



Rating Action: Moody's assigns Aaa to Washington State's refunding GOs, Series R-2023A and R-2023B; outlook stable

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New York, April 12, 2023 -- Moody's Investors Service has assigned Aaa ratings to the State of Washington's \$822.9 million Various Purpose General Obligation Refunding Bonds, Series R-2023A and \$509.7 million Motor Vehicle Fuel Tax and Vehicle Related Fee General Obligation Refunding Bonds, Series R-2023B. Following this issuance, the state will have approximately \$21.1 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's reserve position has strengthened in recent years as a result of consistently strong economic and revenue performance as well as the availability of federal pandemic relief funds. While the state's debt burden is relatively high, they have been declining relative to the 50-state median, and the state's total leverage (debt, pension, OPEB and other long-term liabilities) and fixed costs are manageable. 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-2023A Bonds will refund all or a portion of the callable Various Purpose General Obligation Bonds, Series 2013D, Various Purpose General Obligation Refunding Bonds, Series R-2013C, and Various Purpose General Obligation Bonds, Series 2014A.

Proceeds of the Series R-2023B Bonds will refund all or a portion of the callable MVFT General Obligation Bonds, Series 2013E, MVFT General Obligation Refunding Bonds, Series R-2013D, and MVFT General Obligation Bonds, Series 2014B.

PROFILE

Washington is the thirteenth largest state by population, at 7.9 million. Its nominal gross domestic product (GDP) is the eleventh largest, at \$725.5 billion as of 2022. The five-year compound average growth rate of its real GDP was 3.8% through 2022, the third strongest of all 50-states and 180 basis points stronger than the US CAGR. The population is relatively wealthy, with per capita personal income equal to 105.6% of the US after adjusting for regional cost of living.

METHODOLOGY

The principal methodology used in these ratings was US States and Territories Methodology published in March 2022 and available at <https://ratings.moodys.com/api/rmc-documents/356901>. Alternatively, please see the Rating Methodologies page on <https://ratings.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 on <https://ratings.moodys.com/rating-definitions>.

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