



**THE OFFICE OF
STATE TREASURER
DENISE L. NAPPIER**

NEWS

FOR IMMEDIATE RELEASE

Tuesday, October 27, 2009

**Statement of Connecticut State Treasurer Denise L. Nappier
In Response to Moody's Placement of State on "Negative Outlook"**

"Needless to say, I am disappointed that Moody's Investors Service chose to place our State on a 'negative outlook.' These are sobering times for Connecticut as tax revenues have fallen, just as the need for state services has become ever more pronounced -- especially for those who can least afford to cope with the financial burden posed by this sustained period of economic downturn. In the final analysis, both the Governor and the Legislature struggled to strike a balance between what we need and what we can do without. Moody's perspective reinforces what the State already knows it must do, and that is head back to the drawing board and strengthen the State's fiscal footing going forward.

It is worth underscoring that Moody's action does not necessarily mean that Connecticut will see its current General Obligation bond rating of Aa3 downgraded. In fact, as nearly every state in the nation has had to weather the storms of the worst recession since the Great Depression, Moody's has placed the entire state municipal bond sector on 'negative outlook.' Yet, even though our state is not at a normal level of economic activity -- most notable are the declines in personal income and capital gains tax revenues stemming from the near collapse of the financial system -- Connecticut remains today the wealthiest state in the nation. This means that when compared to most states, Connecticut is in a better position to reconsider and adjust, where appropriate, its fiscal policies regarding the tax structure and/or provision of government services, and do so in a manner that is both prudent and responsible.

At the Connecticut Treasury, we take this rating agency's negative outlook quite seriously, and will continue to carry out our related constitutional duties of debt management, as well as cash and public fund investing, with the utmost care. Moreover, we will endeavor to offer the Governor and the Legislature our perspective on how to assure the capital markets that we have the tools, the will and the capacity to navigate through the fiscal storms that affect our state government, as well as every family and business alike. Certainly, we are all hopeful that the nation and the state will emerge from recession next year and revenues will return to state coffers."

Contact: Christine Shaw
(860) 702-3211
Christine.shaw@ct.gov

Background

A “negative outlook” means that the state’s credit rating is under review by Moody’s for a possible change over a period of the next 18 to 24 months. It is not as significant a step as placing a jurisdiction on a “watchlist,” which implies that change in a credit rating is pending.

It has been the history at Moody’s that a “negative outlook” determination does not necessarily result in a credit downgrade. Currently, Moody’s has specifically placed a number of states on “negative outlook”: Arizona, Florida, Kentucky, Michigan, New Jersey, Ohio, Pennsylvania, Rhode Island and Wisconsin, and as mentioned above, is characterizing the entire state municipal bond sector as under a “negative outlook.” This, obviously, is the result of the impact the Great Recession (as it is now referred to) has had on so many state budgets.

Contact: Christine Shaw
(860) 702-3211
Christine.shaw@ct.gov