



Credit Rating Agency Upgrades Outlook On Connecticut Bonds

by Christine Stuart | Jul 10, 2019 5:00am

HARTFORD, CT — One of the four credit rating agencies upgraded its outlook for Connecticut bonds Tuesday.

Kroll Bond Rating Agency elevated its outlook from negative to stable and reaffirmed its AA- rating for the state. Standard & Poor's, Moody's, and Fitch each maintained their previous ratings. S&P rated Connecticut bonds an "A" with a positive outlook, Moody's at "A1" with a stable outlook, and Fitch at "A+" with a stable outlook.

It's the second time in four months that a major credit rating agency has upgraded its outlook for Connecticut bonds.

In March, Standard & Poor's upgraded Connecticut's credit rating from stable to positive and affirmed its "A" rating on approximately \$18.3 billion of the state's general obligation bonds.

State Treasurer Shawn Wooden said the decision to elevate its outlook signals that they see a low likelihood of a change in the AA- credit rating in the near future.

"From enacting the Teacher Pension Restructuring Plan to adding to budget reserves — every responsible step we take now to stabilize our state's finances is a down payment on Connecticut's future," State Treasurer Shawn Wooden said. "The financial sector is paying attention to the positive changes happening in Connecticut. And while there's more work to do in addressing our long-standing economic challenges, today's promising credit outlook underscores that we are moving in the right direction."

Wooden said past credit rating downgrades have been triggered by lower-than-expected tax receipts, resulting budget deficits, and the need to draw down on the Rainy Day Fund.

Gov. Ned Lamont said the stable outlook is more proof that Connecticut is moving in the right direction, but there is still much work to be done.

"This year we were able to deliver an honestly balanced budget on time that held the line on tax rates for everyone, took significant steps to address the fixed costs, and added to our reserves — creating the largest budget rainy day fund in state history," Lamont said. "In addition, we have remained firm that our capital expenses need to be scaled back and we need to focus on sustainable, predictable, and forward-looking solutions to ensure Connecticut's future remains bright."

The Connecticut General Assembly has yet to return to the state Capitol to approve a bond authorization package.

Lamont has asked them not to borrow more than \$1.7 billion a year. That's about \$500 million less than the previous administration.

Lamont has only held two Bond Commission meetings since January and he's allocated \$403.8 million in general obligation bonds. At this point last year Connecticut had already allocated \$769.14 million in general obligation bonds.

During an unrelated event Tuesday with reporters, Lamont said he anticipates the General Assembly will return for a special session on the bond package.

But Lamont is still uncertain if he will call lawmakers back to approve electronic highway tolls.

Lamont said he was “no idea where the legislature stands” on the issue of tolls, but if they want to use \$750 million in general obligation bonds for transportation infrastructure then they are going to have to reconsider what they are going to authorize as part of the bond package.

Lamont has yet to veto any legislation and doesn’t anticipate any vetoes, which if that ends up being the case then there’s no need for a veto session on July 22. The date has also been a tentative date for approval of the bond and school construction package.

At the moment, Lamont said his chief of staff is having informal discussions with legislative leaders about transportation infrastructure. There’s no future formal meeting scheduled like the one Lamont held on June 19.

Lamont said he has no intention to use \$10 million in bonding approved by former Gov. Dannel P. Malloy to study highway tolls before he knows if the legislature will vote in favor of tolls.

“I’m not inclined to spend the money until I know that it’s going to be money put to good purpose,” Lamont said.