The Office Of
State Treasurer
Denise L. Nappier

News

FOR IMMEDIATE RELEASE
June 4, 2010

Statement of State Treasurer Denise L. Nappier Regarding Fitch Rating Action

Fitch Ratings announced that it downgraded the rating on the State's General Obligation (GO) bonds from AA+ with a Negative Outlook to AA with a Stable Outlook. The one notch decrease in the State's rating from Fitch brings it to a level comparable to the State's credit ratings from the other two credit rating agencies: Moody's Investors Service rates the State's GO bonds at Aa2 with a Stable Outlook and Standard and Poor's rates the State's GO at AA with a Stable Outlook.

Treasurer Nappier stated, "While Fitch's decision is disappointing, we do not anticipate that it will have much impact, if any, on the State's cost of debt given that the State's General Obligation bonds still carry three solid "AA" credit ratings -- all with Stable Outlooks."

Ironically, just eight weeks ago, Fitch actually increased the State's GO credit rating from AA to AA+ as part of a recalibration of all state and local government credit ratings to a single ratings scale compared with other types of debt. This most recent action takes the State's GO credit rating back to AA where it had been since 1997.

"The decision by Fitch is, in my view, inconsistent with the improvements in Connecticut's economic and revenue picture – including lower unemployment numbers and better-than-forecasted income and sales tax revenues. While it is true that the State faces many challenges ahead in the 2012 and 2013 fiscal years (as do most other states), my office stands ready to help the next Governor and General Assembly meet those challenges in fiscally-responsible ways."

Fitch cited in its report a number of factors that led to its recent decision, including the State's reliance on borrowing for operating expenses and the use of one-shot revenues, as well as structural imbalances projected for future years.

"No doubt, the next Governor and General Assembly will face an obviously difficult task as they will need to address large projected budget deficits for the next biennium. – However, I would counter that mitigating factors that will help the State meet these challenges include conservative revenue forecasting, the use of non-General Fund revenue to repay debt issued for the 2011 budget and an improving economy.

Contact: Christine Shaw, Director of Government relations, (860) 702-3211
Christine.shaw@ct.gov

Ultimately, the State will always take the appropriate steps to balance its budgets, because it must," Nappier said.

"With that said, today's announcement by Fitch is a veritable caution sign about the perils of relying too heavily on debt to balance the budget. As my office follows through on the issuance of debt authorized by the Legislature, it is worth noting that our track record in driving down borrowing costs for new money and refinancing can help to alleviate budget pressures," Nappier said.

During the Nappier administration, it has employed an aggressive program of refunding and defeasing outstanding debt that have resulted in over $620 million of savings over the life of the bonds. "We will continue to meet our statutory obligations prudently and effectively, and work to lessen the burden on taxpayers wherever possible," said Treasurer Nappier.