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S&P Signals It May Upgrade California's Ratings.

Standard & Poor's Ratings Services indicated it may upgrade California's debt ratings, saying the state's fiscal rebound appears to be accelerating.

The rating firm said Thursday it could upgrade the ratings by one notch based on the state Department of Finance's cash-flow projections, which are typically released within a month of the state's adopting a spending plan for the year.

S&P currently rates California's general obligation debt A-plus and appropriation-backed debt A.

The move follows the release of Gov. Jerry Brown's spending proposal last week.

Under Mr. Brown's proposed budget, California would pay most of the money owed to schools and retire most debts while stashing away significant money for future expenses, S&P credit analyst Gabriel Petek said in a news release.

Mr. Petek credited the governor's revised proposal for avoiding "disproportionate reliance on windfall-like revenues from capital gains," which would help the state Finance Department project budget balances beyond the current fiscal year.

THE WALL STREET JOURNAL

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May 21, 2015

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