

New Issue: Moody's assigns Aa2 to \$339M of Mississippi GO obligation bonds

Global Credit Research - 04 Nov 2013

\$5.2B in net tax-supported debt outstanding

MISSISSIPPI (STATE OF)
State Governments (including Puerto Rico and US Territories)
MS

Moody's Rating

ISSUE	RATING
General Obligation Bonds, Series 2013B	Aa2
Sale Amount	\$159,225,000
Expected Sale Date	11/11/13
Rating Description	General Obligation

Taxable General Obligation Bonds, Series 2013A	Aa2
Sale Amount	\$179,940,000
Expected Sale Date	11/11/13
Rating Description	General Obligation

Moody's Outlook

Opinion

NEW YORK, November 04, 2013 --Moody's Investors Service has assigned Aa2 ratings to the State of Mississippi's Taxable General Obligation Bonds Series 2013A (\$180 million) and General Obligation Bonds Series 2013B (\$159 million). Proceeds of the bonds, expected to price either November 11 or 12, will be used for certain capital improvements within the state as well as, in the case of the taxable bonds, certain economic development loans. The outlook is stable.

SUMMARY RATING RATIONALE

Mississippi's Aa2 rating reflects a long history of strong prudent fiscal practice, such as conservative budgeting and mandated spending cuts in the event of revenue shortfalls, offset by low per-capita income and above-average debt levels.

STRENGTHS

Fiscal conservatism through statutory 2% budget set-aside and mandatory spending cuts if revenues fall below 98% of the budgeted estimate

Maintenance of sufficient reserves through recession

CHALLENGES

Weak economic fundamentals, such as the nation's highest poverty rate and lowest per-capita income

Above average debt levels

Continued reliance on non-recurring revenues to balance budget

DETAILED CREDIT DISCUSSION

HEALTHY REVENUE GROWTH CONTINUES

General fund revenues grew 4.7% faster than budget in the first four months of fiscal 2014 and 7.6% over fiscal 2013. Corporate income taxes grew \$67 million or 71% faster than expected, which may translate into faster job growth in the near term.

Revenue growth of 5.1% in fiscal 2013, outpaced the 4.5% growth in spending, on an unaudited basis. Spending on public education, at 43% the largest part of the state budget, actually decreased slightly. Funding for K-12, based on a formula that takes into account previous cuts in state aid to schools, is set to decline further in fiscal 2015. For our full description of the State of Mississippi's credit, please see our report dated October 3, 2013.

OUTLOOK

Over the short term, the stable outlook reflects positive, but slow, economic and revenue growth and a gradual return to budgetary balance. Over the long term, we expect increased economic diversification and continued convergence with national income levels.

WHAT COULD MAKE THE RATING GO UP

Economic development that leads to income levels closer to the national average

Structurally balanced budgets and maintenance of sufficient available fund balance

WHAT COULD MAKE THE RATING GO DOWN

Depletion of reserves, leading to negative available fund balances

Economic decline or long-term stagnation

RATING METHODOLOGY

The principal methodology used in this rating was US States Rating Methodology published in April 2013. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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