

Rating Action: Moody's assigns Aa3 to Connecticut's Special Tax Obligation Bonds, 2022 Series A and B

30 Sep 2022

New York, September 30, 2022 -- Moody's Investors Service has assigned a Aa3 rating to Connecticut's \$830 million Special Tax Obligation Bonds, Transportation Infrastructure Purposes, 2022 Series A and \$305 million Special Tax Obligation Refunding Bonds, Transportation Infrastructure Purposes, 2022 Series B. Moody's maintains a Aa3 rating on previously issued bonds with the same pledge. The outlook is stable.

RATINGS RATIONALE

The Aa3 rating considers the credit profile of the state of Connecticut (issuer rating Aa3 stable), as well as the strong legal covenants associated with the special tax obligation bonds, the diversified stream of pledged revenues that exhibit some sensitivity to economic fluctuations, and satisfactory debt service coverage. The strong legal covenants include a constitutional lockbox on pledged funds, a two times additional bonds test, and a combined senior and second lien debt service reserve funded at maximum annual aggregate debt service.

RATING OUTLOOK

The bonds carry the stable outlook of the State of Connecticut, which reflects a high level of budgetary reserves that enhance the state's capacity to respond to a moderate revenue or expenditure shock.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Upgrade of state GO rating

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Downgrade of the state's GO rating
- Revenue declines resulting in lower debt service coverage
- Weakened legal covenants

LEGAL SECURITY

The bonds are secured by a gross pledge of motor fuels taxes, oil companies' taxes, general retail sales taxes, motor vehicle receipts, licenses, permits and fees and sales taxes. Pledged revenues are credited to the Special Transformation Fund and, once deposited to the fund, are constitutionally dedicated to transportation purposes.

USE OF PROCEEDS

Proceeds of the Series A new money bonds will be used to fund various state transportation infrastructure projects. Proceeds of the Series B bonds will refund certain outstanding maturities for economic savings.

PROFILE

The State of Connecticut has a population of 3.6 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 \$296 billion in 2021. It is among the wealthiest states in the country with per capita income of just over 129% of the US average.

METHODOLOGY

The principal methodology used in these ratings was US Public Finance Special Tax Methodology published in

January 2021 and available at <https://ratings.moodys.com/api/rmc-documents/70024> . Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions> .

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