

Rating Action: Moody's assigns A1 to UConn GO bonds supported by State of Connecticut; outlook stable

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New York, April 08, 2019 -- Moody's Investors Service has assigned a A1 rating to the University of Connecticut's \$174.485 million General Obligation Bonds, 2019 Series A and \$64.92 million General Obligation Bonds, 2019 Refunding Series A. The outlook is stable. The bonds are expected to price on April 24 and close on May 8.

RATINGS RATIONALE

The A1 rating is derived from the strong legal security provided by the State of Connecticut's (A1 stable) commitment to pay debt service through the UConn 2000 program; pursuant to that commitment amounts sufficient to pay debt service are deemed appropriated from the general fund without need for any additional legislative action. Because of the lack of appropriation risk and the state's strong commitment to pay debt service, we rate the bonds at the same level as the state's general obligation bonds.

RATING OUTLOOK

Connecticut's outlook is stable, reflecting the state's strong provisions to promote fiscal discipline, which pair redressing elements of its high leverage position and requiring GAAP-based budgeting.

FACTORS THAT COULD LEAD TO AN UPGRADE

- State rating upgrade

FACTORS THAT COULD LEAD TO A DOWNGRADE

- State rating downgrade
- Failure of the state to abide by its commitment to pay debt service

LEGAL SECURITY

The UConn 2000 program is an arrangement between the University of Connecticut and the State of Connecticut pursuant to state statute and a master indenture dated November 1, 1995. The current offering of bonds is secured by a pledge of and lien upon the state debt service commitment, which is defined by the UConn 2000 Act as the state's commitment to pay an amount sufficient to make full and timely debt service. Payments are deemed appropriated from the state's general fund and do not require annual legislative action. The act directs the state treasurer to deposit payments into the debt service fund held by the trustee of the bonds. Although the legislature may exercise its power to change the statute, we view the state to have made a long-term commitment to continue to service the bonds as a priority item of its general fund.

Although the bonds are general obligations of the University of Connecticut, the university expects to rely on the receipts of the pledged state debt service commitment and does not plan to budget other revenues for bond repayment. The university would have very limited ongoing ability to assume responsibility for payment on the general obligation bonds, given the magnitude of annual debt service relative to its existing revenue base.

USE OF PROCEEDS

Proceeds of the new money issuance will be used for capital improvements to the university's facilities, part of the UConn 2000 Infrastructure Improvement Act.

PROFILE

The State of Connecticut has a population of 3.57 million people 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 a gross state product of \$225 billion in 2017. It is the wealthiest state in the country with per capita income of 139% of the US average.

University of Connecticut was established in 1881 as one of the nation's nine colonial land grant colleges, and is Connecticut's flagship research and land grant university. UConn has its main campus in Storrs, four undergraduate regional campuses, the School of Law in Hartford, and the medical and dental schools at University of Connecticut Health Center's Farmington campus outside of Hartford.

METHODOLOGY

The principal methodology used in these ratings was Lease, Appropriation, Moral Obligation and Comparable Debt of US State and Local Governments published in July 2018. Please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

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