



**Rating Action: Moody's assigns Aaa to State of Washington's GOs, Series R-2024A and R-2024B; outlook stable**

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25 Oct 2023

New York, October 25, 2023 – Moody's Investors Service has assigned Aaa ratings to the State of Washington's \$296.7 million Various Purpose General Obligation Refunding Bonds, Series R-2024A and \$186.3 million Motor Vehicle Fuel Tax and Vehicle Related Fees General Obligation Refunding Bonds, Series R-2024B. Following this issuance, the state will have approximately \$21.2 billion of general obligation (GO) bonds outstanding, including GO bonds additionally secured by fuel taxes, other vehicle related fees, and tolls, all rated Aaa. The state's Issuer Rating is also Aaa. The outlook is stable.

#### RATINGS RATIONALE

The State of Washington's Aaa Issuer Rating and GO bonds reflect its strong economic fundamentals driven largely by the technology sector in the Seattle (Aaa stable) metro area, above-average resident income levels, positive demographic trends and strong fiscal governance (governance issuer profile score G - 1). The state's reserve position has strengthened in recent years as a result of better-than-expected revenue performance and the availability of federal pandemic relief funds. Its financial reserves will retreat from record positions to still sound levels in coming years, given sizable spending increases approved under the 2023-2025 biennium budget and as revenue growth is slowing under softening economic conditions. While the state's total leverage (debt, pension, OPEB, and other long-term liabilities) is moderately higher than the 50-state median, it has declined in recent years and the state's fixed costs are in-line with the sector median. Frequent voter initiative activity can add to 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 strong underlying fundamentals of its economy and the state's strong governance practices which will continue to support sound 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 currently has four classes of general obligation bonds outstanding - 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 Refunding Bonds, Series R-2024A will refund all or a portion of the callable Various Purpose General Obligation Bonds, Series 2014D.

Proceeds of Motor Vehicle Fuel Tax and Vehicle Related Fees General Obligation Refunding Bonds, Series R-2024B will refund all or a portion of the callable Motor Vehicle Fuel Tax General Obligation Bonds, Series 2014E.

## 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/rmc-documents/356901>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

## REGULATORY DISCLOSURES

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