Moody's 
INVESTORS SERVICE  

Rating Action: Moody's assigns Aaa to Washington State's refunding GOs, Series R-2022C and R-2022D; outlook stable 

15 Apr 2022  

New York, April 15, 2022 -- Moody's Investors Service has assigned Aaa ratings to the State of Washington's $831.2 million Various Purpose General Obligation Refunding Bonds, Series R-2022C and $497.8 million MVFT General Obligation Refunding Bonds, Series R-2022D. Following this issuance, the state will have approximately $20.7 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 state's Issuer Rating is also Aaa. The Issuer Rating represents the state's ability to repay debt and debt-like obligations without consideration of any pledge, security, or structural features. The state's outlook is stable. 

RATINGS RATIONALE  

State of Washington's Aaa Issuer Rating and general obligation bonds rating reflect 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 coronavirus pandemic as a result of consistently strong economic and revenue performance, as well as the availability of federal relief funds. Given better-than-expected revenue growth, the state's 2022 supplemental budget for the 2021-2023 biennium increases appropriations sizably from the budget adopted in early 2021 to fund a mix of ongoing and one-time initiatives. The state's reserves are projected to decline by the end of the biennium from current levels, although the state has traditionally used conservative revenue projections and typically outperforms budgets. 

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 (debt, pension and OPEB) 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 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. 

USE OF PROCEEDS  

Proceeds of the Series R-2022C Various Purpose General Obligation Refunding Bonds will refund all or a portion of the state's outstanding Various Purpose General Obligation and General Obligation Refunding
Proceeds of the Series R-2022D will refund all or a portion of outstanding MVFT General Obligation Bonds and MVFT General Obligation Refunding Bonds, Series 2013B-1, Series 2013B-2, Series R-2012D, Series R-2013B.

PROFILE

Washington is the thirteenth largest state by population, at 7.8 million. Its nominal gross domestic product (GDP) is the tenth largest, at $667.6 billion as of 2021. The five-year compound average growth rate of its real GDP was 4.4% through 2021, the strongest of all 50-states. The population is relatively wealthy, with per capita personal income equal to 105.1% of the US after adjusting for regional cost of living.

METHODOLOGY


REGULATORY DISCLOSURES

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.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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