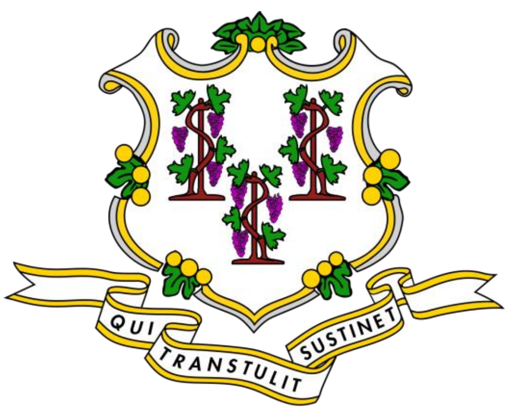
State of Connecticut

General Obligation Bonds (2018 Series E)
General Obligation Refunding Bonds (2018 Series F)
Taxable General Obligation Bonds (2018 Series A)



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Executive Summary

Kroll Bond Rating Agency (KBRA) has taken the following actions relating to the State of Connecticut (the "State") and Connecticut Innovations, Incorporated.

Ratings

Issuer: State of Connecticut (the "State")

Series/Bond	Rating	Outlook	Action	Amount ('ooo)[2]
General Obligation Bonds (2018 Series E)	AA-	Negative	Assigned	$400,000
General Obligation Refunding Bonds (2018 Series F)	AA-	Negative	Assigned	$239,135
Taxable General Obligation Bonds (2018 Series A)	AA-	Negative	Assigned	$250,000
General Obligation Bonds	AA-	Negative	Affirmed	$14,031,584
General Obligation Bond Anticipation Notes (2017 Series A)	K1+		Affirmed	$400,000

Ratings

Issuer: Connecticut Innovations, Incorporated [1]

Series/Bond	Rating	Outlook	Action	Amount ('000) [2]
State of Connecticut General Fund Obligation Bonds 2014 Series A	AA-	Negative	Affirmed	$16,325

KBRA's long-term ratings do not apply to bonds backed by a letter of credit or liquidity facility, unless otherwise noted.
[1] KBRA views the obligation of the State to pay debt service on the 2014 Series A Bonds as tantamount to the general obligation security of the State.
[2] Amounts are as of July 1, 2018

KBRA's long-term rating assessment is based on its review of the four KBRA rating determinants included in KBRA's **U.S. State General Obligation Rating Methodology**. A full discussion of the credit was published on **December 5, 2017**. KBRA's most recent State of Connecticut report was published on **May 24, 2018**. This report provides updates on the State's Financial Performance and Liquidity as well as an update on the State's Resource Base. KBRA has assigned the following Rating Determinant ratings:

- Management Structure, Budgeting Practices and Policies: AA+
- Debt and Additional Continuing Obligations: A+
- Financial Performance and Liquidity Position: A+
- State Resource Base: AA-

Security

The General Obligation Bonds (2018 Series E), General Obligation Refunding Bonds (2018 Series F) and Taxable General Obligation Bonds (2018 Series A) are general obligations of the State and are secured by Connecticut's full faith and credit pledge. All general obligation bond debt service of the State is deemed appropriated without further action by the State Legislature.

Use of Proceeds

Proceeds of the 2018 Series E Bonds and 2018 Series A Bonds will be used to finance various capital projects of the State and the 2018 Series F Bonds will be used to refund a portion of the State's general obligation bonds on a current refunding basis. The 2018 Series A Bonds are taxable bonds because the proceeds will be used for State capital projects that are taxable, such as certain projects for the Housing Trust Fund or for Economic Development Assistance and certain grant programs.

Key Rating Strengths
• Historically, State leadership has demonstrated an ability and willingness to make adjustments during the fiscal year to maintain budget balance.
• A strong financial management framework exists for tracking revenues and monitoring budget performance as well as an established mechanism for adjusting budgeted expenditures during the fiscal year.
• The State's Budget Reserve Fund is projected to increase to $1.15 billion, or approximately 6.1% of estimated FY 2018 General Fund expenditures, by the end of FY 2018.
• Connecticut has the highest personal per capita income in the country at $70,121 for calendar year 2017.
• Available cash balances provide good liquidity for operations, without utilization of external borrowing.
Key Rating Concerns
• Continuing structural imbalance in FY 2018 and FY 2019 in the State's General Fund based on the midterm budget revisions (SB 543) were passed by the General Assembly on May 9, 2018.
• The State's recent difficulty in accurately projecting personal income tax levels, specifically capital gains taxes, and continued lack of significant growth in wage levels across the State.
• The State's increasing budgetary burden related to total fixed costs, specifically debt service, pension contributions, and Medicaid expenditures.
• The State debt burden and the level of pension liabilities are high, compared to other states, on a per capita basis and as a percentage of personal income and GSP.
• The State's economic growth continues to be slow, compared to the region and the U.S.

Rating Summary

KBRA's assignment of the AA- rating and Negative Outlook on the State of Connecticut General Obligation Bonds reflects the State's ongoing difficulty in accurately projecting State revenues and the continuing structural imbalance in the FY 2018-FY 2019 biennium budget for the State's General Fund. The rating also reflects that the balance in the Budget Reserve Fund (BRF)at the end of FY 2018, based on recent (July 20, 2018) estimates, is projected to grow to $1.15 billion, or approximately 6.1% of FY 2018 General Fund expenditures, which KBRA considers to be a strong level of reserves. In KBRA's view, this level of reserves significantly strengthens the financial condition of the State.

Unlike the last several fiscal years where the State experienced ongoing shortfalls in personal income tax (PIT) collections, the State income tax collections in FY 2018, based on recent projections, was $1.46 billion higher than budgeted. This windfall was primarily comprised of final and estimated tax collections and was due to one-time income tax revenues related to repatriation of hedge fund profits and over $700 million of annual personal income tax collections received over budget in FY 2018. Under the State's new Volatility Cap included in the enacted FY 2018-FY 2019 biennium budget, any final and estimated income tax collections over $3.15 billion are required to be deposited in the BRF, starting in FY 2018. In FY 2018, based on the Volatility Cap, most of the amount of income tax collections received above budget was projected to be deposited in the BRF. Under the midterm budget revision legislation (SB 543), the General Assembly used a portion of this amount to balance the FY 2018 and FY 2019 budgets rather than take action to reduce State spending or raise revenues. In addition to not resolving the continued structural imbalance in the General Fund, the General Assembly did not address the outyear budget gaps starting in FY 2020, which stem from a number of revenue enhancements (approximately $1.2 billion) that are included in the FY 2019 budget but scheduled to expire in FY 2020.

KBRA recognizes the efforts made by the Malloy administration and the General Assembly over the last several years to restructure General Fund revenues in response to changes in the State's wage and employment base however, in KBRA's view, further commitment to structurally balanced operations is necessary.

KBRA views the establishment of the Volatility Cap as significantly reducing the budget volatility historically experienced by the State in projecting final and estimated income tax revenues (largely capital gains taxes). The Volatility Cap should also provide a funding source for the BRF from final and estimated taxes above a certain level in a given year, however, the consistency of this funding source depends on decisions by the General Assembly on the use of these funds going forward. Over the last four years, the State has continued to closely monitor revenue performance and budget to actual operating performance on a monthly basis and both the Governor and the Legislature have taken action to balance financial operations as needed. KBRA will continue to monitor the State's budgetary performance in FY 2018 and FY 2019.

In KBRA's view, the State economy continues to grow but at a slower pace than regional and national growth trends. Since 2010, the State has also generally lagged the New England region and the United States in growth in total employment and reduction of the unemployment rate.

Outlook: Negative

KBRA's Negative Outlook reflects the State's ongoing difficulty in accurately projecting State revenues, the continuing structural imbalance in the FY 2018-FY 2019 biennium budget after the midterm budget revisions (SB 543) and the continued weakness in the State's economy. KBRA's assessment of the financial condition of the State going forward will be largely based on the ability and willingness of the General Assembly to take significant steps towards resolving the structural imbalance in the State's General Fund budget. KBRA will continue to monitor both the personal income tax collection trends and the State's progress in managing the FY 2018/FY 2019 budget.

In KBRA's view, the following factors may contribute to a rating upgrade:

- Trend of accurate revenue projections leading to budget stability in the General Fund.
- Trend of structurally balanced budgets and actual financial results showing General Fund operating surpluses.
- Sustained increase in funding level of State's Budget Reserve Fund.
- Significant increase in the funded ratios for the State's pension systems.

In KBRA's view, the following factors may contribute to a rating downgrade:

- Ongoing structural imbalance in the State's General Fund operating budget.
- Failure to maintain budget discipline and balanced financial operations
- Continued pressure on personal income tax collections resulting from difficulty in projecting final and estimated tax collections, further shifts in the State's employment base or decline in economic activity.
- Significant reliance on non-recurring revenues to balance the budget.

Financial Performance and Liquidity Update

FY 2017 Financial Results

Based on the Comptroller's audited budgetary based financial report for FY 2017, the fiscal year ended with an operating deficit of $22.7 million in the General Fund, which was eliminated by a transfer from the BRF. As a result of this transfer, the balance in the BRF was reduced from $235.6 million to $212.9 million, or 1.1% of FY 2017 expenditures, which KBRA considers to be low, especially given the volatility of the State's income tax collections. In FY 2017, the State experienced a significant shortfall in personal income tax collections totaling $530 million (6% below budget) and a shortfall in sales tax revenue of $136.5 million (3.2% below budget).

Statement of Revenues, Expenditures, and Net Surplus for General Fund General Fund (budgetary modified cash basis) FY 2012-2017 (ending June 30)						
(in $ millions)	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**
Operating Revenues	17,703.0	17,780.8	17,282.0	17,009.1 [1,2]	19,405.0	18,561.6
Operating Expenditures	17,763.0	17,921.3	17,419.7	16,980.0	19,025.7	18,781.6
Other Resources	37.4	-30.0	24.5	28.7	18.7	76.5
Net Operating Surplus (Deficit)	(22.7)	(170.4)	(113.2)	57.7	398.0	(143.6)
Transfer (to) from Budget Reserve Fund	22.7	170.4	113.2	(248.5)	(177.2)	143.6
Reserved for Subsequent Years Expenditure	0	0	0	0.0	220.8	0.0
Reserved from Prior Year Resources	0	0	0	190.8	0.0	0.0
Net Surplus (Deficit) June 30th	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Budget Reserve Fund	**$212.9**	**$235.6**	**$406.0**	**$519.2**	**$270.7**	**$93.5**
% of Operating Expenditures	**1.2%**	**1.3%**	**2.3%**	**3.1%**	**1.4%**	**0.5%**

Source: Annual Report of the State Comprtoller 2017-2012

[1] FY 2014 General Fund revenues and expenditures reflect the reduction of approximately $2.8 billion in both revenues and expenditures related to the shift to the "net budgetary" approach in Medicaid funds.
[2] FY 2014 revenues do not include $599 million of GAAP Conversion Bonds

FY 2018 and FY 2019 Biennium Adopted Budget

The General Assembly failed to pass a budget for the FY 2018-FY 2019 biennium before the start of the 2018 fiscal year on July 1, 2017. Under State Statute, the Governor has the ability to run the State under Executive Order to maintain essential services in the absence of a budget. The FY 2018-FY 2019 biennium budget was finally adopted on October 30, 2017 after a long budget negotiation in the General Assembly and signed into law by the Governor on October 31, 2017. The Office of Policy and Management (OPM) stated that the adopted FY 2018-FY 2019 biennium budget was tightly balanced with limited room for budget overruns on the expenditure side. In KBRA's view, the adopted biennium budget was not structurally balanced, based on use of a substantial amount of non-recurring revenues sources, which include transfers from State operating funds as well as a number of revenue enhancements and tax cuts that are scheduled to expire in FY 2020. Though the adopted biennium budget does include a reduction in local education funding, it does not include a structural shift of cost sharing to local government.

On the revenue side, the adopted FY 2018-FY 2019 budget included a reduction to property tax credits, decrease in the earned income tax credit (EITC), increase in cigarette taxes and the suspension of the transfer of sales tax revenues into the MSRA. Hospital provider taxes are significantly increased for FY 2018 and FY 2019, however a portion of the hospital tax payments will be returned to the hospitals as supplemental state payments, thereby increasing federal Medicaid reimbursement and creating a financial benefit for both the State and the hospital industry.

Non-recurring revenues in the form of transfers from a number of State operating funds total $173 million in FY 2018 and $213 million in FY 2019. The major transfers include a delay in payment of the GAAP deficit amortization and use of certain operating funds from the State's Energy Efficiency Funds for this biennium. In addition to transfers from State operating funds, the adopted budget includes revenue enhancements and tax cuts that are scheduled to expire in FY 2020. The impact of these combined transfers and various revenue enhancements and tax cuts totals $1.2 billion in FY 2020. Reflected in the list of items that are projected to be modified in 2020, leaving a structural hole of over $1 billion, is the restoration of the sales tax transfers to the Municipal Revenue Sharing Account (MRSA), the reduction of the Hospital Tax by half and restoration of the full property tax credit against state income taxes as well as other items.

On the expenditure side, the adopted FY 2018-FY 2019 budget includes the savings from the SEBAC collective bargaining agreement approved by the General Assembly in July 2017, reduction in state aid for education (ECS) and school health centers, reduction in funding for higher education, cuts to child care subsidies and cuts to the State's Medicaid program. The major driver of spending reductions in the FY 2018-FY 2019 adopted budget is the collective bargaining savings, estimated at $700 million in FY 2018 and $868 million in FY 2019, included in the five-year extension of the labor contract with the State employees' union (SEBAC). The agreement freezes all State employee wages over three years, increases employee pension and healthcare contributions and makes other changes to reduce costs in both the State retirement and healthcare plans. COLA payments and scheduled wage increases resume in FY 2020. The State has also agreed not to lay off any unionized State employees over four fiscal years which, in KBRA's view, will limit the State's options for managing its budget in the current biennium and beyond. OPM also notes that the tight budget limits the flexibility of the State to meet unforeseen expenses.

FY 2018 Revenue Collections

As of January 15, 2018, the State's collection of final and estimated payments of personal income taxes, had exceeded the State's FY 2018 estimates by over $1 billion. The increased January collection is due to two factors. First, taxpayers accelerated their 2017 tax year income tax payments to maximize their federal tax deduction prior to expiration of uncapped state and local tax deduction included in the new federal tax law. These accelerated tax payments were estimated to total approximately $500 million and April 2018 income tax collection projections were reduced by this amount. The other factor in the increased collections was a one-time unbudgeted payment of income taxes on the repatriation of overseas profits of hedge fund managers that the IRS required to be brought back into the US by the end of calendar year 2017(Section 457A of the IRS Code, enacted in 2008). This is a one-time payment of income taxes on 2008 hedge fund profits; these profits have been included in the State's income tax base since 2008. Under the Volatility Cap, these one-time revenues are required to be deposited in the BRF and are not available for FY 2018 operations.

State of Connecticut Consensus Revenue Estimates Growth Projections								
	April-2017		November-2017		January-2018		April-2018	
	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019
General Fund	0.90%	0.60%	-0.60%	0.40%	-0.80%	0.50%	N/A	N/A
Personal Income Tax								
Withholding	2.10%	2.10%	-1.50%	0.70%	2.10%	2.20%	4.30%	1.40%
Final and Estimated	0.00%	1.00%	2.10%	2.20%	-1.50%	0.70%	39.60%	-19.90%
Sales Tax	2.90%	2.40%	1.20%	2.50%	1.30%	1.60%	1.30%	1.60%

Source: State of Connecticut Office of Policy and Management and Office of Fiscal Analysis Consensus Revenue Estimates

Consensus Revenue Estimates

Based on April 2018 consensus revenue estimates for FY 2018, withholding taxes are projected to increase 4.3% and final and estimated taxes are projected to increase 39.6%. Since April 2018, projections for both withholding and final and estimated have been revised upwards. As discussed above, this reflects the FY 2018 personal income tax performance over budget as well as the one-time income tax collections on the repatriation of hedge fund income at the end of calendar year 2017. As of April 2018, FY 2019 withholding taxes were projected to increase 1.4% and final and estimated taxes are projected to decline 19.9%, which again reflects the one-time nature of the FY 2018 increase. In FY 2018 and FY 2019, sales taxes are projected to increase 1.3% and 1.6% respectively. KBRA will continue to monitor the performance of the State's revenues and the impact on the State's financial operations.

Midterm Budget Revisions for FY 2019

On May 9, 2018, the General Assembly passed Senate Bill (SB) 543, which included appropriations to balance FY 2018 operations and midterm budget revisions for FY 2019. The legislation was signed by the Governor on May 15, 2018. Based on the OPM letter dated May 21, 2018, the FY 2018 General Fund deficit was projected to be $717.5 million. This deficit for FY 2018 will be funded by use of funds which would have been transferred to the BRF under the Volatility Cap under original enacted FY 2018-FY 2019 budget legislation. This deficit includes the previously projected FY 2018 deficit. In addition, SB 543 directed that a portion of the supplemental hospital payments scheduled to be made in FY 2019, as well as several other costs, would be charged to FY 2018 operations and added to the projected FY 2018 deficit. The total additional amount of these costs charged back to FY 2018 is $341.7, which along with the FY 2018 projected deficit, brings the total amount of the FY 2018 deficit to $717.5 million. The $717.5 million deficit will be funded prior to the transfer of required funds under the Volatility Cap to the BRF at the end of FY 2018. After the transfer, the BRF balance was projected to be $769.3 million, or approximately 4.1% of FY 2018 General Fund expenditures, at the end of FY 2018.

Based on the midterm budget revisions, FY 2019 is projected to end the fiscal year with a $8.2 million surplus in the General Fund. Based on April 2018 consensus revenue estimates, personal income tax revenues in FY 2019 are projected to increase by $395 million, while sales taxes and corporation taxes are projected to decline. Federal grants, which includes federal reimbursements for the supplemental hospital payments, are projected to increase by approximately $400 million. For FY 2019, total revenues on a net basis are projected to increase $148.4 million. Under the midterm revisions, the General Assembly increased appropriations by $207.6 million, which included restoration of funding for the Medicare Savings program and funding for Municipal Aid, as well as other cuts included in the original budget.

In KBRA's view, the State's FY 2019 General Fund budget under Senate Bill 543 continues to be structurally imbalanced, based on a substantial level of non-recurring revenue sources, including transfers from State operating funds, revenue enhancements expiring in FY 2020 and, as discussed above, the charge back to FY 2018 of certain costs of supplemental hospital payments included in the FY 2019 budget. KBRA will continue to monitor the State's budgetary performance in FY 2018 and FY 2019.

Recent FY 2018 Financial Operations

As of July 20,2018, OPM projects that the General Fund will close FY 2018 with a $504.6 million deficit from operations, compared to the $717.5 million deficit projected in May 2018. The reduction of the General Fund operating deficit over the last two months is due to continued spending restraint in General Fund operations. In addition, performance continues to be stronger than expected for several revenue sources. These numbers are preliminary for FY 2018-year end and may change. Over the last two months, projections for PIT collections (both withholding taxes and final and estimated taxes) have been further revised upwards for FY 2018. Under the Volatility Cap, most of the increased PIT collections would be subject to transfer to the BRF at the end of the fiscal year. Projections for General Fund spending have also been further reduced for FY 2018. Currently, based on increased PIT revenue estimates and the projected reduction in the General Fund deficit projections for FY 2018, it is projected that $939.3 million will be transferred to the BRF at the end of the fiscal year and the BRF will increase to $1.15 billion, or 6.1% of General Fund appropriations.

Fiscal Reforms Recently Passed by Connecticut General Assembly

Statutes passed by the General Assembly as part of the FY 2018-FY 2019 budget process established a Municipal Accountability Review Board (MARB) to provide oversight and assistance to municipalities experiencing fiscal distress. The enacted FY 2018-FY 2019 budget also includes other fiscal reforms including requirements for certain stress tests on the State's pension funds, a new Revenue Cap that limits the ability to budget more than a certain percentage of estimated revenues in a budget year, a Volatility Cap and limits on annual issuance of GO bonds. The new revenue cap requires the General Assembly to reduce budgeted appropriations to 99.5% of estimated revenues in FY 2020, down to 98% of revenue projections by FY 2026.

General Fund Out Year Budget Projections as of May 2018 (In Millions)

	FY 2020	FY 2021	FY 2022	FY 2023
Revenue	17,490.7	17,602.8	17,387.1	17,674.0
Appropriations	19,506.2	20,179.7	20,613.5	21,351.3
Projected Deficit	(2,015.5)	(2,576.9)	(3,226.4)	(3,677.3)
Deficit as a Percent of Revenue	**-11.5%**	**-14.6%**	**-18.6%**	**-20.8%**

Source: Office of Fiscal Analysis fiscal note to SB 543

General Fund Outyear Forecast

The Office of Fiscal Analysis (OFA) generally develops a projection of the impact of an adopted biennium budget beyond the biennium. On May 9, 2018, the OFA published its current forecast for FY 2020, FY 2021, FY 2022 and FY 2023 based on the impact of the recently passed midterm budget revisions and April 2018 revenue estimates. As part of the midterm budget revision process, the Governor had proposed eliminating future tax cuts and continuing some of the revenue enhancements that constitute the budget gaps starting in 2020. These items include permanent elimination of the property tax credit, elimination of the transfer of sales tax revenue to the MRSA and extension of the increased Hospital Tax. In the legislative session addressing the midterm budget revisions, the General Assembly did not address the outyear General Fund forecast.

Liquidity Position

The State's liquidity position remains strong. As of June 30, 2018, the State's total available cash was $ 3.4 billion, and the common cash pool was $ 1.9 billion. As of July 28, 2018, the State's total available cash was $3.4 billion.

The common cash pool represents the State's operating cash. Available cash includes bond funds and other balances which can be made available to the common cash pool through temporary transfers under long established State practice. The State's level of cash in the common cash pool at a given point in the fiscal year reflects the seasonality of cash flow. The level of total available cash is impacted both by the rate of bond issuance and the rate of spending from those bond funds. The State has no plans to issue cash flow notes.

Available Cash Balance as of June 30 (In Millions)

	2014	2015	2016	2017	2018	July 28, 2018
Common Cash Pool	$941.1	$1,091.5	$821.0	$1,100.6	$1,870.9	$1,975.1
Total Available Cash	$1,780.8	$2,218.3	$1,764.8	$2,657.0	$3,398.6	$3,350.4

Source: State of Connecticut Treasurer's Office Cash & Debt Monthly Reports

State Resource Base Update

In KBRA's view, the State economy continues to grow but at a slower pace than regional and national growth trends. From 2010 to 2016 the State's population has been flat, while the New England region and nation has grown by 1.9% and 4.5% respectively. Going forward, KBRA expects that Connecticut's population growth will continue to be slower than that for New England and the U.S.

Income levels, as measured by per capita personal income, have historically been the highest in the nation. Per capita personal income in 2017 is still the highest in the nation at $70,121, which was 112% and 139.2% of New England and U.S. levels, respectively. Even though the State still has the highest per capita personal income its growth rate has slowed. From 2010 to 2017 the State's per capita personal income has grown by 12.9% which is the lowest growth rate for any state in the nation over the same time. This is reflective of losses of many financial sector jobs in the State; financial sector jobs have decreased by 5.3% since 2010. Historically, declines in personal income growth have generally been steeper in Connecticut than the region and the U.S. during periods of economic decline.

	2016 Population	Chg. from 2010	2016 Age Dependency Ratio [1,2]	Chg. from 2010	2016 Population w/ B.A. Degree or Higher [2,4]	Chg. from 2010	2016 Poverty Level [2]	Chg. from 2010
Connecticut	3,576,452	0.0%	59.1%	0.4%	38.6%	3.1%	9.8%	-0.3%
New England	14,735,525	1.9%	57.8%	1.7%	39.1%	3.5%	10.4%	-0.8%
United States	323,127,515	4.5%	61.3%	2.5%	31.3%	3.1%	14.0%	-1.3%
Connecticut as % of New England	N/A		102.3%		98.8%		94.2%	
Connecticut as % of U.S.	N/A		96.4%		123.3%		70.0%	
	2017 Personal Income ($ Billions)	Chg. from 2010	2017 Per Capita Personal Income	Chg. from 2010	2017 Real Gross State Product ($Billions)	Chg. from 2010	2017 Real GSP Per Capita	Chg. from 2010
Connecticut	$251.6	13.1%	$70,121	12.9%	$224.7	-3.3%	$62,633	-3.5%
New England	$927.6	23.1%	$62,632	20.3%	$883.2	7.5%	$59,637	5.0%
United States	$16,413.6	31.7%	$50,392	25.1%	$16,721.5	14.3%	$51,337	8.6%
Connecticut as % of New England	N/A		112.0%		N/A		105.0%	
Connecticut as % of U.S.	N/A		139.2%		N/A		122.0%	

Source: US Census Bureau and Bureau of Economic Analysis

[1] Age dependency ratio is the sum of the population under 18 yrs and over 65 yrs divided by persons age 18 to 64 yrs.

[2] Year over year change shown as nominal change in percentage points.

[3] New England is defined as Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont

[4] Percent of the population aged 25 and over.

Over the last twenty years, the State's high per capita personal income figure has historically been driven, in part, by the relatively large proportion of residents who work in high paying jobs in the finance, insurance, real estate, and certain manufacturing (such as defense) sectors. Overall, Connecticut's real GSP has decreased by 3.3% since 2010, however looking back to 2000 the State has seen a 7.4% growth in real GSP.

The State continues to have a diverse economic base. In 2018, 16 "Fortune 500" companies were headquartered in Connecticut, including United Technologies Corporation (UTC), Cigna, Praxair, Stanley Black & Decker and Hartford Financial Service Group. KBRA notes that the defense industry is an important component of the State's economy and has demonstrated renewed strength since 2002 and we expect this trend to continue. Major defense companies include UTC and its Pratt and Whitney Aircraft Division, Sikorsky Aircraft (a division of Lockheed Martin), and General Dynamics Corporation's Electric Boat Division. In July of 2018 the State announced that KPMG would be adding 110 new jobs to its Stamford office over the next five years. In addition to KPMG, Seven Stars Cloud Group is establishing its global headquarters for technology and innovation at the University of Connecticut's former campus in West Harford and expects to create 330 jobs over the next five years.

Since 2010, the State has also generally lagged the New England region and the United States in growth in total employment and reduction of the unemployment rate. Between 2010 and June 2018, total State employment grew 5.36%, as compared to 10.81% for the region and 11.86% for the U.S.

Total Employment (Not Seasonally Adjusted)

in thousands	Connecticut			New England			U.S.		
	Employment	% Chg.	Unemployment Rate	Employment	% Chg.	Unemployment Rate	Employment	% Chg.	Unemployment Rate
2009	1,741		7.9%	7,109		8.0%	139,894		9.3%
2010	1,737	-0.20%	9.1%	7,103	-0.09%	8.4%	139,077	-0.58%	9.6%
2011	1,746	0.49%	8.8%	7,141	0.54%	7.7%	139,885	0.58%	8.9%
2012	1,730	-0.92%	8.3%	7,171	0.41%	7.2%	142,475	1.85%	8.1%
2013	1,718	-0.70%	7.8%	7,197	0.37%	6.9%	143,941	1.03%	7.4%
2014	1,767	2.88%	6.6%	7,342	2.01%	5.9%	146,317	1.65%	6.2%
2015	1,787	1.14%	5.7%	7,427	1.16%	4.9%	148,845	1.73%	5.3%
2016	1,807	1.07%	5.1%	7,527	1.35%	4.1%	151,440	1.74%	4.9%
2017	1,829	1.23%	4.7%	7,618	1.21%	3.8%	153,337	1.25%	4.4%
June 2018 [P]	1,831	0.09%	4.5%	7,871	3.31%	3.8%	155,576	1.46%	4.0%

Source: U.S. Bureau of Labor Statistics

New England: Maine, Massachusetts, New Hampshire, Vermont, Rhode Island, and Connecticut

P=Preliminary

Despite the continued decline of the State's average unemployment rate from a peak of 9.1% in 2010 to 4.5% in June 2018, the unemployment rate in Connecticut is still above that of the region and U.S., which averaged 3.8% and 4.0%, respectively. The State's housing market began to recover in 2013 and as of May 2018, the Freddie Mac House Price Index is 85.0% of its pre-recession peak.

Bankruptcy Assessment

Under Chapter 9 of the U.S. Bankruptcy Code, State governments are not permitted to petition courts for protection from creditors, including holders of their general obligation debt.

Conclusion

KBRA has assigned a long-term rating of AA- with a Negative Outlook to the State of Connecticut's General Obligation Bonds (2018 Series E), General Obligation Refunding Bonds (2018 Series F), and Taxable General Obligation Bonds (2018 Series A). Additionally, KBRA has affirmed the long-term rating of AA- with a Negative Outlook on the State of Connecticut's outstanding General Obligation Bonds and K1+ of on the State of Connecticut's General Obligation Bond Anticipation Notes (2017 Series A). KBRA has also affirmed the long-term rating of AA- with a Negative Outlook on the State of Connecticut General Fund Obligation Bonds 2014 Series A issued by Connecticut Innovations, Inc.

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