



Rating Action: Moody's assigns Aa3 to UConn GO bonds supported by State of Connecticut; outlook stable

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New York, October 18, 2023 – Moody's Investors Service has assigned a Aa3 rating to the University of Connecticut, CT's \$220 million General Obligation Bonds, 2023 Series A and \$130 million General Obligation Bonds, 2023 Refunding Series A. Moody's maintains the Aa3 rating on the approximate \$18.4 billion of Connecticut general obligation debt outstanding. The outlook is stable.

RATINGS RATIONALE

The Aa3 rating is derived from the strong legal security provided by the State of Connecticut's (issuer rating Aa3 stable commitment to pay debt service through the UConn 2000 program; pursuant to that commitment, amounts sufficient to pay debt service are deemed appropriated from the general fund without need for any additional legislative action. Because of the lack of appropriation risk and the state's strong commitment to pay debt service, we rate the bonds at the same level as the state's general obligation bonds.

RATING OUTLOOK

Connecticut's outlook is stable, reflecting high level of budgetary reserves and the state's strong provisions to promote fiscal discipline, which include bolstering funding of its pension system, improving liquidity and requiring GAAP-based budgeting.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- State issuer rating upgrade

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- State issuer rating downgrade
- Failure of the state to abide by its commitment to pay debt service

LEGAL SECURITY

The UConn 2000 program is an arrangement between the University of Connecticut and the State of Connecticut pursuant to state statute and a master indenture dated November 1, 1995. The current offering of bonds is secured by a pledge of and lien upon the state debt service commitment, which is defined by the UConn 2000 Act as the state's commitment to pay an amount sufficient to make full and timely debt service. Payments are deemed appropriated from the state's general fund and do not require annual legislative action. The act directs the state treasurer to deposit payments into the debt service fund held by the trustee of the bonds. Although the legislature may exercise its power to change the statute, we view the state to have made a long-term commitment to continue to service the bonds as a priority item of its general fund. The UConn 2000 program has been amended, expanded and extended since it was first adopted in 1995 and authorization for additional issuances is currently set to expire in 2027.

Although the bonds are general obligations of the University of Connecticut, the university expects to rely on the receipts of the pledged state debt service commitment and does not plan to budget other revenues for bond

repayment. The university would have very limited ongoing ability to assume responsibility for payment on the general obligation bonds, given the magnitude of annual debt service relative to its existing revenue base.

USE OF PROCEEDS

Proceeds of the 2023 Series A bonds will be used to fund projects authorized by the state legislature to modernize, rehabilitate and expand the physical plant of the University of Connecticut. The 2023 Refunding Series A bonds will refund the outstanding Series 2013 and 2014 bonds for economic savings.

PROFILE

The State of Connecticut has a population of 3.62 million people, and is 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 \$321.8 billion in 2022. It is the wealthiest state in the country with per capita income of nearly 129.8% of the US average.

METHODOLOGY

The principal methodology used in these ratings was US States and Territories Methodology published in March 2022 and available at <https://ratings.moodys.com/rmc-documents/356901>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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