Recalibration Map

Rating Post-Recalibration

Current Rating	GO, Water/Sewer, Public Power (distribution only)	Appropriation-Backed Debt*	Special Tax	Public Higher Education
Current Rating	Revised Rating	Revised Rating	Revised Rating	Revised Rating
AAA	AAA	n.a.	AAA	AAA
AA+	AAA	AA+	AAA	AA+
AA	AA+	AA+	AA+	AA
AA-	AA	AA	AA	AA
A+	AA-	AA-	AA-	AA-
A	AA-	A+	A+	A+
A-	A+	A+	A	A
BBB+	A	A	A-	A-
BBB	A-	A-	BBB+	BBB+
BBB-	BBB+	BBB+	BBB	BBB
Below Investment Grade	case-by-case	case-by-case	case-by-case	case-by-case

*Assumes current appropriation-backed debt rating is one notch below the corresponding GO

State	OBLIGOR/Issuer	Consolidated Band Name	Type of Debt	Previous Underlying Rating	Previous Underlying Watch/Outlook	Recalibrated Underlying Rating	Recalibrated Underlying Watch/Outlook	Previous Short Term Underlying Rating	Recalibrated Short Term Underlying Rating
LA	Baton Rouge (LA)	Baton Rouge (LA) public improv sales tax rev bonds	2% City Sales Tax	AA	Rating Outlook Stable	AA+	Rating Outlook Stable		
LA	East Baton Rouge Parish (LA)	East Baton Rouge Parish (LA) road & street improv sales tax rev bonds	1/2% Parish Sales Tax	A+	Rating Outlook Stable	AA-	Rating Outlook Stable		
LA	Ernest N. Morial-New Orleans Exhibition Hall Authority (LA)	Ernest N. Morial-New Orleans Exhibition Hall Authority (LA) special tax bonds	Hotel & Food & Beverage Tax Revenues	A	Rating Outlook Stable	A+	Rating Outlook Stable		
LA	Ernest N. Morial-New Orleans Exhibition Hall Authority (LA)	Ernest N. Morial-New Orleans Exhibition Hall Authority (LA) sr sub special tax bonds	Special Tax Revenues - Subordinated	A-	Rating Outlook Stable	A	Rating Outlook Stable		
LA	Jefferson Davis Parish School District No. 1 (LA)	Jefferson Davis Parish School District No. 1 (LA) GO sch bonds	General Obligation - Unlimited Tax	BBB+	Rating Outlook Stable	A	Rating Outlook Stable		
LA	Jefferson Parish Fire Protection District No. 7 (LA)	Jefferson Parish Fire Protection District No. 7 (LA) GO bonds	General Obligation - Unlimited Tax	A	Rating Outlook Stable	AA-	Rating Outlook Stable		
LA	Jefferson Parish Sub-District No. 1 of Consolidated Recreation and Community Center and Playground District No. 2 (LA)	Jefferson Parish Sub-District No. 1 of Consolidated Recreation and Community Center and Playground District No. 2 (LA) GO bonds	General Obligation - Unlimited Tax	A	Rating Outlook Stable	AA-	Rating Outlook Stable		
LA	Jefferson Sales Tax District (LA)	Jefferson Sales Tax District (LA) sales tax rev & rfdg bonds	Sales Tax Revenues	A+	Rating Outlook Stable	AA-	Rating Outlook Stable		
LA	Lafayette (LA)	Lafayette (LA) GO public improv sales tax bonds	Sales Tax Revenues	AA-	Rating Outlook Stable	AA	Rating Outlook Stable		
LA	Lafayette Parish School Board (LA)	Lafayette Parish School Board (LA) GO public sch bonds	General Obligation - Unlimited Tax	AA-	Rating Outlook Stable	AA	Rating Outlook Stable		
LA	Livingston Parish (LA)	Livingston Parish (LA) GO bonds	General Obligation - Unlimited Tax	A	Rating Outlook Stable	AA-	Rating Outlook Stable		
LA	Bossier City (LA)	Louisiana Local Government Environmental Facilities & Community Development Authority (LA) (Bossier City Public Improvement Projects) rev bonds	General Revenues	A-	Rating Watch Negative	A+	Rating Watch Negative		
LA	Lake Charles (LA)	Louisiana Local Government Environmental Facilities & Community Development Authority (LA) (City of Lake Charles Public Improvement Projects) rev bonds	General Revenues	A+	Rating Outlook Stable	AA-	Rating Outlook Stable		
LA	Madison Parish School Board (LA)	Madison Parish School Board (LA) GO unltd tax bonds	General Obligation - Unlimited Tax	BBB	Rating Outlook Stable	A-	Rating Outlook Stable		
LA	New Orleans Audubon Commission (LA)	New Orleans (LA) GO audubon commission aquarium bonds	General Obligation - Limited Tax	BBB	Rating Outlook Stable	A-	Rating Outlook Stable		
LA	New Orleans Board of Liquidition, City Debt (LA)	New Orleans Board of Liquidition, City Debt (LA) GO pub imp bonds	General Obligation - Unlimited Tax	BBB	Rating Outlook Stable	A-	Rating Outlook Stable		
LA	St. Charles Parish Law Enforcement District (LA)	St. Charles Parish Law Enforcement District (LA) ltd tax bonds	General Obligation - Limited Tax	AA-	Rating Outlook Stable	AA	Rating Outlook Stable		
LA	St. Tammany Parish Hospital Service District No. 2 (LA)	St. Tammany Parish Hospital Service District No. 2 (LA) GO bonds	General Obligation - Unlimited Tax	A+	Rating Outlook Stable	AA-	Rating Outlook Stable		
LA	St. Tammany Parish Wide School District No. 12 (LA)	St. Tammany Parish Wide School District No. 12 (LA) GO sch bonds	General Obligation - Unlimited Tax	AA-	Rating Outlook Positive	AA	Rating Outlook Positive		
LA	Terrebonne Parish (LA)	Terrebonne Parish (LA) GO bonds	General Obligation - Unlimited Tax	A+	Rating Outlook Stable	AA-	Rating Outlook Stable		
LA	Terrebonne Parish (LA)	Terrebonne Parish (LA) public improv rev bonds	Sales Tax Revenues	A+	Rating Outlook Stable	AA-	Rating Outlook Stable		
LA	Wax Lake East Drainage District of the Parish of St. Mary (LA)	Wax Lake East Drainage District of the Parish of St. Mary (LA) GO bonds	General Obligation - Unlimited Tax	BBB+	Rating Outlook Stable	A	Rating Outlook Stable		

Special Report

Recalibration of U.S. Public Finance Ratings

Analysts

David Litvack
+1 212 908-0593
david.litvack@fitchratings.com

Richard Raphael
+1 212 908-0506
richard.raphael@fitchratings.com

Eric Friedland
+1 212 908-0632
eric.friedland@fitchratings.com

Amy Laskey
+1 212 908-0568
amy.laskey@fitchratings.com

Laura Porter
+1 212 908-0575
laura.porter@fitchratings.com

Karl Pfeil
+1 212 908-0516
karl.pfeil@fitchratings.com

Douglas Scott
+1 512 215-3725
douglas.scott@fitchratings.com

Christopher Jumper
+1 212 908-0594
christopher.jumper@fitchratings.com

Douglas Kilcommons
+1 212 908-0740
douglas.kilcommons@fitchratings.com

Related Research

- *Fitch Ratings U.S. Public Finance Transition and Default Study 1999-2009, March 25, 2010*
- *Fitch Comments on Status of Municipal Ratings Framework Review, March 3, 2009*
- *Fitch Defers Final Determination on Municipal Ratings Recalibration, Oct. 7, 2008*
- *Exposure Draft: Reassessment of the Municipal Ratings Framework, July 31, 2008*

Summary

Fitch Ratings is proceeding with the recalibration of certain of its U.S. public finance credit ratings, initially announced in July 2008 *(see Fitch Research on "Exposure Draft: Reassessment of the Municipal Ratings Framework," dated July 31, 2008, available on Fitch's Web site at www.fitchratings.com)*. The intent of the recalibration is to ensure a greater degree of comparability across Fitch's global portfolio of credit ratings. This recalibration will affect ratings in the state and local government tax-supported, water/sewer, public power distribution-only, and public higher education sectors. Other U.S. public finance sectors will not be affected.

- State and local general obligation ratings and those dependent on them (e.g. appropriation-backed debt) will be adjusted upward two notches if the GO rating is currently rated 'A' to 'BBB–' and one notch upward if the GO is currently rated 'A+' or higher.
- Special tax-backed bonds currently rated from 'BBB–' to 'AA+' will be adjusted up one notch.
- Water/sewer and public power distribution-only credits will be adjusted upward in the same manner as GO ratings.
- Public higher education ratings will be adjusted up one notch where the rating is currently 'AA–' to 'BBB–'; no adjustment will be made on public higher education ratings of 'AA' and higher.
- Ratings in the affected sectors that are currently below investment grade will be considered for recalibration on a case-by-case basis.

Recalibration Map

	Rating Post-Recalibration			
Current Rating	GO, Water/Sewer, Public Power (Distribution Only)	Appropriation-Backed Debt[a]	Special Tax	Public Higher Education
AAA	AAA	N.A.	AAA	AAA
AA+	AAA	AA+	AAA	AA+
AA	AA+	AA+	AA+	AA
AA–	AA	AA	AA	AA
A+	AA–	AA–	AA–	AA–
A	AA–	A+	A+	A+
A–	A+	A+	A	A
BBB+	A	A	A–	A–
BBB	A–	A–	BBB+	BBB+
BBB–	BBB+	BBB+	BBB	BBB
Below Investment Grade	Case by Case	Case by Case	Case by Case	Case by Case

[a]Assumes current appropriation-backed debt rating is one notch below the corresponding GO.

All state ratings will be recalibrated on April 5. The remaining tax-supported ratings and the water/sewer, public power distribution-only, and public higher education ratings will be recalibrated on April 30.

The recalibration of certain public finance ratings should not be interpreted as an improvement in the credit quality of those securities. Rather, they are adjustments to denote a comparable level of credit risk as ratings in other sectors. To be sure, as noted herein, public finance issuers continue to face a range of significant economic, fiscal, and credit challenges. Fitch will continue to monitor all of its public finance ratings and make changes to ratings as Fitch's forward-looking views of credit risk evolve.

Background

Credit ratings provide Fitch's opinion on the relative ability of an entity to meet financial commitments. Fitch uses the same rating scale for all of its international scale ratings, thereby enabling market participants to compare Fitch's perspectives on credit risk across sectors and regions. However, Fitch notes that, in practice, individual ratings in different sectors and regions may demonstrate varying levels of transition, default, and recovery, depending on the historical period considered or the impact of systemic or idiosyncratic factors on a given rated entity. Nonetheless, the aspiration is for Fitch's ratings to demonstrate broadly comparable levels of default patterns over long periods.

By definition, a credit rating is a forward-looking opinion of relative credit risk. A common approach for measuring the performance of ratings over time is through transition and default studies, which measure migration and default patterns over various historical periods. Fitch has cautioned against the simple extrapolation of past performance of ratings into the future. In other words, a sector or issuer that has demonstrated a no- or low-default history or even limited negative ratings migration is not immune from the possibility of prospective worsening in credit risk just based on that past performance, nor is it guaranteed a given rating level going forward based solely on past performance. However, such studies can be instructive in considering the distribution of ratings and comparability of ratings across Fitch's rated portfolio.

Recalibrations may occasionally occur in the rating process in furthering the goal of enhanced comparability. For example, Fitch first reviewed its municipal ratings in 2000 following a default study it performed the prior year *(see Fitch Research on "Municipal Default Risk," dated Sept. 15, 1999, available on Fitch's Web site at www.fitchratings.com)*, which indicated very low default rates for certain types of municipal obligations. This review resulted in an upward adjustment of about 25% of Fitch's GO ratings and one-half of its water/sewer revenue bond ratings.

In 2008, Fitch undertook a new review of its municipal ratings framework, the findings of which were published in the July 2008 exposure draft. In this report, Fitch announced that, in light of U.S. public finance's continued very low default history and to achieve comparability with its ratings in other sectors, it was considering revising upward by one-to-two notches its tax-supported and water/sewer ratings. That process was suspended in the fall of 2008 in the midst of the financial crisis.

Subsequent Events

Since the exposure draft was published, some of the challenges facing U.S. public finance issuers, such as reduced tax revenues, depressed housing prices, and retiree benefit funding demands have become more pronounced, while new problems, such as declines in commercial real estate and chronically high unemployment rates, have emerged to further pressure state and local government finances. In fact, Fitch's public finance ratings saw more downgrades in 2009 than any previous year *(see Fitch Research on "Fitch Ratings U.S. Public Finance Transition and Default Study 1999–2009," dated March 25, 2010, available on Fitch's Web site at* *www.fitchratings.com)*. The lag effects of property value declines, high unemployment rates, and the phasing out of federal stimulus funding will likely continue to exert credit pressure on a large number of municipal entities.

However, Fitch believes that public finance issuers such as state and local governments and certain essential service municipal enterprises have inherent strengths that allow them to maintain fiscal balance, including authority to raise taxes and fees, strong powers to enforce revenue collection, flexibility to cut expenses, and discretion to use accumulated reserves. The rating distribution of U.S. tax-supported and essential service municipal enterprise bonds remains among the highest within the Fitch-rated universe.

Tax-Supported and Essential Service Enterprise Ratings vs. Corporate Ratings

(%)

	AAA	AA	A	BBB	BB	B and Below
Tax-Supported and Essential Service Enterprise[a]	6.2	46.5	39.7	6.8	0.4	0.4
U.S. Corporate Finance Ratings[b]	1.7	20.8	30.5	30.0	12.2	4.8

[a] Includes GO, COP and lease, special tax, and water/sewer. [b] Includes financial institutions and industrials.

As reflected in its rating transitions, Fitch believes that while municipal credit risk may be elevated from very low levels in 2008, defaults are expected to be isolated occurrences. After reviewing the various municipal sectors (tax supported, water/sewer, public power, nonprofit healthcare, higher education, and transportation) and comparing them to each other, as well as to certain investment-grade corporate credits, Fitch believes that a recalibration of its municipal ratings, albeit with some adjustments from those initially proposed, is still needed to achieve comparability with other credit sectors.

Rating Recalibration by Sector

State and Local Tax-Supported

GO and Dependent Ratings — One to Two Notches Up

Fitch will go forward with its initial plans to revise upward its state and local GO ratings, as well as those ratings linked to the GO, such as COPs, lease revenue bonds, and state credit enhancement programs. Similar to what was initially planned, these ratings will be revised by two notches if the GOs are rated ‘BBB–’ to ‘A’ and one notch if the GOs are rated ‘A+’ to ‘AA+’.

Special Tax-Backed Bonds —One Notch Up

Fitch has observed greater than expected pledged revenue volatility for special tax-backed bonds over the last 18 months, even in those secured by broad-based sales taxes in large, diverse economic areas. This has resulted in notable deterioration of debt service coverage in many of these securities. While Fitch still believes that economic characteristics provide important inputs into both GO and special tax bonds, special tax declines affect the latter much more directly and severely given the inability to compensate for poor performance of the pledged revenues. Therefore, they will be adjusted upward by only one notch at all investment-grade rating levels (‘AA+’ to ‘BBB–’), rather than one notch at the higher levels and two notches at the lower levels, as originally planned. Included in this subsector are broad-based taxes such as sales and income taxes, as well as narrow ones such as hotel occupancy taxes, tax allocation bonds, tax increment financings, special assessment bonds, and payments in-lieu-of taxes (PILOTs).

Essential Service Municipal Enterprises

Water/Sewer Bonds — One to Two Notches Up

Fitch has observed relatively minor revenue pressures on essential service municipal enterprise systems. Their essentiality and monopoly status give them an unusually high degree of flexibility to adjust rates and enforce collections. Furthermore, rates are generally low to moderate relative to both income levels and the costs of other municipal services. Therefore, they are being recalibrated in the same manner as GO bonds. Where there is a senior subordinated bond structure that is rated differently, the recalibration of the subordinate lien will follow that of the senior (e.g. a senior subordinated structure rated 'A+' and 'A' will be recalibrated by one notch to 'AA–' and 'A+'.

Public Power (Distribution Only) — One to Two Notches Up

Fitch will recalibrate public power systems that distribute but do not generate power (distribution-only systems) in the same manner as water/sewer systems. Since distribution-only systems act as sole providers of an essential service and, for the most part, are self regulated, they also have flexibility to adjust rates when necessary. Systems that have responsibility for managing their own resource needs, either by self-generating power directly or through contractual arrangements with joint action agencies or generation and transmission cooperatives, are currently rated in a comparable manner with investor-owned utilities and other corporate credits; thus, they are not included in the recalibration.

Public Higher Education — Zero to One Notch Up

Fitch believes a one notch recalibration is appropriate for investment-grade public higher education bonds rated 'AA–' to 'BBB–'. Public higher education bonds already rated 'AA' or higher will not be recalibrated, as Fitch believes state support is less meaningful for those institutions given the size and diversity of their resources. Support of varying degrees by state governments to their public colleges and universities affords these institutions a degree of long-term credit stability generally not shared by their largely tuition-driven private institution counterparts. Still, public higher education institutions face operating pressures similar to private universities that cannot be fully offset by their relationship with their home state, and their level of future state funding is uncertain, particularly given the budget stress facing many states and the near-term discontinuation of federal stimulus funding. While public higher education may be sheltered to some degree from competitive forces and unexpected enrollment declines, the insulation from credit risk is not as strong as for water/sewer or public power distribution systems.

Sectors Not Affected

Public power generating systems, nonprofit healthcare, private higher education, tax-exempt housing, airports, ports, toll roads, grant anticipation revenue vehicles (GARVEEs), state revolving funds (SRFs), bond banks, economic development bond funds, and other municipal enterprises are not being recalibrated, as Fitch's review has led to the conclusion that these ratings are already comparable with those of other sectors.

Short-Term Ratings

Fitch's short-term ratings map to a range of long-term ratings *(see table, page 5)*. Fitch will maintain the same mapping of its long- and short-term ratings after recalibration; hence, recalibrations of long-term ratings will drive revisions in some short-term ratings, most notably bond anticipation notes (BANs) and variable-rate demand notes (VRDNs). According to Fitch's long- and short-term mapping, certain long-term rating levels may map to two possible short-term ratings; for example, an 'A+' long-term rating may map to either 'F1' or 'F1+'. Where the recalibrated long-term rating maps to one of two short-term rating outcomes, the lower short-term rating will generally be maintained.

In certain cases, Fitch's short-term ratings may diverge from the standard mapping, either up or down, where analytically appropriate.

Long- and Short-Term Rating Correspondence

Long-Term Rating	Short-Term Rating
AAA	F1+
AA+	F1+
AA	F1+
AA–	F1+
A+	F1+ or F1
A	F1
A–	F1 or F2
BBB+	F2
BBB	F2 or F3
BBB–	F2 or F3

Dual-Party Pay Ratings

Ratings on certain dual-party pay structures, which are derived from the higher of the unenhanced long-term rating on the municipal bond and the long-term rating on the letter of credit provider, will be recalibrated if the unenhanced rating on the municipal bond is recalibrated and a higher rating is thereby called for based on Fitch's criteria for dual-party pay ratings.

Moral Obligations

Ratings of certain moral obligation supported credits, which are derived from the rating of the primary security and the moral obligation provider, will be recalibrated if the rating on the primary security or moral obligation provider is recalibrated up and a higher rating is thereby called for based on Fitch's criteria for moral obligations.

Tender Option Bonds

Long-term ratings on tender option bonds (TOBs), which are derived from the long-term rating of the bond within the TOB trust, will be recalibrated if the rating on the municipal bond within the TOB trust is recalibrated and a higher rating is thereby called for based on Fitch's criteria for TOBs.

Additional Details

- Recalibrations of investment-grade ratings will be implemented formulaically, without individual reviews of the affected credits.
- Recalibrations of below-investment-grade rated bonds will be considered on a case-by-case basis, as the variety and fluid nature of the risks affecting below-investment-grade municipal bonds make use of a formulaic revision inappropriate. Some below-investment-grade ratings may not be adjusted at all. Recalibration of below-investment-grade ratings will be implemented on the same date as all other ratings in that sector.
- Rating changes made as a result of the new framework will be referred to as "revision ratings," not "upgrades."
- Any Rating Watches currently in place will be carried over post-recalibration.
- Rating Outlooks will also be carried over post-recalibration, with a few exceptions. For GOs, water/sewer systems, and public power distribution-only systems that are rated 'A' with a Positive Rating Outlook and 'A+' with a Negative Rating Outlook, the ratings will be recalibrated to 'AA–' with a Stable Rating Outlook. For dependent credits rated one notch below their corresponding GO that are rated 'A–' with a Positive Rating Outlook and 'A' with a Negative Rating Outlook, the ratings will be recalibrated to 'A+' with a Stable Rating Outlook. For GOs, special tax bonds, water/sewer systems, and public power distribution-only systems that are rated 'AA+' with a Positive Rating Outlook and 'AAA' with a Negative Rating Outlook, the ratings will be recalibrated to 'AAA' with a Stable Rating Outlook. For dependent credits rated one notch below their corresponding GO that are rated 'AA' with a Positive Rating Outlook and 'AA+' with a Negative Rating Outlook, the

ratings will be recalibrated to 'AA+' with a Stable Rating Outlook. For public higher education credits rated 'AA–' with a Positive Rating Outlook and 'AA' with a Negative Rating Outlook, the recalibrated rating will be 'AA' with a Stable Rating Outlook. These exceptions are so the ordinal rankings of these credits are not reversed as a result of the recalibration.

- Recalibrations for states, as well as the District of Columbia, New York City, and Commonwealth of Puerto Rico, will be implemented on April 5. Recalibrations in all the other affected sectors will be implemented on April 30. Between now and the date that recalibration is implemented, all rating actions will reference both the current rating and what the rating will be after recalibration in accompanying Rating Action Commentaries (RACs) and reports.

Ratings Distribution After Recalibration

The rating distribution of the tax-supported, water/sewer, public power distribution systems, and public higher education sectors will shift upward slightly after they have been recalibrated. There will be a compression of credits in the 'AAA' and 'AA' categories and fewer credits rated in the 'A' and 'BBB' categories.

Tax-Supported and Essential Service Enterprise Ratings: Current vs. Expected Rating Distribution

(%)

	AAA	AA	A	BBB	Below Investment Grade
Current Ratings	6	46	40	7	1
Post Recalibration[a]	15	67	15	2	1

[a]Estimated.