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from  Montage Investments

State Ratings Trends

Since our last survey in October 2013, the rating trend for states has been mixed. While many states are experiencing economic growth and improving budget positions, others continue to face a persistently slow recovery with resulting budget pressures. Overall, the ongoing economic recovery continues to move at a slower pace than past recoveries. As a result, while the pick-up in employment and sales activity has boosted income and sales tax revenues in most states, overly optimistic revenue projections and growing expenditure demands have created budget gaps that some states are finding difficult to fill.

Where there have been credit problems, they generally seem to have resulted from structural issues that are more dependent on state-level budget politics than on purely economic factors. Foremost, pensions continue to be a growing pressure point for states' ratings. Most of the downgrade activity over the past year has been driven in large part by pension funding shortfalls that are creating growing budget demands on the states. In the case of Illinois, in contrast, positive progress on state pension funding prompted its rating outlook change.

Since October, New Jersey, Kansas and Puerto Rico were downgraded, while New York and North Dakota received rating upgrades. In addition to these rating changes, the rating agencies revised their outlooks on eight states (see page 2). Most of the outlook changes were by S&P and most were negative. The table on pages 2-3 shows the current ratings and outlook for the 50 states and Puerto Rico, with changes since October highlighted in ***bold, italicized text***.



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Recent State Rating and Outlook Changes (October 2013 to present)

State	Rating Action
Arizona	Moody's outlook change to Positive from Stable
California	S&P outlook change to Positive from Stable
Illinois	S&P outlook change to Developing from Negative
Kansas	Moody's downgrade to Aa2 from Aa1
Michigan	S&P outlook change to Stable from Positive
New Hampshire	S&P outlook change to Negative from Stable
New Jersey	Moody's downgrade to A1 from Aa3 S&P downgrade to A+ from AA-; S&P outlook change to CreditWatch-Negative Fitch downgrade to A+ from AA-
New York	Moody's upgrade to Aa1 from Aa2 Fitch upgrade to AA+ from AA
North Dakota	S&P upgrade to AAA from AA+
Puerto Rico	Moody's downgrade to Ba1 from Baa3 S&P downgrade to BB+ from BBB- Fitch downgrade to BB from BBB-
Rhode Island	S&P outlook to CreditWatch-Negative from Stable
Tennessee	S&P outlook change to Stable from Positive

Sources: Moody's; S&P; Fitch

Updated Credit Ratings of the 50 States (As of 6/23/14)

State	Ratings (1)	Rating Outlooks
Alabama	Aa1 / AA / AA+	Stable / Stable / Stable
Alaska	Aaa / AAA / AAA	Stable / Stable / Stable
Arizona (2)	Aa3 / AA- / nr	Positive / 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 / Negative
Delaware	Aaa / AAA / AAA	Stable / Stable / Stable
Florida	Aa1 / AAA / AAA	Stable / Stable / Stable
Georgia	Aaa / AAA / AAA	Stable / Stable / Stable
Hawaii	Aa2 / AA / AA	Stable / Positive / Stable
Idaho (2)	Aa1 / AA+ / AA+	Stable / Stable / Stable
Illinois	A3 / A- / A-	Negative / Developing / Negative
Indiana (2)	Aaa / AAA / AA+	Stable / Stable / Stable
Iowa (2)	Aaa / AAA / AAA	Stable / Stable / Stable
Kansas (2)	Aa2 / AA+ / AA	Stable / Stable / Stable
Kentucky (2)	Aa2 / AA- / A+	Negative / Negative / Stable
Louisiana	Aa2 / AA / AA	Stable / Stable / Stable

State	Ratings (1)	Rating Outlooks
Maine	Aa2 / AA / AA	Negative / Stable / Stable
Maryland	Aaa / AAA / AAA	Stable / Stable / Stable
Massachusetts	Aa1 / AA+ / AA+	Stable / Stable / Stable
Michigan	Aa2 / AA- / AA	Positive / Stable / Stable
Minnesota	Aa1 / AA+ / AA+	Stable / 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 / Negative / Stable
New Jersey	A1 / A+ / A+	Negative / CW-Neg / Negative
New Mexico	Aaa / AA+ / nr	Stable / Stable / na
New York	Aa1 / AA / AA+	Stable / Positive / Stable
North Carolina	Aaa / AAA / AAA	Stable / Stable / Stable
North Dakota	Aa1 / AAA / nr	Stable / Stable / na
Ohio	Aa1 / AA+ / AA+	Stable / Stable / Stable
Oklahoma	Aa2 / AA+ / AA+	Stable / Stable / Stable
Oregon	Aa1 / AA+ / AA+	Stable / Stable / Stable
Pennsylvania	Aa2 / AA / AA	Stable / Negative / Negative
Puerto Rico	Ba2 / B+B / BB	Negative / Negative / Negative
Rhode Island	Aa2 / AA / AA	Negative / CW-Neg / Stable
South Carolina	Aaa / AA+ / AAA	Stable / Stable / Stable
South Dakota (2)	Aa2 / AA+ / AA+	Stable / Stable / Stable
Tennessee	Aaa / AA+ / AAA	Stable / Stable / Stable
Texas	Aaa / AAA / AAA	Stable / Stable / Stable
Utah	Aaa / AAA / AAA	Stable / Stable / Stable
Vermont	Aaa / AA+ / AAA	Stable / Positive / Stable
Virginia	Aaa / AAA / AAA	Stable / Stable / Stable
Washington	Aa1 / AA+ / AA+	Stable / Stable / Stable
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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