

**Rating Action: Moody's assigns Aaa to Washington State's GOs, Series 2022C; outlook stable**

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25 Jan 2022

New York, January 25, 2022 -- Moody's Investors Service has assigned a Aaa rating to the State of Washington's \$743.5 million Various Purpose General Obligation Bonds, Series 2022C. 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.

**RATING RATIONALE**

The Aaa rating on State of 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. While the state's debt levels are above average, they have been declining relative to the 50-state medians, and the state's total leverage and 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 and the state's strong governance practices which will continue to support sizable reserves. Long-term liabilities are expected to remain manageable.

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

- Not applicable

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

- 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.

**USE OF PROCEEDS**

Proceeds of the Various Purpose General Obligation Bonds, Series 2022C will pay and reimburse State expenditures for various capital purposes.

**PROFILE**

Washington is the thirteenth largest state by population, at 7.8 million. Its state gross domestic product is tenth largest, at \$618.7 billion (as of 2020). 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 this rating 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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For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

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