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Fitch: CA School District Special Revenue Recognition Could Have Broader Rating Implications.

Fitch Ratings-New York-04 November 2015: Fitch Ratings' assignment of an 'AAA' rating to San Diego Unified School District's (SDUSD) upcoming general obligation bonds recognizes that tax revenues supporting repayment of debt would be considered 'special revenues' under the bankruptcy code. As such, Fitch believes the revenues and timely debt service payments would be uninterrupted in the unlikely event of a bankruptcy filing by the district.

Fitch's conclusion was supported by legal opinions applying specifically to SDUSD bonds but many California school district GO bonds have been issued under constitutional provisions similar to SDUSD's proposed bonds. Fitch is in the process of determining its protocol for applying the special tax analysis to other California school district bonds with the same legal construct, and expects to provide further guidance to the market in the near term.

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