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Fitch: High Bar for Special Revenue Consideration.

Fitch Ratings-New York-21 March 2016: California School Districts' GO bonds meet the high bar Fitch has set to consider pledged funds secure in bankruptcy, according to a Fitch Ratings report. The report identifies a number of elements Fitch believes provide a sufficient level of comfort that special revenue status is unlikely to be challenged in a bankruptcy.

"Fitch sets a high bar for assuming bonds would survive a bankruptcy under the last of five categories of special revenues, which is ambiguous and difficult to apply in practice. The case for special revenue status must be very clear," said Amy Laskey, Managing Director, Fitch Ratings.

"A distressed municipality will seek to exploit any reasonable doubt in a bankruptcy proceeding, so a fair or plausible argument is not sufficient to deter challenges and support rating divergence from the general credit. The more complex the proceedings and the higher the stakes for other claimants including public employee pension funds, the more likely it is that the status as special revenue bonds will be disputed."

Fitch has assigned 'AAA' ULTGO ratings to bonds issued by several California school districts whose issuer default ratings are notably lower. The higher ULTGO ratings reflect Fitch's opinion that the property tax revenues pledged to bond repayment would be considered pledged special revenues under 902(2)(E) of the bankruptcy code.

In contrast, the legal framework supporting the property tax pledge of Chicago Board of Education's ULTGO bonds create more concern that a legal challenge might be successful. Fitch's high bar was not met in this case and Fitch could not rate the bonds higher than the 'B+' /Negative Outlook.

Fitch will host a teleconference to discuss the special report on Wednesday, March 23rd at 2:00 PM EDT. To receive dial-in details for the call, please register here: <http://dpreregister.com/10082911>

For more information, a special report titled "Special Revenue Analysis: California School Districts and Beyond" is available on the Fitch Ratings web site at www.fitchratings.com.