S&P Global
Ratings

RatingsDirect®

State Of Connecticut; Appropriations; Gas Tax; General Obligation; General Obligation Equivalent Security; Moral Obligation; Public Coll/Univ - Unlimited Student Fees

Primary Credit Analyst:
Thomas J Zemetis, New York + 1 (212) 4381172; thomas.zemetis@spglobal.com

Secondary Contact:
David G Hitchcock, New York + 1 (212) 438 2022; david.hitchcock@spglobal.com

Table Of Contents

State Of Connecticut; Appropriations; Gas Tax; General Obligation; General Obligation Equivalent Security; Moral Obligation; Public Coll/Univ - Unlimited Student Fees

Credit Profile		
US$400.0 mil GO bnds ser 2022 E due 11/15/2035		
Long Term Rating	AA-/Stable	New
US$250.0 mil GO rfdg bnds ser 2022 SER G due 11/15/2032		
Long Term Rating	AA-/Stable	New
US$250.0 mil GO bnds (social bnds) ser 2022 F due 11/15/2042		
Long Term Rating	AA-/Stable	New
Connecticut GO		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut Hlth & Educl Facs Auth, Connecticut		
State of Connecticut, Connecticut		
Connecticut Hlth & Educl Facs Auth (Connecticut) (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
University of Connecticut, Connecticut		
State of Connecticut, Connecticut		
University of Connecticut, Connecticut		
University of Connecticut (Connecticut) GO		
Long Term Rating	AA-/Stable	Upgraded

Credit Highlights

- S&P Global Ratings raised its long-term rating to 'AA-' from 'A+' on the State of Connecticut's approximately $17.7 billion in general obligation (GO) debt outstanding.
- At the same time, we assigned our 'AA-' rating to the state's $400 million GO bonds, series 2022E; $250 million GO bonds (social bonds), series 2022F, and $250 million GO refunding bonds, series 2022G.
- We also raised our rating to 'AA-' from 'A+' on debt secured by a special capital reserve fund, which we view to be on par with that of the state GO rating, including various issues by the Connecticut Housing Finance Authority, Connecticut Health & Educational Facilities Authority, and Connecticut Green Bank, as well as various other state-supported GO-equivalent securities, including GOs of the University of Connecticut secured by the state's debt service commitment.
- We also raised our rating to 'A+' from 'A' on the state's appropriation-secured debt, and we raised our rating to 'A-' from 'BBB+' on obligations secured by the state's moral obligation.
- We also raised our rating to 'AA-/A-1+' from 'A+/A-1' on the state's series 2016C GO bonds and Capital Region Development Authority's series 2004B bonds, with liquidity support provided by Bank of America.

- Finally, we raised our rating to 'AA' from 'AA-' on Connecticut's special tax obligation (STO) transportation fund-secured debt, which under our "Priority-Lien Revenue Debt" criteria, published Oct. 22, 2018, is limited to one notch above our GO rating.
- The outlook on all ratings is stable.
- The upgrade on the state's GO debt reflects our view of Connecticut's sustained positive financial results and building of high reserve levels during a recent period of economic and revenue growth, while also demonstrating its commitment to structural budget balance and curbing future growth of the state's very high debt, pension, and other postemployment benefits (OPEB) liabilities, which we expect will continue in future biennial budgets. Connecticut's overall credit improvement is also underscored by the executive branch's announcement and intent to extend statutory financial controls in the next biennial budget proposal, which supports our view that the state remains more firmly committed to these provisions for the foreseeable future.

Security

The series 2022E, series 2022F, and 2022G GO bonds constitute general obligations of the state, of which the state has pledged its full faith and credit and its taxing power toward repayment. The series E bonds are a new-money issuance to finance various general-purpose projects authorized under public acts of the state. The series F bonds are new-money issuance for school construction and related education program expenses. The state has designated the series F bonds as "social bonds" based on the use of proceeds for school construction. The series G bonds will be used to refund all or a portion of maturities and principal amounts of outstanding GO bonds previously issued for general state purpose projects.

Credit overview

The rating reflects Connecticut's strong economic metrics, including high per capita income and gross state product (GSP) levels compared with the nation, and strong financial management and long-term financial forecasting that incorporates conservative revenue growth assumptions and identification of potential out-year budget gaps. At the same time, the rating reflects our view of Connecticut's historically slow economic recovery following recessions and cyclical finances that have caused large budget gaps, coupled with very high debt, pension, and OPEB liabilities that could limit future budget flexibility.

As the likelihood of a national economic recession intensifies over the next 12 months, we believe Connecticut benefits from its robust financial position that could help the state address budgetary shortfalls compared with the start of the Great Recession. A key factor underpinning the state's long-term credit stability is its enactment of and demonstrated commitment to statutorily-based financial and debt-issuance controls since fiscal 2018--imposed within GO bond covenants--that have contributed to its recently strong financial performance, the building up of budget reserve fund (BRF) balances to the 15% statutory reserve cap, and supplemental pension payments to reduce unfunded pension liabilities.

As a result, Connecticut's BRF balance reached $3.31 billion, or the statutory limit of 15% of fiscal 2023 appropriations, which we view as strong, well above the approximately $1.38 billion (or 8.1% of appropriations) the state held in the BRF at the beginning of fiscal 2008. The current BRF balance has risen to the highest level in state history over the past five fiscal years, increasing from just $212.9 million, or 1.1% in 2017. We view this to be particularly important given the state's historically more cyclical revenue declines during economic downturns and sluggish financial recovery compared with other states.

The state also has two statutory budget provisions that did not exist during the Great Recession that could shield its budget from more substantial structural imbalances during a potential downturn. First, Connecticut began a seven-year phase-in of a statutory revenue cap in fiscal 2020, which currently limits budgeted appropriations to 98.75% of projected revenue for fiscal 2023. This revenue cap provides a built-in structural budgetary cushion of $279.9 million to address modest declines in revenue. Second, the state's volatility cap, which separates excess collections (or amounts above $3.63 billion for fiscal 2023), derived from two revenue sources most sensitive to recessionary volatility (e.g., the estimates and final component of personal income tax and the pass-through entity tax), from the general fund and transfers these amounts to the BRF or excess portions that can be used to directly pay down long-term liabilities. Based on estimated collections published in the consensus revenue forecast on Nov. 10, 2022, we calculate these combined sources could experience a decline of at least 33.7%, or nearly $1.85 billion, although September collections, including third estimated payments, continue to outperform the previous fiscal year by $747.9 million, or 9.6%. The largest one-year decline from these sources was 29% in fiscal 2009, although we cannot rule out a multi-year contraction that reduces collections below the current volatility cap buffer. In combination with the state's high reserves and the presence of the statutory revenue and volatility caps, it also maintains strong available cash balances, totaling $11.9 billion (as of Oct. 1, 2022), further supporting our view of Connecticut's significant budgetary flexibility.

Connecticut's Office of Policy and Management (OPM) and Office of Fiscal Analysis (OFA) released their consensus revenue forecast on Nov. 10, 2022, reflecting an upward revision in general fund revenue by 2.6% above the enacted budget estimate for fiscal 2023, and continuing to outpace growth rates assumed in the previous (May 2022) consensus revenue forecast. However, we believe changing economic conditions could reverse revenue growth trends in the fiscal 2024-2025 biennium, particularly those revenues most sensitive to recessionary volatility. OPM estimates that the economic growth rate of general fund revenue could decline by 2.8% in 2024 before returning to more modest growth of 2.9% in 2025 and 3.1% in 2026.

In May 2022, OPM projected out-year structural gaps (including enacted revenue and expenditure changes for fiscal 2023) could amount to 3.5% of baseline general fund expenditures for fiscal 2024, 2.3% for fiscal 2025, and 1.2% for fiscal 2026. Subsequently, OFA released a Fiscal Accountability Report on November 18, 2022 that estimates out-year structural gaps between 2024-2026 could be narrower and more manageable as fixed-cost growth (1.6% average annual growth rate) slows relative to revenue growth (2.7%) over this period.

On an unaudited basis, the state estimates a general fund surplus of $1.26 billion, or 6.1% of general fund expenditures, and a volatility cap transfer of approximately $3.05 billion for fiscal year-end June 30, 2022, growing the projected biennium-end BRF balance to $7.42 billion, or a very strong 33.6% of fiscal 2023 general fund appropriations (including mid-biennium budget adjustments). For the third consecutive fiscal year, deposits of surplus revenues exceeded the 15% statutory reserve cap in the BRF, and the $4.1 billion excess amount will be transferred to pay down State Employees' Retirement System (SERS) and Teachers' Retirement System (TRS) pension plan liabilities. OPM currently projects a general fund surplus of $1.01 billion, or 4.6% of general fund expenditures, and revenue transfers that could exceed the state's revenue volatility cap by $1.85 billion for fiscal 2023. The net adjusted amount in excess of the 15% (current estimated at $2.85 billion) could be transferred to pay down pension liabilities.

We estimate that when combined with the $5.79 billion in extraordinary actuarially determined contributions (ADC) payments between fiscal years 2020-2022, projected year-end pension contributions for fiscal 2023 could directly reduce unfunded pension liabilities across these plans by $8.6 billion, or approximately 23.9% of the total unfunded liability for SERS and TRS, a material reduction in unfunded retirement liabilities, which nevertheless remain very high. OPM estimates these excess contributions could produce approximately $492 million (based on fiscal 2022 supplemental payments) to $734 million (based on fiscal 2023 payments) in recurring annual ADC cost savings in the future. If the magnitude and frequency of excess pension contributions are sustained over time, and we believe the growth trajectory of its long-term liabilities is meaningfully reduced, we could view these additional pension contributions as a credit strength.

While the state's larger-than-expected pension contributions in fiscal years 2020, 2021, and 2022 represent near-term progress toward addressing its high and underfunded state pension liabilities, we believe Connecticut will remain challenged in its efforts to curtail significant fixed-cost pressures beyond the outlook horizon, likely constraining future rating uplift over the short-to-medium term. The state's combined debt service, pension, OPEB costs comprise a large 29.7% of fiscal 2023 appropriations. When factoring in Connecticut's high proportionate state-only share of entitlement programs (e.g., Medicaid, other social service assistance), these all-in fixed costs comprise 50.3% of the state's general fund appropriations for fiscal 2023, which, in our opinion, could pose a significant barrier to resolving budgetary gaps in future recessions.

The GO rating on Connecticut reflects our view of the state's:

- High income and GSP levels supported by a diverse economic base, although an aging population and flat total population are contributing to slower economic growth, which could weaken long-term revenue growth;
- Active monitoring of revenues and expenditures, including monthly reporting and consensus revenue forecasting three times annually, and the authority of the executive branch to make mid-year adjustments to the budget; and
- Increase in budget reserves to a very strong 15% of expenditures for fiscal years 2020 and 2021 from a low 1.1% of expenditures at fiscal year-end 2017, and a projected BRF balance to be sustained at the statutory cap of 15% through the end of the fiscal 2022-2023 biennium. The state projects a substantial $4.11 billion transfer of additional contributions to pay down pension obligations.

Offsetting factors, in our opinion, include:

- Very high fixed costs, which could pose a substantial impediment to solving future structural budget gaps during economic recessions. Currently combined debt service, pension, OPEB, Medicaid, and other entitlement costs comprise 50.3% of Connecticut's fiscal 2022 budgeted expenditures; and
- High and significantly underfunded pension and OPEB liabilities, although the state adopted more realistic plan assumptions, is funding full annual ADCs to its retirement systems and prefunding an OPEB trust fund, and it projects to make substantial excess contributions above its revenue volatility cap, which could help hold down the pace of projected future cost increases related to long-term liabilities.

Environmental, social, and governance

ESG credit indicators: E-2, S-2, G-2

In our view, Connecticut's environmental risks have no material influence on our credit rating analysis. We consider Connecticut's social capital risks to have an overall neutral influence on its credit profile as we view recent in-migration trends and agency-level planning that anticipates future service needs help mitigate potential demographic pressures. We view the state's governance risks as neutral influences in our credit rating analysis, although we recognize that future changes to risk-management culture and oversight of the state's high-to-very high fixed costs could constrain expenditure flexibility and financial performance if left unmitigated. We view implemented reforms to the state's pension and OPEB plans and a strong management and policy framework--including forecasting fixed costs and statutory allowances to pre-fund its liabilities--as demonstrating a governance structure supporting the state's ability to manage these fixed costs and other developing risks in the long term.

Outlook

The stable outlook reflects our expectation that Connecticut will continue its commitment to statutory financial and debt controls although the rating also incorporates our expectation of potential economic cyclicality that could result in fluctuations in reserve balances and overall financial performance as it has during past recessions. The outlook further reflects our expectation that the state will continue transferring excess revenues above its statutory reserve limit to make contributions to pay down its high pension and OPEB liabilities, while also moderating GO debt issuance, supporting our view of the state's credit stability.

Upside scenario

Although unlikely over the outlook period, we could raise the rating if the state maintains tax-supported bonding needs at levels significantly lower than those of previous fiscal years, while also demonstrating timely and consistent structural adjustments to balance future budgets, maintaining strong reserve levels during good economic times, and making sustainable progress in reducing the state's overall debt burden, pension, and OPEB liabilities from currently very high levels.

Downside scenario

We could lower the rating if the state cannot reach consensus on recurring budget solutions that close projected out-year fiscal gaps and prioritize structural stability in its fiscal 2024-2025 biennial budget, or if Connecticut demonstrates a weakened commitment to sustaining its reserve and liquidity position at currently high levels. In addition, pursuant to our state rating criteria, if we believe future tax-supported debt will rise to levels that we view as less sustainable, leading us to calculate most of our debt indicators at one-third or more above thresholds that we view as high, triggering a one-notch downgrade.

Based on the analytic factors that 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.

Credit Opinion

Connecticut's post-pandemic economic recovery continues, but near-term recessionary pressures loom

S&P Global Ratings currently believes that the U.S. economy will fall into a recession in 2023. Supply-chain disruptions remain and will continue to drive inflation, which remains high, although it likely peaked in third-quarter 2022. As the weight of high prices adversely impacts purchasing power and the Federal Reserve remains aggressive in its policies to combat inflation, borrowing costs are expected to increase. Our U.S. GDP growth forecast is 1.6% for 2022 and 0.2% for 2023 (compared with 2.4% and 1.6%, respectively, in June 2022). Although higher prices erode household purchasing power, economic momentum will still likely protect the U.S. economy this year, but inflation expectations remain entrenched and extreme price pressures will likely last well into 2023. We expect the unemployment rate, at 3.7% in August and just above its pre-pandemic level, will remain near that rate until early 2023 before rising to 4.8% by the end of 2023 and peak at 5.7% in early 2025 as the economy slows. It will hold above 5.0% through 2026. The Fed is now likely to push rates from zero at the beginning of this year to 400-425 basis points (bps) by early 2023. The Fed will keep its tight monetary policy stance until inflation begins to moderate in second-half 2023. Risk is for more rate hikes this year and the next. Our lower GDP and inflation forecasts for 2023 and 2024 reflect the likely outcome of this more aggressive policy stance. See "Economic Outlook U.S. Q4 2022: Teeter Totter," published Sept. 26, 2022, on RatingsDirect.

An impending economic downturn in 2023 could push Connecticut off course from its recovery to pre-pandemic output and unemployment levels. IHS Markit revised its estimates that the state's gross state product (GSP) could revert to shallower growth of 2.3% in 2022 and decline by 1.2% in 2023, a larger contraction than the national (negative 0.5%) over the same period. The labor market remains strong despite signs of weakness in the economy, but we continue to monitor Connecticut's long-term employment picture. As of September 2022, the state's unemployment rate was 4.0%, approximately 0.3% above the national average, although we will continue to monitor in tandem with other measures of labor market health, including its labor participation rate, which characteristically outperforms the U.S. level.

An important credit consideration for Connecticut will be the track of its population growth and aging of its prime working-age labor force, as the state faces growing demographic challenges that weigh on economic growth. Population growth over the past 10 calendar years was essentially flat, compared with a compounded annual growth rate of 0.7% for the nation. In addition, the state also has an aging population, consistent with that of the rest of New England, that will likely contribute to slower economic growth and create higher service level demands that affect finances over time. There is some evidence from Connecticut's real estate market that the state benefitted from in-migration of nearly 40,000 residents during the pandemic. However, a lack of inventory and a dramatic rise in mortgage interest rates could put upward pressure on home sale and rental market prices, which could reduce affordability. Home sales increased and existing median sale prices rose to $411,800, up nearly 10.6% compared with the previous year. The most significant increases came in southwestern Connecticut, which lies within the New York City metropolitan area. Whether this represents a long-term gain for the state remains unknown. If the state can continue to attract and retain new residents, it could bode well for future economic stability and growth.

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

Revenue growth supports resilient budgetary performance, but structural gaps could form in the next biennium

Connecticut's governor signed into law a mid-biennium budget that reflects an increase in fiscal 2023 revenue by $578.4 million, even after a of $643.1 million reduction in revenue to provide taxpayer relief. Fiscal 2023 appropriations are budgeted to increase by approximately 2.6% above the original biennial budget. In our view, most of the revenue and appropriation adjustments enacted reflect one-time changes. Due to better-than-expected revenue projections for the current and next fiscal year, the state adjusted the mid-biennium budget to eliminate the appropriation of $559.9 million of American Rescue Plan (ARP) Act recovery funds in fiscal 2022 and reduced fiscal 2023 appropriations of ARP funds to $314.9 million for the replacement of revenue losses (an $880 million reduction from the enacted biennial budget, or 4% of appropriations). The state budgeted to use nearly $1.75 billion in the enacted 2022-2023 biennial budget, but it will now use the vast majority (89%) of its $2.83 billion in ARP funding allocation for one-time purposes.

Based on year-to-date revenue performance and improving revenue forecasts, we generally expect that the state to maintain budgetary balance that supports stable and strong reserve and cash balances through the end of the fiscal 2022-2023 biennium. We view the state's projected out-year budget gaps in the fiscal 2024-2025 biennium (estimated at approximately $802 million, or 3.5% of baseline general fund expenditures for fiscal 2024, and $531.4 million, or 2.3%, for fiscal 2025), to be manageable relative to current revenue performance and conservative revenue forecasts, but we continue to monitor cyclical pressures that could materially widen these gaps. Connecticut's commitment to statutory provisions that reduce budget volatility and the state's ability to manage its budget proactively to sustain structural balance beyond the current biennium, particularly as extraordinary federal funds diminish and a portion of entitlement program costs (e.g., Medicaid, other social services) shift back to the state, will remain important to its long-term credit quality.

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.

Very high debt, pension, and OPEB liabilities could constrain credit quality

We view the state's tax-supported debt to be high by nearly all measures and its elevated debt burden has historically been a constraining factor on the rating. Total tax-supported debt outstanding totaled $25.8 billion (including GO, transportation, and capital lease debt) as of June 30, 2021. This was equivalent to a very high $7,157 per capita, 8.6% of personal income, and 8.6% of GSP. We also calculate debt service at 13.9% of government spending but offset by rapid amortization.

Connecticut slowed the rate of tax-supported debt issuances over the past four fiscal years growth to an average 2.3% annually (fiscal years 2018-2021) compared with 7.3% annually in fiscal years 2014-2017. In conjunction with the state's rapid amortization of debt, we maintain the view that most of Connecticut's debt metrics will remain below a level that previously resulted in a one-notch override that lowered our anchor rating. The state anticipates that GO bond allocations will remain level at approximately $1.4 billion in both calendar years 2022 and 2023, well below the peak of $2.68 billion in 2017, which could contribute to further moderation of its debt burden.

Pension and OPEB liabilities

Connecticut continues to adequately fund its pension liabilities and the state has adopted more conservative assumptions, although we view unfunded pension and OPEB liabilities as a significant credit pressure. The state's average pension funded ratio across all plans was approximately 52.6% as of June 30, 2021.

The three-year average pension funded ratio was approximately 46.5%. The total unfunded liability of all plans is about $10,107 per capita, or a very high 12.1% of state personal income.

- 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 has traditionally not been enough to meet our minimum funding progress metric, although the continuation of additional pension contributions (like in 2020, 2021, and 2022) could help to exceed the minimum funding progress in future years. We also consider the state's net pension liability (NPL) high compared with that of peers and extremely underfunded.
- The state's OPEB liability is a source of credit pressure as the liability is high compared with that of peers, but recent actions to reduce the liability and pre-funding of an OPEB trust have resulted in a stabilized unfunded liability.

Plans representing a significant portion of the state's NPL include:

- State Employees Retirement System: 41.6% funded with the state's applicable NPL $22.4 billion (actuarial valuation date as of June 30, 2021); and
- Teachers' Retirement System: 57.0% funded with the state's applicable NPL of $17.1 billion (actuarial valuation June 30, 2022).

We believe management factors and actuarial inputs do not significantly encumber or improve our view of the state's overall pension funding discipline. In our opinion, changes in recent years to lower the assumed rate of return to 6.9%, 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. We 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 of pension risk, the state's large unfunded liability presents a continuing credit pressure.

The state's applicable net OPEB liability for the State Employee OPEB Plan was $19.5 billion, or about $5,408 per capita and approximately 6.5% of personal income, both of which are elevated metrics compared with other state OPEB plans. The plan was 6.1% pre-funded as the state has shown a commitment to increasing contributions above pay-as-you-go levels. The state estimates a new Medicare Advantage contract for retiree health coverage could reduce the state's OPEB liability by as much as $7.5 billion, which could amount to significant savings for the state. 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 $2.9 billion, and only 2.5% funded.

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.

Statutory reforms support a resilient government framework 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.

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. Budgetary provisions include caps on expenditure growth and revenue, including budgeting for 99.5% of forecasted revenues in fiscal 2020 and declining in 0.25% increments until it reaches 98% in fiscal 2026 and thereafter. The state also enacted other reforms included limitations on the amount of tax-supported debt authorized and issued annually, and a "revenue volatility cap" that requires the state to transfer business pass-through tax, and certain annual income tax revenue receipts above $3.15 billion (adjusted annually by the five-year growth in personal income) and year-end surpluses to the BRF and to transfer any excess funds above the 15% statutory reserve cap to make additional payments toward the state's unfunded pension liabilities. The segregation of revenue under the revenue volatility cap was designed to capture expected one-time windfalls from personal income tax (PIT) and pass-through entity tax (PET) revenues to bolster reserves and address longer-term liabilities, while also shielding Connecticut from historically cyclical income tax fluctuations.

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.

Key practices and policies of the state include:

- Consensus revenue estimates by the OPM and the legislature's OFA, as required by statute, on or by Nov. 10, Jan. 15, and April 30 of each year, that must cover a five-year period. In addition to its internal resources, Connecticut bases revenue estimates on outside data from economic forecasting firms. The state's long-term financial planning includes a three-year forecast for the legislature in addition to the biennial budget.
- Statutorily required monthly revenue and expenditure forecasts measured against the budget, conducted by both OPM and Office of the State Comptroller. These two offices generate monthly reports projecting year-end surpluses or deficits.
- A five-year capital improvement plan as part of the state's annual November update.
- Statutes prescribing the investment of state funds and debt management policies that guide amortization and issuance. Dedicated staff monitors investments and generates monthly reports. Connecticut also holds at least quarterly meetings with the investment advisory commission.
- Statutorily authorized 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. The imposition of bond covenants during the fiscal 2018-2019 biennium mandates revenues above its volatility cap be deposited into the reserve.

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 biennia have relied on significant nonrecurring measures and substantial use of reserves.

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 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

Ratings Detail (As Of November 21, 2022)		
Connecticut GASTAX		
Long Term Rating	AA/Stable	Upgraded
Connecticut GO		
Long Term Rating	AA-/Stable	Upgraded
Connecticut GO		
Long Term Rating	AA-/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 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 GASTAX (BAM) (SECMKT)		
Unenhanced Rating	AA(SPUR)/Stable	Upgraded
Connecticut GASTAX (BAM) (SECMKT)		
Unenhanced Rating	AA(SPUR)/Stable	Upgraded
Connecticut GO		
Long Term Rating	AA-/Stable	Upgraded

Ratings Detail (As Of November 21, 2022) (cont.)		
Connecticut GO		
Long Term Rating	AA-/Stable	Upgraded
Connecticut GO		
Long Term Rating	AA-/Stable	Upgraded
Connecticut GO		
Long Term Rating	AA-/Stable	Upgraded
Connecticut GO		
Long Term Rating	AA-/Stable	Upgraded
Connecticut GO		
Long Term Rating	AA-/Stable	Upgraded
Connecticut GO		
Long Term Rating	AA-/Stable	Upgraded
Connecticut GO		
Long Term Rating	AA-/A-1/Stable	Upgraded
Connecticut GO		
Long Term Rating	AA-/Stable	Upgraded
Unenhanced Rating	NR(SPUR)	
Connecticut GO		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (AGM)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (AGM)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (AGM)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (AGM)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (AGM)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (AGM)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (AGM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (AGM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (AGM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded

Ratings Detail (As Of November 21, 2022) (cont.)		
Connecticut GO (AGM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (AGM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (AGM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (AGM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (AGM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (AGM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (AGM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded

Ratings Detail (As Of November 21, 2022) (cont.)		
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded

Ratings Detail (As Of November 21, 2022) (cont.)		
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (FGIC) (National)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (MBIA) (National)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut GO (MBIA) (National)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
State of Connecticut GO (AGM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
State of Connecticut GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
University of Connecticut PCU_USF (AGM)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Univ of Connecticut PCU_USF		
Long Term Rating	AA-/Stable	Upgraded
Univ of Connecticut PCU_USF (BAM)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Capital Region Development Authority, Connecticut		
State of Connecticut, Connecticut		
Capital City Econ Dev Auth (Connecticut) GOEQUIV		
Long Term Rating	AA-/A-1/Stable	Upgraded
Capital Region Dev Auth (Connecticut) GOEQUIV		
Long Term Rating	AA-/Stable	Upgraded
Capital Region Dev Auth (Connecticut) GOEQUIV		
Long Term Rating	AA-/Stable	Upgraded
Capital Region Dev Auth (Connecticut) GOEQUIV		

Ratings Detail (As Of November 21, 2022) (cont.)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut Green Bank, Connecticut		
State of Connecticut, Connecticut		
Connecticut Green Bank (Connecticut) GOEQUIV		
Long Term Rating	AA-/Stable	Upgraded
Connecticut Green Bank (Connecticut) GOEQUIV		
Long Term Rating	AA-/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	AA-/Stable	Upgraded
Connecticut Hlth & Educl Facs Auth (Connecticut) GOEQUIV		
Long Term Rating	AA-/Stable	Upgraded
Connecticut Hlth & Educl Facs Auth (Connecticut) GOEQUIV		
Long Term Rating	AA-/Stable	Upgraded
Connecticut Hlth & Educl Facs Auth (Connecticut) GOEQUIV (BAM)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut Hlth & Educl Facs Auth (Connecticut) MORALOB (ASSURED GTY)		
Unenhanced Rating	A-(SPUR)/Stable	Upgraded
Connecticut Hsg Fin Auth, Connecticut		
State of Connecticut, Connecticut		
Connecticut Hsg Fin Auth (Connecticut) GOEQUIV		
Long Term Rating	AA-/Stable	Upgraded
Connecticut Hsg Fin Auth (Connecticut) GOEQUIV		
Long Term Rating	AA-/Stable	Upgraded
Connecticut Hsg Fin Auth (Connecticut) GOEQUIV		
Long Term Rating	AA-/Stable	Upgraded
Connecticut Hsg Fin Auth (Connecticut) GOEQUIV		
Long Term Rating	AA-/Stable	Upgraded
Connecticut Hsg Fin Auth (Connecticut) GOEQUIV		
Long Term Rating	AA-/Stable	Upgraded
Connecticut Hsg Fin Auth (Connecticut) GOEQUIV		
Long Term Rating	AA-/Stable	Upgraded
Connecticut Hsg Fin Auth (Connecticut) GOEQUIV		
Long Term Rating	AA-/Stable	Upgraded
Connecticut Hsg Fin Auth (Connecticut) GOEQUIV		
Long Term Rating	AA-/Stable	Upgraded
Connecticut Hsg Fin Auth (Connecticut) GOEQUIV		
Long Term Rating	AA-/Stable	Upgraded

Ratings Detail (As Of November 21, 2022) (cont.)		
Connecticut Hsg Fin Auth (Connecticut) GOEQUIV		
Long Term Rating	AA-/Stable	Upgraded
Connecticut Hsg Fin Auth (Connecticut) GOEQUIV		
Long Term Rating	AA-/Stable	Upgraded
Connecticut Innovations Inc., Connecticut		
State of Connecticut, Connecticut		
Connecticut Dev Auth (Connecticut) GO (MBIA) (National)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Connecticut Innovations Inc (Connecticut) GOEQUIV		
Long Term Rating	AA-/Stable	Upgraded
Hartford, Connecticut		
State of Connecticut, Connecticut		
Connecticut GO (ASSURED GTY)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
University of Connecticut, Connecticut		
State of Connecticut, Connecticut		
University of Connecticut (Connecticut) GO		
Long Term Rating	AA-/Stable	Upgraded
University of Connecticut (Connecticut) GO		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
University of Connecticut (Connecticut) GO		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
University of Connecticut (Connecticut) GO		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
University of Connecticut (Connecticut) GO		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
University of Connecticut (Connecticut) GO		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
University of Connecticut (Connecticut) GO		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
University of Connecticut (Connecticut) GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(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	AA-/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	AA-/Stable	Upgraded

Ratings Detail (As Of November 21, 2022) (cont.)		
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	AA-/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	AA-/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	AA-(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	AA-(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	AA-(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	AA-(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	AA-(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	AA-(SPUR)/Stable	Upgraded
University of Connecticut, Connecticut		
State of Connecticut, Connecticut		

Ratings Detail (As Of November 21, 2022) (cont.)		
University of Connecticut, Connecticut		
University of Connecticut (Connecticut) GO		
Long Term Rating	AA-/Stable	Upgraded
University of Connecticut, Connecticut		
State of Connecticut, Connecticut		
University of Connecticut, Connecticut		
University of Connecticut (Connecticut) GO		
Long Term Rating	AA-/Stable	Upgraded
University of Connecticut, Connecticut		
State of Connecticut, Connecticut		
University of Connecticut, Connecticut		
University of Connecticut (Connecticut) GO		
Long Term Rating	AA-/Stable	Upgraded
University of Connecticut, Connecticut		
State of Connecticut, Connecticut		
University of Connecticut, Connecticut		
University of Connecticut (Connecticut) GO		
Long Term Rating	AA-/Stable	Upgraded
University of Connecticut, Connecticut		
State of Connecticut, Connecticut		
University of Connecticut, Connecticut		
University of Connecticut (Connecticut) GOEQUIV		
Long Term Rating	AA-/Stable	Upgraded
University of Connecticut, Connecticut		
State of Connecticut, Connecticut		
University of Connecticut, Connecticut		
University of Connecticut (Connecticut) GOEQUIV		
Long Term Rating	AA-/Stable	Upgraded
University of Connecticut, Connecticut		
State of Connecticut, Connecticut		
University of Connecticut, Connecticut		
University of Connecticut (Connecticut) GOEQUIV		
Long Term Rating	AA-/Stable	Upgraded
University of Connecticut, Connecticut		
State of Connecticut, Connecticut		
University of Connecticut, Connecticut		
University of Connecticut (Connecticut) GO		
Long Term Rating	AA-/Stable	Upgraded
University of Connecticut, Connecticut		
State of Connecticut, Connecticut		
University of Connecticut, Connecticut		

Ratings Detail (As Of November 21, 2022) (cont.)		
University of Connecticut (Connecticut) GO		
Long Term Rating	AA-/Stable	Upgraded
University of Connecticut, Connecticut		
State of Connecticut, Connecticut		
University of Connecticut, Connecticut		
University of Connecticut (Connecticut) GO		
Long Term Rating	AA-/Stable	Upgraded
University of Connecticut, Connecticut		
State of Connecticut, Connecticut		
University of Connecticut, Connecticut		
University of Connecticut (Connecticut) GO		
Long Term Rating	AA-/Stable	Upgraded
University of Connecticut, Connecticut		
State of Connecticut, Connecticut		
University of Connecticut, Connecticut		
University of Connecticut (Connecticut) GO (BAM)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
University of Connecticut, Connecticut		
State of Connecticut, Connecticut		
University of Connecticut, Connecticut		
University of Connecticut (Connecticut) GO (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded

Many issues are enhanced by bond insurance.