



## **Rating Action: MOODY'S ASSIGNS Aaa RATINGS TO STATE OF SOUTH CAROLINA'S PLANNED \$274 MILLION IN EIGHT G.O. REFUNDING BOND SERIES AND SINGLE, NEW-MONEY STATE INSTITUTION SERIES**

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Global Credit Research - 06 Apr 2012

### **STABLE OUTLOOK APPLIES TO CURRENT ISSUES AND \$2.1 BILLION OF OUTSTANDING G.O. BONDS**

New York, April 06, 2012 -- Moody's Rating

Issue: General Obligation State Transportation Infrastructure Refunding Bonds, Series 2012A; Rating: Aaa; Sale Amount: \$35,000,000; Expected Sale Date: 4/11/12; Rating Description: General Obligation

Issue: General Obligation State Institution Refunding Bonds (Issued on Behalf of the Medical University of South Carolina), Series 2012B; Rating: Aaa; Sale Amount: \$15,000,000; Expected Sale Date: 4/11/12; Rating Description: General Obligation

Issue: General Obligation State Institution Refunding Bonds (Issued on Behalf of the University of South Carolina), Series 2012A; Rating: Aaa; Sale Amount: \$42,000,000; Expected Sale Date: 4/11/12; Rating Description: General Obligation

Issue: General Obligation State Institution Refunding Bonds (Issued on Behalf of Clemson University), Series 2012C; Rating: Aaa; Sale Amount: \$24,000,000; Expected Sale Date: 4/11/12; Rating Description: General Obligation

Issue: General Obligation State Institution Refunding Bonds (Issued on Behalf of Winthrop University), Series 2012D; Rating: Aaa; Sale Amount: \$22,000,000; Expected Sale Date: 4/11/12; Rating Description: General Obligation

Issue: General Obligation State Institution Bonds (Issued on Behalf of Winthrop University), Series 2012E; Rating: Aaa; Sale Amount: \$2,600,000; Expected Sale Date: 4/11/12; Rating Description: General Obligation

Issue: General Obligation State School Facilities Refunding Bonds, Series 2012A; Rating: Aaa; Sale Amount: \$36,000,000; Expected Sale Date: 4/11/12; Rating Description: General Obligation

Issue: General Obligation State Economic Development Refunding Bonds, Series 2012A; Rating: Aaa; Sale Amount: \$42,000,000; Expected Sale Date: 4/11/12; Rating Description: General Obligation

Issue: General Obligation State Capital Improvement Refunding Series, 2012A; Rating: Aaa; Sale Amount: \$55,000,000; Expected Sale Date: 4/11/12; Rating Description: General Obligation

#### Opinion

Moody's Investors Service has assigned Aaa ratings to the State of South Carolina's planned \$274 million of general obligation bonds in nine series as listed above. A stable outlook applies to the new issues and approximately \$2.1 billion of outstanding general obligation (G.O.) bonds. Proceeds of eight of the series will refund debt issued in 1996 through 2005 for a net present value saving estimated at \$15.8 million, or 7.2% of the refunded bonds. In addition, a \$2.6 million issue will provide new funding for various projects at Winthrop University in Rock Hill, South Carolina. The bonds are expected to be priced April 11 and 12.

#### SUMMARY RATING RATIONALE

South Carolina's conservative financial practices have long supported its Aaa rating, despite economic challenges (such as non-durable goods manufacturing exposure and an elevated poverty rate). The state now is rebuilding general fund balances and has recently strengthened financial reserve and budget monitoring requirements,

bolstering prospects for stable financial operations. Its economy is adding jobs at a pace in line with national trends, and economic development efforts, over time, should lead to growth and diversification.

Credit strengths:

- Strengthened requirements to fund budget reserves
- Financial management practices, including multi-year budget planning and close revenue monitoring; rapid response to shortfalls
- Statutory limits on supplemental spending, increasing likelihood of year-end surpluses
- Low cost of doing business that has attracted manufacturing investment

Credit challenges:

- Expected long-term Medicaid cost growth
- Comparatively large unfunded liabilities for retiree health and pension benefits
- Weak per-capita personal income levels relative to U.S.; elevated poverty and unemployment

Outlook

The rating outlook for the State of South Carolina's general obligation bonds is stable. While the state faced significant financial stress from the recent recession, we expect South Carolina's conservative management will maintain fiscal stability even in the face of ongoing economic weakness.

What could change the rating - DOWN

- Change in management practices to a less conservative stance
- Trend of negative General Fund GAAP-basis available fund balances
- Depletion of reserves
- Reliance on one-time budget measures leading to significant structural budget imbalance
- Failure to recover economically with the nation
- Narrowing liquidity
- Increasing debt burden

PRINCIPAL RATING METHODOLOGY

The principal methodology used in this rating was Moody's State Rating Methodology published in November 2004. Please see the Credit Policy page on [www.moody.com](http://www.moody.com) for a copy of this methodology.

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