

**Rating Action: Moody's assigns Aaa to Washington State GOs, Series 2022A, B & T; outlook stable**

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14 Jul 2021

New York, July 14, 2021 -- Moody's Investors Service has assigned Aaa ratings to the State of Washington's \$598 million Various Purpose General Obligation Bonds, Series 2022A; \$42 million Motor Vehicle Fuel Tax General Obligation Bonds, Series 2022B; and \$93 million General Obligation Bonds, Series 2022T (Taxable). 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 Washington's general obligation bonds reflects its sizable financial reserves; exceptionally strong economic fundamentals driven largely by the technology sector in the Seattle (Aaa stable) metro area; above-average wealth and income levels; and strong fiscal governance practices. The state has been able to maintain strong reserves despite the recent health and economic crisis as a result of better-than-expected revenue performance in fiscal 2021. 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.

**RATING OUTLOOK**

Washington's outlook is stable, reflecting the positive underlying fundamentals of its economy, sizable reserves, 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 2022A various purpose general obligation bonds and the Series 2022T taxable general obligation bonds will be used to fund non-transportation state capital projects. Proceeds of the Series 2022B MVFT bonds will be used to fund state highway projects.

## PROFILE

Washington is the eleventh largest state by population, at 7.7 million. Its state gross domestic product is tenth largest, at \$618.7 billion. The population is relatively wealthy, with per capita personal income equal to 114.4% 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) .

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