



## Rating Action: Moody's assigns Aa3 to Connecticut's GO bonds; outlook stable

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07 Dec 2023

New York, December 07, 2023 -- Moody's Investors Service has assigned a Aa3 rating to \$825 million of the State of Connecticut's General Obligation Bonds, consisting of \$400 million General Obligation Bonds (2024 Series A), \$250 million of General Obligation Bonds (2024 Series B) (Social Bonds), and \$175 million of General Obligation Refunding Bonds (2024 Series C) (Social Bonds). The outlook is stable.

### RATINGS RATIONALE

The Aa3 general obligation rating is the same as the state's issuer rating of Aa3 given the broad pledge on the bonds. The state's issuer rating reflects Connecticut's continued commitment to governance improvements that have created significant budgetary reserves, lessened exposure to revenue volatility, and improved pension funding. The state's reserves are critical in mitigating budgetary inflexibility created by high debt and retiree benefit liabilities, which are among the highest of US states. The rating further considers Connecticut's above-average income and wealth, counterbalanced by lagging economic indicators relative to the nation, which show early signs of improving given a now modestly increasing population trend.

### 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 bolstered funding of its pension system, improving liquidity and requiring GAAP-based budgeting.

### FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Reduced pension and debt leverage relative to state revenues, resulting in lower annual fixed costs
- Evidence of sustained economic expansion

### FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Significant additional leverage relative to state revenues
- Rapid acceleration of revenue/economic/demographic weakness
- Significant decline in liquidity or budget reserves

### LEGAL SECURITY

Connecticut's GO bonds are backed by the state's full faith and credit pledge.

### USE OF PROCEEDS

Proceeds from the 2024 bonds will be used to finance various state projects and purposes.

### PROFILE

The State of Connecticut has a population of 3.6 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 real gross state product of \$252 billion in 2022. It is the wealthiest state in the country with per capita income of nearly 130% 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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