

**Rating Action: Moody's assigns Aaa to Washington State GOs, Ser. 2021F, R-2021C & R-2021D; outlook stable**

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New York, April 07, 2021 -- Moody's Investors Service has assigned Aaa ratings to the State of Washington's \$244 million Motor Vehicle Fuel Tax and Vehicle Related Fees General Obligation Bonds, Series 2021F; its \$162 million Various Purpose General Obligation Refunding Bonds, Series R-2021C; and its \$194 million Motor Vehicle Fuel Tax General Obligation Refunding Bonds, Series R-2021D. Following this issuance, the state will have approximately \$20.5 billion of general obligation bonds outstanding, including general obligation bonds additionally secured by fuel taxes, other vehicle related fees, and tolls, all rated Aaa. The outlook is stable.

**RATINGS RATIONALE**

The Aaa rating on the state's general obligation bonds reflects its sizable financial reserves entering the current downturn, and the exceptional growth of the state's economy in recent years driven largely by the technology sector in the Seattle (Aaa stable) metro area. Additional strengths include above-average wealth and income levels, and strong fiscal governance practices. While the state's debt levels are above average, they have been declining relative to the 50-state medians, and the state's debt and pension liabilities combined, as well as its fixed costs, are comparable to medians. Frequent voter initiative activity adds budget challenges, but the legislature has broad authority to suspend voter-enacted statutes and a history of responding effectively to maintain budget balance.

Like all US states, Washington faced a significant shortfall in tax revenues in fiscal 2020 and 2021 as a result of the coronavirus pandemic. Revenues have overperformed initial projections, however, and the state now expects that it will end fiscal 2021 with reduced, but still sizable reserves.

We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. The coronavirus crisis is not a key driver for this rating action. We do not see any material immediate credit risks for the State of Washington at this time.

**RATING OUTLOOK**

Washington's outlook is stable, reflecting the positive underlying fundamentals of its economy, sizable reserves entering the current downturn, strong governance practices and manageable long-term liabilities. We expect that the state will continue to address budget gaps that emerge, as it has in the past.

**FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS**

- Not applicable.

**FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS**

- A sustained or structural weakening of the state's economy.
- Protracted structural budget imbalance and/or a shift to reliance on one-time budget solutions.
- A significant deterioration of the state's cash position.

**LEGAL SECURITY**

The state issues four classes of the general obligation bonds - General Obligation Bonds or Various Purpose General Obligation Bonds, Motor Vehicle Fuel Tax ("MVFT") General Obligation Bonds, Motor Vehicle Fuel Tax and Vehicle Related Fees ("MVFT/VRF") General Obligation Bonds, and Triple Pledge Bonds - all of which are general obligations of the state, to which the state has pledged its full faith, credit and taxing power.

The MVFT bonds are additionally secured by and expected to be paid from motor vehicle fuel taxes. The MVFT/VRF bonds are additionally secured by and expected to be paid from motor vehicle fuel taxes and other

vehicle-related fees. The Triple Pledge Bonds are additionally secured by motor vehicle fuel taxes and toll revenues and expected to be paid from toll revenues.

#### USE OF PROCEEDS

Proceeds of the Series 2021F MVFT/VRF bonds will be used to fund state highway projects. Proceeds of the Series R-2021C & D bonds will be used to refund outstanding bonds for debt service savings.

#### PROFILE

Washington is the thirteenth largest state by population, at 7.6 million. Its state gross domestic product is tenth largest, at \$599.6 billion. The population is relatively wealthy, with per capita personal income equal to 114.5% of the US level and a poverty rate in the bottom third among states.

#### METHODOLOGY

The principal methodology used in these ratings was US States and Territories published in April 2018 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM\\_1084466](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1084466) . Alternatively, please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

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