



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

State Capitol
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Justin P. Wilson
Comptroller

April 27, 2010

The Honorable Randy McNally
307 War Memorial Building
Nashville, TN 37243

The Honorable Douglas Henry
321 War Memorial Building
Nashville, TN 37243

The Honorable Craig Fitzhugh
33 Legislative Plaza
Nashville, TN 37243

The Honorable Charles Sargent
206 War Memorial Building
Nashville, TN 37243

Dear Senator McNally, Senator Henry, Representative Fitzhugh, Representative Sargent:

The purpose of this letter is to inform you of a recent change in the State of Tennessee's bond rating from Moody's Investors Service. Effective Monday, April 19, Moody's elevated Tennessee's rating for general obligation debt one notch from Aa1 to Aaa. This action is similar to the one taken by another major bond rating agency earlier this month, when Fitch Ratings adjusted the state's rating from AA+ to AAA.

Tennessee was not the only state affected by these changes. Moody's and Fitch have adjusted their ratings scales for general obligation debt issued by state governments across the country.

The changes made by Moody's and Fitch do not represent ratings upgrades for Tennessee, relative to its peers in state government. Because other states are also having their ratings adjusted upward, the practical effect is that Tennessee's bond ratings remain at the same level within that group as they were before the changes were made.

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The state's bond ratings now compare more favorably with non-governmental debt issuers such as private sector businesses.

Moody's and Fitch recalibrated their ratings to more accurately reflect the risks of government-issued debt compared to those other forms of debt. Although the economic downturn has created substantial challenges for state governments, the rating agencies believe public finance issuers still enjoy certain advantages over private sector borrowers.

These include governments' ability to raise taxes or fees, their strong powers to enforce revenue collections, their flexibility to cut expenses and the discretion they have to tap into accumulated reserve funds. The rating agencies believe these factors make government debt issuers, in general, more creditworthy in comparison to private sector issuers than their old ratings systems reflected.

Please note that with the adjustments, Tennessee now has the highest ratings available from Moody's and Fitch. As you know, high bond ratings translate into lower interest rates on money the state borrows, which can result in substantial savings for taxpayers.

Please feel free to contact me with any questions you may have about these changes.

Sincerely,



Justin P. Wilson

c: Governor Phil Bredesen
Lt. Gov. Ron Ramsey
Speaker Kent Williams
Commissioner Dave Goetz