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Connecticut Borrows at Higher Price as Credit Woes Weigh.

NEW YORK (Reuters) – Connecticut paid a price for its credit woes on Wednesday as it borrowed $620 million at wider spreads than when it last issued similar debt a year ago, despite strong overall demand in the U.S. municipal bond market.

Connecticut's 10-year bonds priced at 3.39 percent – a spread of 93 basis points over top-rated paper, according to a preliminary pricing sheet.

The New England state is one of the wealthiest in the country. But its credit rating is among the very lowest because of budget problems, underfunded pensions, high debt levels and a dim economic outlook.

When the state last sold similar general obligation debt on March 29, 2017, its 10-year bonds with 5 percent coupons priced at 3.00 percent.

At the time, that level was 77 basis points above general market bonds carrying the highest rating of triple-A, according to Municipal Market Data, a Thomson Reuters company.

Since then, however, state lawmakers and Governor Dannel Malloy hit a budget impasse amid a huge revenue slump that led all three major credit rating agencies to downgrade Connecticut in May.

S&P Global Ratings rates the state A-plus with a negative outlook, leaving Connecticut tied with Kentucky as the third-worst rated state.

Connecticut's spread widened by 16 basis points in the last year, indicating that buyers demanded more yield to take on a slightly riskier investment.

The negotiated deal, led by Loop Capital Markets, consisted of $250 million in new money bonds with serial maturities from 2019 through 2038, and $367 million in refunding bonds maturing from 2019 through 2028.

Home to hedge fund billionaires alongside cities mired in poverty, Connecticut's debt load is the highest in the nation by several different measures.

It also has about $37 billion of unfunded liabilities spread across its teacher and state employee pension funds, with funded ratios of just 52 percent and 32 percent respectively, according to bond documents.

Connecticut has actually borrowed more recently but did so via a private placement. That deal, with just days left in its last fiscal year, came amid a budget stalemate that dragged on for nearly four months.

In late June, the state borrowed $300 million of new money variable-rate 7-year bonds through a direct placement with Barclays Capital Inc, with another $135 million of refunding bonds sold privately to JP Morgan Chase & Co.

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