticut		
State of Connecticut, Connecticut		
Connecticut Hlth & Educl Facs Auth (Connecticut) GOEQUIV (BAM)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut Hlth & Educl Facs Auth, Connecticut		
Connecticut St Univ Sys, Connecticut		
State of Connecticut, Connecticut		
Connecticut Hlth & Educl Facs Auth (Connecticut) GOEQUIV (BAM)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut Hlth & Educl Facs Auth, Connecticut		
Connecticut St Univ Sys, Connecticut		
State of Connecticut, Connecticut		
Connecticut Hlth & Educl Facs Auth (Connecticut) GOEQUIV (BAM)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut Hlth & Educl Facs Auth, Connecticut		
Connecticut St Univ Sys, Connecticut		
State of Connecticut, Connecticut		
Connecticut Hlth & Educl Facs Auth (Connecticut) GOEQUIV (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut Hlth & Educl Facs Auth, Connecticut		
Connecticut St Univ Sys, Connecticut		
State of Connecticut, Connecticut		
Connecticut Hlth & Educl Facs Auth (Connecticut) GOEQUIV (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut Hlth & Educl Facs Auth, Connecticut		
Connecticut St Univ Sys, Connecticut		
State of Connecticut, Connecticut		
Connecticut Hlth & Educl Facs Auth (Connecticut) GO (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded

Rating Action

S&P Global Ratings has raised its rating on the State of Connecticut's general obligation (GO) debt to 'A+' from 'A' and assigned its 'A+' rating to the state's series 2021A (taxable) and 2021B-D GO bonds. The outlook on all the ratings is stable.

We also raised to 'A+' from 'A' our rating on debt secured by a special capital reserve fund--which we view on par with that of the state's GO rating–that includes various issues by the Connecticut Housing Finance Authority, Connecticut Health and Educational Facilities Authority, and Connecticut Green Bank, as well as various other state-supported

GO-equivalent securities. We also raised our rating on Connecticut's appropriation-secured debt to 'A' from 'A-' and the state's moral obligation debt rating to 'BBB+' from 'BBB'. The ratings on the state's series 2016C GO bonds and Capital City Economic Development Authority series 2004B bonds, with liquidity support provided by Bank of America, are now rated A+/A-1.

Finally, we also raised our rating to 'AA-' from 'A+' on Connecticut's special tax obligation (STO) transportation fund-secured debt, which under our "Priority-Lien" criteria (published Oct. 22, 2018, on RatingsDirect), is limited to one notch above our GO rating. For more information on the credit characteristics of STO debt, see our most recent summary analysis on Connecticut (April 12, 2021).

The series 2021A (taxable) and 2021B-D GO bonds are a GO of the state of which it has pledged its full faith and credit of and all of its taxing power toward repayment. The series A and B bonds are new-money issuance for school construction and related education expenses, as well as other various purposes. The series C and D bonds are current refunding bonds. The state has designated the series B and D bonds as "Social Bonds" based on the use of proceeds for school construction and to refund certain outstanding bonds previously issued to finance school construction and related education expenses.

Credit overview

The upgrade reflects our view of a continuing moderating debt profile, based on a slower rate of tax-supported debt issuances, rapid amortization, and our opinion that a majority of debt metrics will remain below a level that previously resulted in a one-notch override that lowered our anchor rating. Notably, Connecticut has slowed its debt growth to an average 2.5% annually (fiscal years 2018 to 2020) compared to 7.3% annually (fiscal years 2014 to 2017). We expect that the continued pace of debt issuance, coupled with the already rapid amortization, will contribute to further debt burden moderation. While other postemployment benefits (OPEBs) remain very high and significantly underfunded, the state has begun pre-funding its OPEB trust and has adopted more conservative actuarial assumptions and methods for funding pension liabilities. Changes to funding of the states' unfunded pension liabilities include lowering its assumed rates of return from 8.0% to 6.9% for its two largest pension plans, a layered amortization method, and transitioning to a level-dollar funding method.

The state's strong operating performance in recent years continued throughout the pandemic due, in part, to policy changes that include: a "revenue volatility cap" that transfers year-end surplus above a certain threshold to the budget reserve fund (BRF) until the fund reaches an amount equal to 15% of the net general fund appropriations (which the state exceeded in fiscal 2020 and expects to exceed again in fiscal 2021); a "revenue cap" that prohibits the General Assembly from authorizing general fund and special transportation fund appropriations in any fiscal year that exceeds a percentage of the revenue forecast; and continuing with already strong financial management practices that include updated revenue forecast three-times per year, recission authority for projected deficits, and expenditure controls.

As the 2021 fiscal year ends (June 30), the state looks to exhibit strong financial results with a year-end surplus of $249.8 million and a net deposit to the BRF of $954.9 million (including the volatility cap). It will again exceed its 15% BRF statutory maximum and transfer approximately $890 million toward its long-term liabilities based on the governor's recommended fiscal 2022 appropriations.

The governor's proposed biennium budget initially called for the use of BRF revenue of $775 million in fiscal 2022 and

$975 million in fiscal 2023. However, the updated April revenue forecast and receipt of American Rescue Plan (ARP) funding will likely mitigate the need to draw on the BRF. The governor is proposing $1.75 billion (66%) of the state's estimated ARP receipts be used for governmental services. As a result, we anticipate the state's BRF balance will continue to grow to pay down unfunded pension liabilities and be maintained at the 15% statutory cap.

However, a high fixed-cost burden pressures the state's financial flexibility. By the state's own estimates, fixed costs (including debt service, pension, OPEBs, Medicaid, and other entitlement accounts) average 51% of general fund expenditures in fiscal years 2019, 2020, and 2021. In our opinion, the state's high fixed-cost burden limits its practical ability to make expenditure cuts in other areas. In addition, Connecticut's debt and OPEB liabilities are considered high by nearly all measures despite recent moderation and funding policy changes. Over time, if it continues to transfer money above its BRF statutory cap toward unfunded pension liabilities and continues to moderate debt issuance, the state's overall liability burden should improve.

Based on the analytic factors we evaluate for states, on a scale of '1.0' (strongest) to '4.0' (weakest), we have assigned a composite score of '2.1' to Connecticut, an anchor of the 'AA-' rating. However, we are further using our discretionary ability to rate one notch below the anchor rating based on the state's high fixed costs and liability burden, compounded by lagging economic growth compared to peers to arrive at our 'A+' rating.

Environmental, social, and governance factors

We consider Connecticut to have elevated social risks compared to the sector given its older population and higher cost of living. These demographic trends could present long-term credit risks to the state's economic and budgetary performance. However, we believe Connecticut's historically strong management and policy framework will help manage this risk. Environmental risks are considered above those of other states due to its 618 miles of coastline along Long Island Sound. Connecticut's shoreline roads and communities are at risk from rising sea levels. Generally, we view the state's governance risks as being in line with the state sector as it has historically maintained a strong management and policy framework to respond to developing risks.

Stable Outlook

Downside scenario

Should we calculate that debt ratios have increased to prior levels or total pension funded ratios fall below 40% without a plan to improve funding, we may lower the rating if there is no reasonable plan to improve these liability metrics.

Upside scenario

Should our view of the state's economic profile significantly improve or debt and other liabilities substantially moderate, we may raise our rating.

Credit Opinion

Connecticut's Economic Growth May Get A Boost, But Demographic Challenges Persist

The state's economic growth decelerated in the second half of the past decade, trailing that of the nation before the pandemic and lagged nearly all other states in employment recovery following the Great Recession. The lagging indicators were in part due to a significant disruption to the state's above-average employment concentration in the financial services sector and consolidation of the industry at the national level.

In the short term, Connecticut is likely to benefit with economic growth in line with that of the nation, according to IHS Markit, and the strong employment recovery in the second half of the year. However, persistent demographic challenges will weigh on future economic growth. Population growth over the past 10-years (2010-2020) has been virtually flat, compared with a compounded annual growth rate of 0.7% for the nation. The state also has a rapidly aging population, consistent with the rest of New England, that will likely contribute to slower economic growth (see "Increasing Generational Dependency Poses Long-Term Social Risks to U.S. States' Fiscal And Economic Stability," Feb. 24, 2020). Nonetheless, its wealth and income indicators remain among the highest in the nation with per capita personal income at about $79,700, or 134% of the nation; and state GDP per capita of about $63,500, or 124% of the nation.

There is some evidence of the state benefiting from in-migration during the pandemic. Home sales and prices have increased in southern Connecticut, which lies within the New York City metropolitan area. Whether this represents a long-term gain for the state or a short-term response to the pandemic remains unknown. If the state can retain these new residents, it bodes well for future economic stability and growth. Within the state, education and health services (20.8% of employment) is the largest employment segment and significantly higher than the national average (16.4%) and one of the highest concentrations of financial services employment in the country (7.7% state; 6.0% national). While the state's financial industry was hit hard by the last recession, its jobs are generally high-paying and thus are an important support for income and spending. Following the COVID-19-induced recession, financial sector employment has been less affected than other sectors and of benefit to the state's economy.

On a scale from '1.0' (strongest) to '4.0' (weakest), S&P Global Ratings assigned a '2.2' to Connecticut's economy.

Strong Budgetary Performance Through the Pandemic Positions The State Well

Following the Great Recession, the state maintained generally low reserve balances. However, in fiscal 2018, a newly enacted statutory provision required revenues above a certain threshold to be transferred to the state's BRF. The fund is capped at 15% of net general fund appropriations, with funds in excess of that amount first used as an additional contribution to the State Employee Retirement Fund (SERF) or to the Teachers' Retirement System (TRS) at the discretion of the state treasurer. For the first time, in fiscal 2020, the rainy day fund transfer caused the balance to exceed the statutory cap, and the state transferred $61.6 million to SERF. However, a high fixed-cost burden pressures the state's financial flexibility. By its own estimates, fixed costs (including debt service, pension, OPEBs, Medicaid, and other entitlement accounts) average 51% of general fund expenditures in fiscal years 2019, 2020, and 2021.

Fiscal 2020 audited results

The general fund BRF ended the year with a balance of $3.0 billion (compared to the prior year's balance of $2.5 billion) and reached the statutory cap of 15% of net general fund appropriations. The primary reason for the increase as in the prior fiscal year reflected the revenue volatility cap transfer.

On a GAAP basis, the state ended the year with a surplus. However, general fund revenues were 3.4% ($714.6 million) lower than fiscal year 2019 revenues, primarily due to taxes. Strong budgetary management and federal support contributed to strong results despite numerous challenges. General fund expenditures only increased 2% over the prior year and federal Medicaid reimbursements were received instead of being delayed until fiscal 2021, which improved the revenues by approximately $379 million.

Fiscal 2021 projections

As the fiscal year ends (June 30), the state looks to exhibit strong financial results: a year-end surplus of $249.8 million and a net deposit to the BRF of $954.9 million (including the volatility cap). It will again exceed its 15% BRF statutory maximum and transfer approximately $890 million toward its long-term liabilities based on the governor's recommended fiscal 2022 appropriations. Across all major revenue sources, the state is showing positive variances.

Fiscal year 2022 and 2023 proposed biennium budget

The governor's proposed budget called for the use of BRF revenue of $775 million in fiscal 2022 and $975 million in fiscal 2023. However, the updated April revenue forecast and receipt of ARP funding will likely mitigate the need to draw on the BRF. The governor is proposing $1.75 billion (66%) of the state's estimated ARP receipts to be used for governmental services. As a result, we anticipate the state's BRF balance will continue to grow to pay down unfunded pension liabilities and be maintained at the 15% statutory cap.

On a scale from '1.0' (strongest) to '4.0' (weakest), S&P Global Ratings assigned a score of '1.3' to Connecticut's budgetary performance.

High Debt And OPEB Liabilities Weigh On Future Credit Quality

By nearly all measures, Connecticut's debt is considered high. At June 30, 2020, total tax-supported debt outstanding totaled $25.2 billion (including GO, transportation, and capital lease debt). This equates to a very high $7,000 per capita, 9% of personal income, and 9% of gross state product. We also calculate debt service at 15% of government spending but offset by rapid amortization.

Prior to the current administration, outstanding debt increased at an average rate of 7.3% (2014 to 2017), 3.5x the average preceding five-year period. As a result of this significant amount of debt issuance, we calculated debt ratios in our state scoring criteria at more than one-third above the level necessary to score a '4', which triggered a one-notch rating override under our state scoring criteria. In recent years, debt has moderated and ratios have fallen below these levels, no longer indicative of this rating override. However, the state's long-term liability profile continues to weigh on the rating.

Connecticut continues to adequately fund its pension liabilities and has adopted more conservative assumptions, although we view unfunded pension and OPEB liabilities as a significant credit pressure. When determining the state's liabilities, we view in aggregate its proportionate share of liabilities in its three defined-benefit pension systems and its retiree health care plan as a part of the State Employee OPEB Plan (SEOPEBP). Through an appropriation of the general fund, the state pays for one-third of plan costs to the Retired Teacher Healthcare plan (RTHP).

- We view the state's pension funding discipline as adequate as it annually contributes an amount in its major pension plans to cover static funding, but not enough to meet our minimum funding progress metric. We also consider the state's net pension liability (NPL) high compared to peers and extremely underfunded.
- The state's OPEB liability is a source of credit pressure as the liability is high compared to peers, but recent actions to reduce the liability and pre-funding of an OPEB trust have resulted in a relatively stabilized unfunded liability.

Pension and OPEB liabilities

As of June 30, 2020, the state's overall average pension funded ratio across all plans was approximately only 43%. The three-year average pension funded ratio was also 45%. The total unfunded liability of all plans is about $11,800 per capita, or a very high 15% of state personal income.

Plans representing a significant portion of the state's unfunded pension liability as of June 30, 2020, include:

- SERS: 37% funded with the state's applicable NPL $22.8 billion (measured June 30, 2019); and
- TRS: 49% funded with the state's applicable NPL of $18.8 billion (measured June 30, 2020).

We believe, on the whole, management factors and actuarial inputs do not significantly encumber or improve our view of the state's overall pension funding discipline. However, changes in recent years to lower the assumed rate of return, use a closed layered amortization method, and transition to a level-dollar funding plan should improve plan liquidity over the long term and stabilize future costs.

As of fiscal year-end reporting, SERS used a 6.9% assumed rate of return, a closed level-percent of payroll amortization method phasing to level dollar, and a weighted amortization period of 26.8 years. For TRS, the state adopted a 6.9% discount rate and reset the amortization period to a closed 30-year period with future amortizations using a layered 25-year period, and amortized at a level-percent of pay and will gradually move to a level-dollar method beginning with the June 30, 2024 valuation. In our opinion, reduction of the assumed rate of return and using a level-dollar amortization method should improve funding if funding discipline is maintained. We view the changes in assumptions favorably, but recognize the reset in the amortization period to a longer duration was necessary to offset increasing costs. While the changes in assumptions more closely align with our guidance for evaluation pension risk, the state's large unfunded liability presents a continuing credit pressure.

As of June 30, 2019, the state's applicable net OPEB liability for SEOPEBP was $20.7 billion, or about $5,800 per capita and approximately 7% of personal income, which is above medians. Recent actions to reduce the liability and pre-funding of an OPEB trust have resulted in a relatively stabilized unfunded liability. The plan was 5.5% pre-funded as the state has shown a commitment to increasing contributions above pay-as-you-go levels.

The unfunded state employee OPEB liability had been a larger $26.6 billion at June 30, 2008. The lower liability reflects a change in the discount rate due to the creation of a trust fund, lower liabilities resulting from changes in plan design negotiated with the State Employee Bargaining Agent Coalition, and various health care cost-containment initiatives. Before the state reformed its OPEB system, OPEB costs had been forecast to rise sharply, reaching approximately $45 billion by fiscal 2017.

Benefits provided by SEOPEBP to members of the plan include health care and life insurance benefits to eligible retirees and their spouses not part of TRS or the Municipal Employees' Retirement System. Plan benefits required contributions of plan participants and the state, and other plan provisions are described in statute.

Connecticut is also statutorily required to fund one-third of teacher pension OPEB costs, plus the shortfall left after employer and employee contributions. The teachers' net OPEB liability was $2.7 billion as of June 30, 2019, and only 2% funded.

For additional information on states' funding progress for pension and OPEB liabilities, see our report "Sudden-Stop Recession Pressures U.S. States' Funding For Pension And Other Retirement Liabilities," Aug. 3, 2020.

On a scale from '1.0' (strongest) to '4.0' (weakest), S&P Global Ratings assigned a score of '3.5' to Connecticut's debt and long-term liabilities.

Government Framework Proves Resilient During Recession

The government framework--including fiscal policy and intergovernmental funding within which each state taxes, spends, and issues debt--influences Connecticut's ability to manage through economic cycles.

A key feature of Connecticut's governmental framework is a balanced budget requirement. The state constitution provides that the amount of general budget expenditures authorized in any fiscal year must not exceed the estimated amount of revenue for that fiscal year. In developing its budget, Connecticut operates under a constitutional expenditure cap that limits spending growth to the greater of personal income growth or the inflation rate, unless the governor declares a state of emergency or three-fifths of each house of the legislature votes to exceed the limit due to extraordinary circumstances. The expenditure cap excludes debt service, payments from federal grants, and matching payments, while certain pension costs are phased in under the cap in stages beginning in 2023. There is no statutory or constitutional prohibition against borrowing for operating purposes, and the state has done so in the past. Connecticut is authorized to issue GO debt, special tax obligation debt, and special obligation and revenue debt. Debt outstanding, authorized and payable from the general fund, is limited by statute to 1.6x total general fund tax receipts. Cancellation of debt authorization must be considered by state statute when Connecticut's debt approaches 90% of the state debt limit.

There are no constitutional or statutory provisions providing for, or precluding, a priority of payment for GO debt service over other claims of the state. Funds for debt service are considered to be appropriated and, as part of the contract between bondholders and Connecticut, the state must appropriate all amounts necessary for the punctual payment of principal and interest.

Connecticut, which is not a voter-initiative state, has the autonomy to raise taxes and has adjusted its tax structure over time. Although it has legal flexibility to adjust funding to local governments, we believe it might be politically difficult to make large municipal aid cuts. The state has previously avoided sharp midyear reductions in these areas in recent years.

Connecticut is required to put certain current statutory spending limitations into bond covenants for GO bonds sold after May 15, 2018. The covenants are in place until July 1, 2023, as an essentially unbreakable contractual obligation. These provisions include budgeting for only 99.5% of forecast revenues in fiscal 2020 and declining in 0.25% increments until it reaches 98% in fiscal 2026 and thereafter, transferring a new business pass-through tax, and certain annual income tax revenue above $3.15 billion (adjusted annually for inflation), to the budget reserve, and various bonding caps, unless the governor and three-fifths of the legislature declare a financial emergency.

New statutory law also limits use of the budget reserve to instances when revenues are forecast to decline 1% or more, or if the budget reserve equals 5% or more of current-year appropriations of the amount in excess of the 5% for the payment of unfunded past service liability of the employees' and teachers' pension systems, which are in excess of regular contributions.

On a scale from '1.0' (strongest) to '4.0' (weakest), S&P Global Ratings assigned a '1.9' score to Connecticut's governmental framework.

Strong Financial Policies And Budgetary Management Support Credit Stability

We consider Connecticut's management practices strong under our Financial Management Assessment (FMA) methodology. An FMA of strong indicates that, in our opinion, practices are robust, well embedded, and likely sustainable.

Beginning Oct. 15, 2009, the Office of Policy and Management (OPM) and the legislature's Office of Fiscal Analysis have been required by statute to issue consensus revenue estimates each year. An update to the estimate is required by Nov. 10, Jan. 15, and April 30 of each year, and must cover a five-year period. In addition to its internal resources, Connecticut bases its revenue estimates for budget forecasting on a number of outside data sources and economic forecasting firms. The state's long-term financial planning includes a three-year forecast for the legislature in addition to the biennial budget. The financial plan is updated annually and submitted to the legislature by Nov. 15.

The state produces a five-year capital improvement plan as part of the November update. State statutes require monthly revenue and expenditure forecasts measured against the budget. The OPM and the Office of the Comptroller generate monthly reports projecting year-end surpluses or deficits.

State statutes also prescribe investment of state funds. Dedicated staff monitors investments and generates monthly reports. Connecticut also holds at least quarterly meetings with the investment advisory commission. The state has debt management policies that guide amortization and issuance.

State statute authorizes a BRF at a maximum of 15% of general fund appropriations. It prescribes that all unappropriated general fund surpluses must be transferred into the state's BRF, and that the fund can only be drawn on to fund operating deficits. Before 2018, and the imposition of bond covenants mandating revenues above its volatility cap to go into the reserve, the state typically held low reserves in recent years despite the economic recovery.

Connecticut maintains a formal schedule for updating revenues and expenditures on a monthly basis, and this is done by both OPM and the comptroller. If the comptroller reports a projected general fund deficit of greater than 1%, the governor is required to file a deficit mitigation plan. Although the governor might reduce appropriations, this is limited to 5% of total appropriations and 3% of any fund, with any additional reductions requiring legislative approval. Legislative deliberation relating to interim budget adjustments has contributed to a delay in addressing budget gaps at times. The state is allowed to end the year in a deficit position, which has periodically been addressed with deficit bonds. However, statutory provisions provide that any new budget deficit after fiscal 2013 must be funded in the budget of the year following the next fiscal year (when the magnitude of the previous budget deficit has become fully known). Gap-closing solutions in previous bienniums have relied on significant nonrecurring measures and structural solutions.

On a scale from '1.0' (strongest) to '4.0' (weakest), S&P Global Ratings assigned a score of '1.5' to Connecticut's financial management.

Related Research

- Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020

Ratings Detail (As Of May 13, 2021)		
Connecticut spl tax (BAM) (SEC MKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut APPROP		
Long Term Rating	A/Stable	Upgraded
Connecticut GASTAX		
Long Term Rating	AA-/Stable	Upgraded
Connecticut GASTAX		
Long Term Rating	AA-/Stable	Upgraded
Connecticut GO		
Long Term Rating	A+/Stable	Upgraded
Connecticut GO		
Long Term Rating	A+/Stable	Upgraded
Connecticut GO		
Long Term Rating	A+/Stable	Upgraded
Connecticut GO		
Long Term Rating	A+/Stable	Upgraded
Connecticut GO		
Long Term Rating	A+/Stable	Upgraded
Connecticut GO		
Long Term Rating	A+/Stable	Upgraded

Ratings Detail (As Of May 13, 2021) (cont.)		
Connecticut GO		
Long Term Rating	A+/Stable	Upgraded
Connecticut GO		
Long Term Rating	A+/Stable	Upgraded
Connecticut GO		
Long Term Rating	A+/A-1/Stable	Upgraded
Connecticut GO		
Long Term Rating	A+/Stable	Upgraded
Unenhanced Rating	NR(SPUR)	
Connecticut GO		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO bnds ser 2019 A dtd 04/11/2019 due 04/15/2020-2039		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO bnds ser 2019 A dtd 04/11/2019 due 04/15/2020-2039		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (AGM)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
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Unenhanced Rating	A+(SPUR)/Stable	Upgraded
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Connecticut GO (AGM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
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Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (AGM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (AGM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded

Ratings Detail (As Of May 13, 2021) (cont.)		
Connecticut GO (AGM) (SEC MKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (AGM) (SEC MKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (AGM) (SEC MKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (AGM) (SEC MKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (AGM) (SEC MKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded

Ratings Detail (As Of May 13, 2021) (cont.)		
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SEC MKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SEC MKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SEC MKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (FGIC)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (FGIC) (National)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (MBIA) (National)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut GO (MBIA) (National)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Capital Region Development Authority, Connecticut		
State of Connecticut, Connecticut		

Ratings Detail (As Of May 13, 2021) (cont.)		
Capital City Econ Dev Auth (Connecticut) GOEQUIV		
Long Term Rating	A+/A-1/Stable	Upgraded
Connecticut Green Bank, Connecticut		
State of Connecticut, Connecticut		
Connecticut Green Bank solar home renewable energy credit green liberty bnds (Climate Bond Certified) ser 2021 due 11/15/2036		
Long Term Rating	A+/Stable	Upgraded
Connecticut Green Bank (Connecticut) (Climate Bond Certified)		
Long Term Rating	A+/Stable	Upgraded
Connecticut Hlth & Educl Facs Auth, Connecticut		
State of Connecticut, Connecticut		
Connecticut Hlth & Educl Facs Auth (Connecticut) APPROP		
Long Term Rating	A/Stable	Upgraded
Connecticut Hlth & Educl Facs Auth (Connecticut) APPROP		
Long Term Rating	A/Stable	Upgraded
Connecticut Hlth & Educl Facs Auth (Connecticut) GOEQUIV		
Long Term Rating	A+/Stable	Upgraded
Connecticut Hlth & Educl Facs Auth (Connecticut) GOEQUIV		
Long Term Rating	A+/Stable	Upgraded
Connecticut Hlth & Educl Facs Auth (Connecticut) GOEQUIV		
Long Term Rating	A+/Stable	Upgraded
Connecticut Hlth & Educl Facs Auth (Connecticut) GOEQUIV		
Long Term Rating	A+/Stable	Upgraded
Connecticut Hlth & Educl Facs Auth (Connecticut) MORALOB (ASSURED GTY)		
Unenhanced Rating	BBB+(SPUR)/Stable	Upgraded
Connecticut Hlth & Educl Facs Auth (Connecticut) (BAM) (SEC MKT)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut Hsg Fin Auth, Connecticut		
State of Connecticut, Connecticut		
Connecticut Hsg Fin Auth (Connecticut) GOEQUIV		
Long Term Rating	A+/Stable	Upgraded
Connecticut Hsg Fin Auth (Connecticut) GOEQUIV		
Long Term Rating	A+/Stable	Upgraded
Connecticut Hsg Fin Auth (Connecticut) GOEQUIV		
Long Term Rating	A+/Stable	Upgraded
Connecticut Hsg Fin Auth (Connecticut) GOEQUIV		
Long Term Rating	A+/Stable	Upgraded
Connecticut Hsg Fin Auth (Connecticut) GOEQUIV		
Long Term Rating	A+/Stable	Upgraded
Connecticut Hsg Fin Auth (State of Connecticut) state-supported spl oblig bnds (federally Taxable) (Connecticut) ser 29 due 06/15/2030		
Long Term Rating	A+/Stable	Upgraded
Connecticut Hsg Fin Auth (State of Connecticut) state-supported spl oblig bnds (federally Taxable) (Connecticut) ser 30 due 06/15/2051		

Ratings Detail (As Of May 13, 2021) (cont.)		
Long Term Rating	A+/Stable	Upgraded
Connecticut Hsg Fin Auth (State of Connecticut) state-supported spl oblig bnds (Connecticut) ser 27 due 06/15/2051		
Long Term Rating	A+/Stable	Upgraded
Connecticut Hsg Fin Auth (State of Connecticut) state-supported spl oblig bnds (Connecticut) ser 28 due 06/15/2040		
Long Term Rating	A+/Stable	Upgraded
Connecticut Innovations Incorporated, Connecticut		
State of Connecticut, Connecticut		
Connecticut Dev Auth (Connecticut) GO (MBIA) (National)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut Innovations Inc (Connecticut) GOEQUIV		
Long Term Rating	A+/Stable	Upgraded
Hartford, Connecticut		
State of Connecticut, Connecticut		
Connecticut GO (ASSURED GTY)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut Hlth & Educl Facs Auth, Connecticut		
Connecticut St Univ Sys, Connecticut		
State of Connecticut, Connecticut		
Connecticut Hlth & Educl Facs Auth (Connecticut) GO		
Long Term Rating	A+/Stable	Upgraded
Connecticut Hlth & Educl Facs Auth, Connecticut		
Connecticut St Univ Sys, Connecticut		
State of Connecticut, Connecticut		
Connecticut Hlth & Educl Facs Auth (Connecticut) GO		
Long Term Rating	A+/Stable	Upgraded
Connecticut Hlth & Educl Facs Auth, Connecticut		
Connecticut St Univ Sys, Connecticut		
State of Connecticut, Connecticut		
Connecticut Hlth & Educl Facs Auth (Connecticut) GOEQUIV		
Long Term Rating	A+/Stable	Upgraded
Connecticut Hlth & Educl Facs Auth, Connecticut		
Connecticut St Univ Sys, Connecticut		
State of Connecticut, Connecticut		
Connecticut Hlth & Educl Facs Auth (Connecticut) GOEQUIV		
Long Term Rating	A+/Stable	Upgraded
Connecticut Hlth & Educl Facs Auth, Connecticut		
Connecticut St Univ Sys, Connecticut		
State of Connecticut, Connecticut		
Connecticut Hlth & Educl Facs Auth (Connecticut) GOEQUIV		
Long Term Rating	A+/Stable	Upgraded
Connecticut Hlth & Educl Facs Auth, Connecticut		
Connecticut St Univ Sys, Connecticut		

Ratings Detail (As Of May 13, 2021) (cont.)		
State of Connecticut, Connecticut		
Connecticut Hlth & Educl Facs Auth (Connecticut) GOEQUIV (AGM)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded
Connecticut Hlth & Educl Facs Auth, Connecticut		
Connecticut St Univ Sys, Connecticut		
State of Connecticut, Connecticut		
Connecticut Hlth & Educl Facs Auth (Connecticut) GOEQUIV (AGM)		
Unenhanced Rating	A+(SPUR)/Stable	Upgraded

Many issues are enhanced by bond insurance.