



## **Fitch Affirms Washington School District Credit Enhancement Program at 'AA+'; Outlook Stable**

Fitch Ratings-New York-02 July 2015: Fitch Ratings has affirmed the 'AA+' rating assigned to the Washington School District Credit Enhancement Program.

The Rating Outlook is Stable.

### **SECURITY:**

The full faith, credit, and taxing power of the state is pledged to guarantee full and timely payment of principal and interest on the debt of participating school districts.

### **KEY RATING DRIVERS**

**PROGRAM RATING ON PAR WITH STATE RATING:** The program rating is on par with the state of Washington's general obligation (GO) rating of 'AA+', reflecting the pledge of the state's full faith, credit, and taxing power, as well as administrative procedures and structural protections in place.

**GENERAL STATE CREDIT QUALITY:** Washington's 'AA+' GO rating reflects a generally solid economy and a demonstrated commitment to fiscal balance even as the state's financial position substantially weakened in the downturn. Credit strengths are offset by a concentrated revenue system that is reliant on the sales tax, as well as above-average debt levels.

### **RATING SENSITIVITIES**

The rating is sensitive to changes in the State of Washington's GO rating, as well as changes in the statutes or administrative procedures governing the program.

### **CREDIT PROFILE**

The state of Washington's school district credit enhancement guarantee program is governed by the Revised Code of Washington, Title 39, Chapter 98 and Washington Administrative Code Chapter 210-02. The program covers scheduled principal and interest payments of voter-approved GO bonds issued by school districts for which the state has issued its guarantee certificate. The state is required to appropriate in each and every biennial appropriation act sufficient funds for this purpose. As of June 1, 2015, a total of \$9.1 billion bonds of 177 districts are guaranteed through the program. The program was authorized in 1999 and the guarantee has never been called upon.

State administrative rules require school districts to apply for the credit enhancement program guaranty at least one month prior to a bond sale. The state may deny its guarantee where there are concerns about the school district's creditworthiness. If the state does not approve a school district's bond for its guarantee, such a denial does not affect the validity of the state's guarantee

on previously issued debt by that school district. This program rating can be assigned to GO bonds of any Washington school district that have been approved for participation in the program by the state treasurer.

In Washington, county treasurers collect property taxes for repayment of voter-approved school district GO bonds and must forward such money to a paying agent on or before the bond payment dates. This payment structure allows county treasurers to determine whether funds will be sufficient in advance of required payment dates. The county treasurers are obligated to notify the state immediately if funds will not be available. The paying agent is similarly obligated to notify the state if sufficient funds are not transferred to it on a timely basis. A recent revision to program administrative requirements further mandates that a school district confirm that there are sufficient funds for debt service payment and notify the state treasurer if there is an insufficiency no less than seven days prior to a debt service payment date. If a participating school district fails to remit the full amount of its debt service payment, the state treasurer is required to transfer sufficient money to the paying agent for such payment.

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Additional information is available at '[www.fitchratings.com](http://www.fitchratings.com)'.

In addition to the sources of information identified in Fitch's Tax-Supported Rating Criteria, this action was additionally informed by information from IHS Global Insight.

**Applicable Criteria**

Rating Guidelines for State Credit Enhancement Programs (pub. 18 Apr 2013)

Tax-Supported Rating Criteria (pub. 14 Aug 2012)

U.S. State Government Tax-Supported Rating Criteria (pub. 14 Aug 2012)

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