



## **Rating Action: Moody's Ratings assigns Aa1 to State of Washington's COPs, Series 2025C; outlook stable**

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17 Oct 2025

New York, October 17, 2025 -- Moody's Ratings (Moody's) has assigned a Aa1 rating to the State of Washington's proposed \$37.9 million Certificates of Participation, Series 2025C (State and Local Agency Real and Personal Property). We maintain a Aaa issuer rating for the State of Washington and Aa1 ratings on the state's around \$816 million similarly-secured Certificates of Participations (COPs) outstanding. The outlook is stable.

### **RATINGS RATIONALE**

The Aa1 rating on the Certificates of Participation (State and Local Agency Real and Personal Property) is one notch below the state's Aaa issuer rating, reflecting the essential nature of the projects associated with the debt, the moderate legal structure and subject-to-appropriation nature of the state's payment obligations. The rating also incorporates active administration of the financing program by the state treasurer's office and the state's established track record of making appropriation-backed payments under a variety of financing programs.

The State of Washington's Aaa issuer rating reflects its strong economic fundamentals with real GDP growth outperforming the US in 19 of the past 20 years, healthy per capita income representing 106.8% of US and favorable demographic trends. The rating incorporates the state's sound financial position - while its budgetary reserve (general fund and budgetary stabilization fund) is projected to fall below 10% of general fund revenue in the 2025-2027 biennium, we expect that Washington will continue to maintain healthy total available governmental fund balance and cash position that can provide ample liquidity to the general fund, if needed. As of fiscal end 2025, Washington's substantial fund balances outside of the general fund boosts its overall governmental liquidity to over \$14 billion, or over 30% of own source revenue. The rating also incorporates the state's moderate total leverage (debt, pension, OPEB, and other long-term liabilities) representing 109% of own source revenue and associated fixed cost representing 5.9% of revenue, both of which have declined in recent years.

The state's issuer rating further incorporates the state's strong governance practices that include frequent revenue monitoring and forecasting as well as a history of addressing budget shortfalls given the state's balanced budget requirement. All US states face emerging credit challenges amid deteriorating macroeconomic conditions and a less supportive federal policy environment, and we expect that Washington is well positioned to navigate these headwinds given its fiscal autonomy and budgetary flexibility.

### **RATING OUTLOOK**

Washington's outlook is stable, reflecting the strong underlying fundamentals of its economy and our expectation that the state will continue to exercise fiscal prudence to maintain longer-term structural balance and a sound financial position. Long-term liabilities are expected to remain moderate.

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

- Not applicable

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

- A significant deterioration of the state's GAAP-basis available fund balance and cash balance to below 20% of own-source revenue

- Protracted structural budget imbalance and/or a shift to reliance on one-time budget solutions
- A sustained or structural weakening of the state's economy and demographic trends
- Material changes in federal policy that reduce or delay funding provided to the state
- A material increase in leverage and fixed costs to levels well above sector medians

## PROFILE

Washington is the thirteenth largest state by population, at 8.1 million. Its nominal gross domestic product (GDP) is the ninth largest, at \$854.7 billion as of 2024. Resident income measures are above average, although Washington's cost of living has surged in recent years. Washington's per capita personal income is equal to around 106.8% of the US after adjusting for regional cost of living.

## METHODOLOGY

The principal methodology used in this rating was US States and Territories published in July 2024 and available at <https://ratings.moodys.com/rmc-documents/425428>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

## REGULATORY DISCLOSURES

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