State of Connecticut

New Issue Report

Ratings

Long Term Issuer Default Rating	A+

New Issue

$250,000,000 General Obligation Refunding Bonds, 2019 Series B	A+

Outstanding Debt

General Obligation Bonds	A+
Capital Region Development Authority Parking and Energy Fee Revenue Refunding Bonds	A
Connecticut Development Authority General Fund Obligation Refunding Bonds	A
Connecticut Development Authority General Fund Obligation Bonds, Series 2004B	A–
Connecticut Higher Education Supplemental Loan Authority (CHESLA Loan Program) Revenue Bonds	A
Connecticut Innovations, Inc. State General Fund Obligation Bonds	A
University of Connecticut General Obligation Bonds	A

Rating Outlook

Stable

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New Issue Summary

Sale Date: July 25, 2019.

Series: $250 million General Obligation (GO) refunding bonds (2019 series B).

Purpose: Refund outstanding bonds for debt service savings.

Security: GO bonds are supported by the full faith and credit of the state pledged to payment of principal and interest.

Analytical Conclusion

Connecticut's 'A+' Issuer Default Rating (IDR) and GO bond ratings incorporate Fitch Ratings' expectations for a relatively flat economic performance that will continue to challenge the state in matching revenues to expenditures despite recent improvement in financial performance. The state's broad economic resource base and the continued fiscal flexibility inherent in its budget autonomy remain key positives, but they are offset by a long-term liability burden that remains well above the U.S. states' average.

Funding requirements for elevated liabilities are a moderate burden on the wealthy resource base but they limit expenditure flexibility compared with those of most states. Gap-closing capacity and state fiscal management remain strong and weakened financial resiliency has recently improved through substantial required deposits to the budget reserve fund (BRF).

Economic Resource Base: Connecticut has a mature, diverse economy anchored by a large finance sector and important manufacturing, education and health sectors. The impact of the Great Recession on Connecticut was severe, and slow economic growth since that time has trailed that of the U.S. The state forecasts fairly weak employment growth over the next several years.

The state is the wealthiest in the U.S. as measured by per capita personal income, although recent aggregate personal income gains have been below the nation and key finance and manufacturing sectors are experiencing only modest growth after the retrenchment of recent years.

Key Rating Drivers

Revenue Framework: 'a'
The state's largest tax revenue source, the personal income tax (PIT), is subject to considerable cyclicality, but it has instituted measures to address its volatility while sales, corporate income, transportation and gaming taxes diversify resources. Tax policy changes have been required since the recession to boost revenues, and Fitch believes modest future economic growth will continue to constrain resources. The state has unlimited legal ability to levy taxes.

Expenditure Framework: 'aa'
Connecticut's natural pace of spending growth is expected to be higher than that of revenues given projections for weak growth in revenues. The state has consistently demonstrated the ability to cover its comparatively high fixed costs, which are excluded from the constitutional

Rating History (IDR)

Rating	Action	Outlook/ Watch	Date
A+	Affirmed	Stable	7/09/19
A+	Downgraded	Stable	5/12/17
AA–	Downgraded	Stable	5/19/16
AA	Affirmed	Stable	7/23/15
AA	Affirmed	Negative	7/02/13
AA	Downgraded	Stable	6/03/10
AA+	Revised	Negative	4/05/10
AA	Affirmed	Negative	11/05/09
AA	Affirmed	Stable	4/13/06
AA	Downgraded	—	3/07/95
AA+	Upgraded	—	8/08/92
AA	Assigned	—	9/12/91

Related Research

Fitch Rates Connecticut's $250MM GO Refunding Bonds 'A+'; Outlook Stable (July 2019)

Related Criteria

U.S. Public Finance Tax-Supported Rating Criteria (April 2018)

cap on annual expenditure growth, including making full actuarial contributions to pensions, and it benefits from the large degree of budget autonomy common to states.

Long-Term Liability Burden: 'a'

The state's long-term liability burden is elevated and among the highest for a U.S. state but still considered moderate. Long-term debt consists primarily of GO and transportation borrowings, with much of GO borrowing undertaken on behalf of local schools. Net pension liabilities are more significant, with the state carrying obligations for state retirees as well as for local school teachers.

Operating Performance: 'a'

Gap-closing capacity remains strong and resiliency has improved with sizable deposits to the BRF in fiscal years 2018 and 2019, as required under the state's recently enacted revenue volatility cap. The deposits, including from a large operating surplus in fiscal 2019, were net of state actions to either balance financial operations or in concert with reforms to the Teachers' Retirement System (TRS) and a pending legal settlement. Future cyclical budgetary pressures and out-year budget gaps remain an issue to be addressed, although frequent revenue re-forecasting allows the state to identify revenue underperformance and quickly implement corrective actions.

Rating Sensitivities

Maintaining Fiscal Resilience: Movement in Connecticut's IDR is sensitive to the state's ability to balance financial operations in response to economic and revenue growth expectations while maintaining its recently improved financial resilience. The IDR is also sensitive to shifts in the state's elevated liability burden and ability to manage its expenditures given a comparatively high fixed cost burden.

Credit Profile

Connecticut has a diverse, mature and wealthy economic base, with flat to modestly declining population trends and an aging demographic profile. In contrast to past economic expansions, the state's performance in the current expansion has been unusually slow and has weighed on the natural pace of revenue growth. The state projects positive economic growth over the medium term but at rates below the nation.

Employment gains through much of the recovery have been well below national averages and slower than past recoveries. Recent three-month moving average employment growth averaged 0.3% compared to 1.8% for the nation, although labor force growth has been more solid at 1.8% compared to 1.2% for the nation. Rates of recovery have varied across the state's larger metropolitan regions, ranging from robust gains in the New Haven region to only modest gains in areas like New London and Waterbury. The finance sector, with important banking and investment activity in the southwestern part of the state and insurance activity in Hartford, saw sizable employment losses through the Great Recession and well into the recovery. Employment in these areas remains below the post-recession peak.

The state's large and sophisticated manufacturing sector has seen relatively flat employment growth since steep recessionary losses ended, although important defense-related manufacturing anchors the sector and may bring future gains. Tourism has grown in importance over time, but prospects for the state's gaming resorts are more uncertain given rising competition in neighboring states. The state's unemployment rate has historically run below the U.S. rate, but since 2012 has exceeded the nation; the unemployment rate was 4.1% in 2018 compared to 3.9% for the U.S. Personal income per capita ranks highest among the states, at 139% of the national level, although annual growth in aggregate personal income has been below the nation since 2011.

Revenue Framework

Tax revenues for general fund needs are diverse, with PIT, corporate income and sales taxes serving as the primary tax sources. PIT receipts, particularly those derived from non-withholding, are particularly important, but their volatility has had a negative impact on the state's financial position. An inflation-adjusted revenue volatility cap enacted in 2017 partly addressed this volatility by directing non-withholding revenue (estimates and final component of the PIT and the fiscal 2018-enacted pass-through entity tax, explained below) above the cap to the BRF. A separate, statutorily enacted revenue cap that limits appropriations to a level below expected revenue begins to be incorporated in fiscal 2020. The revenue cap, required to reach 98% in fiscal 2026, is phased in at 0.25% increments. The separate transportation fund receives a range of transportation-related receipts as well as resources from the general fund.

Historical growth in revenues, after adjusting for the estimated impact of tax policy changes, has been below inflation and well below the pace of national GDP growth, due to contractions in the important financial services sector as well as the maturity of the state's economy.

The April 2019 consensus revenue estimate (CRE) estimated $18.3 billion in available revenue for fiscal 2020, a drop of 7% based on existing law and the new revenue cap that limits appropriations to 99.5% of the revenue forecast, as nonrecurring revenue actions fell off and the state's hospital tax was automatically reduced. The enacted budget for the 2020–2021 biennium boosted the CRE's forecast to $19.4 billion by recognizing approved tax policy actions and incorporating higher expectations for baseline revenue performance. Even with these tax measures implemented, available revenue in fiscal 2020 is estimated at 1.8% below fiscal 2019, as the revenue cap phase-in as well as reduced expectations for the pass-through entity tax and the falloff of one-time federal aid are incorporated.

The state has unlimited legal ability to raise tax revenues. Tax rate competitiveness is more of a factor in Connecticut than in some other states due to the nature of its taxpayer base, its relatively small size and its proximity to neighboring states' urban employment centers. Passage of the federal Tax Cut and Jobs Act (TCJA) heightened this concern, as the limit on the deduction for state and local taxes increased residents' effective tax burden.

As part of the fiscal 2019 budget discussions, the state enacted legislation intended to mitigate the expected negative effects of TCJA on state taxpayers. Approved legislation created a revenue-neutral tax on pass-through entities, offset by a PIT credit, and allowed municipalities to create charitable organizations in support of town services accompanied by a local property tax credit. Collections from the tax on pass-through entities have been strong while the charitable deduction option has proven unsuccessful. The state is currently exploring a state payroll tax option with a final report due to the legislature in January 2020.

Transportation revenues, while statutorily dedicated for transportation needs, have been subject in the past to frequent diversion for general operations. To bind the state to recent practice, voters approved a constitutional amendment in the November 2018 ballot that restricts moneys collected in the special transportation fund (STF) to transportation purposes. The fiscal 2019 revised budget also accelerated the deposit of motor vehicle sales taxes to the STF from the general fund, although the budget for the 2020–2021 biennium scales back the increase until fiscal 2022. The governor and legislature continue to discuss establishing a comprehensive system of tolling to fund capital projects, though the first toll revenues would not be received until fiscal 2024.

Expenditure Framework

As with many smaller states, Connecticut's scope of spending is very broad, with the state responsible for delivering or funding numerous services normally handled at the local level. Formula funding for local schools and subsidies for higher education highlight the state's role in education, which extends as well to making teacher pension contributions and funding school capital. Municipal aid is also significant, although previous sharing of sales tax revenue was suspended through fiscal year 2021 and was instead funded through a number of targeted grants coming directly from the general fund. Municipal aid in fiscal 2020 modestly increases by about 2% from fiscal 2019.

The state's constitutional cap on expenditure growth, excluding appropriations for certain fixed or federal requirements, limits increases in annual appropriations to compound annual growth of personal income over the past five calendar years or of the annual growth in the U.S. consumer price index less food and energy, whichever is greater. This cap, in concert with comparatively weak forecast revenue growth, results in the state's need to limit annual growth in expenditures.

The state retains solid ability to cut spending despite successive budgetary adjustments during the current and last biennia. State statute requires swift response in the event of forecast underperformance, either through rescissions, allotment cuts, or with legislative concurrence, depending on the size of the projected deficit. Fitch believes agreements with its collective bargaining units, particularly with the State Employee Bargaining Agent Coalition (SEBAC), have successfully constrained growth in annual expenditures but nevertheless restrain the state's flexibility to adjust expenditures in an unforeseen economic or financial downturn. SEBAC's current contract extended the agreement on pension and healthcare benefits from fiscal 2022 to fiscal 2027 and provided layoff protection through June 30, 2021 for existing employees. The wage agreement remains in effect through fiscal 2021.

The state's relatively high carrying costs for debt service, actuarial pension contributions and other post-employment benefits (OPEB), totaling almost 22% in fiscal 2018, continue to constrain policy options. Carrying costs in fiscal 2018 include the state's commitment to match the 3% employee contribution to its OPEB trust fund; this contribution totaled $120 million. The enacted 2020–2021 budget achieves annual savings beginning in fiscal 2020 through revisions to the SEBAC agreement, which re-amortizes a portion of the outstanding unfunded pension liability for the state employee retirement system (SERS) and through reforms to TRS that also extend the amortization period (discussed in greater detail below.)

Spending for Medicaid remains a key fiscal challenge for Connecticut and for all U.S. states. The nature of the program and federal government rules limit the states' options in managing the pace of spending growth. In other major areas of spending such as education, the state is able to more easily adjust the trajectory of growth. Federal action to revise Medicaid's programmatic and financial structure appears less likely in the near term given divided control in Congress.

Long-Term Liability Burden

Connecticut's long-term liability burden for debt and pensions, adjusted to a 6% return assumption, is amongst the highest for a U.S. state at 28% of 2017 personal income as of Fitch's "2018 State Pension Update," dated November 2018. It remains a moderate, albeit elevated, burden on resources. As updated by the fiscal 2018 state audit and more recent information, long-term debt alone totals $24.5 billion, or 9.5% of 2018 personal income, and the state's total adjusted liability burden equals 27%, not including the 2019 legislative changes, which Fitch expects will increase unfunded pension liabilities.

Almost 70% of outstanding debt is GO, including a large share issued for local school capital needs. GO borrowing also includes $2.2 billion in pension obligation bonds (POB) issued in 2008 to improve the funded ratio of the TRS and $538 million of GO bonds issued by the city Hartford as part of the contract assistance agreement between the state and the city. Annual new debt issuance is limited to $1.9 billion per year under a state-enacted bond cap, excluding UCONN and Connecticut State Colleges and University 2020 higher education borrowing, as well as borrowing for refunding purposes.

Both of the state's two major pension systems have relatively low funded ratios driven by weak contribution practices in the past. Both plans have received nearly full actuarial contributions for many years, the TRS under a covenant linked to the GO pension bonds. As part of the newly enacted budget, the state appropriated $380.9 million from an expected fiscal 2019 operating surplus to fund a special capital reserve fund (SCRF) for the benefit of pension bondholders. Supported by an opinion of the state attorney general, the SCRF is deemed to provide adequate protection of bondholders as required by covenants in the POB, permitting the state to re-amortize and extend the unfunded liability of TRS, thereby reducing future annual pension payments.

Should amounts on deposit in the SCRF total less than the minimum requirement, a state statute directs net revenue of the state's lottery to be deposited in the SCRF until the minimum balance is attained. In conjunction with the TRS re-amortization, the investment return assumption was lowered to 6.9% from 8% and is expected to further increase the unfunded liability.

The 2019 budget act also extended SERS' amortization period from 22.8 years to 27.9 years, contingent on the formalization of an agreement with SEBAC. The extension follows multiple other revisions for SERS, which extended the state's closed amortization period, lowered the return assumption to 6.9%, revised benefits, increased employee pension contributions for all existing members, revised the COLA formula and timing for post–2022 retirees and created a new hybrid defined benefit/defined contribution tier for all new employees.

The state currently estimates an OPEB liability of $19.9 billion (7.7% of 2018 personal income), inclusive of recent changes to collective bargaining agreements and healthcare benefit assumptions. The state's OPEB trust had a market value of $919 million as of Sept. 30, 2018.

Operating Performance

Connecticut's strong gap-closing capacity declined in recent biennia due to the state's comparatively weak economic and revenue performance. For details, see Scenario Analysis, page 7.

Despite the challenges posed by its slow recovery from the Great Recession, the state's fiscal management has generally improved in recent biennia with a greater reliance on structural solutions and continued full actuarial pension contributions. Fitch also recognizes state actions to bolster balances in the BRF, remove some of the cyclicality of PIT collections from the general fund and moderate annual growth in expenditures and debt issuance through statute in addition to bond covenants that impose limitations through June 30, 2023.

Nonetheless, above-average fixed costs, persistent lack of consensus on transportation capital funding and contractually agreed-upon appropriations to correct a longstanding GAAP deficit are likely to weigh on the state in future years. Appropriations to amortize the GAAP deficit were pledged in a 2014 bond issue whereby the state covenanted to amortize this deficit, now at $679.6 million as of June 30, 2018, by fiscal 2028. The state made one payment toward this goal in fiscal 2016 and has included a second payment in the enacted budget for fiscal 2020.

Current Financial Operations

The enacted 2018–2019 general fund biennial budget provided for $18.7 billion in appropriations for fiscal 2018 and $18.8 billion for fiscal 2019. Final revenues in fiscal 2018 totaled $18.2 billion, incorporating lower revenues from most state sources, excluding the PIT, and the delayed receipt of federal grants, while final expenditures were $18.7 billion, requiring a $483 million application of windfall revenue to balance. The state also carried forward fiscal 2018 appropriations into fiscal 2019, largely related to the delayed federal grants for hospital payments and Medicaid. The BRF increased to almost $1.2 billion in fiscal 2018 from $213 million in fiscal 2017.

The adjusted fiscal 2019 budget planned for almost $19 billion in revenues and appropriation for fiscal 2019 and anticipated a modest operating surplus. Over the course of the year, PIT receipts experienced weakness from the prior year, which the state largely attributes to a disincentive to prepay PIT due to reforms under TCJA. The PIT weakness was largely eliminated through strong April 2019 collections although estimates and finals are expected to be just below budget; however, strong growth in the pass-through entity tax is likely to have picked up the falloff as taxpayers reconfigured their filing status.

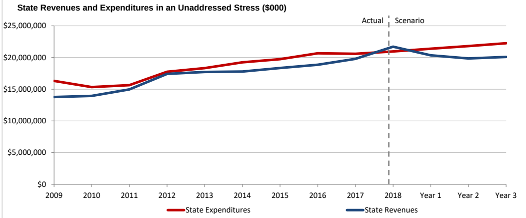
As of June 20, 2019, the Office of Policy and Management (OPM), the state's budget office, expects $19.7 billion in revenue for the fiscal year ending June 30, 2019; $703 million ahead of the forecast used to enact the budget, not inclusive of an estimated $895.5 million in revenue subject to the state's volatility cap that will be deposited to the BRF. The state reports above-budget performance in most other tax categories, including sales and corporate income taxes.

Appropriations are expected to approximate $19 billion and provide for a gross operating surplus of just over $700 million. The enacted budget for the 2020–2021 biennium allocates almost $381 million of the surplus to fund the TRS SCRF and sets aside $160 million for a pending litigation settlement with the state's hospitals. The remaining $160 million surplus and $895.5 million in revenue subject to the volatility cap will be deposited to the BRF.

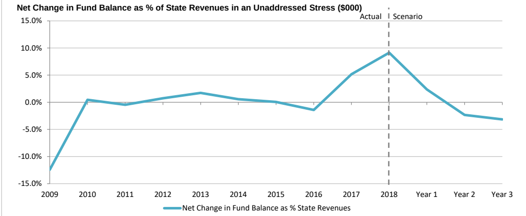
The enacted 2020–2021 budget provides for $19.3 billion in appropriations in fiscal 2020 and almost $20 billion in fiscal 2021. Revenue in support of the budget includes a new agreement for the hospital tax rate in addition to other extensions of lapsing tax policy, scales back the increase of car sales tax revenue to the STF until fiscal 2022, an expansion of the state sales tax to certain services and prepared foods and higher expectations for baseline revenue performance. The BRF balance is expected to reach $2.7 billion at the end of fiscal 2020 and $3.2 billion in fiscal 2021. The balance is expected to exceed the 15% statutory threshold in fiscal 2021, requiring excess funds to be applied toward the state's long term liabilities. The state continues to project budgetary imbalance in fiscal years after 2021 and will need to identify revenue solutions or expenditure reductions to balance absent higher revenue growth.

Connecticut, State of (CT)

Scenario Analysis



State Revenues and Expenditures in an Unaddressed Stress ($000)



Net Change in Fund Balance as % of State Revenues in an Unaddressed Stress ($000)

Analyst Interpretation of Scenario Results:

Connecticut's strong gap-closing capacity declined in recent biennia due to the state's comparatively weak economic and revenue performance. Expenditure and revenue actions, particularly expenditure cuts, have been the state's primary sources of financial resilience given limited reserve funding since the Great Recession. The BRF balance was depleted in fiscal 2011, and until fiscal 2018 inconsistent fiscal performance precluded the build-up of noteworthy reserves. The enactment of a revenue volatility cap in fiscal 2018 in conjunction with passage of the TCJA (which eliminated disincentives to repatriate foreign income) pushed the state's collection of PIT estimates and finals over the cap, resulting in a significant $972 million net deposit to the BRF, after applying $483 million (3% of revenues) of the windfall to solving a fiscal 2018 budget gap. The deposit boosted the BRF to 6.5% of fiscal 2018 revenues from 1.2% in fiscal 2017. The volatility cap threshold is adjusted annually by a formula of compound annual growth in personal income over the prior five-year period.

For fiscal 2019, the state estimates a deposit to the BRF of just over $1 billion, consisting of $895 million from revenue received over the volatility cap and a $160 million surplus from operations net of a $381 million allocation to fund the TRS SCRF described earlier and setting aside $160 million for a pending litigation settlement with the state's hospitals. The expected deposit will bring the BRF to $2.2 billion, equal to 11.4% of fiscal 2019 revenue.

If the BRF reaches a balance of 15% of the next year's projected net general fund appropriations, no additional deposits are required and revenues over the cap are applied to reducing the state's liabilities. The BRF may be drawn upon to cure a prior fiscal year deficit or if estimated general fund revenues decline by 1% or more from the forecast used to enact the budget. Future legislation can also assign surplus balances to other uses. These powers permitted the state's use of the BRF as part of its actions to close the budget gap in fiscal 2018 and follows draws on the BRF balance to close ending deficits in fiscal years 2015, 2016 and 2017. The BRF ceiling is currently expected to be reached at the end of fiscal 2021. Financial resilience is supported by multiple revenue monitoring mechanisms, including consensus forecasting, and disciplined mechanisms to respond to identified budgetary weakness.

Scenario Parameters:	Year 1	Year 2	Year 3
GDP Assumption (% Change)	(1.0%)	0.5%	2.0%
Expenditure Assumption (% Change)	2.0%	2.0%	2.0%
Revenue Output (% Change)	(6.3%)	(2.5%)	1.2%

Revenues, Expenditures, and Net Change in Fund Balance	Actuals										Scenario Output		
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Year 1	Year 2	Year 3
Expenditures													
Total Expenditures	22,333,131	22,260,146	22,881,531	24,253,926	25,089,848	26,349,433	27,561,713	28,622,502	28,820,897	29,180,920	29,764,538	30,359,829	30,967,026
% Change in Total Expenditures	(2.7%)	(0.3%)	2.8%	6.0%	3.4%	5.0%	4.6%	3.8%	0.7%	1.2%	2.0%	2.0%	2.0%
State Expenditures	16,315,471	15,333,749	15,639,707	17,763,410	18,329,652	19,242,536	19,748,481	20,664,504	20,590,013	20,967,472	21,386,821	21,814,558	22,250,849
% Change in State Expenditures	(10.6%)	(6.0%)	2.0%	13.6%	3.2%	5.0%	2.6%	4.6%	(0.4%)	1.8%	2.0%	2.0%	2.0%
Revenues													
Total Revenues	19,791,688	20,875,616	22,216,644	23,917,448	24,490,346	24,902,754	26,163,763	26,815,811	28,026,356	29,930,461	28,737,417	28,395,978	28,813,033
% Change in Total Revenues	(1.7%)	5.5%	6.4%	7.7%	2.4%	1.7%	5.1%	2.5%	4.5%	6.8%	(4.0%)	(1.2%)	1.5%
Federal Revenues	6,017,660	6,926,397	7,241,824	6,490,516	6,760,196	7,106,897	7,813,232	7,957,998	8,230,884	8,213,448	8,377,717	8,545,271	8,716,177
% Change in Federal Revenues	27.6%	15.1%	4.6%	(10.4%)	4.2%	5.1%	9.9%	1.9%	3.4%	(0.2%)	2.0%	2.0%	2.0%
State Revenues	13,774,028	13,949,219	14,974,820	17,426,932	17,730,150	17,795,857	18,350,531	18,857,813	19,795,472	21,717,013	20,359,700	19,850,707	20,096,856
% Change in State Revenues	(10.7%)	1.3%	7.4%	16.4%	1.7%	0.4%	3.1%	2.8%	5.0%	9.7%	(6.3%)	(2.5%)	1.2%
Excess of Revenues Over Expenditures	(2,541,443)	(1,384,530)	(664,887)	(336,478)	(599,502)	(1,446,679)	(1,397,950)	(1,806,691)	(794,541)	749,541	(1,027,122)	(1,963,851)	(2,153,993)
Total Other Financing Sources	832,073	1,447,851	595,801	463,987	904,496	1,546,048	1,410,240	1,540,990	1,817,829	1,231,597	1,509,341	1,501,999	1,520,351
Net Change in Fund Balance	(1,709,370)	63,321	(69,086)	127,509	304,994	99,369	12,290	(265,701)	1,023,288	1,981,138	482,219	(461,851)	(633,642)
% Total Expenditures	(7.7%)	0.3%	(0.3%)	0.5%	1.2%	0.4%	0.0%	(0.9%)	3.6%	6.8%	1.6%	(1.5%)	(2.0%)
% State Expenditures	(10.5%)	0.4%	(0.4%)	0.7%	1.7%	0.5%	0.1%	(1.3%)	5.0%	9.4%	2.3%	(2.1%)	(2.8%)
% Total Revenues	(8.6%)	0.3%	(0.3%)	0.5%	1.2%	0.4%	0.0%	(1.0%)	3.7%	6.6%	1.7%	(1.6%)	(2.2%)
% State Revenues	(12.4%)	0.5%	(0.5%)	0.7%	1.7%	0.6%	0.1%	(1.4%)	5.2%	9.1%	2.4%	(2.3%)	(3.2%)

Notes: Scenario analysis represents an unaddressed stress on issuer finances. Fitch's downturn scenario assumes a -1.0% GDP decline in the first year, followed by 0.5% and 2.0% GDP growth in Years 2 and 3, respectively. Expenditures are assumed to grow at a 2.0% rate of inflation. For further details, please see Fitch's US Tax-Supported Rating Criteria.

The ratings above were solicited and assigned or maintained at the request of the rated entity/Issuer or a related third party. Any exceptions follow below.