



*Invested in America*

## **MUNICIPAL BOND CREDIT REPORT**

Second Quarter 2011

**RESEARCH REPORT**

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## MARKET SUMMARY

Although the primary market in municipals has returned with the closure of most state budgets and the end of tax season, the second quarter began impaired by threats of government shutdown, continued through negative headlines on the state of underfunded pensions and the Eurozone sovereign debt crisis, and ended with unresolved negotiations over raising the U.S. debt ceiling.

### Municipal Issuance Overview

According to Thomson Reuters, long-term municipal issuance volume, including taxable and tax-exempt issuance, totaled \$68.2 billion in the second quarter of 2011, a 46.1 percent increase from the prior quarter (\$46.7 billion), but a decline of 38.2 percent from the second quarter of 2010. Although light, second quarter issuance began picking up in mid-May after the tax season, with nearly half of issuance in the quarter sold in June (\$32.8 billion). Year to date, issuance totaled \$115.0 billion, levels last seen in 2000 (\$92.3 billion).

Second quarter flow in long-term municipal funds turned positive in June the first time since October 2010; according to Investment Company Institute (ICI), about \$965 million inflow was recorded for June. Outflow for the second quarter was about \$2.8 billion, compared to outflows of \$19.4 billion in 1Q'11 and inflows of \$5.5 billion in 2Q'10.

Although insured bonds are now a relative minority in primary issuance, both market share and dollar amount of municipal bonds increased slightly for insured bonds in 2Q'11, with 6.0 percent of all issuance insured (\$4.1 billion), up from the 4.9 percent share in 1Q'11 (\$2.3 billion), but already well below the dollar amounts insured in 2010 (\$6.7 billion quarterly average). Assured Guaranty (both AGM and AGC) remains the only viable insurer in 2011.

### Tax-Exempt Issuance

Tax-exempt issuance totaled \$58.3 billion in 2Q'11, an increase of 51.4 percent from 1Q'11 (\$38.5 billion) but a decline of 33.2 percent from 2Q'10 (\$87.2 billion). Ratios of 10-, 20-, and 30-year tax-exempt AAA GO and to similar-maturity Treasuries declined modestly throughout the second quarter; on the short-end the ratios experienced a brief but temporary spike in ratios as concerns over Greece and the threat of contagion drove down short-term Treasury yields.

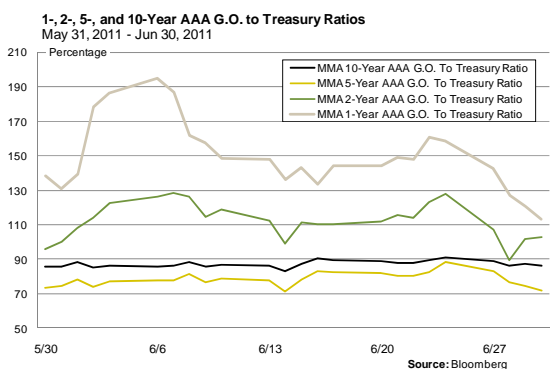
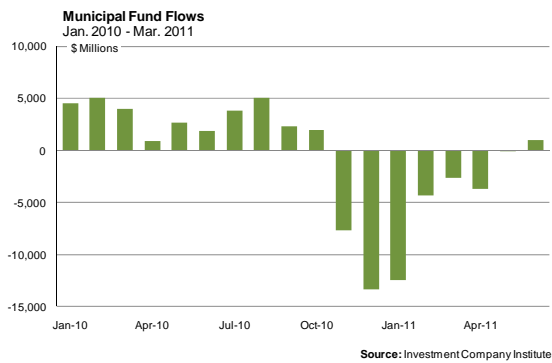
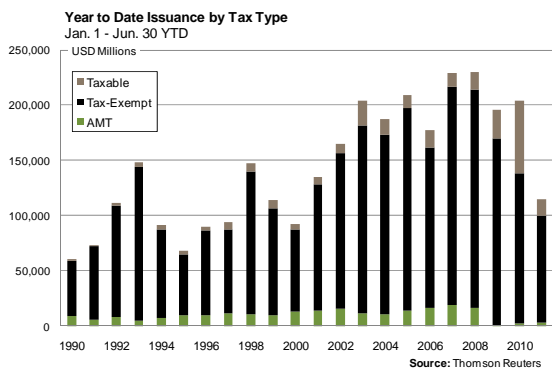
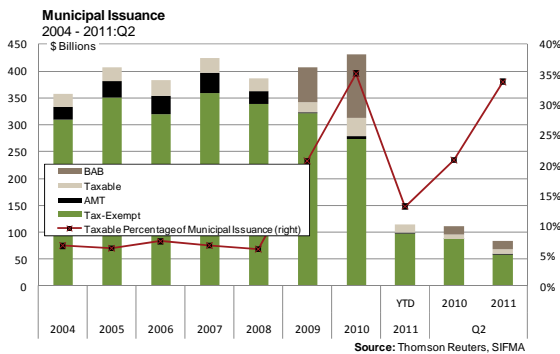
### Taxable Issuance

Taxable issuance continued to remain above historical norms as remaining Congress-authorized programs (e.g., New CREBs, CREBs, QECBs, QSCBs, and QZABS<sup>1</sup>) continue to run their course. In 2Q'11, \$7.6 billion was issued, remaining essentially flat from 1Q'11 (a 2 percent increase from \$7.5 billion) but a decline of 66.9 percent from 2Q'10 (\$23 billion, inclusive of Build America Bonds), but when excluding BABs, otherwise also flat (\$7.4 billion).

After dropping for most of the second quarter, BAB yields ended the quarter at 5.75 percent, 27 basis points above the low reached on June 16 and 41 basis points below 6.16 percent on March 31.

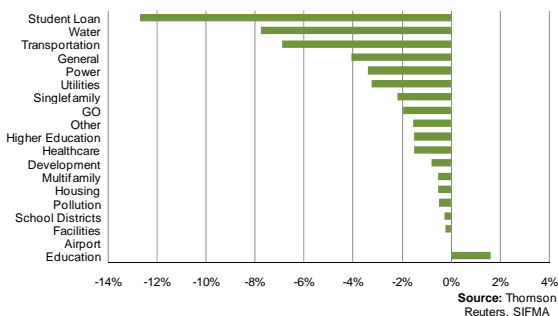
### VRDO Issuance and Update

Issuance of variable-rate demand obligations (VRDOs), long-term municipal bonds with a floating interest rate that resets periodically and a put feature,

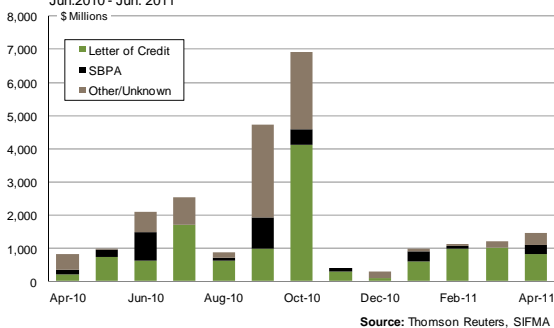


<sup>1</sup> CREB – Clean Renewable Energy Bonds; QECB – Qualified Energy Conservation Bonds; QSCB – Qualified School Construction Bonds; QZABS – Qualified Zone Academy Bonds.

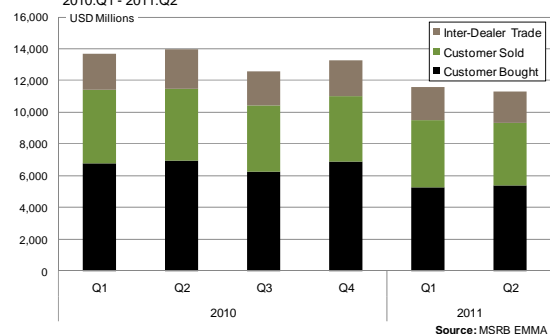
VRDO Net Issuance by Industry in Q2 2011  
Q2 2011



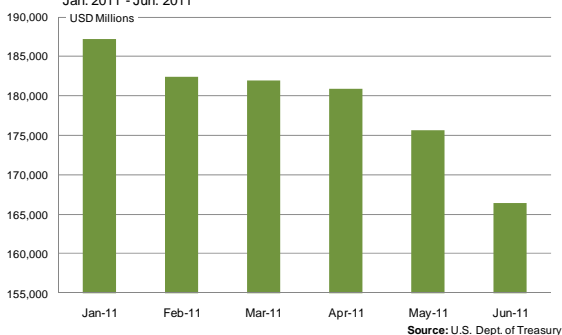
VRDO Issuance by Credit Enhancement Type  
Jun.2010 - Jun. 2011



Average Daily Trading Volume  
2010:Q1 - 2011:Q2



State and Local Government Series Treasuries Outstanding  
Jan. 2011 - Jun. 2011



picked up in the second quarter but remain relatively soft compared to prior years. For 2Q'11, \$3.8 billion were issued, an increase of 127.6 percent from the first quarter (\$1.7 billion), but declined by 2.8 percent from 2Q'10 (\$4.0 billion).

On net, outstandings continue to gradually decline, with \$364.6 billion outstanding end-June, a decline of 8.8 percent on an annualized basis from end-March (\$373.0 billion), and a decline of 10.1 percent from end-June 2010 (\$405.7 billion).<sup>2</sup> Declines on outstanding were led by student loans (12.7 percent), water (7.8 percent), and transportation (6.9 percent). Education, however, experienced a small net increase of \$135.5 million, an increase of 1.6 percent quarter-over-quarter.

As of end-June 2011, \$74.3 billion of liquidity facilities were scheduled to expire in 2011, and an additional \$105.2 billion in 2012, for a total of \$179.5 billion.<sup>3</sup> Excluding multiple liquidities, the dollar amount of CUSIPs impacted total \$70.9 billion in 2011 and \$91.6 billion, respectively, for 2011 and 2012. Liquidity renewals averaged 628 days on extension, with the median extension 366 days. The SIFMA Municipal Swap index, a seven-day high-grade market index composed of tax-exempt VRDOs, ended June at 0.09 percent, averaging 0.17 percent throughout 2Q'11.

### Trading Activity

While primary issuance has picked up from the second quarter, trading activity for the quarter experienced a small decline, with \$11.3 billion traded daily on average in 2Q'11, a 2.2 and 17.7 percent decline respectively from 1Q'11 (\$11.6 billion average daily trading volume) and 2Q'10 (\$13.8 billion average daily trading volume) by dollar amount. By number of trades, declines were by 12 percent and 1.6 percent, respectively, from 1Q'11 and 2Q'11.

### Government Update: From Shutdown to Debt Ceiling

As fears of municipal default and government shutdown early in the second quarter ebbed, the debt ceiling situation ramped up to dominate discussion in the second quarter. Although the U.S. reached its debt limit on May 16, the U.S. Department of Treasury employed three measures to temporarily extend its ability to meet its obligations to early August: suspending the issuance of State and Local Government Series (SLGS) Treasury securities; suspending debt issuance of the Civil Service Retirement and Disability Fund (CSRDF), and suspending reinvestments of the Government Securities Investment Fund.<sup>4</sup>

As debt ceiling negotiations dragged on with no resolution, the rating agencies placed the United States on negative watch shortly after the end of the second quarter.<sup>5</sup> The rating agencies noted that a downgrade on the sovereign level would directly impact several U.S. public sectors both directly (e.g., through links from the housing government sponsored enterprises (GSEs) or pre-funded bonds); or indirectly through dependency on federal funding (e.g., certain highway bonds). Fitch noted that state and local governments, while gen-

<sup>2</sup> Numbers are par amounts as of issuance and do not reflect amortization factors such as sinking funds. According to MSRB, some \$320 billion are outstanding as of April 2011 when accounting for such factors. See [Municipal Auction Rate Securities and Variable Rate Demand Obligations Interest Rate and Trading Trends, July 2011](#), July 21, 2011.

<sup>3</sup> The number somewhat overstates the actual outstanding amount; as credit facilities are allotted the full amount of the bond par amount in this analysis; a bond holding multiple credit facilities (with the possibility that each provider only partially funds the liquidity arrangement) would therefore be counted multiple times.

<sup>4</sup> U.S. Department of Treasury, "Update: As Previously Announced, Treasury to Employ Final Extraordinary Measure to Extend U.S. Borrowing Authority Until August 2", July 15, 2011.

<sup>5</sup> Moody's, "Moody's Places US Aaa Government Bond Rating and Related Ratings on Review for Possible Downgrade", July 13, 2011; Standard and Poor's, "United States of America 'AAA/A-1+' Ratings Placed on CreditWatch Negative on Rising Risk of Policy Stalemate", July 14, 2011. Fitch Ratings will not place the United States on rating watch negative until August 2, 2011, depending on how events fare.

erally not capped by the U.S. rating, would be impacted by federal developments resulting from policy decisions addressing deficit reduction;<sup>6</sup> Moody's noted that among state and local governments, those most susceptible to downgrade were ones with "greater relative economic volatility," "sensitive to reductions to federal spending," "more heavily [reliant] on capital market access for cash flow notes and variable rate debt," and "those whose budgets would be most affected in cuts in federal programs."<sup>7</sup>

Pension disclosure continued to remain a hot topic in the second quarter. The House held a hearing in May: Transparency and Funding of State and Local Pension Plans (May 5, 2011, House Ways and Means Subcommittee on Oversight); the CBO released a report in May on the state of pension plans, noting that "by any measure, nearly all state and local pension plans are underfunded."<sup>8</sup> In response to the scrutiny of pensions and pension disclosure, the Governmental Accounting Standards Board (GASB) issued two exposure drafts proposing changes to financial reporting of pensions by state and local governments<sup>9</sup>; and the National Association for Bond Lawyers (NABL), released a discussion draft on preparing defined pension plan disclosures in official statements.<sup>10</sup>

Outside of pension disclosure, the cyclical proposal to eliminate the tax exemption on municipal bonds was floated again in the second quarter in the wake of the debate on tax reform. Rep. John Tierney (D-Mass) introduced legislation<sup>11</sup> that would require all tax exempt securities to be issued as taxable, direct-pay bonds with a 28 percent subsidy in 2012. The proposal is similar to the proposal in the bipartisan tax reform bill<sup>12</sup> introduced by Sens. Ron Wyden (D-Ore.) and Dan Coats (R-Ind.) that would also eliminate the tax-exemption after 2011 and make all new municipal bonds tax-credit bonds with a 25 percent tax credit.<sup>13</sup>

### Revenue Gains in State, But Not Local, Government Tax Collections

According to the Nelson A. Rockefeller Institute of Government, state tax collections showed growth in the first quarter of 2011, increasing by 9.3 percent from 1Q'10; adjusted for inflation, revenues growth was 7.6 percent year-over-year.<sup>14</sup> Revenue increases year-over-year were robust among all types of tax collections: year-over-year increases were led by personal income tax (PIT, 12.8 percent), followed by general sales taxes (6.3 percent) and finally corporate income taxes (CIT, 5.1 percent). Local governments, however, did not fare so well, with revenues declining 0.6 percent year-over-year from 1Q'10 due to weak property tax collections. More generally, however, while the housing market continues to remain impaired, the recent weakness in employment and rate of inflation will continue to weigh in on tax collections.

<sup>6</sup> Fitch Ratings, "Rating Linkages to the U.S. Sovereign Rating," July 18, 2011.

<sup>7</sup> Moody's, Weekly Credit Outlook, July 4, 2011

<sup>8</sup> CBO, "[The Underfunding of State and Local Pension Plans](#)," May 2011.

<sup>9</sup> GASB, "[Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27](#)", "[Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25](#)", June 27, 2011.

<sup>10</sup> NABL, "[Considerations in Preparing Defined Benefit Pension Plan Disclosure in Official Statements](#)", May 2, 2011

<sup>11</sup> H.R. 2495, [To Amend the Internal Revenue Code of 1986 to eliminate certain tax expenditures.](#)

<sup>12</sup> [The Bipartisan Tax Fairness and Simplification Act of 2010.](#)

<sup>13</sup> It should be noted, however, that the market has generally not favored tax credit bonds in the past. For example, although the BAB program was initially introduced in tax credit and tax subsidy form, no tax credit BAB bond was issued in the two year program.

<sup>14</sup> The Nelson A. Rockefeller Institute of Government, "[State Revenue Report: Robust Revenue Gains Continue in First Quarterly and Early Second Quarter](#)", July 2011.

## CHARTS &amp; DATA

LONG-TERM MUNICIPAL STATE ISSUANCE BY TYPE, 2Q'11<sup>15</sup>

Long-Term Municipal State Issuance by Type, 2Q'11

\$ Millions

State	Total Amount	G.O.	Revenue	State	Total Amount	G.O.	Revenue	State	Total Amount	G.O.	Revenue
Alabama	893.6	99.2	794.4	Kentucky	1,205.7	68.0	1,137.7	Ohio	1,216.7	390.1	826.6
Alaska	145.4	61.6	83.8	Louisiana	1,019.9	226.9	793.0	Oklahoma	666.0	210.4	455.6
Arizona	906.3	361.1	545.2	Maine	333.9	198.6	135.3	Oregon	1,170.6	753.5	417.1
Arkansas	599.7	300.7	299.0	Maryland	440.5	149.7	290.8	Pennsylvania	2,470.2	1,075.5	1,394.7
California	9,077.1	5,002.0	4,075.1	Massachusetts	2,705.9	973.7	1,732.2	Puerto Rico	1,568.0	805.4	762.6
Colorado	1,723.4	97.1	1,626.3	Michigan	1,625.4	878.8	746.6	Rhode Island	119.5	17.0	102.5
Connecticut	1,113.9	914.8	199.1	Minnesota	886.3	449.2	437.1	South Carolina	635.9	156.9	479.0
D. of Columbia	432.1		432.1	Mississippi	214.3	64.7	149.6	South Dakota	95.6	52.0	43.6
Delaware	72.2	12.7	59.5	Missouri	1,147.1	238.6	908.5	Tennessee	570.1	310.8	259.3
Florida	3,580.0	647.1	2,932.9	Montana	70.0	5.1	64.9	Texas	6,596.0	3,225.8	3,370.2
Georgia	2,316.1	1,278.8	1,037.3	Nebraska	584.1	206.7	377.4	Utah	975.7	768.8	206.9
Guam	90.7		90.7	Nevada	225.2	111.6	113.6	Vermont	27.0	12.0	15.0
Hawaii	92.1	26.1	66.0	New Hampshire	212.0		212.0	Virginia	1,776.3	516.5	1,259.8
Idaho	85.3	17.5	67.8	New Jersey	2,150.0	470.0	1,680.0	Washington	1,716.5	167.8	1,548.7
Illinois	2,327.3	636.6	1,690.7	New Mexico	217.0	103.4	113.6	West Virginia	144.0	57.7	86.3
Indiana	1,224.8	153.8	1,071.0	New York	8,027.0	1,764.8	6,262.2	Wisconsin	1,294.6	902.0	392.6
Iowa	851.5	503.8	347.7	North Carolina	1,125.5	152.0	973.5	Wyoming	27.3	4.1	23.2
Kansas	421.2	217.2	204.0	North Dakota	94.9	17.7	77.2				

G.O. Issuance	25,835.9
Revenue Issuance	43,471.5
*Total L-T Issuance	69,307.4

Source: Thomson Reuters

\*Note: Total Long-Term Issuance includes U.S. territories, such as Puerto Rico and Guam.

## LONG-TERM MUNICIPAL ISSUANCE BY REGION, 2Q'11

Long-Term Municipal Issuance by Region, 2Q'11

\$ Millions

General Obligation						Unenhanced General Obligation					
	Far West	Midwest	Northeast	Southeast	Southwest		Far West	Midwest	Northeast	Southeast	Southwest
Aaa	273.1	447.0	185.8	1,359.3	2,133.2	Aaa	1,147.9	245.7	405.0	105.8	1,359.3
Aa	2,995.4	1,970.3	3,562.6	1,914.2	1,142.2	Aa	710.4	2,357.4	1,578.6	3,018.3	1,697.4
A	40.7	184.7	939.5	6.1	25.0	A	16.9	40.4	184.7	101.0	6.1
Baa			16.4			Baa					
Below Baa						Below Baa					
Total Rated	3,309.2	2,602.0	4,704.3	3,279.5	3,303.8	Total Rated	1,875.3	2,643.4	2,168.3	3,236.7	3,062.6
Not Rated	2,840.0	1,827.3	1,689.8	299.0	1,980.6	Not Rated	1,412.4	2,740.7	1,187.7	1,339.4	247.7
Totals	6,149.2	4,429.3	6,394.1	3,578.6	5,284.4	Totals	3,287.7	5,384.2	3,355.9	4,576.0	3,310.3
% of Total L-T Volume	23.8%	17.1%	24.7%	13.9%	20.5%	% of Total L-T Volume	16.5%	27.0%	16.9%	23.0%	16.6%

Revenue						Unenhanced Revenue					
	Far West	Midwest	Northeast	Southeast	Southwest		Far West	Midwest	Northeast	Southeast	Southwest
Aaa	273.1	447.0	185.8	1,359.3	2,133.2	Aaa	1,147.9	245.7	405.0	105.8	1,359.3
Aa	2,995.4	1,970.3	3,562.6	1,914.2	1,142.2	Aa	710.4	2,357.4	1,578.6	3,018.3	1,697.4
A	40.7	184.7	939.5	6.1	25.0	A	16.9	40.4	184.7	101.0	6.1
Baa			16.4			Baa					
Below Baa						Below Baa					
Total Rated	3,309.2	2,602.0	4,704.3	3,279.5	3,303.8	Total Rated	1,875.3	2,643.4	2,168.3	3,236.7	3,062.6
Not Rated	2,840.0	1,827.3	1,689.8	299.0	1,980.6	Not Rated	1,412.4	2,740.7	1,187.7	1,339.4	247.7
Totals	6,149.2	4,429.3	6,394.1	3,578.6	5,284.4	Totals	3,287.7	5,384.2	3,355.9	4,576.0	3,310.3
% of Total L-T Volume	23.8%	17.1%	24.7%	13.9%	20.5%	% of Total L-T Volume	16.5%	27.0%	16.9%	23.0%	16.6%

Source: Thomson Reuters

<sup>15</sup> Issuance totals do not include private placements.

**LONG-TERM MUNICIPAL ISSUANCE BY GENERAL USE OF PROCEEDS, 2Q'11**

Long-Term Municipal Issuance by General Use of Proceeds, 2Q'11  
\$ Millions

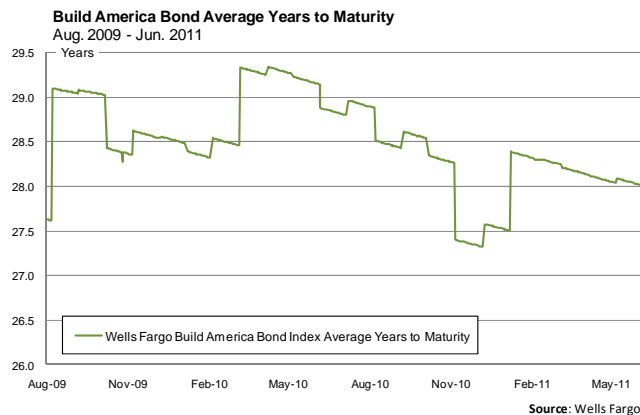
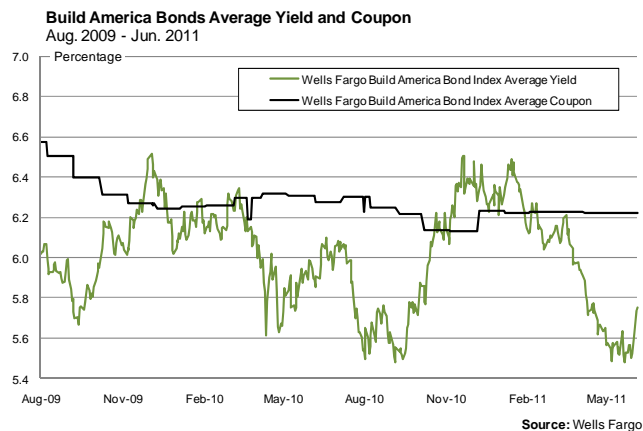
General Obligation Sector	Investment Grade		Sub-Investment Grade Rating	Number of Issues		Total Amount	Number of Issues
	Investment Grade	Number of Issues		Number of Issues	Not Rated		
Development	343.1	10.0		3.5	3	346.6	13
Education	9,434.5	690.0		1,127.6	223	10,562.1	913
Electric Power	-	-		0.6	1	0.6	1
Environmental Facilities	14.5	2.0				14.5	2
General Purpose	10,270.1	582.0		1,597.1	126	11,867.2	708
Healthcare	27.1	6.0		21.8	3	48.9	9
Housing	45.4	2.0				45.4	2
Public Facilities	391.9	62.0		15.4	14	407.3	76
Transportation	1,058.4	39.0		450.3	17	1,508.7	56
Utilities	915.1	116.0		119.3	30	1,034.4	146
<b>Total</b>	<b>22,500.1</b>	<b>1,509</b>	<b>-</b>	<b>3,335.6</b>	<b>417.0</b>	<b>25,835.7</b>	<b>1,926.0</b>

Revenue Sector	Investment Grade		Sub-Investment Grade Rating	Number of Issues		Total Amount	Number of Issues
	Investment Grade	Number of Issues		Number of Issues	Not Rated		
Development	1,430.1	56.0		253.9	6	1,684.0	62
Education	10,418.0	260.0		202.0	40	10,620.0	300
Electric Power	3,146.5	37.0		60.6	20	3,207.1	57
Environmental Facilities	231.1	5.0		3.8	3	234.9	8
General Purpose	4,733.7	82.0		258.2	26	4,991.9	108
Healthcare	5,903.6	82.0		415.1	13	6,318.7	95
Housing	1,724.8	70.0		371.2	11	2,096.0	81
Public Facilities	984.7	33.0		47.4	6	1,032.1	39
Transportation	6,626.5	52.0	376	215.1	8	7,217.5	61
Utilities	5,776.4	148.0		292.5	35	6,068.9	183
<b>Total</b>	<b>40,975.4</b>	<b>825.0</b>	<b>375.9</b>	<b>2,119.8</b>	<b>168.0</b>	<b>43,471.1</b>	<b>994.0</b>

Source: Thomson Reuters

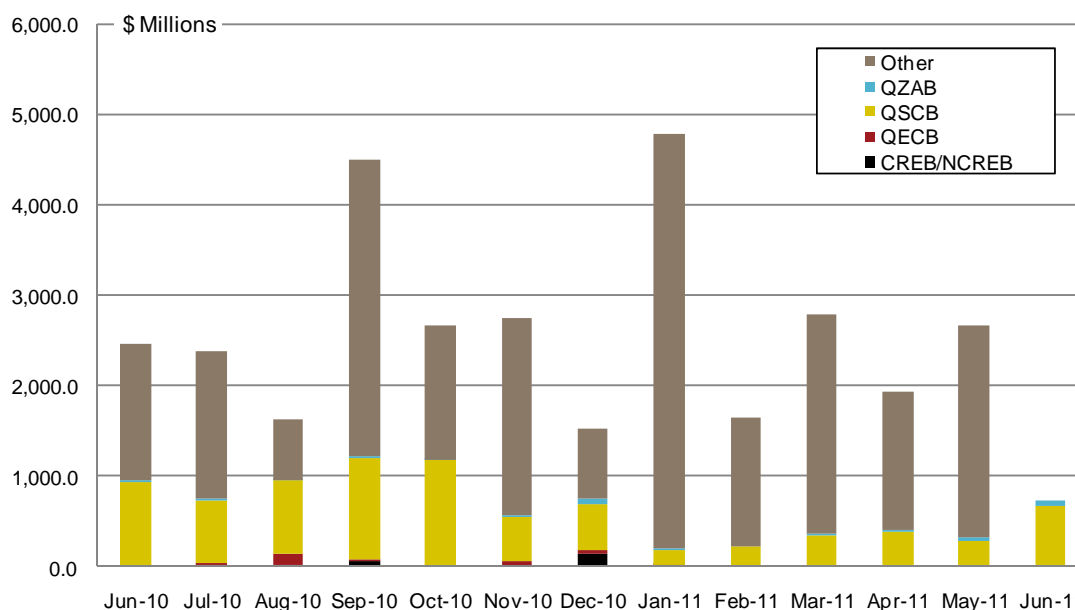
**BUILD AMERICA BONDS 2Q'11**

Other Build America Bond Charts



TAXABLE ISSUANCE, 2Q'11

Taxable Issuance excluding Build America Bonds  
Jun. 2010 - Jun. 2011



Source: Thomson Reuters, SIFMA

Taxable Issuance by Type, 2Q'11  
\$ Millions

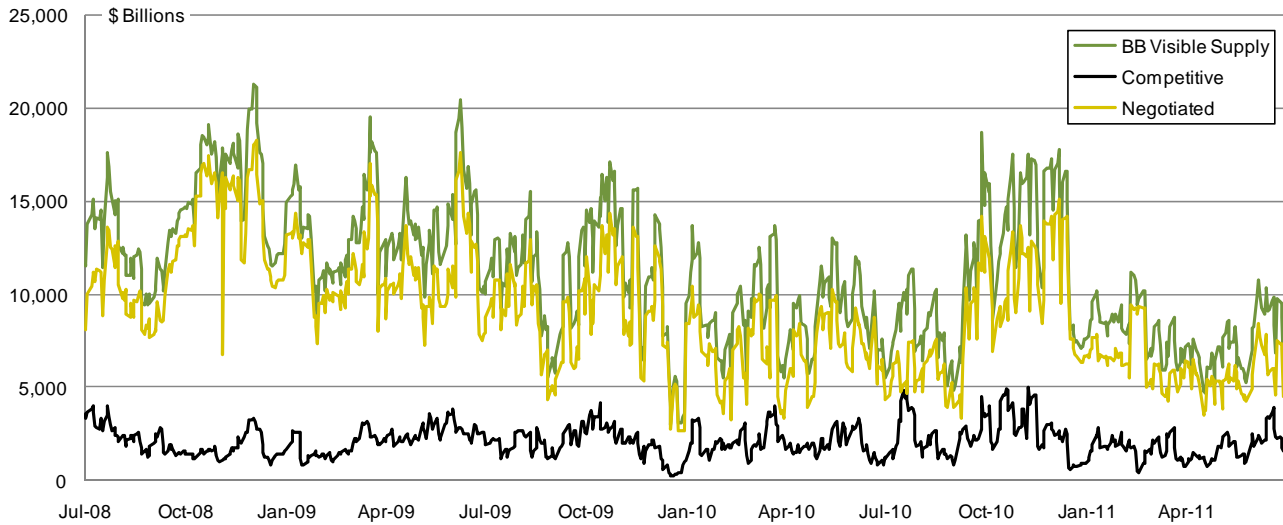
State	CREB/NCREB	Other	QECB	QSCB	QZAB	State	CREB/NCREB	Other	QECB	QSCB	QZAB
AL		0.4			51.3	MS		17.1			
AR		22.6		16.8		MT		1.3			
AZ		120.7	1.4			NC		531.0		13.1	
CA	3.5	286.7	15.0	479.9		ND			1.2		
CO		805.8				NE				11.1	
CT		160.2				NJ		107.8			
DC		65.1				NV		58.1			
FL		22.2		27.0		NY		202.9		115.0	1.9
GA		39.9		228.2		OH		77.7		10.4	
IA		43.8		4.0		OK		276.3		6.0	
ID		67.8				OR		27.6		30.0	
IL		77.8			8.0	PA		43.5		31.0	40.3
IN	2.3	175.5		8.9	9.7	PR		650.0			
KS		9.1		11.5		SC		337.9		4.5	
KY		15.6		42.3	9.1	SD			0.9	1.8	
LA		519.0				TN		3.7			
MA		239.6				TX		578.8		35.0	
MD		27.6				UT		8.8			
ME		49.6		12.7		VA		30.7		67.4	
MI		437.9		77.3		WA		22.5	6.5	45.9	
MN		2.2	2.8			WI		49.6	6.5	4.5	
MO		77.6	10.3		0.8	WV		5.7			

Source: Thomson Reuters



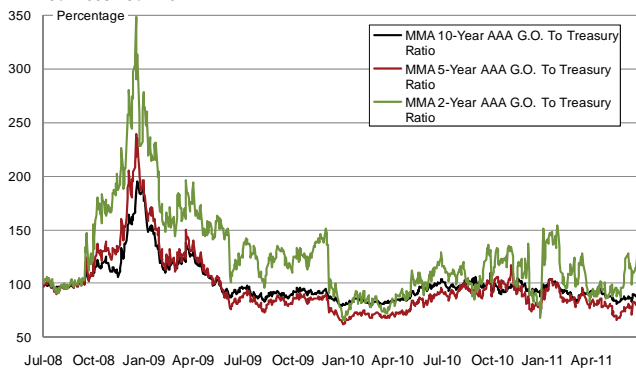
SUPPLY, YIELD CURVES, TOTAL RETURN, & RATIOS

**Bond Buyer 30-Day Visible Supply**  
Jul. 1, 2008 - Jun. 30, 2011



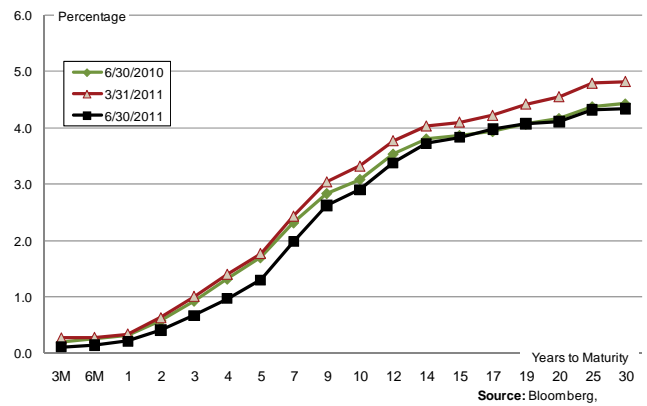
Source: Bond Buyer, Bloomberg

**MMA 2-, 5-, and 10-Year AAA G.O. to Treasury Ratios**  
Jul. 2008 - Jun. 2011



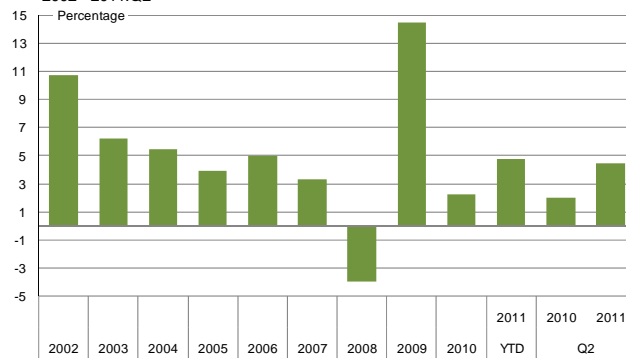
Source: Bloomberg, MMA

**US G.O. AAA Curve**



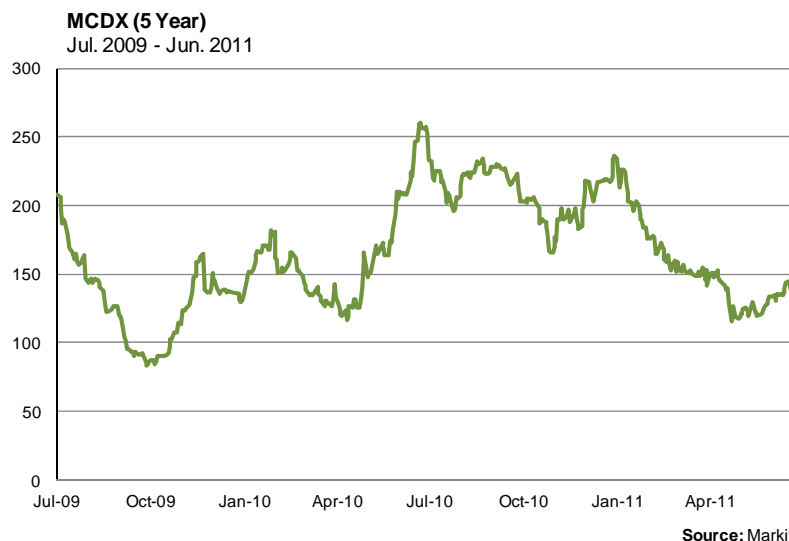
Source: Bloomberg,

**Municipal Total Return**  
2002 - 2011:Q2



Source: Bank of America-Merrill Lynch

## MUNICIPAL CDS



Gross and Net Notional of MCDX, 2Q'11<sup>16</sup>  
(From Outstanding Indices with 10 or greater contracts)

MCDX Notional Outstanding (USD Billions) (Gross / Net)							
Date	MCDX.NA.10	MCDX.NA.11	MCDX.NA.12	MCDX.NA.13	MCDX.NA.14	MCDX.NA.15	MCDX.NA.16
4/1/2011	5.68 / 1.21	1.87 / 0.71	0.71 / 0.34	1.12 / 0.26	2.49 / 0.55	6.6 / 1.79	
4/8/2011	5.68 / 1.21	1.87 / 0.71	0.71 / 0.34	1.07 / 0.21	2.51 / 0.55	6.28 / 1.44	
4/15/2011	5.68 / 1.21	1.87 / 0.71	0.71 / 0.34	1.07 / 0.21	2.51 / 0.55	6.39 / 1.41	0.8 / 0.49
4/22/2011	5.7 / 1.21	1.84 / 0.71	0.74 / 0.34	1.07 / 0.21	2.48 / 0.55	6.37 / 1.38	1.09 / 0.68
4/29/2011	5.7 / 1.21	1.84 / 0.71	0.74 / 0.34	1.07 / 0.21	2.48 / 0.55	6.37 / 1.36	1.29 / 0.66
5/6/2011	5.78 / 1.24	1.89 / 0.76	0.74 / 0.34	1.07 / 0.21	2.48 / 0.52	6.33 / 1.36	1.65 / 0.8
5/13/2011	5.88 / 1.24	1.89 / 0.76	0.74 / 0.34	1.07 / 0.21	2.48 / 0.52	6.29 / 1.3	2.1 / 0.88
5/20/2011	5.88 / 1.24	1.89 / 0.76	0.74 / 0.34	1.07 / 0.21	2.47 / 0.51	6.29 / 1.3	2.85 / 1.12
5/27/2011	5.96 / 1.24	1.89 / 0.76	0.74 / 0.34	1.07 / 0.21	2.52 / 0.51	6.37 / 1.3	3.55 / 1.31
6/3/2011	5.7 / 1.21	1.84 / 0.71	0.74 / 0.34	1.07 / 0.21	2.48 / 0.55	6.37 / 1.36	1.29 / 0.66
6/10/2011	5.96 / 1.24	1.89 / 0.76	0.74 / 0.34	1.07 / 0.21	2.52 / 0.51	6.36 / 1.29	3.99 / 1.55
6/17/2011	5.96 / 1.24	1.89 / 0.76	0.74 / 0.34	1.07 / 0.21	2.52 / 0.51	6.34 / 1.29	4.72 / 1.76
6/24/2011	5.96 / 1.24	1.88 / 0.76	0.76 / 0.36	1.07 / 0.21	2.52 / 0.51	6.34 / 1.29	5.4 / 1.89
7/1/2011	5.58 / 1.04	1.88 / 0.76	0.76 / 0.36	1.07 / 0.21	2.52 / 0.51	6.34 / 1.29	6.01 / 2.07

Number of Contracts Outstanding							
Date	MCDX.NA.10	MCDX.NA.11	MCDX.NA.12	MCDX.NA.13	MCDX.NA.14	MCDX.NA.15	MCDX.NA.16
4/1/2011	275	100	46	90	224	1,013	
4/8/2011	275	100	46	87	225	931	
4/15/2011	275	100	46	87	225	870	34
4/22/2011	276	100	48	87	222	863	86
4/29/2011	276	100	48	87	222	861	173
5/6/2011	279	101	48	87	222	855	216
5/13/2011	280	101	48	87	222	851	273
5/20/2011	280	100	48	87	200	851	396
5/27/2011	281	100	48	87	201	853	510
6/3/2011	276	100	48	87	222	861	173
6/10/2011	281	100	48	87	201	851	577
6/17/2011	281	100	48	87	201	848	696
6/24/2011	281	99	49	87	201	848	773
7/1/2011	271	99	49	87	201	848	820

<sup>16</sup> Indices with less than 10 contracts outstanding are not listed.

Market Risk Activity of MCDX, 2Q'11<sup>17</sup>

Market Risk Activity, Gross Notional (USD Millions)							
Date	MCDX.NA.10	MCDX.NA.11	MCDX.NA.12	MCDX.NA.13	MCDX.NA.14	MCDX.NA.15	MCDX.NA.16
4/1/2011	25.0					196.0	
4/8/2011				45.0	20.0	863.4	
4/15/2011						466.2	87.9
4/22/2011	150.0		25.0		140.0	52.0	288.0
4/29/2011	25.0					55.0	390.7
5/6/2011	55.0	55.0			35.0	1.4	608.4
5/13/2011	100.0					85.0	450.1
5/20/2011		4.8			10.0		922.1
5/27/2011	75.0				45.0	75.0	918.0
6/3/2011					1.4	14.1	407.0
6/10/2011						12.4	742.9
6/17/2011	25.0	20.0	25.0				747.6
6/24/2011							873.4
7/1/2011	25.0						599.5

Market Risk Activity, Number of Contracts							
Date	MCDX.NA.10	MCDX.NA.11	MCDX.NA.12	MCDX.NA.13	MCDX.NA.14	MCDX.NA.15	MCDX.NA.16
4/1/2011	1					29	
4/8/2011				3	1	122	
4/15/2011						87	7
4/22/2011	4		2		4	8	52
4/29/2011	1					10	104
5/6/2011	2	1			5	1	64
5/13/2011	1					40	55
5/20/2011		2			22		128
5/27/2011	1				1	2	142
6/3/2011					3	5	57
6/10/2011						4	122
6/17/2011	1	2	1				83
6/24/2011							58
7/1/2011	1						49

## CDS Spreads for Single Name States

	CDS Spreads (5 Year), Basis Points					
	3/31/2010	6/30/2010	9/30/2010	12/31/2010	3/31/2011	6/30/2011
Illinois	166	369	260	348	246	201
California	202	353	260	299	211	141
New Jersey	156	289	210	219	151	138
Michigan	159	288	237	238	150	130
Nevada	175	226	205	212	154	128
Connecticut	99	141	118	165	135	122
Ohio	103	159	134	152	112	101
New York	155	291	194	215	105	99
Massachusetts	112	154	135	160	119	92
Florida	105	187	130	155	105	91
Pennsylvania	N/A	N/A	127	143	109	90
Wisconsin	88	147	121	136	102	78
North Carolina	N/A	N/A	N/A	100	83	73
Maryland	48	82	65	106	80	69
Minnesota	N/A	N/A	N/A	94	76	67
Texas	52	107	81	102	77	60
Delaware	52	70	57	65	64	47
Virginia	N/A	83	61	83	N/A	N/A

Source: CMA Datavision

<sup>17</sup> "Market risk activity" (as defined by DTCC): The gross notional and contract counts include transaction types of new trades between two parties, a termination of an existing transaction, or the new leg of an assignment representing the trade between the step-in party and the remaining party. Excludes transactions which do not result in a change in the market risk position of the market participants, and are not market activity. For example, central counterparty clearing, and portfolio compression both terminate existing transactions and re-book new transactions or amend existing transactions. These transactions still maintain the same risk profile and consequently are not included as "market risk transfer activity."

Gross and Net Notional of Single-Name Municipal CDS, 2Q'11<sup>18</sup>  
(From Top 1,000 Reference Entities)

CDS Notional Outstanding (USD Billions) (Gross / Net)								
Date	California (CA)	Florida (FL)	Illinois (IL)	New Jersey (NJ)	New York (NY)	Texas (TX)	New York City (NYC)	Massachusetts (MA)
4/1/2011	9.58 / 0.91	4.55 / 0.28	2.86 / 0.52	4.36 / 0.53	3.33 / 0.45	2.74 / 0.18	5.49 / 0.44	1.73 / 0.17
4/8/2011	9.65 / 0.98	4.55 / 0.28	2.91 / 0.54	4.36 / 0.53	3.33 / 0.45	2.74 / 0.18	5.49 / 0.44	1.73 / 0.17
4/15/2011	9.68 / 0.97	4.55 / 0.28	2.93 / 0.54	4.36 / 0.53	3.33 / 0.45	2.74 / 0.18	5.53 / 0.43	1.73 / 0.17
4/22/2011	9.73 / 1	4.55 / 0.28	2.89 / 0.56	4.35 / 0.52	3.33 / 0.45	2.74 / 0.18	5.53 / 0.43	1.73 / 0.17
4/29/2011	9.78 / 1.02	4.55 / 0.28	2.92 / 0.56	4.35 / 0.52	3.34 / 0.44	2.74 / 0.18	5.53 / 0.43	1.75 / 0.18
5/6/2011	9.81 / 1.04	4.59 / 0.25	2.94 / 0.59	4.27 / 0.51	3.29 / 0.43	2.69 / 0.18	5.52 / 0.42	
5/13/2011	9.88 / 1.09	4.59 / 0.24	2.98 / 0.6	4.27 / 0.51	3.29 / 0.43	2.69 / 0.18	5.53 / 0.43	
5/20/2011	10.12 / 1.09	4.67 / 0.28	3.01 / 0.62	4.46 / 0.5	3.29 / 0.43	2.74 / 0.18	5.59 / 0.42	
5/27/2011	10.17 / 1.11	4.67 / 0.28	3.16 / 0.71	4.46 / 0.51	3.29 / 0.43	2.74 / 0.18	5.6 / 0.42	
6/3/2011	10.23 / 1.09	4.67 / 0.28	3.14 / 0.7	4.46 / 0.51	3.29 / 0.43	2.74 / 0.18	5.6 / 0.42	
6/10/2011	10.28 / 1.07	4.67 / 0.28	3.18 / 0.74	4.48 / 0.5	3.29 / 0.43	2.74 / 0.18	5.61 / 0.42	
6/17/2011	10.38 / 1.05	4.67 / 0.28	3.19 / 0.74	4.47 / 0.5	3.29 / 0.43	2.74 / 0.18	5.61 / 0.42	
6/24/2011	10.38 / 1.03	4.66 / 0.27	3.24 / 0.76	4.47 / 0.5	3.31 / 0.44	2.74 / 0.18	5.62 / 0.42	1.7 / 0.18
7/1/2011	10.33 / 0.99	4.66 / 0.27	3.29 / 0.76	4.48 / 0.49	3.31 / 0.44	2.74 / 0.18	5.62 / 0.42	1.71 / 0.18

Source: DTCC

Number of Contracts Outstanding								
Date	California (CA)	Florida (FL)	Illinois (IL)	New Jersey (NJ)	New York (NY)	Texas (TX)	New York City (NYC)	Massachusetts (MA)
4/1/2011	967	315	380	432	279	161	348	118
4/8/2011	972	315	391	432	280	161	348	118
4/15/2011	974	315	394	432	280	161	352	118
4/22/2011	997	315	389	428	280	161	352	118
4/29/2011	1,008	315	393	428	281	161	352	119
5/6/2011	1,006	313	392	421	275	156	351	
5/13/2011	1,037	313	395	421	275	156	356	
5/20/2011	1,044	317	402	424	276	159	359	
5/27/2011	1,050	317	427	425	276	159	361	
6/3/2011	1,052	317	419	426	277	159	361	
6/10/2011	1,055	317	413	419	277	159	362	
6/17/2011	1,064	317	414	418	277	159	362	
6/24/2011	1,065	316	418	417	280	159	362	117
7/1/2011	1,065	316	421	418	280	159	362	117

Source: DTCC

Market Risk Activity of Single-Name Municipal CDS, 2Q'11<sup>19</sup>

Market Risk Activity, Gross Notional (USD Millions)								
Date	California (CA)	Florida (FL)	Illinois (IL)	New Jersey (NJ)	New York (NY)	Texas (TX)	New York City (NYC)	Massachusetts (MA)
4/1/2011	15.0		25.0				25.0	
4/8/2011	71.1		52.5		0.5			
4/15/2011	25.9		20.3				35.0	
4/22/2011	51.5		79.7	10.0				
4/29/2011	40.0		15.0		10.0			15.0
5/6/2011	90.0	100.0	65.0	10.0	11.1	20.0	24.8	
5/13/2011	75.0		47.4				63.2	
5/20/2011	21.5		13.8	6.1			10.0	
5/27/2011	63.0		97.5				15.0	
6/3/2011	80.3		55.3	0.5	0.5		0.3	
6/10/2011	45.9		149.9	81.8			30.8	
6/17/2011	100.0		10.0	2.4	0.1			
6/24/2011	10.0		40.0	2.2	15.4		10.0	
7/1/2011	80.0		50.0	5.0			0.5	

Source: DTCC

Market Risk Activity, Number of Contracts								
Date	California (CA)	Florida (FL)	Illinois (IL)	New Jersey (NJ)	New York (NY)	Texas (TX)	New York City (NYC)	Massachusetts (MA)
4/1/2011	1		2					2
4/8/2011	6		11		1			
4/15/2011	4		3				3	
4/22/2011	23		8	4				
4/29/2011	10		2		1			1
5/6/2011	5	2	5	2	9	2	5	
5/13/2011	32		6				16	
5/20/2011	5		7	3			2	
5/27/2011	7		12				2	
6/3/2011	7		16	1	1		1	
6/10/2011	4		34	23			13	
6/17/2011	9		1	4	1			
6/24/2011	2		5	1	4			1
7/1/2011	11		4	1				1

Source: DTCC

<sup>18</sup> Data are missing for some weeks for Massachusetts as they do not make it to the top 1,000 reference entities for some weeks.

<sup>19</sup> "Market risk activity" (as defined by DTCC): The gross notional and contract counts include transaction types of new trades between two parties, a termination of an existing transaction, or the new leg of an assignment representing the trade between the step-in party and the remaining party. Excludes transactions which do not result in a change in the market risk position of the market participants, and are not market activity. For example, central counterparty clearing, and portfolio compression both terminate existing transactions and re-book new transactions or amend existing transactions. These transactions still maintain the same risk profile and consequently are not included as "market risk transfer activity."

RATINGS

Moody's Rating Changes<sup>20</sup>

Upgrades / Downgrades	2011:Q1	2011:Q2	2011:Q3	2011:Q4	Total	2010:Q1	2010:Q2	2010:Q3	2010:Q4	Total
State	0/2				0/2	NA/NA	NA/NA	NA/NA	NA/NA	7/6
Local Government	10/37				10/37	NA/NA	NA/NA	NA/NA	NA/NA	128/257
NFP Hospital	5/6				5/6	NA/NA	NA/NA	NA/NA	NA/NA	41/46
Higher Education	1/7				1/7	NA/NA	NA/NA	NA/NA	NA/NA	10/38
Infrastructure	0/6				0/6	NA/NA	NA/NA	NA/NA	NA/NA	10/33
Housing	0/1				0/1	NA/NA	NA/NA	NA/NA	NA/NA	5/77
Total	16/59				16/59	NA/NA	NA/NA	NA/NA	NA/NA	201/457

Source: Moody's

TRADING SUMMARY, 2Q'11

	Total Number of Trades							
	# of Trades				Par Amount (Millions)			
	Customer Bought	Customer Sold	Inter-Dealer Trade	All Trades	Customer Bought	Customer Sold	Inter-Dealer Trade	All Trades
2010:Q2	1,299,562	507,684	792,235	2,599,481	\$439,569	\$286,250	\$141,608	\$867,427
2011:Q2	1,199,377	537,575	820,534	2,557,486	\$339,031	\$249,754	\$124,417	\$713,202

	Daily Average Trade Summary							
	# of Trades				Par Amount (Millions)			
	Customer Bought	Customer Sold	Inter-Dealer Trade	All Trades	Customer Bought	Customer Sold	Inter-Dealer Trade	All Trades
2010:Q2	20,628	8,058	12,575	41,261	\$6,977	\$4,544	\$2,248	\$13,769
2011:Q2	19,038	8,533	13,024	40,595	\$5,381	\$3,964	\$1,975	\$11,321

	# of Trades									
	# of Trades					Par Amount (Millions)				
	0 - 100,000	100,001 - 500,000	500,001 - 1,000,000	1,000,000+	All Trades	0 - 100,000	100,001 - 500,000	500,001 - 1,000,000	1,000,000+	All Trades
2010:Q2	82%	12%	2%	4%	2,599,481	8%	9%	8%	78%	\$867,427
2011:Q2	83%	11%	2%	3%	2,557,486	9%	10%	6%	74%	\$713,201

	Trades by Sector							
	Education	Health	Utility	Various Purpose	Transportation	Tax-Revenue	Other	Total (Millions)
	2010:Q2	17%	12%	13%	8%	8%	6%	35%
2011:Q2	17%	10%	11%	9%	9%	6%	36%	\$713,201

	Trades by Maturity					
	1 Year or Less		5+ Years to 10 Years		10+ Years to 20+ Years	
	1 Year or Less	1+ Year to 5 Years	Years	Years	20+ Years	Total (Millions)
2010:Q2	8%	9%	13%	27%	44%	\$867,427
2011:Q2	3%	10%	14%	30%	44%	\$713,201

	Trades by Source of Repayment				
	General Obligation				Total (Millions)
	Revenue	Double Barrel	Not Available		
2010:Q2	71%	21%	6%	2%	\$867,427
2011:Q2	73%	24%	2%	0%	\$713,201

	Trades by Coupon Type				
	Fixed Rate	Variable Rate	Zero Coupon	Not Available	Total (Millions)
	2010:Q2	51%	47%	2%	0%
2011:Q2	50%	46%	4%	0%	\$713,201

Source: MSRB EMMA

<sup>20</sup> Due to timing of publication, ratings figures may be a quarter behind.

## OUTSTANDING MUNICIPAL DEBT

Outstanding and by State, Rating, Maturity, and Security Type<sup>21</sup>

\$ Millions

State	Total Outstanding	G.O.	Revenue	Investment Grade	Non-Investment Grade	Due in 13 Months	Long-Term	Insured
AK Alaska	11,218.9	2,914.7	8,304.2	10,268.6	950.3	721.7	10,497.2	5,226.4
AL Alabama	33,551.8	6,095.1	27,456.7	26,829.2	6,722.5	1,081.3	32,470.5	15,394.7
AR Arkansas	12,613.4	4,629.5	7,983.9	9,831.7	2,781.7	495.7	12,117.7	3,541.6
AZ Arizona	57,737.5	11,650.3	46,087.1	52,375.8	5,361.7	4,270.8	53,466.7	19,813.7
CA California	543,173.4	190,077.3	353,096.1	471,189.4	71,984.0	20,848.7	522,324.7	202,071.9
CO Colorado	58,268.9	12,634.6	45,634.2	52,113.9	6,155.0	1,889.4	56,379.5	23,274.3
CT Connecticut	44,605.4	22,652.6	21,952.8	41,732.4	2,873.0	3,318.9	41,286.6	12,116.2
DC District of Columbia	29,813.0	3,596.9	26,216.1	23,527.1	6,285.9	1,231.4	28,581.6	10,883.2
DE Delaware	8,721.2	2,334.6	6,386.6	8,126.2	594.9	436.7	8,284.5	1,643.2
FL Florida	174,761.3	18,269.9	156,491.4	154,118.5	20,642.8	9,589.5	165,171.9	76,598.9
GA Georgia	75,323.3	17,650.6	57,672.6	65,083.9	10,239.4	4,270.9	71,052.3	20,732.9
GU Guam	1,995.5	451.1	1,544.4	1,130.2	865.3	42.8	1,952.7	347.7
HI Hawaii	15,290.7	8,569.2	6,721.5	14,699.2	591.5	910.2	14,380.6	7,998.8
IA Iowa	20,707.0	5,439.6	15,267.4	17,377.1	3,329.9	1,111.7	19,595.3	5,698.1
ID Idaho	11,338.8	6,079.1	5,259.7	10,111.8	1,227.0	1,045.6	10,293.2	2,109.8
IL Illinois	162,891.6	81,703.0	81,188.6	151,338.8	11,552.8	7,239.2	155,652.4	68,867.3
IN Indiana	56,409.1	1,164.4	55,244.6	48,780.9	7,628.2	3,132.4	53,276.7	21,323.6
KS Kansas	22,797.4	8,789.4	14,008.0	19,690.3	3,107.1	1,504.9	21,292.5	7,884.2
KY Kentucky	37,072.5	1,675.8	35,396.7	35,037.7	2,034.8	1,678.7	35,393.7	11,314.2
LA Louisiana	35,500.2	6,077.4	29,422.8	32,801.0	2,699.2	1,216.4	34,283.9	15,467.9
MA Massachusetts	95,947.7	31,363.5	64,584.1	89,331.4	6,616.2	5,190.5	90,757.2	28,571.1
MD Maryland	47,806.9	20,322.4	27,484.5	43,655.7	4,151.2	2,450.0	45,356.9	6,537.5
ME Maine	8,581.1	1,742.4	6,838.7	8,220.2	360.9	557.4	8,023.6	2,672.8
MI Michigan	83,270.6	27,696.6	55,574.0	67,518.0	15,752.6	5,574.1	77,696.5	36,467.0
MN Minnesota	51,315.1	23,594.4	27,720.7	45,464.1	5,851.0	3,320.1	47,995.0	11,183.9
MO Missouri	56,085.7	16,306.6	39,779.1	49,892.9	6,192.8	2,352.9	53,732.7	13,635.4
MS Mississippi	19,404.5	6,106.5	13,298.0	17,353.8	2,050.6	736.3	18,668.2	4,183.4
MT Montana	14,044.6	8,967.0	5,077.6	5,256.2	8,788.4	732.0	13,312.7	1,212.3
NC North Carolina	56,433.5	14,809.6	41,624.0	53,489.8	2,943.8	2,349.4	54,084.2	11,058.3
ND North Dakota	4,050.3	952.9	3,097.5	3,693.2	357.1	231.0	3,819.4	1,392.2
NE Nebraska	17,572.8	4,698.9	12,873.8	14,437.2	3,135.6	764.7	16,808.1	4,268.0
NH New Hampshire	11,645.7	2,232.2	9,413.5	10,627.2	1,018.5	470.0	11,175.7	2,910.6
NJ New Jersey	120,062.9	24,908.6	95,154.4	110,451.4	9,611.6	7,673.3	112,389.6	55,952.6
NM New Mexico	16,359.9	3,095.6	13,264.3	15,102.8	1,257.1	1,082.1	15,277.8	3,646.1
NV Nevada	31,130.6	14,928.8	16,201.9	26,750.8	4,379.8	1,478.7	29,651.9	15,043.4
NY New York	356,708.2	78,124.3	278,583.9	321,875.3	34,832.8	19,008.0	337,700.2	88,829.3
OH Ohio	107,044.8	28,401.3	78,643.5	85,551.5	21,493.3	5,011.5	102,033.3	26,546.6
OK Oklahoma	19,839.0	3,363.3	16,475.7	16,975.7	2,863.3	1,661.1	18,177.9	5,967.5
OR Oregon	35,580.0	17,033.5	18,546.5	34,109.1	1,470.9	1,531.2	34,048.8	14,287.8
OT Other Territories	9,614.4	25.0	9,589.4	7,547.6	2,066.8		9,614.4	184.8
PA Pennsylvania	137,418.9	44,284.0	93,134.9	125,458.6	11,960.3	7,242.4	130,176.5	53,951.3
PR Puerto Rico	98,021.1	10,671.4	87,349.7	84,060.4	13,960.6	2,014.9	96,006.2	29,958.6
RI Rhode Island	14,122.0	2,075.1	12,046.9	10,428.3	3,693.7	511.0	13,610.9	5,842.8
SC South Carolina	37,619.7	8,488.0	29,131.7	33,744.3	3,875.4	2,029.4	35,590.3	14,673.4
SD South Dakota	7,563.3	3,430.5	4,132.8	4,465.2	3,098.1	384.7	7,178.6	1,153.9
TN Tennessee	45,307.8	13,242.2	32,065.6	41,106.4	4,201.4	1,685.7	43,622.1	9,821.4
TT Trust Territories	286.8	99.7	187.1		286.8		286.8	
TX Texas	300,834.0	138,203.8	162,630.2	262,956.3	37,877.7	17,524.3	283,309.7	78,126.2
UT Utah	22,724.9	7,321.1	15,403.7	20,373.8	2,351.1	1,340.5	21,384.4	4,711.8
VA Virginia	62,583.3	12,737.8	49,845.5	57,839.6	4,743.7	3,086.7	59,496.6	8,531.5
VI Virgin Islands	2,487.8		2,487.8	2,446.8	41.0	61.4	2,426.3	615.7
VT Vermont	5,931.6	580.1	5,351.5	5,460.7	470.8	326.8	5,604.8	3,405.9
WA Washington	79,645.2	35,459.2	44,186.0	76,518.2	3,127.0	3,805.9	75,839.4	32,802.9
WI Wisconsin	43,640.6	19,562.5	24,078.1	39,546.0	4,094.6	2,928.1	40,712.5	14,852.2
WV West Virginia	11,502.9	1,051.3	10,451.7	8,238.1	3,264.8	414.5	11,088.5	3,273.8
WY Wyoming	3,965.1	118.3	3,846.8	3,873.0	92.0	71.5	3,893.6	148.8
TOTAL (6/30/2011)	3,449,943.9	1,038,453.5	2,411,490.5	3,049,983.4	399,960.5	171,638.7	3,278,305.2	1,128,729.2
TOTAL (3/31/2011)	3,218,178.4	631,308.5	2,586,869.8	2,866,622.1	351,556.3	175,071.7	3,043,106.7	1,027,347.9
TOTAL (1/5/2011)	3,217,953.8	629,039.8	2,588,914.0	2,876,578.3	341,375.6	170,098.7	3,047,855.2	1,039,623.6

Source: Bloomberg, MSRB EMMA, Thomson Reuters, SIFMA

Outstanding and by Tax Status, Coupon, and Use of Proceeds<sup>22</sup>

<sup>21</sup> Investment-grade outstanding requires a minimum of 1 investment grade rating from either Moody's, Standard and Poor's, or Fitch Ratings and will therefore include split-rated issues (*i.e.*, a bond with both an investment-grade and high yield rating); non-investment grade debt outstanding includes debt both rated junk as well as non-rated securities. Outstanding includes both short- and long-term municipal debt, VRDOs and ARS. "Due in 13 months" will include debt with an original maturity of 13 months or longer. Outstanding does not include refunded (inclusive of prerefunded) debt and derivatives; prior to 6/30, did not include zero coupons. See addendum tables for prerefunded and derivatives debt. The chart replaces "Outstanding by Insurance" from prior municipal reports. For comparability discussions regarding the size of the outstanding municipal market, see Berger, Daniel (Thomson Reuters) "[Long-Term Outlook – June 2011 – The Volume of Outstanding Municipal Debt](#)," June 29, 2011.

<sup>22</sup> Outstanding does not include refunded (inclusive of prerefunded) debt and derivatives; prior to 6/30, did not include zero coupons. See addendum tables for prerefunded and derivatives debt. The chart replaces "Outstanding by Insurance" from prior municipal reports. For comparability discussions regarding the size of

\$ Millions

State	Total Outstanding	Tax-Exempt	AMT	Taxable	Fixed	Floating	Purpose	Total Outstanding
AK Alaska	11,218.9	8,661.4	1,492.9	1,064.6	8,707.3	2,511.6	Airport	85,837.6
AL Alabama	33,551.8	26,392.6	1,515.2	5,643.9	23,516.4	10,035.4	Development	144,320.1
AR Arkansas	12,613.4	7,007.3	902.5	4,703.6	11,179.2	1,434.2	Education	700,832.7
AZ Arizona	57,737.5	49,241.5	2,806.9	5,689.1	48,986.3	8,751.2	GO	651,533.6
CA California	543,173.4	429,861.6	15,662.8	97,649.0	378,251.8	164,921.5	Healthcare	303,294.3
CO Colorado	58,268.9	42,694.5	4,461.8	11,112.5	41,391.6	16,877.2	Housing	185,188.9
CT Connecticut	44,605.4	32,042.9	2,613.6	9,949.0	36,178.2	8,427.2	Other	546,637.9
DC District of Columbia	29,813.0	21,570.9	4,939.5	3,302.6	17,604.4	12,208.6	Public Facilities	93,278.3
DE Delaware	8,721.2	5,758.8	1,244.7	1,717.7	5,910.6	2,810.6	Student Loan	65,779.1
FL Florida	174,761.3	139,681.1	17,158.7	17,921.5	128,761.9	45,999.5	Transportation	230,162.3
GA Georgia	75,323.3	60,660.5	5,012.8	9,650.0	58,358.3	16,965.0	Utilities	443,082.3
GU Guam	1,995.5	1,818.0	121.4	56.1	1,880.1	115.5	TOTAL (6/30/2011)	3,449,946.9
HI Hawaii	15,290.7	11,980.2	1,816.3	1,494.3	14,322.6	968.1		
IA Iowa	20,707.0	10,475.0	1,163.0	9,068.9	14,911.1	5,795.9		
ID Idaho	11,338.8	4,602.8	1,400.6	5,335.4	5,308.4	6,030.3		
IL Illinois	162,891.6	104,933.7	9,285.0	48,672.8	118,647.8	44,243.8		
IN Indiana	56,409.1	38,083.2	4,936.8	13,389.1	37,949.4	18,459.7		
KS Kansas	22,797.4	15,106.3	895.0	6,796.1	19,845.8	2,951.7		
KY Kentucky	37,072.5	24,108.5	3,740.5	9,223.5	26,524.5	10,548.0		
LA Louisiana	35,500.2	27,862.8	2,133.2	5,504.2	26,208.0	9,292.2		
MA Massachusetts	95,947.7	79,526.7	5,007.5	11,413.5	73,310.2	22,637.4		
MD Maryland	47,806.9	38,241.6	3,450.6	6,114.7	38,264.5	9,542.4		
ME Maine	8,581.1	5,953.2	1,555.6	1,072.3	7,102.5	1,478.6		
MI Michigan	83,270.6	60,605.1	6,434.7	16,230.9	57,081.6	26,189.0		
MN Minnesota	51,315.1	33,909.7	4,004.4	13,401.0	41,136.3	10,178.8		
MO Missouri	56,085.7	31,274.2	3,300.8	21,510.7	35,217.1	20,868.6		
MS Mississippi	19,404.5	11,972.8	1,365.8	6,065.8	12,252.8	7,151.7		
MT Montana	14,044.6	2,564.0	2,001.8	9,478.8	3,570.5	10,474.1		
NC North Carolina	56,433.5	48,655.1	2,693.0	5,085.5	41,428.4	15,005.1		
ND North Dakota	4,050.3	2,340.7	694.4	1,015.3	3,532.1	518.2		
NE Nebraska	17,572.8	11,819.2	964.8	4,788.8	14,905.2	2,667.6		
NH New Hampshire	11,645.7	7,350.7	2,325.1	1,969.9	7,222.9	4,422.8		
NJ New Jersey	120,062.9	85,774.4	7,908.5	26,380.1	90,326.2	29,736.8		
NM New Mexico	16,359.9	12,294.3	1,840.8	2,224.7	12,300.2	4,059.7		
NV Nevada	31,130.6	23,977.3	3,976.5	3,176.8	23,493.1	7,637.6		
NY New York	356,708.2	286,580.0	24,235.8	45,892.4	271,990.6	84,717.5		
OH Ohio	107,044.8	73,941.9	5,670.7	27,432.2	71,303.2	35,741.6		
OK Oklahoma	19,839.0	13,694.7	1,756.8	4,387.4	16,015.2	3,823.8		
OR Oregon	35,580.0	22,312.0	1,913.9	11,354.1	28,160.3	7,419.7		
OT Other Territories	9,614.4	1,067.8	7,700.6	846.0	770.0	8,844.4		
PA Pennsylvania	137,418.9	95,755.9	8,624.4	33,038.6	91,783.4	45,635.5		
PR Puerto Rico	98,021.1	88,254.0	551.8	9,215.2	53,220.9	44,800.2		
RI Rhode Island	14,122.0	10,508.3	2,333.4	1,280.3	8,976.6	5,145.4		
SC South Carolina	37,619.7	30,019.5	1,473.8	6,126.4	29,019.4	8,600.3		
SD South Dakota	7,563.3	2,506.0	1,078.2	3,979.1	3,878.3	3,685.0		
TN Tennessee	45,307.8	31,695.1	4,436.5	9,176.2	29,672.7	15,635.1		
TT Trust Territories	286.8	239.7	47.1	-	146.8	140.0		
TX Texas	300,834.0	225,156.6	21,961.4	53,716.0	223,675.0	77,159.0		
UT Utah	22,724.9	15,236.9	2,085.0	5,403.0	16,236.9	6,488.0		
VA Virginia	62,583.3	48,376.1	5,281.9	8,925.3	50,111.6	12,471.7		
VI Virgin Islands	2,487.8	2,060.2	376.3	51.3	2,435.6	52.2		
VT Vermont	5,931.6	3,152.2	2,200.4	579.0	2,894.9	3,036.7		
WA Washington	79,645.2	60,124.8	6,417.4	13,103.0	68,208.2	11,437.0		
WI Wisconsin	43,640.6	26,946.5	2,889.5	13,804.6	36,018.2	7,622.4		
WV West Virginia	11,502.9	6,418.4	1,336.4	3,748.2	6,782.6	4,720.4		
WY Wyoming	3,965.1	1,986.2	1,582.2	396.7	2,020.0	1,945.1		
TOTAL (6/30/2011)	3,449,943.9	2,564,835.5	234,780.8	650,327.6	2,498,907.4	951,036.5		
TOTAL (3/31/2011)	3,218,178.4	2,357,528.1	234,195.1	626,455.2	2,498,453.8	719,724.5		
TOTAL (1/5/2011)	3,217,953.8	N/A	N/A	N/A	N/A	N/A		

Source: Bloomberg, MSRB EMMA, Thomson Reuters, SIFMA

the outstanding municipal market, see Berger, Daniel (Thomson Reuters) "[Long-Term Outlook – June 2011 – The Volume of Outstanding Municipal Debt.](#)" June 29, 2011.

Addendum Tables – Build America Bonds, VRDOs, and Prerefunded<sup>23</sup>

\$ Millions

State	Total Outstanding	BAB Only	BAB w/ Make Whole Call	BAB w/ Call Ex Make Whole Call	BAB w/ Extradordinary Call	VRDO Only	Prerefunded Only	Derivatives Only
AK Alaska	11,218.9	357.7	338.2	19.5	357.7	1,662.9	475.6	421.5
AL Alabama	33,551.8	611.3		523.2	427.2	4,447.9	2,687.8	1,376.1
AR Arkansas	12,613.4	39.0		30.8	34.0	563.4	425.1	63.5
AZ Arizona	57,737.5	1,955.2	1,035.1	727.6	1,664.4	3,353.4	3,380.5	2,518.1
CA California	543,173.4	37,627.4	34,410.4	2,688.4	34,627.1	49,419.0	24,425.9	27,872.9
CO Colorado	58,268.9	4,073.5	1,892.0	1,829.5	3,249.5	10,878.5	4,830.7	2,763.6
CT Connecticut	44,605.4	1,914.5	1,664.5	148.3	1,786.0	4,525.0	3,167.4	876.4
DC District of Columbia	29,813.0	1,949.9	1,494.9	55.0	1,894.9	3,418.4	377.4	1,865.3
DE Delaware	8,721.2	519.3	235.4	207.3	519.3	1,449.3	528.1	81.1
FL Florida	174,761.3	5,536.6	2,153.0	3,029.3	5,203.0	16,126.4	5,099.7	8,714.7
GA Georgia	75,323.3	3,728.7	3,558.5	146.6	3,725.4	8,626.8	3,398.8	2,463.9
GU Guam	1,995.5							6.2
HI Hawaii	15,290.7	1,267.6	675.8	568.9	1,267.6	151.0	1,075.2	785.8
IA Iowa	20,707.0	719.9	202.1	414.3	260.1	2,326.8	437.6	187.5
ID Idaho	11,338.8	129.5	84.7	37.3	119.7	1,545.3	158.3	80.6
IL Illinois	162,891.6	11,111.3	8,416.4	1,930.4	8,906.9	18,124.9	6,019.4	7,364.5
IN Indiana	56,409.1	2,064.9	1,166.6	621.3	1,831.6	6,852.8	4,256.3	2,242.5
KS Kansas	22,797.4	1,611.9	518.0	869.4	941.4	1,651.4	1,066.5	211.1
KY Kentucky	37,072.5	2,931.2	1,559.0	1,006.4	2,676.1	5,715.6	1,539.7	706.4
LA Louisiana	35,500.2	843.2	479.1	278.7	556.2	5,487.9	1,614.2	1,154.4
MA Massachusetts	95,947.7	4,835.7	4,466.1	356.6	4,354.8	14,220.5	9,063.9	7,449.7
MD Maryland	47,806.9	3,447.3	1,715.0	1,445.2	2,242.1	6,073.7	2,408.3	904.6
ME Maine	8,581.1	88.1	65.3		65.3	857.7	297.1	130.6
MI Michigan	83,270.6	2,608.1	927.6	1,406.5	1,856.5	9,370.9	4,805.6	3,529.7
MN Minnesota	51,315.1	1,466.5	333.7	722.4	1,038.8	4,325.5	1,946.6	854.5
MO Missouri	56,085.7	2,984.8	1,720.5	1,083.7	2,418.8	5,486.5	1,922.3	1,325.9
MS Mississippi	19,404.5	764.9	631.6	70.0	666.6	5,022.7	475.0	409.8
MT Montana	14,044.6	30.2		30.2	30.2	355.5	70.6	25.5
NC North Carolina	56,433.5	1,607.3	781.0	738.5	1,517.6	10,361.6	3,416.6	2,114.1
ND North Dakota	4,050.3	65.8		45.2	53.8	468.2	69.4	27.1
NE Nebraska	17,572.8	1,006.3	587.2	375.1	740.6	2,321.0	543.8	714.3
NH New Hampshire	11,645.7	354.9	254.3	95.9	342.3	1,732.6	595.4	237.9
NJ New Jersey	120,062.9	7,358.4	5,754.6	731.8	6,089.1	6,980.0	10,397.0	5,876.2
NM New Mexico	16,359.9	276.4	1.1	257.0	276.4	2,173.4	960.8	597.3
NV Nevada	31,130.6	2,550.9	1,684.7	794.6	2,052.4	2,973.0	2,219.6	1,981.9
NY New York	356,708.2	20,629.8	20,245.4	366.1	20,236.7	43,209.1	13,158.5	18,298.2
OH Ohio	107,044.8	8,636.6	5,567.4	2,580.5	8,399.3	12,309.3	6,328.7	3,650.5
OK Oklahoma	19,839.0	790.3	70.0	176.8	790.3	2,097.5	490.0	425.4
OR Oregon	35,580.0	971.0	922.9	45.3	962.0	2,998.3	1,104.4	382.0
OT Other Territories	9,614.4					1,763.5		17,504.4
PA Pennsylvania	137,418.9	5,017.1	2,819.6	2,025.8	4,833.7	18,164.8	7,932.3	5,719.3
PR Puerto Rico	98,021.1	692.8		692.8	541.6	1,375.0	7,006.7	4,156.3
RI Rhode Island	14,122.0				698.3	1,018.7	296.0	384.3
SC South Carolina	37,619.7	1,171.6	386.5	649.3	698.3	3,050.4	2,850.0	1,246.2
SD South Dakota	7,563.3	343.5	64.1	210.3	171.0	926.6	101.8	124.2
TN Tennessee	45,307.8	1,834.1	1,061.0	664.8	1,459.2	9,460.0	2,620.6	1,949.8
TT Trust Territories	286.8						36.2	
TX Texas	300,834.0	16,668.1	12,159.2	4,251.2	16,142.6	23,571.1	18,284.3	17,304.4
UT Utah	22,724.9	2,892.0	1,881.7	857.4	2,292.4	3,297.5	1,251.3	661.8
VA Virginia	62,583.3	3,817.3	2,345.9	1,148.7	3,423.3	6,649.0	4,245.9	1,801.5
VI Virgin Islands	2,487.8	37.3	37.3		37.3			13.3
VT Vermont	5,931.6	126.3	49.8	64.0	126.3	856.1	158.2	38.4
WA Washington	79,645.2	6,123.2	4,776.3	1,186.6	5,515.7	5,746.5	3,907.8	3,560.6
WI Wisconsin	43,640.6	2,086.6		1,501.0	462.6	5,690.1	3,193.5	1,814.4
WV West Virginia	11,502.9	88.2	50.3	35.6	88.2	1,590.2	27.4	336.4
WY Wyoming	3,965.1	140.0		120.6	140.0	1,780.1	1.8	50.5
TOTAL (6/30/2011)	3,449,943.9	180,504.1	131,243.9	39,861.6	160,812.1	364,603.1	177,151.5	167,357.1
TOTAL (3/31/2011)	3,218,178.4	N/A	N/A	N/A	N/A	373,080.9	N/A	N/A
TOTAL (1/5/2011)	3,217,953.8	N/A	N/A	N/A	N/A	387,349.9	N/A	N/A

Source: Bloomberg, MSRB EMMA, Thomson Reuters, SIFMA

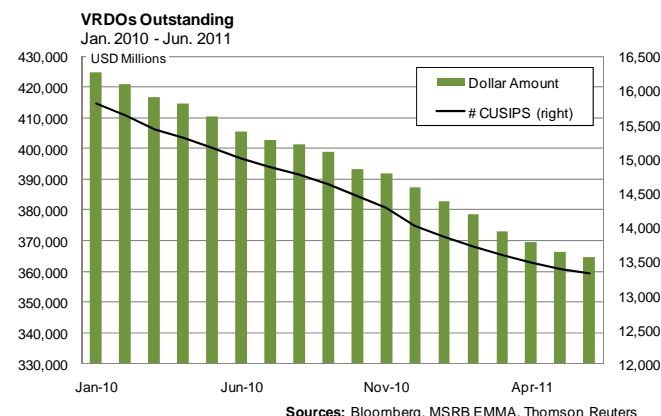
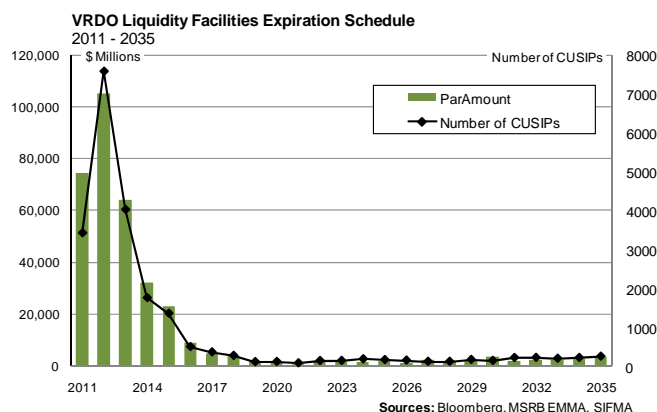
<sup>23</sup> Prefunded and derivatives tables are not incorporated in outstanding totals and are hence standalone. The chart replaces "Outstanding by Insurance" from prior municipal reports. For comparability discussions regarding the size of the outstanding municipal market, see Berger, Daniel (Thomson Reuters) "[Long-Term Outlook – June 2011 – The Volume of Outstanding Municipal Debt.](#)" June 29, 2011.



VARIABLE RATE DEMAND OBLIGATIONS, 2Q'11 UPDATE

Liquidity Facility Expiration Schedule, July 2011- June 2014<sup>24</sup>  
As of June 30, 2011

	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12
By Type of Provider (\$ Millions)												
<b>Bank</b>	12,734.0	11,103.3	13,109.5	8,824.0	12,299.3	12,395.7	5,679.3	6,028.6	8,498.7	8,910.9	7,610.1	10,095.6
<b>Corporate/Other</b>	95.6	465.2	16.7	93.8	917.6	555.7				54.3	179.8	207.8
<b>US Agency</b>	57.4	277.4	101.3	220.0	182.3	820.1	49.5	36.0	369.8	139.1	285.5	331.9
By Number of Facilities												
<b># CUSIPs</b>	513	634	598	433	538	701	279	250	373	368	428	489
	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13
By Type of Provider (\$ Millions)												
<b>Bank</b>	6,775.8	5,740.2	4,495.3	6,617.2	6,663.7	8,142.6	3,237.2	3,326.3	7,657.6	5,751.3	7,484.1	6,579.6
<b>Corporate/Other</b>	166.1	86.2	63.4	831.7	157.1	41.3	18.1	165.8		150.0	370.6	13.6
<b>US Agency</b>	166.3	561.7	364.5	148.0	322.9	15,364.5	37.5	55.2	195.9	337.0	249.0	170.5
By Number of Facilities												
<b># CUSIPs</b>	252	241	208	246	220	813	140	102	214	169	220	229
	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14
By Type of Provider (\$ Millions)												
<b>Bank</b>	3,534.6	5,020.6	3,536.8	3,605.0	5,783.2	5,170.2	2,498.5	2,277.1	4,430.6	3,789.8	4,664.7	3,593.7
<b>Corporate/Other</b>	5.3	81.7		21.9	282.6	169.2	6.5	153.0	16.4	6.3	4.8	1.3
<b>US Agency</b>	98.0	267.7	26.7	34.2	204.0	288.0	114.9	22.7	140.5	126.1	128.4	366.7
By Number of Facilities												
<b># CUSIPs</b>	141	167	147	132	199	224	90	65	123	114	114	152



<sup>24</sup> For more detailed breakouts of VRDO data, please refer to the Variable Rate Demand Obligations June 2011 update at [sifma.org](http://sifma.org).

## STATE CONTRACT SPENDING SNAPSHOT

Fiscal Year 2010<sup>25</sup>

\$ Millions

State	Contract Spending	Top 50 Contract Industries	Contract Spending
AK Alaska	2,541.3	Engineering Services	38,442.7
AL Alabama	10,098.4	Aircraft Manufacturing	34,667.0
AR Arkansas	1,633.3	Commercial and Institutional Building Construction	26,293.4
AZ Arizona	12,770.8	Research and Development in the Physical, Engineering, and Life Sciences	24,882.9
CA California	56,723.2	Facilities Support Services	15,830.1
CO Colorado	10,352.1	Research and Development in the Physical, Engineering, and Life Sciences (Except Biotechnology)	15,607.7
CT Connecticut	11,766.8	Guided Missile and Space Vehicle Manufacturing	13,236.3
DC District of Columbia	22,006.3	Ship Building and Repairing	12,121.9
DE Delaware	323.2	Other Aircraft Parts and Auxiliary Equipment Manufacturing	11,797.7
FL Florida	17,259.4	Search, Detection, Navigation, Guidance, Aeronautical, and Nautical System and Instrument Manufacturing	11,290.2
GA Georgia	12,108.5	Military Armored Vehicle, Tank, and Tank Component Manufacturing	10,777.5
GU Guam	844.7	Other Computer Related Services	10,551.9
HI Hawaii	2,709.2	Administrative Management and General Management Consulting Services	10,390.3
IA Iowa	2,228.5	Direct Health and Medical Insurance Carriers	10,336.8
ID Idaho	2,581.6	Other	9,519.8
IL Illinois	10,971.8	Other Heavy and Civil Engineering Construction	9,261.9
IN Indiana	5,323.6	Computer Systems Design Services	9,047.4
KS Kansas	2,912.8	Radio and Television Broadcasting and Wireless Communications Equipment Manufacturing	8,137.7
KY Kentucky	6,116.6	All Other Professional, Scientific, and Technical Services	8,087.9
LA Louisiana	7,120.8	Drugs and Druggists' Sundries Merchant Wholesalers	6,617.3
MA Massachusetts	15,728.9	Lessors of Nonresidential Buildings (except Miniwarehouses)	6,445.6
MD Maryland	26,749.7	Aircraft Engine and Engine Parts Manufacturing	6,440.4
ME Maine	1,664.3	Custom Computer Programming Services	5,619.7
MI Michigan	6,020.9	Wired Telecommunications Carriers	5,039.0
MN Minnesota	2,534.4	Remediation Services	4,539.9
MO Missouri	12,690.9	Truck Trailer Manufacturing	4,221.1
MS Mississippi	2,586.2	Other Support Activities for Air Transportation	4,153.6
MT Montana	777.3	Electronic Computer Manufacturing	4,024.5
NC North Carolina	5,497.6	Computer Facilities Management Services	3,537.0
ND North Dakota	645.9	Pharmaceutical Preparation Manufacturing	3,447.0
NE Nebraska	1,200.9	Other Communications Equipment Manufacturing	3,016.6
NH New Hampshire	1,360.4	Petroleum Refineries	3,003.0
NJ New Jersey	9,888.7	Security Guards and Patrol Services	2,696.8
NM New Mexico	7,411.6	Highway, Street, and Bridge Construction	2,485.3
NV Nevada	2,350.1	Ammunition (except Small Arms) Manufacturing	2,464.9
NY New York	25,978.0	Nonscheduled Chartered Freight Air Transportation	2,223.6
OH Ohio	8,475.7	Computer and Software Stores	2,161.0
OK Oklahoma	3,202.3	Industrial Building Construction	2,065.7
OR Oregon	1,922.8	Nonscheduled Chartered Passenger Air Transportation	2,034.4
PA Pennsylvania	18,712.2	Hazardous Waste Treatment and Disposal	2,002.8
PR Puerto Rico	1,013.9	Other Scientific and Technical Consulting Services	1,976.7
RI Rhode Island	1,032.0	All Other Miscellaneous Fabricated Metal Product Manufacturing	1,904.9
SC South Carolina	8,000.0	Translation and Interpretation Services	1,870.6
SD South Dakota	900.9	Computer and Computer Peripheral Equipment and Software Merchant Wholesalers	1,745.3
TN Tennessee	8,160.3	Other Electronic Component Manufacturing	1,709.2
TX Texas	38,808.3	General Line Grocery Merchant Wholesalers	1,694.8
UT Utah	3,709.4	Architectural Services	1,668.2
VA Virginia	59,175.2	Research and Development in Biotechnology	1,580.3
VI Virgin Islands	46.6	Other Apparel Accessories and Other Apparel Manufacturing	1,560.5
VT Vermont	910.8	Offices of Physicians (except Mental Health Specialists)	1,544.6
WA Washington	9,887.0	<b>TOTAL (Fiscal Year 2011)</b>	<b>385,775.0</b>
WI Wisconsin	1,716.5		
WV West Virginia	9,518.9		
WY Wyoming	403.0		
<b>TOTAL (Fiscal Year 2011)</b>	<b>497,074.5</b>		

Source: Bloomberg Government (BGOV)

<sup>25</sup> Contract spending aggregated by place of performance; contracts spending in place of performance outside of the United States and certain territories are not included. Only top 50 industries by NAICS code are listed for industry table.

## A DESCRIPTION OF THE TERMINOLOGY IN THE MUNICIPAL BOND CREDIT REPORT

**Long-Term Municipal Issue:** municipal securities with a maturity of 13 months or longer at the time the municipal security is issued.<sup>26</sup>

**General Obligation (G.O.) Bonds:** bonds issued by state or local units of government. The bonds are secured by the full faith, credit and taxing power of the municipal bond issuer. Such bonds constitute debts by the issuer and often require approval by election prior to issuance. In the event of default, bondholders of G.O. bonds have the right to compel a tax levy or legislative appropriation to cover debt service.

**Revenue Bonds:** bonds payable from a specific source of revenue and to which the full faith and credit of an issuer and its taxing power are not pledged. Revenue bonds are payable from identified sources of revenue and do not permit the bondholders to compel taxation or legislative appropriation of funds not pledged for payment of debt service. Pledged revenues may be derived from sources such as the operation of the financed project, grants or a dedicated specialized tax. Generally, no voter approval is required prior to issuance of such obligations.

**Ratings:** are evaluations of the credit quality of bonds and other debt financial instruments made by rating agencies. Ratings are intended to measure the probability of the timely repayment of principal and interest on municipal securities. Ratings are typically assigned upon initial bond issuance. Ratings are periodically reviewed and may be amended to reflect changes in the issue or issuer's credit position. The ratings may be affected by the credit worthiness of the issuer itself or from a credit enhancement feature of the security such as guarantor, letter of credit provider, and bond insurer. Some rating agencies provide both long-term and short-term ratings on variable rate demand obligations. The ratings described herein are "long-term" ratings – that is, ratings applied to municipal bond issues with original maturity of 13 months or longer.

**State Rating:** indicates the G.O. credit rating a rating agency may apply to a state. The rating on a specific municipal bond issue or issuer located with the state may differ from the state rating.

**Rating Agency:** is a company that provides ratings that indicate the relative credit quality or liquidity characteristics of municipal securities as well as other debt securities. Moody's Investors Service ("Moody's") and Standard and Poor's are the largest agencies in terms of municipal securities rated, followed by Fitch Ratings.

### **Moody's Ratings**<sup>27</sup>

Moody's describes its municipal credit ratings as "opinions of the investment quality of issuers and issues in the U.S. municipal and tax-exempt markets. These ratings incorporate a rating agency's assessment of the probability of default and loss severity of issuers and issues."

Moody's ratings are based upon the analysis of four primary factors relating to municipal finance: economy, debt, finances and administrative/management strategies. The rating classifications are defined as:

**Aaa:** obligations rated Aaa are judged to be of the highest quality, with minimal credit risk.

**Aa:** obligations rated Aa are judged to be of high quality and are subject to very low credit risk.

**A:** obligations rated A are considered upper-medium grade and are subject to low credit risk.

**Baa:** obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.

**Ba:** obligations rated Ba are judged to have speculative elements and are subject to substantial credit

<sup>26</sup>Authors' own definition.

<sup>27</sup>Moody's.com, "Ratings Definitions."

risk.

B: obligations rated B are considered speculative and are subject to high credit risk.

Caa: obligations rated Caa are judged to be of poor standing and are subject to very high credit risk.

Ca: obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.

C: obligations rated C are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.<sup>28</sup>

### Standard and Poor's Ratings<sup>29</sup>

Standard and Poor's describes a municipal issue credit rating as "a current opinion of the credit worthiness with respect to a specific financial obligation(s) or a specific program. It takes into consideration the credit worthiness of credit enhancement on the obligation."

Long-term issue credit ratings are based on:

- Likelihood of payment—capacity and willingness to meet the financial commitment in accordance with the terms of the obligation;
- Nature of and provisions of the obligation; and
- Protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights.

AAA: extremely strong capacity to meet its financial commitments – the highest rating category.

AA: very strong capacity to meet financial commitments.

A: strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in the higher rated categories.

BBB: adequate capacity to meet its financial commitments though adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to meet financial commitments.

Rating "BB", "B", "CCC", and "CC" are regarded as having significant speculative characteristics. 'BB' indicates the least degree of speculation and 'CC' the highest.

BB: less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to inadequate capacity to meet its financial commitments.

B: an obligation rated 'B' is more vulnerable to nonpayment than obligations rated 'BB', but the capacity to meet its financial commitment. Adverse business, financial, or economic conditions will likely impair the capacity or willingness to meet financial obligations.

CCC: currently vulnerable, and is dependent upon favorable business, financial, and economic conditions to meet financial commitments.

CC: highly vulnerable and is dependent upon favorable business, financial and economic conditions.

### Fitch Ratings

Fitch Ratings provides an opinion on the ability of an entity or a securities issue to meet financial commitments such as interest, preferred dividends, or repayment of principal, on a timely basis.

<sup>28</sup>The lowest rating is a "D" at both Moody's and Standard and Poor's.

<sup>29</sup>Standardandpoors.com "Long-Term Issue Credit Ratings," May 17, 2002.

Credit ratings are used by investors as indications of the likelihood of repayment in accordance with the terms on which they invested. Thus, the use of credit ratings defines their function: "investment grade" ratings (long-term 'AAA' - 'BBB' categories) indicate a relatively low probability of default, while those in the "speculative" or "non-investment grade" categories (international long-term 'BB' - 'D') may signal a higher probability of default or that a default has already occurred. Entities or issues carrying the same rating are of similar but not necessarily identical credit quality since the rating categories do not fully reflect small differences in the degrees of credit risk.

The ratings are based on information obtained directly from issuers, other obligors, underwriters, their experts, and other sources Fitch believes to be reliable. Fitch does not audit or verify the truth or accuracy of such information. Ratings may be changed or withdrawn as a result of changes in, or the unavailability of, information or for any other reasons.

Credit ratings do not directly address any risk other than credit risk. In particular, these ratings do not deal with the risk of loss due to changes in interest rates and other market considerations.

Note: "Not rated" refers to municipal bonds that were not rated by one of the major rating agencies listed above.

**General Use of Proceeds:** Refers to the type of project the proceeds or funds received from bond issuance are used. In the Municipal Bond Credit Report, the use of proceed classifications are general government use, education, water, sewer and gas, health care and a miscellaneous category, "other."<sup>30</sup>

### **Bond Buyer Sectors**

The following divisions comprise the sectors in this report

*Development:* Office Building (non-governmental), Industrial Development, Economic Development

*Education:* Primary and Secondary Education, Higher Education, Student Loans, Other Education

*Environmental Facilities:* Pollution Control, Solid Waste, Recycling

*Electric Power:* Public Power Facilities

*General Purpose:* Veterans, General Purpose/Public Improvement, Agriculture

*Healthcare:* Nursing Homes, Single Specialty Hospitals, Hospital Equipment Loans, Assisted Living, Continuing Care Retirement, General Acute Care Hospitals, Children's Hospitals, General Medical

*Housing:* Single Family Housing, Multi Family Housing

*Public Facilities:* Libraries and Museums, Correctional Facilities, Convention and Civic Centers, Stadiums and Sports Complexes, Theatres, Other Recreation, Parks and Zoos, Police Stations and Equipment, Fire Stations and Equipment, Government Buildings

*Transportation:* Toll Roads and Street Improvements, Highways, Airports, Seaports/Marines, Other Transportation, Mass Transit, Public Parking, Tunnels, Bridges

*Utilities:* Combined Utilities, Water and Sewer, Gas, Telecommunications, Sanitation, Flood Control

### **Geographic Regions**<sup>31</sup>

The following states comprise the regions in this report

*Far West:* Alaska, California, Hawaii, Idaho, Montana, Nevada, Oregon, Washington, Wyoming

*Midwest:* Iowa, Illinois, Indiana, Michigan, Minnesota, Missouri, North Dakota, Nebraska, Ohio, South Dakota, and Wisconsin

<sup>30</sup>Authors' own definition.

<sup>31</sup>The geographic region definitions are taken from the definitions provided by Thomson Financial SDC database (the source of the data for the geographic region section of the report) which in turn sources the *Bond Buyer* newspaper.

*Northeast:* Connecticut, District of Columbia, Delaware, Massachusetts, Maryland, Maine, New Hampshire, New Jersey, New York, Pennsylvania, Puerto Rico, Rhode Island, Vermont

*Southeast:* Virginia, Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, West Virginia

*Southwest:* New Mexico, Texas, Utah, Arkansas, Arizona, Colorado, Kansas, Oklahoma

**Municipal G.O. to Treasury Ratio:** is a common measure of credit risk of municipal bonds relative to risk-free securities, Treasuries. It is a measure comparable to the “spread to Treasury” measure in the taxable markets. Typically the municipal yield is typically less than 100 percent of the Treasury yield due to the tax-free nature of municipal securities.

**Credit Enhancement:** is the use of the credit of an entity other than the issuer to provide additional security in a bond. The term is usually used in the context of bond insurance, bank letters of credit state school guarantees and credit programs of federal and state governments and federal agencies but also may apply more broadly to the use of any form of guaranty secondary source of payment or similar additional credit-improving instruments.

**Bond Insurance:** is a guaranty by a bond insurer of the payment of principal and interest on municipal bonds as they become due should the issuer fail to make required payments. Bond insurance typically is acquired in conjunction with a new issue of municipal securities, although insurance also is available for outstanding bonds traded in the secondary market.

**Letter of Credit:** a commitment, usually made by a commercial bank, to honor demands for payment of a debt upon compliance with conditions and/or the occurrence of certain events specified under the terms of the commitment. In municipal financings, bank letters of credit are sometimes used as additional sources of security with the bank issuing the letter of credit committing to in the event the issuer is unable to do so.

**Kyle Brandon**

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