DISCLAIMER

Electronic versions of the exhibits in these minutes may not be complete.

This information is supplied as an informational service only and should not be relied upon as an official record.

Original exhibits are on file at the Legislative Counsel Bureau Research Library in Carson City.

Contact the Library at (775) 684-6827 or library@lcb.state.nv.us.

Brian K. Krolicki
State Treasurer

John E. Adkins
Chief Deputy Treasurer

STATE OF NEVADA
OFFICE OF THE STATE TREASURER

Memorandum

To: William J. Raggio, Senate Majority Leader

From: Brian Krolicki, State Treasurer

Date: March 19, 2003

Re: Potential Rating Agency Actions

Per your request we have gathered more specific information from the various rating agencies regarding the financial position of the State of Nevada and the potential consequences of legislative action or inaction. In general, as our office gave testimony, they are all looking to each state to formulate a rational plan. At best, this plan should make up the revenues or payback planned withdrawals from "Rainy Day Funds", it should diversify the tax structure so that the state is not dependent on only one or two revenue streams, and it should include an analysis of expenses. Solid planning obviously serves to buffer the budget from cyclical trends or catastrophic events. The rating agencies are clearly anxious to see the results of this legislative session – both in terms of new revenues to address the potential deficit in the current fiscal year and the reasonable construction of the biennial budget.

First, let me delineate the consequences of a downgrade in dollars and cents. Current market rates reflect that the difference in annual debt service between an "AA" rated issuer (Nevada's current rating) and an "A" rated issuer would be close to $20,000,000 (based on the anticipated issuance of a 20 year $500,000,000 issue later this year). A downgrade would also affect the value of our bonds already outstanding. The state has approximately $2.4 billion in securities held by existing bondholders (potentially Nevada residents). A downgrade from "AA" to "A" for the state could result in an estimated market loss (based on that portfolio) in value of approximately $60,000,000.

All three agencies agreed that a withdrawal from the "rainy day fund", during this economic downturn would not, on its own, create the condition for a credit watch or downgrade. A majority of the rating agencies indicated that as long as a realistic revenue plan was in place and a realistic program to replenish the "rainy day fund" was legislated, they would be hesitant to place us on a credit watch or downgrade.

A negative fund balance at the end of the current fiscal year yielded cautious responses by the rating agencies. One response indicated that if a withdrawal from the "rainy day fund" was executed to cover a negative general fund cash position, a realistic broad based legislative plan could mitigate any negative consequences. The other response indicated that even the *potential* for a negative general fund cash position, would be viewed quite negatively, and one agency was more noncommittal.

One rating agency viewed the potential of having a more *stable* tax base (property tax proposal etc.), through a broad based tax plan, as a very positive action. Additionally, the other rating agencies reacted with concern, should the increase in revenue for the biennium be only sufficient to cover the projected deficit with no reserves other than the 5% currently required.

Obviously, the combination of any one or more of these negative scenarios creates a greater chance of a negative rating action. I would also like to remind you that these are not hard and fast answers, but only informal opinions based on narrow suppositions. Each potential action and reaction is surrounded by other realistic circumstances that would be taken into account in an actual rating analysis. I have attached information regarding rating changes of other municipalities experiencing similar problems and a chart indicating the State's eroding cash balances for the past fiscal year.

Special Comment

March 2003

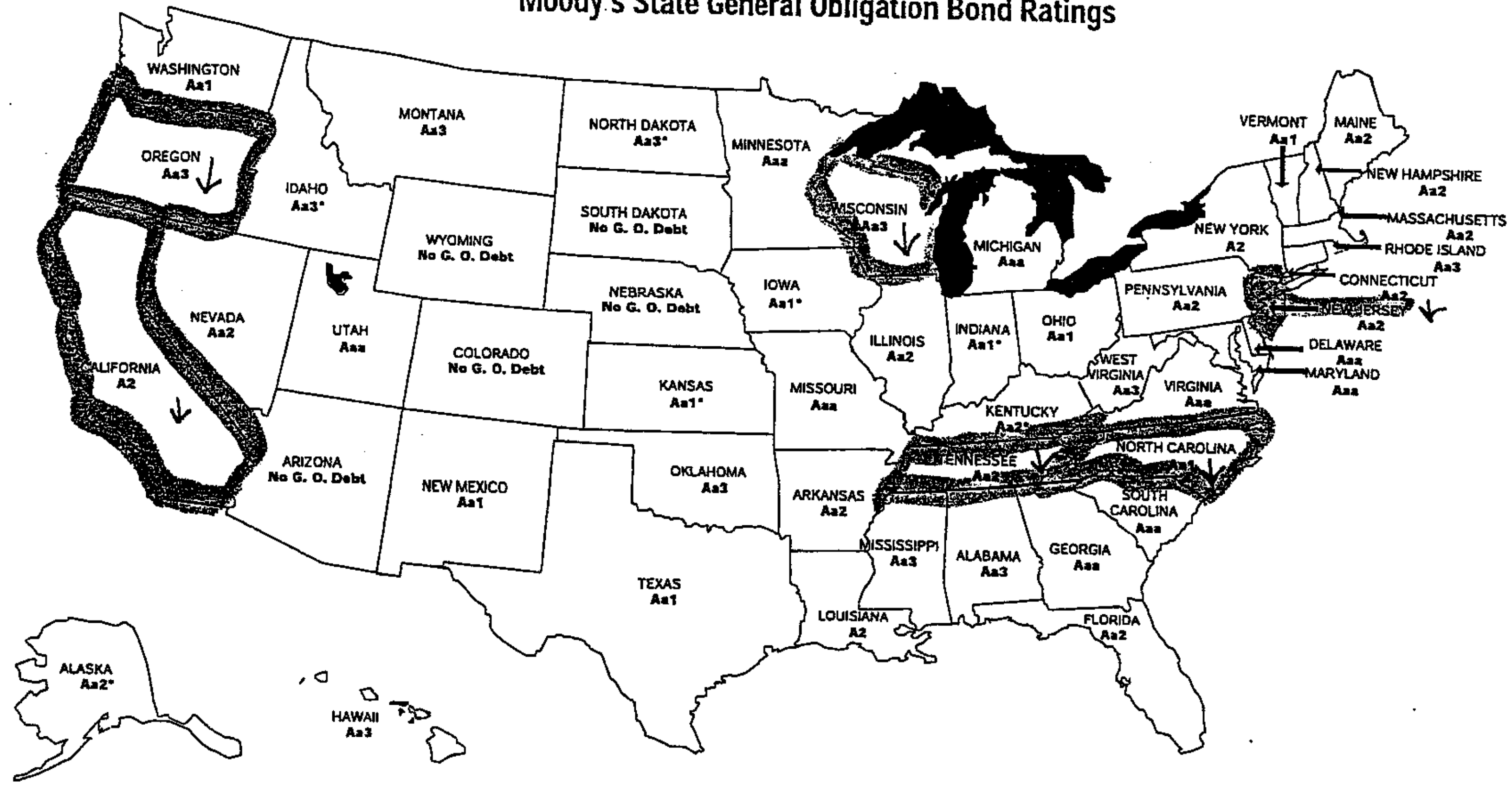
Contact	Phone
New York	
Renée Boicourt	1.212.553.7162
Timothy Blake	1.212.553.0849
Maria Coritsidis	1.212.553.4173
Caroline Cruise	1.212.553.7203
Kathleen Holt	1.212.553.1671
Nicole Johnson	1.212.553.4573
Robert Kurtter	1.212.553.4453
Raymond Murphy	1.212.553.4673

Rating Changes for the 50 States from 1973 to Date

March 14, 2003

Moody's Investors Service
Global Credit Research

Moody's State General Obligation Bond Ratings



*Issuer Rating: No General Obligation Debt

4

Rating Changes and Refinements for the 50 States from 1973 to Date
March 1[illegible], 2003

Alabama

07/01/98	Aa to Aa3
03/08/76	A1 to Aa

Alaska

10/26/98	Aa3 to Aa2
06/13/83	A1 to Aa
08/07/7[illegible]	Baa1 to A1

Arizona

No General Obligation Debt

Arkansas

03/03/00	A1 to Aa2
04/14/97	Aa to Aa3
09/19/90	A1 to Aa
07/17/85	A1

[redacted]

09/07/00	Aa3 to Aa2
12/08/98	A1 to Aa3
07/15/94	Aa to A1
07/06/92	Aa1 to Aa
02/10/92	Aaa to Aa1
10/06/89	Aa to Aaa
04/10/86	Aaa to Aa

Colorado

No General Obligation Debt

Connecticut

02/16/01	Aa3 to Aa2
03/07/97	A1 to Aa3
04/09/90	Aa1 to A1
10/18/85	Aa to Aa1
10/04/77	A1 to Aa
03/04/76	Aa to A1
10/15/75	Aaa to Aa

Delaware

03/07/00	Aa1 to Aaa
12/02/9[illegible]	Aa to Aa1
08/26/82	A1 to Aa
12/17/80	A to A1
08/10/78	Baa1 to A
10/17/77	A to Baa1
05/21/76	Aa to A
11/18/75	A to Aa

Florida

02/24/97	Aa to Aa2
1974	Aa

Georgia

10/08/74	Aa to Aaa

Hawaii

10/04/00	A1 to Aa3
04/08/98	Aa3 to A1
03/21/97	Aa to Aa3
05/15/71	A to Aa
02/23/73	A to A1

Idaho

01/14/01	Aa3

Issuer Rating
No General Obligation Debt

Illinois

06/11/98	A1 to Aa2
02/10/97	A1 to Aa3
02/03/95	Aa to A1
08/12/92	Aa1 to Aa
09/05/91	Aaa to Aa1

Indiana

12/17/97	Aa1

Issuer Rating
No General Obligation Debt

Iowa

10/06/01	Aa1

Issuer Rating
No General Obligation Debt

Kansas

06/01/01	Aa1

Issuer Rating
No General Obligation Debt

Kentucky

1999	Aa2

Issuer Rating
No General Obligation Debt

Louisiana

04/06/98	A3 to A2
06/12/97	Baa1 to A3
02/10/87	A to Baa1
04/24/86	A1 to A
04/04/85	Aa to A1
02/19/75	A to Aa

* Rating refined due to introduction of modifiers

5

Rating Changes and Refinements for the 50 States from 1973 to Date

March 14, 2003

Maine

06/04/98 Aa3 to Aa2
05/12/97 Aa to Aa3
08/22/94 Aa1 to Aa
02/26/82 Aa to Aa1
04/19/74 Aaa to Aa

Maryland

1973 Aaa

Massachusetts

01/13/00 Aa3 to Aa2
04/28/98 A1 to Aa3
11/14/94 A to A1
09/09/92 Baa to A
03/19/90 Baa1 to Baa
11/15/89 A to Baa1
05/11/89 Aa to A
02/09/86 A1 to Aa
06/25/75 Aa to A1

Michigan

10/05/00 Aa1 to Aaa
08/19/98 Aa2 to Aa1
03/07/97 Aa to Aa2
07/18/95 A1 to Aa
04/24/86 A to A1
11/16/84 Baa1 to A
06/07/82 A to Baa1
10/02/80 Aa to A

Minnesota

06/03/96 Aa1 to Aaa
03/26/94 Aa to Aa1
04/16/82 Aaa to Aa
09/24/76 Aa to Aaa

Mississippi

02/04/97 Aa to Aa3
07/24/74 A1 to Aa

Missouri

1973 Aaa

Montana

04/09/97 Aa to Aa3
06/28/85 Aa1 to Aa
08/21/81 Aa to Aa1

Nebraska

No General Obligation Debt

Nevada

05/16/97 Aa to Aa2
06/22/77 A1 to Aa
09/24/76 A to A1

New Hampshire

05/16/97 Aa to Aa2
11/11/81 Aa1 to Aa
11/09/88 Aa to Aa1
01/21/85 A1 to Aa
07/29/82 A to A1
03/03/82 Aa to A

[redacted]

08/24/92 Aaa to Aa1
07/19/77 Aa to Aaa
06/28/75 Aa to Aa

New Mexico

07/07/94 Aa to Aa1
02/22/85 Aa1 to Aa
08/21/81 Aa to Aa1
07/19/76 Aaa to Aa
11/19/75 Aa to Aaa

New York

02/10/97 A to A2
06/06/90 A1 to A
05/27/86 A to A1
04/15/76 A1 to A
10/01/75 Aa to A1

[redacted]

1973 Aaa

North Dakota

03/01/00 Aa3
Issuer Rating
No General Obligation Debt

Ohio

08/14/96 Aa to Aa1
11/21/79 Aaa to Aa

Oklahoma

02/09/97 Aa to Aa3
06/08/87 Aaa to Aa
06/07/74 Aa to Aaa

Ratings reflect upgrades/downgrades/modifications

6

Rating Changes and Refinements for the 50 States from 1973 to Date

March 14, 2003

Oregon

- [illegible]
- 04/03/97 .... Aa to Aa2
- 01/08/90 .... A1 to Aa
- 07/29/82 .... Aa to A1
- 07/22/80 .... Aaa to Aa
- 10/26/73 .... Aa to A1

Pennsylvania

- 10/23/00 .... Aa3 to Aa2
- 10/03/91 .... A1 to Aa3
- 03/06/85 .... A to A1
- 12/06/78 .... A1 to A

Rhode Island

- 09/07/99 .... A1 to Aa3
- 05/04/92 .... Aa to A1

South Carolina

- 1973 .... Aaa

South Dakota

- No General Obligation Debt

Tennessee

- [illegible]
- 06/09/00 .... Aaa to Aa1
- 07/19/77 .... Aa to Aaa

Texas

- 06/18/99 .... Aa2 to Aa1
- 06/27/97 .... Aa to Aa2
- 03/10/87 .... Aaa to Aa

Utah

- 1973 .... Aaa

Vermont

- 01/28/99 .... Aa2 to Aa1
- 10/20/97 .... Aa to Aa2
- 1973 .... Aa

Virginia

- 1973 .... Aaa

Washington

- 06/20/97 .... Aa2 to Aa1
- 01/06/97 .... Aa to Aa2
- 01/08/90 .... A1 to Aa
- 07/28/86 .... A to A1
- 01/21/82 .... A1 to A
- 10/30/81 .... Aa to A1

West Virginia

- 05/11/99 .... A1 to Aa3
- 1973 .... A1

Wisconsin

- [illegible]
- 08/19/97 .... Aa to Aa2
- 06/20/82 .... Aaa to Aa
- 10/05/73 .... Aa to Aaa

Wyoming

- No General Obligation Debt

[illegible]

State General Obligation Bonds
(by rating category)

Aaa (9 States)	Aa1 (9 States)	Aa2 (13 States)
Delaware	Indiana	Alaska
Georgia	Iowa	Arkansas
Maryland	Kansas	Connecticut
Michigan	New Mexico	Florida
Minnesota	North Carolina	Illinois
Missouri	Ohio	Kentucky
South Carolina	Texas	Maine
Utah	Vermont	Massachusetts
Virginia	Washington	Nevada
		New Hampshire
		New Jersey
		Pennsylvania
		Tennessee

Aa3 (11 States)	A1 (0 States)	A2 (3 States)
Alabama		California
Hawaii		Louisiana
Idaho		New York
Mississippi		
Montana		
North Dakota		
Oklahoma		
Oregon		
Rhode Island		
West Virginia		
Wisconsin		

Issuer Rating: No General Obligation Debt [illegible]
Note: Moody's ratings are subject to change. [illegible]

State Rating Outlooks

State	General Obligation Rating	Outlook
Alabama	Aa3	Stable
Alaska	Aa2	[redacted]
Arizona	NGO	[redacted]
Arkansas	Aa2	Stable
California	A2	Stable
Colorado	NGO*	[redacted]
Connecticut	Aa2 (W-Dn)	[redacted]
Delaware	Aaa	Stable
District of Columbia	Baa3	Stable
Florida	Aa2	Stable
Georgia	Aaa	Stable
Hawaii	Aa3	Stable
Idaho	Aa2	Stable
Illinois	Aa2	[redacted]
Indiana	Aa1	[redacted]
Iowa	Aa1	Stable
Kansas	Aa1	Stable
Kentucky	Aa2	[redacted]
Louisiana	A2 (W-Up)	Stable
Maine	Aa2	Stable
Maryland	Aaa	Stable
Massachusetts	Aa2	[redacted]
Michigan	Aaa	[redacted]
Minnesota	Aaa (W-Dn)	[redacted]
Mississippi	Aa3	Stable
Missouri	Aaa	Stable
Montana	Aa3	Stable
Nebraska	NGO	Stable
Nevada	Aa2	Stable
New Hampshire	Aa2	Stable
New Jersey	Aa2	[redacted]
New Mexico	Aa1	Stable
New York	A2	Stable
North Carolina	Aa1	Stable
North Dakota	Aa3	Stable
Ohio	Aa1	[redacted]
Oklahoma	Aa3	Stable
Oregon	Aa3	Stable
Pennsylvania	Aa2	Stable
Puerto Rico	Baa1	Stable
Rhode Island	Aa3	Stable
South Carolina	Aaa	Stable
South Dakota	NGO	Stable
Tennessee	Aa2	[redacted]
Texas	Aa1	Stable
Utah	Aaa	Stable
Vermont	Aa1	Stable
Virginia	Aaa	[redacted]
Washington	Aa1	[redacted]
West Virginia	Aa3	Stable
Wisconsin	Aa3	[redacted]
Wyoming	NGO*	Stable

* Issuer Rating
NGO - No General Obligation Debt
W-Up - Watchlist for Possible Upgrade
W-Dn - Watchlist for Possible Downgrade

To order reprints of this report (100 copies minimum), please call 1.212.553.1658.
Report Number: 77636