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Outlook Revised To Stable On Various GARVEE And GAN Program Ratings Following U.S. Sovereign Rating Change

Primary Credit Analyst:

Mary Ellen E Wriedt, San Francisco (1) 415-371-5027; maryellen.wriedt@standardandpoors.com

Secondary Contact:

Peter V Murphy, New York (1) 212-438-2065; peter.murphy@standardandpoors.com

SAN FRANCISCO (Standard & Poor's) June 11, 2013--Standard & Poor's Ratings Services revised the outlook to stable from negative on the following debt issues (which we rate 'AA'):

- Alabama Federal Aid Highway Finance Authority's federal highway grant anticipation bonds series 2011 and 2012;
- State of California's federal highway grant anticipation revenue vehicle (GARVEE) bonds (issued for the California Department of Transportation), series 2004A;
- California Department of Transportation's federal highway grant anticipation bonds, series 2008A;
- Delaware Transportation Authority's grant anticipation bonds, series 2010;
- District of Columbia's federal highway grant anticipation revenue bonds, series 2011 and 2012;
- Kentucky Asset Liability Commission's federal highway trust fund project notes, series 2005, 2007, and 2010;
- Michigan's grant anticipation revenue bonds, series 2007 and 2009B;
- Montana Department of Transportation's GARVEE bonds (Highway 93 Advance Construction Project), series 2005, 2008 and 2012;
- New Hampshire's federal highway grant anticipation bonds, series 2010 and 2012;
- North Carolina's GARVEE bonds, series 2007, 2009, 2011, and 2012;
- State of Washington's GARVEE program bonds, series 2012F; and

- West Virginia Commissioner of Highways' surface transportation improvements special obligation notes, series 2006A, 2007A, and 2009A.

The ratings on the state GARVEE and grant anticipation note (GAN) programs solely secured by federal aid funds reflect our opinion of the rating level limit under our U.S. Federal Future Flow Securitization criteria and our view of a state's GARVEE or GAN program's credit quality under our U.S. Federal Transportation Grant-Secured Obligations criteria. These GARVEE and GAN programs are limited by the maximum possible rating identified by the securitization criteria.

The stable outlook revision reflects the application of Standard & Poor's U.S. Federal Future Flow Securitization criteria, which includes our assessment of the debt rating of the U.S., which we believe is tied directly to the funding that state departments of transportation use to support GARVEE bond or GAN payments. The application of the U.S. Federal Future Flow Securitization criteria yields a maximum indicative rating level for GARVEEs or GANs secured solely by federal aid funds one notch below the U.S. debt rating. As a result of our outlook change (and rating affirmation) on the U.S. debt rating, GARVEEs and GANs secured solely by federal aid funds now have a maximum rating level of AA/Stable. The outlook on the 'AA' rated state GARVEE and GAN programs listed above was changed to stable from negative due to the change in the maximum possible rating identified by the securitization criteria.

The U.S. Federal Future Flow Securitization criteria does not apply to GARVEE ratings that are based on federal aid funds and added state support, which as a result are not limited by the U.S. debt rating.

RELATED CRITERIA AND RESEARCH

- USPF Criteria: Methodology And Assumptions: Rating U.S. Federal Transportation Grant-Secured Obligations, May 29, 2009
- USPF Criteria: Federal Future Flow Securitization, March 12, 2012

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