

January 28, 2013

from  Montage Investments

State Ratings Trends

Since our last survey of state credit ratings in September 2012, the rating trend for states continues to be mixed. Most states experienced solid revenue growth in Fiscal Year 2012 (ended June 30) as economic activity improved somewhat. FY 2013 has continued to show revenue growth for most states, though at levels below what had been projected in many cases. As a result, many states continue to face the need to make mid-year budget cuts and will have budget gaps to close as they begin writing FY2014 budgets.

The biggest near-term threat to states' credit quality comes from potential federal spending cuts. While Congress avoided the Fiscal Cliff at year-end, the mandatory spending cuts were merely delayed until March 1. Any significant cuts to federal spending will have a negative effect on states' economic activity in the near- to intermediate-term. The degree of impact will depend on extent to which those cuts are allowed to take effect and how they are specifically implemented.

Over the past four months, two states (Illinois and Maine) had their general credit ratings downgraded and one was upgraded (Alaska). The Commonwealth of Puerto Rico was also downgraded. Additionally, both Moody's and Fitch lowered their outlook for Illinois. The table on page 2 shows the current ratings and outlook for the 50 states and Puerto Rico, with changes highlighted in **bold, italicized text**.

It remains difficult to identify an overriding credit trend among state ratings at this time. As a group, the states have largely stabilized. Revenue growth continues, though total revenues still have not yet returned to pre-recession heights. Pension funding remains a key area of credit concern and a significant negative pressure on some states' ratings.

Recent State Rating and Outlook Changes

State	Rating Action
Alaska	Fitch upgrade to AAA from AA+
Illinois	S&P downgrade to A- from A, outlook remained Negative Fitch outlook change to RatingWatch Negative from Stable Moody's outlook change to Negative from Stable
Maine	Fitch downgrade to AA from AA+
Puerto Rico	Moody's downgrade to Baa3 from Baa1, outlook remained Negative

Sources: Moody's; S&P; Fitch



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Updated Credit Ratings of the 50 States – 1/28/13

State	Ratings (1)	Rating Outlooks
Alabama	Aa1 / AA / AA+	Stable / Stable / Stable
Alaska	Aaa / AAA / AAA	Stable / Stable / Stable
Arizona (2)	Aa3 / AA- / nr	Stable / Stable / na
Arkansas	Aa1 / AA / nr	Stable / Stable / na
California	A1 / A- / A-	Stable / Positive / Stable
Colorado (2)	Aa1 / AA / nr	Stable / Stable / na
Connecticut	Aa3 / AA / AA	Stable / Stable / Stable
Delaware	Aaa / AAA / AAA	Stable / Stable / Stable
Florida	Aa1 / AAA / AAA	Stable / Stable / Negative
Georgia	Aaa / AAA / AAA	Stable / Stable / Stable
Hawaii	Aa2 / AA / AA	Stable / Stable / Stable
Idaho (2)	Aa1 / AA+ / AA	Stable / Stable / Stable
Illinois	A2 / A- / A	Negative / Negative / RW-Negative
Indiana (2)	Aaa / AAA / AA+	Stable / Stable / Stable
Iowa (2)	Aaa / AAA / AAA	Stable / Stable / Stable
Kansas (2)	Aa1 / AA+ / AA	Negative / Stable / Stable
Kentucky (2)	Aa2 / AA- / AA-	Negative / Stable / Negative
Louisiana	Aa2 / AA / AA	Stable / Stable / Stable
Maine	Aa2 / AA / AA	Negative / Stable / Stable
Maryland	Aaa / AAA / AAA	Negative / Stable / Stable
Massachusetts	Aa1 / AA+ / AA+	Stable / Stable / Stable
Michigan	Aa2 / AA- / AA-	Stable / Stable / Positive
Minnesota	Aa1 / AA+ / AA+	Negative / Stable / Stable
Mississippi	Aa2 / AA / AA+	Stable / Stable / Stable
Missouri	Aaa / AAA / AAA	Stable / Stable / Stable
Montana	Aa1 / AA / AA+	Stable / Stable / Stable
Nebraska (2)	Aa2 / AAA / nr	Stable / Stable / na
Nevada	Aa2 / AA / AA+	Stable / Stable / Stable
New Hampshire	Aa1 / AA / AA+	Stable / Stable / Stable
New Jersey	Aa3 / AA- / AA-	Stable / Stable / Stable
New Mexico	Aaa / AA+ / nr	Negative / Stable / na
New York	Aa2 / AA / AA	Stable / Positive / Positive
North Carolina	Aaa / AAA / AAA	Stable / Stable / Stable
North Dakota	Aa1 / AA+ / nr	Stable / Positive / na
Ohio	Aa1 / AA+ / AA+	Stable / Stable / Stable

State	Ratings (1)	Rating Outlooks
Oklahoma	Aa2 / AA+ / AA+	Stable / Stable / Stable
Oregon	Aa1 / AA+ / AA+	Stable / Stable / Stable
Pennsylvania	Aa2 / AA / AA+	Stable / Negative / Negative
Puerto Rico	Baa3 / BBB / BBB+	Negative / Negative / Stable
Rhode Island	Aa2 / AA / AA	Negative / Stable / Stable
South Carolina	Aaa / AA+ / AAA	Stable / Stable / Stable
South Dakota (2)	Aa2 / AA+ / AA	Stable / Stable / Stable
Tennessee	Aaa / AA+ / AAA	Stable / Positive / Stable
Texas	Aaa / AA+ / AAA	Stable / Stable / Stable
Utah	Aaa / AAA / AAA	Stable / Stable / Stable
Vermont	Aaa / AA+ / AAA	Stable / Stable / Stable
Virginia	Aaa / AAA / AAA	Negative / Stable / Stable
Washington	Aa1 / AA+ / AA+	Negative / Stable / Negative
West Virginia	Aa1 / AA / AA+	Stable / Stable / Stable
Wisconsin	Aa2 / AA / AA	Stable / Stable / Stable
Wyoming (2)	nr / AAA / nr	na / Stable / na

(1) Long-term debt ratings from Moody's / S&P / Fitch.

(2) No GO debt outstanding. Listed ratings and outlooks reflect the highest issuer rating or state supported appropriation debt rating.

Sources: Moody's; S&P; Fitch

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