

FITCH RATES THE STATE OF COLORADO'S \$500MM TRANS 'F1+'

Fitch Ratings-New York-21 June 2007: Fitch rates Colorado's \$500 million general fund tax and revenue anticipation notes (TRANS), series 2007A 'F1+'. The notes will be sold competitively on June 27, 2007. The notes are due June 27, 2008.

The 'F1+' rating is based on the good protection from strong legal provisions and the substantial resources available to the state treasurer to fulfill the covenant to use such funds to repay the notes and any possible additional parity notes by June 16, 2008.

Legal protections are strong, with the state treasurer covenanting to provide monthly cash flow updates and take explicit measures to protect note repayment if projections reveal anticipated deficiencies. These measures include borrowing from the sizable internal resources. Revenue projections are revised quarterly, with the next revision in September.

The \$500 million of notes now being offered are comfortable 4.1% of general fund revenues. Economic gains are enabling successive reduction in the amount of notes required for cash flow and the state does not anticipate issuing additional notes.

A \$257.4 million ending general fund cash balance is projected for June 30, 2008, providing a cushion of 2.3% of cash flow and 1.4 times (x) coverage of the notes. When borrowable funds of \$2.7 billion are included, coverage rises to a large 6.5x.

The notes assist the state's general fund cash flow imbalance during fiscal 2008 primarily due to the disbursement schedule of school equalization grant funding. The general fund transfers 80% of the full year's grant within the first six months to the education fund. As a result of transfers to the education fund, note proceeds and interfund borrowing have traditionally been needed to cover liquidity needs in the general fund in the fall, December, and March during the fiscal year.

Fiscal 2007 revenues are projected to increase 7% from the prior year led by rising personal income tax receipts. The June 2007 forecast continues economic gains, albeit at a slower pace than the strong pace set in fiscal 2007. Projected fiscal 2008 general fund revenues rise 4.5% to \$12.1 billion, including 4.2% growth in sales and use taxes from the prior year. Personal income tax receipts are projected to rise 5.9%. Transfers in fiscal 2008 will fully fund economic reserves at the 4% level. The general fund cash balance on June 30, 2008 is projected to be drawn slightly to \$257.4 million after payment of the \$500 million notes and all reserve fund transfers.

The state enacted the taxpayer's bill of rights (TABOR) in 1992 with over \$3.2 billion in surplus revenues refunded between 1997-2001. Two years of revenue shortfalls sustained in fiscal years 2002 and 2003 led to appropriation reductions and use of reserves. No TABOR refunds were made as revenues were below the limit. In November 2005 revisions to TABOR were passed through Referendum C, the economic recovery act, enabling the state to keep a surplus revenues for five years through fiscal 2010. Continuing economic gains have increased the amount of anticipated retained surplus by one-third to a projected \$5.6 billion. The act also directs spending of the excess revenues, and establishes a new revenue base in 2011. Since the passage of this measure, the state has been able to fully fund its statutory 4% reserves, maintain 6% appropriation growth, resume transfer of 10% of sales and use taxes for highway improvements and repay monies to certain cash funds used during the downturn. A small TABOR refund is projected for fiscal 2011. The capital spending Referendum D failed, creating greater reliance on current funding.

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Fitch Ratings

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July 6, 2007

Hon. Carry Kennedy
State Treasurer
State of Colorado
Department of Treasury
140 State Capitol
Denver, CO 80203

Dear Hon. Kennedy:

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Ratings assigned by Fitch are based on documents and information provided to us by issuers, obligors, and/or their experts and agents, and are subject to receipt of the final closing documents. Fitch does not audit or verify the truth or accuracy of such information.

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Ratings are not recommendations to buy, sell or hold securities. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect of any security.

The assignment of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement or other filing under U.S., U.K., or any other relevant securities laws.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please feel free to contact us at any time.

Sincerely,



Amy S. Doppelt
Managing Director
U.S. Public Finance

AD/dg

Enc: Notice of Rating Action
(Doc ID: 83686)

Notice of Rating Action

<u>Bond Description</u>	<u>Rating Type</u>	<u>Action</u>	<u>Rating</u>	<u>Outlook/ Watch</u>	<u>Eff Date</u>	<u>Notes</u>
Colorado, State of (CO) Education Loan Program TRANS ser 2007A	Short Term	New Rating	F1+		05-Jul-2007	
Colorado, State of (CO) Education Loan Program TRANS ser 2006A	Short Term	Affirmed	F1+		05-Jul-2007	
Colorado, State of (CO) Education Loan Program TRANS ser 2006B	Short Term	Affirmed	F1+		05-Jul-2007	

Key: RO: Rating Outlook, RW: Rating Watch; Pos: Positive, Neg: Negative, Sta: Stable, Evo: Evolving

FitchRatings

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December 12, 2007

Hon. Cary Kennedy
State Treasurer
State of Colorado
Department of Treasury
140 State Capitol
Denver, CO 80203

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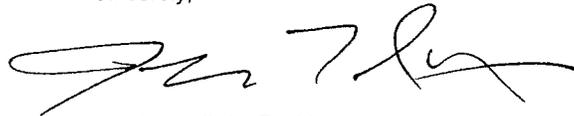
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Sincerely,



Jessica L. Soltz Rudd
Senior Director
U.S. Public Finance

JSR/dg

Enc: Notice of Rating Action
(Doc ID: 95969)

Notice of Rating Action

<u>Bond Description</u>	<u>Rating Type</u>	<u>Action</u>	<u>Rating</u>	<u>Outlook/ Watch</u>	<u>Eff Date</u>	<u>Notes</u>
Colorado, State of (CO) Education Loan Program TRANS ser 2007B	Short Term	New Rating	F1+		10-Dec-2007	

Key: RO: Rating Outlook, RW: Rating Watch; Pos: Positive, Neg: Negative, Sta: Stable, Evo: Evolving
