STANDARD & POOR'S RATINGS SERVICES
McGRAW HILL FINANCIAL

RatingsDirect®

Georgia; General Obligation; General Obligation Equivalent Security

Primary Credit Analyst:
John A Sugden, New York (1) 212-438-1678; john.sugden@standardandpoors.com

Secondary Contact:
Bianca Gaytan-Burrell, Dallas (1) 214-871-1416; bianca.gaytan-burrell@standardandpoors.com

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Credit Profile		
US$604.72 mil GO bnds (Multiple Projects) ser 2014A due 02/01/2035		
Long Term Rating	AAA/Stable	New
US$150.0 mil GO rfdg bnds ser 2014C due 07/01/2024		
Long Term Rating	AAA/Stable	New
US$141.115 mil GO bnds (Federally Taxable) (Multiple Projects) ser 2014B due 02/01/2035		
Long Term Rating	AAA/Stable	New
US$13.5 mil GO bnds (Federally Taxable QSCB) (K-12 School Construction) ser 2014D due 02/01/2035		
Long Term Rating	AAA/Stable	New
Georgia GO		
Long Term Rating	AAA/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services has assigned its 'AAA' rating and stable outlook to Georgia's general obligation (GO) bonds series 2014A, 2014B (Federally Taxable), 2014C (federally taxable Qualified School Construction Bonds - Direct Pay), and 2014D GO refunding bonds. Standard & Poor's also affirmed its 'AAA' rating, with a stable outlook, on the state's GO debt outstanding.

The 'AAA' rating reflects our assessment of the state's:

- Well-diversified economy, which was significantly affected by the Great Recession, but is now experiencing a rebound and is expected to outpace the nation in employment growth in the next few years;
- Strong financial monitoring and oversight with a history of making budget adjustments, mainly through expenditure reductions, to restore fiscal balance;
- Revenue shortfall reserve (RSR), which is being gradually replenished and, while still significantly depleted relative to historical trends, provides the state with some financial cushion; and
- Moderate debt levels coupled with rapid amortization of its debt.

The bonds are secured by Georgia's full faith, credit, and taxing power. The state is issuing the series 2014A, B, and C bonds to pay for various capital projects. The most significant of these are $282 million for the State Board of Education (K-12 education), $173 million for the Board of Regents (higher education), and $153 million for the Department of Transportation. Due to low interest rates and market demand for 5% coupons, the state expects to issue the bonds at a premium and to use net premium to pay a portion of various capital projects of the state or pay all or a portion the costs of issuance of the bonds. Management recently determined that it can net fund projects and can use premium to lower the actual amount issued. Previously, the state was funding projects on a gross basis and using premium to refund debt outstanding. The series 2014D are being issued to refund all or a portion of the series 2004C and 2004D GO bonds for debt service savings. After the first year, the savings will be taken evenly over the remaining life of the refunding bonds.

Georgia's economy continues to grow, with 2.2% year-over-year employment growth in 2013, according to IHS Global Insight Inc. As of April 2014, year-over-year growth has slowed down slightly to 1.9% but remains positive. The state is experiencing growth in most sectors, with construction (6.3% year-over-year growth), leisure and hospitality (5%), and professional and business services (3.6%) leading the charge. Trade, transportation, and utilities is registering 2% growth followed by educational and health services at 2%. Manufacturing is once again growing and experienced 1.5% growth. As we see in other states, the government (second-largest employment sector) continues to shed jobs as local governments work through a difficult revenue environment. As of April, only the government and information sectors were losing jobs, at negative 1.3%, and 0.8%, respectively. Georgia's housing market continues to improve, with housing prices in the Atlanta metropolitan statistical area (MSA) up 15.7% year over year as of March 2014, according to the S&P/Case-Shiller Home Price Index. Geographically, most major metro areas are experiencing growth. Atlanta, however, which is Georgia's largest MSA and accounts for close to 60% of employment in the state, turned the corner and registered 2.2% on a year-over-year basis as of April 2014. Savannah, which had been experiencing a slowdown, is once again growing and registered employment growth of 2.3% according to IHS Global Insight Inc. According to the state, Warner Robins, Brunswick, and Augusta are the three metro areas that are still seeing year-over-year contractions based on a three-month moving average. Warner Robins has significant ties to the military and employment declines (approximately 3%) could be the result of sequestration. Brunswick contracted by approximately 2.5% while Augusta contracted by less than 0.5% due to reductions in education employment. As of April 2014, the unemployment rate for Georgia was 7.0%, compared with 7.9% in April 2013, and still remains above the nation's rate of 6.7%. The state has recovered 76% of the jobs lost during the recession, compared with a full recovery for the nation. Although unemployment remains above the national average, over the medium and long term we believe that Georgia's low cost of living, strong transportation network, weather, and favorable business costs are likely to continue to attract growth to the state. According to IHS Global Insight, Georgia's total employment should average annual job growth of 2.1% between 2014 and 2018 and outpace the 1.6% average annual job growth estimate for the U.S., and enjoy the longest stretch of job gains since the 1990s.

The governor signed the amended fiscal 2014 budget on Feb. 6, 2014. Recommended spending in fiscal 2014 increased by $314 million to a total of $20.2 billion, of which the general fund portion represented $18.9 billion. Midyear spending increases were primarily for education ($182 million), but also included increased funding for health and human services, transportation, and economic development. Spending for health and human services includes adjustments to Medicaid, Peachcare for Kids, reductions to align the budget with current baseline growth projections, and the implementation of the Affordable Care Act (ACA) among others. The spending increases were funded with the 1% midyear adjustment to reserves ($183 million), $96 million in additional revenues, and approximately $22 million projected surplus revenues. The state's rainy day reserve was $717.3 million, or 3.7% of fiscal 2013 expenditures of $19.3 billion.

Year-to-date net tax revenue collections as of May 2014 are 4.5% ahead of last year's and above the revised 3.8% estimate. Individual and corporate income taxes are 2.6% higher than for the same period in fiscal 2013, despite unusually high collections in 2013 due to the one-time acceleration of tax payments into tax year 2012 to avoid higher tax rates in 2013. Motor fuel taxes are running 3.9% ahead of last year's and ahead of budget, which assumed a 2.9%

decline in collections. Sales tax revenues are down $188 million, or 3.8% from actual 2013, compared with a revised 4.2% budgeted decline. The decline reflects changes to the tax base and timing of collections. In March 2013 (fiscal 2013), Georgia eliminated its sales tax on motor vehicles and replaced it with a motor vehicle ad valorem title tax. Furthermore, as part of legislative fixes made to the law that established the title ad valorem tax, collection timing was delayed, allowing car dealers 30 days to remit payments, instead of the originally required 10-day payment period. Furthermore, the state is phasing out its sales tax on energy used for manufacturing. The combined effect of these two measures is likely the driving force behind the $224 million budgeted reduction in sales tax collections in fiscal 2014 relative to fiscal 2013. Combined motor vehicle license and title tax revenues are ahead of budgeted amounts and are $601 million ahead of last year's collections, offsetting the declines in sales tax revenues.

The fiscal 2015 budget totals $20.8 billion, a 3.9% increase from the amended fiscal 2014, excluding the midyear adjustment. The general fund totals $18.5 billion, up by 4.4% from amended fiscal 2014. Restoring and expanding K-12 education are the main focus of the governor's budget and account for approximately $535 million, or 87% of the budget increase. Health and human services expenditures grow by 3.2%, or close to $150 million, and include baseline growth as well as increased costs related to ACA. The budget includes full funding of the state's actuarially required contributions (ARC) to its pension systems (Teachers Retirement System [TRS] and Employees Retirement System [ERS]), funds the fifth year of the settlement agreement with the U.S. Department of Justice, and provides $29 million for merit pay increases to state employees. General fund revenues are budgeted to increase by $807 million, or 4.3%, mostly due to projected income tax growth (5.7%) and sales tax growth (4.1%) with modest growth or declines in most other revenue. In our view, the projected growth might be difficult to achieve based on current trends and economic growth expectations for the state.

The state's overall debt burden remains moderate, in our view, and we believe it is likely to remain moderate based on currently authorized debt. Total debt outstanding as of fiscal year-end 2013 was $9.3 billion. This includes $8.65 billion in GO debt, $349 million in guaranteed revenue debt, and $226 million in capital leases. Total debt was $929 per capita and 2.4% of per capita personal income and 2.1% of GDP per capita as of fiscal 2013. As of this issuance and taking into account principal payments due on July 1, 2014, Georgia will have approximately $9.9 billion (unaudited) in GO, guaranteed revenue debt, and capital leases.

The state has two major plans TRS and ERS, which are funded at 82.3% and 73.1%, respectively. Georgia's combined funded ratio, including four other smaller funds (Public School Employees' Retirement System, Legislative Retirement System, Judicial Retirement System, and Military Pension), is 80.6%. The unfunded actuarial accrued liability for all systems is $16.78 billion, or 4.6% of Georgia's 2012 personal income. Georgia has historically fully funded the ARC and the General Assembly appropriated additional funds in 2015 to ensure the ARC is fully funded. The state's other postemployment benefit (OPEB) liability declined as of June 30, 2012 (the most recent year for which data are available) to $3.87 billion from $4.31 billion in fiscal 2011 for state employees and to $10.87 billion from $11.1 billion for school personnel. According to management, the decline reflects the changes in plan design and deductibles and co-pay requirements. As of July 2012, the plans also require that retirees pay a portion of the blended contribution rate based on the retiree's length of service at retirement. The OPEB ARC for each plan is expected to decline to $321 million in fiscal 2014 from $339 million in fiscal 2013 for state employees and to $943 million from $982 million, respectively, for school personnel. Management attributes the declines to plan design changes that took effect Jan. 1,

2012. Further declines in contributions are projected for fiscal 2015 with payments for state employees and school personnel of $276 million and $873 million, respectively. Although Georgia's OPEB liability remains significant, in our view, the state has taken steps to make adjustments to benefits that have made these costs more manageable on a pay-as-you-go basis.

Based on the analytic factors we evaluate for states, on a scale of 1 (strongest) to 4 (weakest), Georgia's composite score is '1.6'. The composite score of 1.6 reflects an 'AA+' indicative credit level. As our criteria indicate, the final state rating can be within one notch of the indicative credit level, based on the state's position relative to all other states. In our view, the 'AAA' GO rating on Georgia is warranted, given the state's strong economic prospects as the national and state economies continue to recover from the Great Recession. It is our opinion that the weakened composite score is temporary and that as the economic recovery progresses, Georgia's indicative credit level will likely improve and will once again be reflective of the current rating. However, should Georgia's economic recovery stall, or should other areas weaken, we could lower the rating to align it to the indicative credit level.

Outlook

The outlook is stable and reflects Georgia's ongoing management of its budget to adjust to an uncertain economic environment and a generally slow national economic recovery. As the national economy continues to improve, we expect Georgia's economy to continue to strengthen and experience above-average employment growth relative to the nation. Although there is some risk to the budget forecast, we expect the state to closely monitor revenues and adjust as necessary, should any shortfalls materialize, through its midyear budget adjustment process in December and January.

Governmental Framework

The state has what we consider a strong governmental framework. In formulating the budget, the governor is constitutionally required to submit a balanced budget recommendation to the legislature taking account of available reserves and expected revenues. Georgia has historically based its revenue estimates on an independent recommendation from the state's chief economist to the governor. The state legislature cannot change the governor's official revenue estimates and must adopt a balanced budget. Once adopted, the budget gets revised at the six-month mark with the governor submitting an amended budget to the legislature to make adjustments for revenue projections and to adjust K-12 education spending to reflect actual enrollment. The state cannot carry over deficits from one year to the next. Georgia enjoys flexibility to set and modify tax rates, fees, and timing of refunds and exemptions and only needs a majority vote of the legislature to pass rate adjustments or new taxes. A proposed amendment to the State Constitution, which will be on the general election ballot in November 2014, would prohibit the General Assembly from increasing the maximum marginal rate of the state income tax above the rate in effect on Jan. 1, 2015. Although the state has not raised its rate in the past 30 years, we view this constitutional amendment, if passed, as effectively reducing the state's revenue flexibility.

As part of its budget-balancing solutions for fiscal 2011, the General Assembly eliminated some exemptions to its sales tax, streamlined sales tax, eliminated low income tax credit refunds from its personal income tax, and increased insurance premium taxes, hospital provider fees, and other fees. The state made additional changes to its tax structure effective March 2013 when it replaced the sales tax on automobiles with a title ad valorem tax. Georgia has used several mechanisms to control its expenditures and manage its liquidity. The governor has the authority to ask state agencies to reserve such appropriations as he deems necessary for budget reductions to be recommended to the General Assembly at its next session.

The state can also delay disbursements, as it did in fiscal 2009 with the Homeowner Tax Relief Grant, or it can withhold a portion of its appropriation allotments to its agencies, as it did in fiscal 2010. The Office of Planning and Budget may adjust the timing of appropriations disbursements and currently releases funds monthly to agencies. Georgia's chief economist monitors revenue results on an ongoing basis and updates revenue forecasts periodically. If revenue performance and updated estimates warrant, the economist informs the Budget Director that additional budget-balancing steps may be appropriate. The state has recommended and the General Assembly has made across-the-board cuts in previous years with the actual level of cuts varying from year to year. For the most part, Georgia tends to make smaller cuts to education funding but has the legal authority to implement equal cuts across all of its agencies. As part of the fiscal 2013 midyear budget amendment process, the state required all departments, with the exception of K-12 education, to provide 3% budget reduction plans. Historically, the governor has given its agencies instructions on cost control measures to be instituted in any given year at the beginning of the year.

The state enjoys a high degree of legal flexibility to issue debt for a wide variety of purposes, but debt service for current and proposed GO and guaranteed debt may not exceed 10% of prior-year receipts. GO debt service is paid out of Georgia's GO debt sinking fund and, if these funds are insufficient, from first money received by the state's general fund. To incur guaranteed revenue debt, the General Assembly makes a determination that the debt is self-supporting and appropriates an amount equal to maximum annual debt service to a common reserve fund. The guaranteed revenue debt common reserve fund, if tapped to pay debt service due to a revenue shortfall, is replenished by the general fund within 10 days of the start of any fiscal year.

Georgia is not a voter initiative state and maintains significant flexibility to control and limit disbursements to local government units. The government's level of assistance to local governments is limited mainly to education and is highly flexible. Decisions to apply a lower level of expenditure reductions to education are not due to statutory or constitutional funding requirements but rather determined by policy.

On a scale of 1 (strongest) to 4 (weakest), we have assigned a score of '1' to Georgia's governmental framework.

Financial Management

Georgia's budget management framework is what we consider good. The executive branch has broad powers to adjust appropriations and there is a track record of making politically difficult revenue and expenditure decisions to restore balance during the fiscal year. Throughout the recession, the governor withheld a percentage of appropriation allotments from its agencies to reduce overall expenditures to match projected revenues. The state has also raised taxes and fees. Deficits are not carried forward and for the most part, gap-closing solutions appear to be generally focused on structural budget balance.

Financial Management Assessment: 'Strong'

Standard & Poor's considers Georgia's financial management practices to be "strong". A score of strong indicates that financial management practices are strong, well embedded, and likely to be sustainable. In formulating its budget, Georgia has historically based its revenue estimates on an independent recommendation from the state's chief economist to the governor. The state legislature cannot change the governor's official revenue estimates. Once enacted, the state budget is monitored monthly for both revenues and expenditures. The state has an RSR that acts as a "rainy day" fund, established by statute, which cannot exceed 15% of the net revenues of the preceding fiscal year. The legislature recently increased the maximum allowable reserve to 15% from 10%; however, given the currently low levels, the change in the maximum allowable reserve does not translate into the ability to maintain higher reserves. Furthermore, the governor may release for appropriation any excess of more than 4% of net revenues of the prior fiscal year and the general assembly may use an amount equal to 1% prior-year net receipts for the K-12 midyear adjustment even if reserves are below 4%. The state, which previously forecasted only revenues, now projects revenues and expenditures as part of its long-term financial planning. Georgia has a formal debt management policy measured by key indices including debt service against revenues for all GO and guaranteed debt, debt to personal income, and debt per capita. The state formulates a five-year capital plan that identifies major capital areas, but provides funding annually.

On a scale of 1 (strongest) to 4 (weakest), we have assigned a score of '1.5' to Georgia's financial management.

Economy

Georgia's employment base is well diversified, although geographically concentrated around the Atlanta MSA. The state's warm climate, low cost of living, tax structure, and transportation network make it attractive to employers; Georgia is home to several national headquarters including Coca-Cola, UPS, Home Depot, Delta Air Lines, and Georgia-Pacific, among others. Population growth has been strong relative to the U.S. and its dependent population is in line with the U.S. levels. The state has a strong transportation infrastructure made up of Atlanta Hartsfield-Jackson Airport (the world's busiest), rail access, several major arteries (I-75, I-85, and I-20), and the ports of Savannah and Brunswick.

The state has historically experienced significant economic downturns but rapid recoveries, and state GDP growth is periodically below the U.S. Wealth and income levels in 2013 were approximately 86% of the U.S. average and gross state product per capita was 88% of the U.S. average. Both of these indicators remained flat relative to 2012 data.

Georgia's economic downturn was geographically widespread and affected all sectors of the economy, except education and health, which remained positive throughout the recession. The state's economic recovery, however, is now gaining momentum and according to HIS Global Insight, it is expected to outpace the nation in employment growth during the next five years. The construction sector is experiencing 6.3% growth, indicating some improvement in the housing industry. Employment in the government sector declined by 1% year over year as local governments continue to adjust to their new revenue environment. In the past decade, the state had experienced significant losses in manufacturing as textiles moved to Asia and Ford and GM closed their auto-manufacturing plants. However, the state has seen significant growth in auto manufacturing beginning in 2009 when KIA opened a car manufacturing plant in Troup County. That plant has created 2,000 jobs with an additional 3,500 jobs attributed to suppliers. The opening of a Volkswagen plant in neighboring Chattanooga, Tenn. in 2011 was also a boost to the auto-manufacturing sector and is also expected to bring some suppliers to the area. In March 2012, Volkswagen announced that it would hire an additional 800 workers. Given Chattanooga's proximity to the Georgia border, the state expects to benefit from some suppliers locating in Georgia. Gulfstream Aerospace will undergo another expansion in Savannah, adding 1,000 jobs to the current 5,500 there. These developments have been a boon to the Georgia economy.

Georgia's high-tech industry is anchored by Georgia Tech, which is home to one of the most powerful supercomputers in the world, provided by IBM. The university uses the technology to speed new drug research. Georgia ranks in the top 10 states for the number of biotechnology companies located there, including CIBA Vision, Merial Limited, Solvay Pharmaceuticals, C.R. Bard, and UCB Pharma. Atlanta is also headquarters to the U.S. Center for Disease Control and Prevention, the American Cancer Society, the Arthritis Center, and the Carter Center. Georgia State University continues with its ambitious $1 billion campus expansion that adds housing, classrooms, labs, and other academic space to meet enrollment growth. The projects, which were funded from a variety of sources including public-private partnerships and fundraising, which could spur additional retail and residential growth in downtown Atlanta.

Home prices in the Atlanta area were up 15.7% year over year, according to the S&P/Case-Shiller Home Price Index for March 2014, compared with 12.4% for the nation. Despite the increase in home prices, housing sector signals have been mixed and there are concerns that the housing recovery might have lost steam. Housing starts and new home sales in Georgia have both declined from recent peaks and, although some of this might be temporary and related to a harsh winter, it could also be tied to still-limited credit availability and a retreat from investors as home prices and interest rates rise.

On a scale of 1 (strongest) to 4 (weakest), we have assigned a score of '1.6' to Georgia's economy.

Budgetary Performance

According to Georgia statutes, excess collections of up to 4% (but no greater than 15%) must be set aside in the RSR with up to 1% of the net revenue of the preceding year available for funding increased K-12 educational needs in the midyear adjustment process. Funds in the RSR that are in excess of 4% of the previous year's net revenues may be appropriated on the governor's recommendation. Historically, the state has funded these reserves during good economic times and depleted them during downturns. In the past 20 years, the RSR peaked at $1.5 billion in 2007 and was as low as $0 in 1991. It was funded at $717 million, or 3.7% of expenditures at fiscal year-end 2013, after taking into account the fiscal 2014 midyear budget adjustment for education ($183 million).

The state treasury monitors cash balances daily and reports to and works with the state economist and Office of Planning and Budget to review monthly cash flow projections and expected allotments. Georgia has the ability to withhold appropriation allotments and increase processing times for tax refunds to better manage its liquidity. The state may use interfund borrowing to better control its liquidity, or can also borrow externally up to 1% of prior-year receipts, although it hasn't needed either of these steps in the past. Any external cash flow borrowing must be repaid within the same fiscal year. Historically, the state has preferred to implement spending reduction plans and monthly allotment releases to better manage its cash flow.

Georgia's revenues are diverse, with sales tax and personal income tax each contributing more than 15% of revenues. The state also has significant flexibility to raise revenues with a simple majority vote and in the past has raised taxes and fees to close budget gaps. Historically, Georgia has relied on reserves and expenditure cuts prior to implementing revenue adjustments. In terms of expenditure cuts, it has the legal ability to make across-the-board cuts to the budget through withholding of appropriations. During the most recent recession, the state asked agency heads to identify service level reductions for each year and implemented these cuts based on need. Although Georgia typically reduces appropriations across the board to all agencies, reductions to education tend to be lower than for other areas of the budget but this is a policy decision made on a case-by-case basis, not a statutory limitation.

Audited Fiscal 2013

Audited results for fiscal 2013 point to a total governmental fund surplus of $1.9 billion prior to transfers and other financing sources and uses. After transfers and other financing sources and uses, the surplus was $823 million. Total general fund revenues, including federal sources, were $36.5 billion and exceeded expenditures by $3.9 billion. After transfers out, the surplus declined to $694 million. Total general fund balance increased to $4.4 billion. Of this amount, $3.2 billion was either restricted or nonspendable, with an unassigned fund balance of $799 million. Georgia had $2.3 billion in cash and cash equivalents and $2 billion in general fund investments. Liquidity for the state is good, in our view. The state does not do short-term borrowing for cash flow purposes.

On a scale of 1 (strongest) to 4 (weakest), we have assigned a score of '1.3' to Georgia's budgetary performance.

Debt And Other Liabilities

In our view, the state's debt burden is moderate and will continue to be moderate based on its future debt plans, debt management policy, and rapid amortization. GO debt service is paid out of the GO debt sinking fund and, if these funds are insufficient, from first money received by the state's general fund. To incur guaranteed revenue debt, the General Assembly makes a determination that the debt is self-supporting and appropriates an amount equal to maximum annual debt service to a common reserve fund. The common reserve, if tapped to pay debt service due to a revenue shortfall, is replenished by the general fund within 10 days of the start of any fiscal year. Georgia's overall debt burden remains moderate, in our view. Based on current revenues, management expects to be within its 7% debt affordability model limitations for debt service as a percentage of prior-year receipts in fiscal years 2014 through 2018, assuming $1.32 billion in fiscal 2015 and $850 million in annual issuance between 2016 and 2018. For 2014, management projected this ratio at 6.3% of prior-year revenues and 6.0% of current-year revenues, both below the 7% limitation. The state's calculation is based on available revenues; this differs from our calculation, which is based on expenditures. The 2015 budget authorized the issuance of $878 million in debt and also de-authorized $13 million of previous unissued authorized debt. After this issuance Georgia will have only $416.3 million in authorized, but unissued GO debt. The state has only $127 million in variable-rate debt with a fixed spread to Securities Industry and Financial

Markets Assn. of 40 basis points, which resets weekly and has no put risk. The maximum rate is set at 9% and Georgia is required to budget for this debt at the bonds' highest possible rate. Debt amortization is rapid, with 69% of the state's debt retired within 10 years and all debt amortized within 20 years. Although previously, the constitution would not allow the state to enter into multiyear leases, on Nov. 6, 2012, voters approved a constitutional amendment to permit multiyear leases for the Board of Regents and the State Properties Commission. The Georgia State Financing and Investment Commission (GSFIC) determines the amount of multiyear leases that may be entered into and authorized $55 million for fiscal 2013, which was not used and since lapsed, and $145 million for fiscal 2014, of which the state used only $13.5 million with any unused balance lapsing on June 30, 2014. By policy, annual obligation authority for multiyear leases will be limited by GSFIC to no more than 0.5% of prior-year Georgia state treasury receipts. Leases will be subject to the 20-year statutory limitation and may be terminated if the General Assembly fails to appropriate lease payments.

Georgia's pension funds are well funded despite recent market losses, but funding levels reflect significant changes to assumptions and have continued to decline. As of June 30, 2012, the ERS was 73.1% funded and the TRS was 82.3% funded. The systems had a combined unfunded accrued liability of $16.8 billion. In anticipation of the implementation of GASB 68, the TRS and ERS boards adopted new funding policies in November and December of 2013, respectively. The ERS funding methodology uses the entry age actuarial cost method, level dollar, closed amortization over 25 years, and a five-year asset valuation smoothing. For TRS, the assumptions are similar, but the system assumes a closed amortization over 30 years. Both systems assume a 7.5% rate of return. For the June 30, 2013 valuation, the state used market value of assets, rather than the actuarial value of assets, as a true-up mechanism and it will smooth its asset values over five years instead of seven years. The funded levels declined slightly to 71.4% and 81.1% for ERS and TRS, respectively, and an unfunded liability of 18.7 billion and funded at 79.4%. The General Assembly passed SB 122, which separates the liability for school system retirees from the liability for state employee retirees. For fiscal 2013 the state has annual required contributions of $339 million and $982 million for state employees and school personnel, respectively.

As plan sponsor, the state reports the OPEB liability for both the state employees and the school personnel OPEB liabilities. The multiemployer State Employees Postemployment Benefit Fund had an unfunded OPEB of $3.87 billion as of a June 30, 2012 valuation date for a 0% funded ratio. The School Personnel Postemployment Health Benefit Fund (for which the state sets the benefit levels and required local school employer contribution rate, but is not directly responsible for funding) had an unfunded OPEB of $10.87 billion and a 0% funded ratio. The State Employees' Assurance Dept.'s OPEB (that provides life insurance) is overfunded by $114 million and had a 116% funded ratio--for a total unfunded OPEB of $14.6 billion. In addition, the Board of Regents had an unfunded OPEB of $3.76 billion at July 1, 2012. The state benefit fund had an ARC of $321 million and the teachers fund had an ARC of $1.05 billion in fiscal 2012 of which the state paid 57.4% and 36.1%, respectively. For fiscal years 2014 and 2015, the ARCs are estimated at $321 million and $276 million, respectively, for the state plan; and $943 million and $873 million, respectively, for the school personnel plan. The OPEB UAAL and ARC reductions are driven by plan design changes and increases in co-pays and deductibles.

On a scale of 1 (strongest) to 4 (weakest), we have assigned a score of '2.5' to Georgia's debt and liability profile.

Related Criteria And Research

Related Criteria

- USPF Criteria: State Ratings Methodology, Jan. 3, 2011
- Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions, Nov. 19, 2013

Ratings Detail (As Of June 16, 2014)		
Georgia GO bnds		
Long Term Rating	AAA/Stable	Affirmed
Georgia GO bnds		
Long Term Rating	AAA/Stable	Affirmed
Georgia GO bnds		
Long Term Rating	AAA/Stable	Affirmed
Georgia GO qual sch const bnds - direct pay		
Long Term Rating	AAA/Stable	Affirmed
Georgia GO rfdg bnds		
Long Term Rating	AAA/Stable	Affirmed
Georgia GO rfdg bnds ser 2004C		
Long Term Rating	AAA/Stable	Affirmed
Georgia GO rfdg bnds ser 2013G-1 due 07/01/2024		
Long Term Rating	AAA/Stable	Affirmed
Georgia State Rd & Tollway Auth, Georgia		
Georgia		
Georgia State Rd & Tollway Auth (Georgia) GO		
Long Term Rating	AAA/Stable	Affirmed