STANDARD & POOR'S
RATINGS SERVICES

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# California; General Obligation; General Obligation Equivalent Security; Joint Criteria; School State Program

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| California GO bnds | | |
| *Long Term Rating* | A/Stable | Upgraded |

## Rationale

Standard & Poor's Ratings Services raised to 'A' from 'A-' the long-term ratings and underlying ratings (SPURs) on California's $73.1 billion in general obligation (GO) bonds and $1.9 billion in Proposition 1A bonds. We simultaneously raised to 'A-' from 'BBB+' our long-term ratings and SPURs on the state's $9.3 billion in appropriation-backed lease revenue bonds (excluding $2.39 billion of lease revenue bonds, which were issued by the State Public Works Board for Regents of the University of California projects). The outlook is stable. Finally, we affirmed the 'AAA/A-1+' and 'AAA/A-1' ratings on some of the state's GO variable-rate demand bonds. The long-term component of the ratings is based jointly (assuming low correlation) on that of the obligor, California, and the various letter of credit (LOC) providers. The short-term component of the ratings is based solely on the ratings on the LOC providers.

The upgrades reflect our view of California's improved fiscal condition and cash position, and the state's projections of a structurally balanced budget through at least the next several years. As part of Governor Jerry Brown's recent budget proposal and multiple-year plan, the state would also largely retire its backlog of payment deferrals and internal loans. We view the alignment between revenues and expenditures as much improved and largely a result of policymakers' heightened emphasis on fixing the state's fiscal structure in the past two budgets. This has primarily consisted of programmatic reductions and reforms designed to generate budget savings because, until recently, strongly rebounding tax collections have not accompanied the economic recovery. Now the economic expansion is gaining positive momentum, however. In addition, the voters' approval in November of temporarily higher statewide sales and personal income tax (PIT) rates positions the state to capitalize on burgeoning economic activity and income gains. We believe these factors have worked in concert to help the state reverse fiscal course. As recently as 2011, the state's four year general fund forecast anticipated annual deficits ranging from $17.4 billion to almost $27 billion. Now the Department of Finance (DOF) projects small surpluses through at least fiscal 2017. The projected surpluses would be larger except that, under the governor's proposal, much of the new revenue is dedicated to debt retirement. As of June 2012, the state was carrying about $33.5 billion in various budget liabilities in the form of deferred payments and interfund loans.

We view the current and proposed budgets as placing the state's finances on a more sustainable trajectory. When the state adopted its fiscal 2011 state budget, the DOF forecast general fund spending in fiscal 2014 of $112.6 billion, or 15.3% more than what the governor currently proposes. Actual spending has also been reduced. Current year general fund spending -- as well as that proposed for fiscal 2014 -- is lower than what the state spent six years ago, in fiscal 2007.

Strengthening revenue performance is also quickly alleviating the state's cash-related stress and is helping eliminate its need to rely on extraordinary cash management measures. Cash and unused borrowable resources are now approaching pre-recession levels. As with its projected budget surpluses, the state's general fund cash recovery would be more pronounced were it not for the redirection of much of the new revenue to reverse payment deferrals.

Key rating factors supporting the 'A' rating include our view of California's:

- Deep and diverse economy, which is capable of above-average growth rates partly because of its prominent higher education institutions and businesses in innovative sectors, which help position California as a leading venture capital recipient state;
- Recent commitment to reaching alignment between ongoing revenues with recurring expenses while paying down budgetary debts;
- Likelihood for regular enactment of timely budgets following a constitutional change requiring only a legislative majority for budget approval; and
- High but conservatively structured bonded debt.

Somewhat offsetting these strengths is our opinion of the state's:

- Volatile revenue base, which, because of its highly progressive income tax structure, is linked to difficult-to-forecast financial market performance;
- Potential for structural budget balance to erode when the recent voter-approved tax hikes fully expire in seven years or sooner if the legislature were to increase ongoing spending; and
- Large retirement benefit and budgetary liabilities although, in the case of the latter, there is a well-developed plan for extinguishing the remaining balances due (the budget liabilities constitute the state's large negative fund balance, on an audited basis, of $20 billion, or about 20% of general fund expenditures).

The state's general fund serves as the source of all GO bond repayment, to which the state has pledged its full faith and credit. State funding to the public kindergarten through grade 12 school systems and institutions of higher education is the only obligation that, according to the state's constitution, has a higher priority than GO debt service payments. The state's debt obligations are paid in the following order: GO bonds, Proposition 1A bonds, and lease- and appropriation-backed debt.

We see several factors that could affect whether and how much the state's credit quality strengthens from its current rating level. Although its finances are on the mend and its liquidity is much stronger, we continue to view the state's budget repair effort as a work in progress. A central question going forward is whether actual financial performance can match -- or at least approach -- the outcomes targeted in the governor's budget proposal and multiple year forecast. In the near term, we see economic and revenue performance as key to the state's ability to realize a more stabilized budget. But another part of the answer likely rests with state lawmakers. Given that fiscal restraint has been a crucial ingredient to the state's strengthening financial position, we think the budget process itself contains some risk. After implementing significant program cuts in consecutive years, we anticipate there could be political pressure to restore services that would entail higher costs and could undermine the state's nascent fiscal balance. We also believe there is potential for windfall-like PIT collections through the early months of 2013, reflecting robust capital gains from 2012. Initial January tax receipt data suggest a surge of PIT collections may already be underway. A temporary flood of revenue could embolden lawmakers that may already prefer to add back to state programs. Alternatively, a faltering economy -- the other main threat to the state's improving situation -- could open a new fiscal gap, requiring another round of austerity.

But even if the economy does its part, spending restraint will likely remain crucial in order for the state to achieve the fiscal results suggested by the governor's four year forecast. Notably, the governor's plan goes beyond maintaining general fund balance and envisions paying down $28 billion in existing budget liabilities (the projected balance at June 30, 2013 on the state's so-called "wall of debt"). We believe that eliminating these liabilities according to the governor's schedule is important because the last of the higher tax rates under Proposition 30 will expire in December 2018. As it is, the budgetary debts undermine the state's ability to tackle other long-term impediments to credit quality -- such as its retirement liabilities. In particular, the state's pension system for teachers (CalSTRS) is chronically underfunded from an actuarial standpoint and, at some point, will likely require higher contributions from the state. The budget liabilities generally, and the $11 billion of payment deferrals in particular, crowd out such uses of revenue. In effect, the backlog of deferrals means that a significant share of current year spending goes to paying for prior year expenses. We expect that the range of possibilities for the state's credit rating would extend higher once it is free of this inflexibility.

Other medium- to long-term credit factors involve the composition of state revenues. First, the state will face transitioning to a post-Proposition 30 revenue environment. Using the enhanced tax revenue to pay down the wall of debt, as recommended by the governor, instead of increasing programs would ease somewhat the phasing out of this revenue. Longer term, we believe fiscal reforms that reduce the detrimental effects of PIT volatility on the general fund also would be beneficial to the state's credit quality. The state's retirement benefit liabilities are also a negative long-term rating factor. Based on the analytic factors we evaluate for states, on a four-point scale in which '1' is the strongest, we have revised California's composite score to 2.6 from 2.7.

On a four-point scale in which '1' is the strongest, we have revised California's overall financial management score to 3.0 from 3.5 and its budgetary performance score to 2.6 from 3.0. We also changed the state's debt and liability profile score to 3.6 from 3.5.

The other scores are unchanged from our full analysis of Sept. 14, 2012.

## Outlook

The stable outlook reflects our view of the state's credit quality in light of a stronger budgetary and cash position during the next year. However, we also see potential for further upward rating movement pending economic and revenue performance. Improvements in the fiscal projections planned in the governor's budget proposal, such as progress paying down the budget liabilities, are likely to influence the state's potential for additional upward movement. Conversely, renewed downward rating pressure could occur if significant structural deficits and liquidity pressures return. In addition, global and macroeconomic risks -- particularly stemming from federal fiscal consolidation -- generally pose a threat to the state's economy and fiscal position. Therefore, a potential downturn could have negative credit implications for the state depending upon its severity.

## Budgetary Performance And Management

### Analyzing state spending

California's budget is complex, and various funding arrangements are subject to frequent adjustment, which complicates identifying when the state's finances change structurally. But in our view, spending cuts contained in the past two budgets materially lowered the state's recurring spending level -- meaning the cuts are structural unless they are reversed. These program reductions have brought general fund spending into alignment with the state's projected revenue base for at least the next several years.

The governor proposes general fund spending of $97.6 billion for fiscal 2014, which is 5% higher than expenditures in the current budget. If the legislature enacts a budget with this rate of general fund spending growth, the increase would approximately equal what the DOF expects the increase in total personal income to be. The fiscal 2014 budget would also still leave general fund spending at 5.4% of personal income, lower than all but two years -- 2012 and 2013 -- since 1973. General fund spending through the forecast horizon (fiscal 2017) would be lower still except for $5.8 billion in average annual spending dedicated to paying down the budget liabilities. Thus, we view the proposal as exhibiting restraint similar to that of recent years. Total state spending from all funds increases by just 0.6% to $145.8 billion under the governor's proposal. Modest as it is, such an increase would nevertheless elevate total state spending in nominal terms to the highest level on record. These contrasting interpretations -- that spending is simultaneously low and high -- also demonstrate that characterizations of state spending can vary depending on its presentation.

Numerous changes through the years to a variety of state and local government funding relationships provide even more ways to dissect state spending. For example, beginning in fiscal 2012, the state shifted the delivery of certain law enforcement and social service programs to local governments. Realigning these programmatic responsibilities -- and about $6.4 billion in revenue for fiscal 2014 -- to local governments reduces general fund spending by a comparable amount.

Policy considerations aside, what matters to our focus on credit quality is the effect any funding rearrangements have on the state's debt-paying ability. And for this, we pay particular attention to the condition of the general fund because it is the state fund pledged for bond repayment. On one level, realignment is a break-even proposition; the foregone cost is offset by the transfer of revenue to local governments. But we also identify several ways realignment enhances general fund solvency. For instance, diverting the realignment revenue away from the general fund lowers the minimum amount guaranteed for school funding under Proposition 98. This amounts to about $2.5 billion in general fund savings for fiscal 2014. In addition, the DOF estimates the state can obtain as much as $1.7 billion in general fund savings from operational efficiencies when realignment is fully implemented (2014-2015). Realignment also makes general fund spending more predictable by shifting programmatic responsibility, as well as the related fiscal uncertainty that comes with it, to local governments. And while the general fund forgoes the revenue stream now dedicated to local governments under realignment, the amount is a fixed percentage -- unlike the programs' costs. Savings generated under realignment will likely be ongoing, too, since the initiative is a permanent, albeit less publicized feature of Proposition 30. Together with the other program cuts in recent years, the state's spending baseline is now on a lower trajectory, which, in our view, helps move the general fund toward balance.

## Moving Toward Budget Balance Is Good For Credit Quality

Eliminating the general fund deficit strengthens credit quality by improving the state's ability to fund its obligations -- including debt service -- under a variety of economic and revenue scenarios. Throughout much of the prior decade, the state repeatedly enacted budgets with spending that was unsustainable relative to its revenue. Lawmakers managed the fiscal misalignment with a series of stop-gap measures, including interyear payment deferrals and internal loans from various state funds. The deferrals and loans accumulated, and by the end of fiscal 2011, a $34.7 billion wall of debt encumbered the general fund.

Enactment of budgets in fiscal years 2012 and 2013 containing large and, from a policy perspective, difficult spending cuts enabled the state to downshift its spending baseline. The change is material too. In late 2010, the state's nonpartisan Legislative Analyst's Office (LAO) projected that by fiscal 2014, general fund spending would reach $115 billion. The LAO also warned at the time that, with the state's existing revenue base, it faced a potential budget deficit of around $20 billion in fiscal 2014.

## The Amount And Structure Of State Revenues Play An Important Role In Its Credit Profile

Spending cuts alone were not sufficient, however, to both restore balance and begin paying down the budget liabilities. In response, the governor sought and received voter approval of Proposition 30, which temporarily raises the statewide sales tax and the top PIT rates. In our view, the additional revenues help place the state's finances on a course for more solid footing. But since the tax provisions of Proposition 30 are not permanent, neither are its contributions to the state's ongoing revenue base. There is potential, then, that after the Proposition 30 tax rates expire, recurring revenues will again be inadequate for the state's baseline spending. We see greater probability for a new deficit if, in the interim, the state's spending baseline reverts closer to its prior (higher) level. Spending trends will, therefore, likely remain an important variable in the state's credit profile even while the Proposition 30 taxes are in effect and offering respite from the constant strain of structurally insufficient revenue.

In the meantime, the higher revenues from Proposition 30 facilitate paying down the budget liabilities, largely through reversing school and other payment deferrals. If the state can fully eliminate the wall of debt as the governor projects, the legacy of Proposition 30 would endure for much longer than the taxes themselves. And while reversing all the budget liabilities comes at the expense of building up a budget reserve, we view it as no less beneficial from a credit standpoint.

When it comes to its revenue structure, the state's finances are already plagued by well-documented volatility -- a trait that Proposition 30 will likely exacerbate. From this perspective, the temporary nature of the tax increases is one of their virtues. By expiring, the Proposition 30 tax increases -- and any heightened volatility they bring -- avoid becoming a permanent part of the state's revenue structure. We, nevertheless, caution that the state will confront transitioning to a lower revenue base when Proposition 30's tax rates expire.

## State Credit In A Window Of Opportunity

A more streamlined budget, the temporary taxes, and a strengthening economy present the state an opportunity to stabilize its finances for at least several years. But from federal spending to the performance of the stock market, some important determinants of California's near- to medium-term credit quality lay outside the direct control of state policymakers. Over five to seven years, however, the state's credit rating will depend more on lawmaker actions -- in particular, whether lawmakers stay the fiscal course charted out in recent budgets even while Proposition 30 taxes are in effect and especially as they approach expiration. In our view, this will likely entail establishing a fiscal "glide path" allowing state spending and its permanent revenue trends to converge. Beyond this, lawmakers' ability and willingness to begin confronting other underlying credit impediments, like the state's retirement liabilities and permanent tax structure, are likely to define California's potential for upward rating movement.

## Related Criteria And Research

- California, Sept. 14, 2012
- USPF Criteria: State Ratings Methodology, Jan. 3, 2011
- USPF Criteria: Appropriation-Backed Obligations, June 13, 2007
- USPF Criteria: Financial Management Assessment, June 27, 2006
- Criteria: Joint Support Criteria Update, April 22, 2009
- U.S. State And Local Government Credit Conditions Forecast, Jan. 17, 2013

| Ratings Detail (As Of January 31, 2013) | | |
|---|---|---|
| California go adj rate bnds (wkly interest rate) ser 2003 C-3 & C-4 | | |
| *Long Term Rating* | AAA/A-1 | Affirmed |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California go adj rate bnds (wkly interest rate) 2003 B-1 thru B-4 | | |
| *Long Term Rating* | A/Stable | Upgraded |
| California various purp go bnds dtd 02/01/2004 due 02/01/2005-2029 2033-2034 | | |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California various purp GO bnds dtd 04/01/2004 due 04/01/2005-2031 2034 | | |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California various purp GO bnds & GO rfdg bnds dtd 02/01/2007 due 12/01/2007-2029 2032-2036 | | |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California various purp GO bnds & GO rfdg bnds dtd 02/01/2007 due 12/01/2007-2029 2032-2036 | | |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |



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| Ratings Detail (As Of January 31, 2013) (cont.) | | |
|---|---|---|
| California var purp go bnds dtd 05/01/2003 due 02/01/2008-2028 2032 2033 | | |
| *Long Term Rating* | A/Stable | Upgraded |
| California var purp GO bnds | | |
| *Long Term Rating* | A/Stable | Upgraded |
| California var purp GO bnds | | |
| *Long Term Rating* | A/Stable | Upgraded |
| California GO adj rate bnds (weekly interest rate) ser 2003 C-1 dtd 04/15/2003 due 05/01/2033 | | |
| *Long Term Rating* | AAA/A-1 | Affirmed |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California GO bnds dtd 02/01/2003 due 02/01/2008-2027 2029 2031 2033 | | |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California GO bnds (daily interest rate) ser 2003 A-1 | | |
| *Long Term Rating* | AAA/A-1 | Affirmed |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California GO bnds (daily interest rate) ser 2003 A-2 & A-3 | | |
| *Long Term Rating* | AAA/A-1 | Affirmed |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California GO rfdg bnds (SIFMA index fltg rate bnds) ser 2012A due 06/01/2033 | | |
| *Long Term Rating* | A/Stable | Upgraded |
| California GO rfdg bnds (SIFMA index fltg rate bnds) ser 2012B due 05/01/2020 | | |
| *Long Term Rating* | A/Stable | Upgraded |
| California GO VRDB prog | | |
| *Long Term Rating* | AAA/A-1+ | Affirmed |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California GO VRDB prog | | |
| *Long Term Rating* | AAA/A-1+ | Affirmed |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California GO VRDB prog ser 2005B-3 dtd 11/17/2005 due 05/01/2030 | | |
| *Long Term Rating* | AAA/A-1 | Affirmed |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California GO VRDB prog ser 2005B-5 | | |
| *Long Term Rating* | AAA/A-1 | Affirmed |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California GO VRDB prog ser 2005B-5 | | |
| *Long Term Rating* | AAA/A-1 | Affirmed |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California GO VRDB prog ser 2005 A-1-1 dtd 11/17/2005 due 05/01/2040 | | |
| *Long Term Rating* | AAA/A-1+ | Affirmed |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California GO VRDB prog ser 2005 A-2-1 dtd 11/17/2005 due 05/01/2040 | | |
| *Long Term Rating* | AAA/A-1 | Affirmed |

| Ratings Detail (As Of January 31, 2013) (cont.) | | |
|---|---|---|
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California GO VRDB prog ser 2005 A-3 dtd 11/17/2005 due 05/01/2040 | | |
| *Long Term Rating* | AAA/A-1 | Affirmed |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California GO VRDB prog ser 2005 B-1 dtd 11/17/2005 due 05/01/2040 | | |
| *Long Term Rating* | AAA/A-1 | Affirmed |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California GO VRDB prog ser 2005 B-2 dtd 11/17/2005 due 05/01/2040 | | |
| *Long Term Rating* | AAA/A-1 | Affirmed |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California GO VRDB prog ser 2005 B-4 dtd 11/17/2005 due 05/01/2040 | | |
| *Long Term Rating* | AAA/A-1 | Affirmed |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California GO VRDB prog ser 2005 B-7 due 05/01/2040 | | |
| *Long Term Rating* | AAA/A-1 | Affirmed |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California GO (wrap of insured) (AMBAC & AGM) (SEC MKT) | | |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California GO (wrap of insured) (AMBAC & BHAC) (SEC MKT) | | |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California GO (wrap of insured) (AMBAC) (ASSURED GTY) (SEC MKT) | | |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California GO (wrap of insured) (FGIC & AGM) (SEC MKT) | | |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California GO (wrap of insured) (FGIC & BHAC) (SEC MKT) | | |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California GO (wrap of insured) (MBIA) (National) (AGM) (SEC MKT) | | |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California GO (wrap of insured) (MBIA) (National) (ASSURED GTY) (SEC MKT) | | |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California GO (wrap of insured) (SYNCORA GTY) (BHAC - SEC MKT) | | |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California GO (ASSURED GTY) (SEC MKT) | | |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California GO (MBIA) (National) (SEC MKT) | | |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California GO (MBIA) (National) (SEC MKT) | | |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California VRDB (Kindergarten-Univ Pub Ed Fac proj) ser 2004 A-1 | | |
| *Long Term Rating* | AAA/A-1 | Affirmed |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |

| Ratings Detail (As Of January 31, 2013) (cont.) | | |
|---|---|---|
| California (Kindergarten-Univ Pub Ed Fac proj) VRDO ser 2004 A-5 | | |
| *Long Term Rating* | AAA/A-1 | Affirmed |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California (Kindergarten-Univ Pub Ed Fac) VRDO ser 2004B1-B4 | | |
| *Long Term Rating* | AAA/A-1 | Affirmed |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California (Kindergarten-Univ Pub Ed Fac) VRDO ser 2004 A - 6 | | |
| *Long Term Rating* | AAA/A-1 | Affirmed |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California (Kindergarten-Univ Pub Ed Fac) VRDO ser 2004 A-7 | | |
| *Long Term Rating* | AAA/A-1 | Affirmed |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California (Kindergarten-Univ Pub Ed Fac) VRDO ser 2004 A-8 | | |
| *Long Term Rating* | AAA/A-1 | Affirmed |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California (Kindergarten-Univ Pub Ed Fac) VRDOser 2004 A-4 | | |
| *Long Term Rating* | AAA/A-1 | Affirmed |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California (Kindergarten-Univ Pub Ed Fac) VRDO ser 2004 A-10 | | |
| *Long Term Rating* | AAA/A-1 | Affirmed |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| California (Kindergarten-Univ Pub Fac) VRDO ser 2004B-5&B-6 | | |
| *Long Term Rating* | AAA/A-1+ | Affirmed |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| **California GO** | | |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| **California Infrastructure & Econ Dev Bnk, California** | | |
| California | | |
| California Infrastructure & Economic Development Bank, state sch fd apportionment lse rev rfdg bnds (Oakland Unif Sch Dist Fincg) | | |
| *Long Term Rating* | A/Stable | Upgraded |
| California Infrastructure & Econ Dev Bnk (California) state sch fd apportionment lse rev bnds (King City Jt Un High Sch Dist Fincg) ser 2010 | | |
| *Long Term Rating* | A/Stable | Upgraded |
| **California Infrastructure & Economic Dev Bank (California) st sch fd apportionment lse rev bnds (Vallejo City Unif Sch Dist Fincg)** | | |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |
| **California Infrastructure & Economic Dev Bank (California) st sch fd apportionment lse rev bnds (West Contra Costa Unif Sch Dist Fing)** | | |
| *Unenhanced Rating* | A(SPUR)/Stable | Upgraded |

| Ratings Detail (As Of January 31, 2013) (cont.) | | |
|---|---|---|
| **California Statewide Communities Dev Auth, California** | | |
| California | | |
| California Statewide Communities Dev Auth (California) rev bnds (Prop 1A Prog) ser 2009 | | |
| *Long Term Rating* | A/Stable | Upgraded |

Many issues are enhanced by bond insurance.