



The Office Of State Treasurer
Denise L. Nappier

News

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MAJOR CREDIT RATING AGENCY AFFIRMS STATE'S AA RATING, REMOVES NEGATIVE OUTLOOK *Treasurer Nappier Announces Competitive General Obligation Bond Sale*

HARTFORD, CT – State Treasurer Denise L. Nappier announced today that Fitch Ratings has removed its negative outlook on the State's General Obligation (GO) credit rating -- restoring a stable outlook, and also affirmed its AA rating.

“Fitch’s independent review validates what my Office has been saying for some time -- that the State’s economy as a whole has made tremendous progress. The commitment to fully funding long-term liabilities and to a structurally balanced budget is paying off. Taken together with the recent news of the drop in Connecticut’s unemployment rate to 5.7 percent, lowest since July 2008, these developments are compelling proof of the merits of continuing on this path toward fiscal stability,” said Treasurer Nappier.

Two other credit rating agencies, Moody’s Investors Service and Kroll Bond Ratings, maintained their ratings of Aa3 and AA, respectively, with stable outlooks for the State’s GO bonds. Standard & Poor’s maintained its AA rating, with a negative outlook, first put in place in March of this year.

In presentations to the rating agencies, the Treasury and Office of Policy & Management offered positive news regarding the recently adopted state budget for the 2016/2017 biennium, including:

- Unlike other states, the General Assembly adopted a balanced budget on time before the start of the fiscal year.
- The budget is structurally balanced, and does not rely on debt restructuring or appropriation of reserve funds. The use of one-time non-recurring revenues or “one-shots” is minimal -- less than 1 percent.
- The State will fully fund its annual commitments to its pension systems and the annual amortization of the remaining accumulated GAAP deficit. The budget also includes more than \$180 million for payment on Economic Recovery Notes, outstanding since 2009, and the State is on track to fully repay these notes in 30 months.
- New funding has been dedicated for transportation infrastructure and municipal aid supported by a portion of the sales tax.

- The State is working to rebuild its reserves, which currently stand at roughly \$448.3 million (after taking into account the resolution of the FY15 deficit of \$71 million).

Fitch, in explaining its revision of the rating outlook to stable, said that the revision “reflects the state’s ability over the last biennium to address revenue underperformance despite its still incomplete progress in rebuilding fiscal flexibility and within the constraints posed by its high fixed costs. The recently adopted biennium budget is based on conservative revenue assumptions, appears structurally balanced and avoids large non-recurring measures.”

Competitive GO Bond Sale to be held August 4th

The positive rating news comes in advance of a \$500 million competitive GO bond sale being offered on August 4th -- \$250 million of which will be tax-exempt bonds and the remaining \$250 million will be taxable bonds.

During a competitive bond sale, bond underwriting firms simultaneously bid on an internet platform to purchase the bonds, often in syndicate groups, and the bonds are awarded to the group or firm that offers the State the lowest overall interest cost.

Treasurer Nappier commented, “A competitive bond sale, which we generally conduct once per year, gives us a clear sense of how the markets price our bonds and assists us in structuring our negotiated bond offerings during the rest of the year.”

Nappier added: “As my office follows through on the issuance of debt authorized by the Legislature, it is worth noting our track record of driving down borrowing costs to alleviate budget pressures. My administration has employed an aggressive program of refinancing outstanding debt that has resulted in over \$1 billion in savings over the life of the bonds issued, thereby lessening the burden on taxpayers.”

The proceeds of the August sale will be used as follows: \$134.3 million for various housing programs; \$119.1 million in economic development related to manufacturing assistance; \$69.2 million in state grant programs; \$56.4 million in municipal grants; \$29.2 million for the Housing Trust Fund; \$21.2 million to fund various state building projects; \$20 million for Town Road Aid; \$20 million to non-profit health and human services providers; and \$10 million for the Small Town Economic Assistance Program. In addition, \$20.6 million of the bond proceeds are going toward the construction of a new Sandy Hook School in Newtown, Connecticut.

Day Pitney LLP and Finn Dixon & Herling LLP are disclosure counsel for the GO sale, with Robinson & Cole LLP and Soeder & Associates, LLC serving as tax counsel. Acacia Financial Group, Inc. and A.C. Advisory Inc. are financial advisors for this sale.

More information on these bond offerings and the Official Statements are available at www.buyctbonds.com.

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