MOODY'S
RATINGS

Rating Action: Moody's Ratings assigns Aaa to State of Washington's GOs, Series R-2026A and R-2026B; outlook stable

17 Oct 2025

New York, October 17, 2025 -- Moody's Ratings (Moody's) has assigned Aaa ratings to State of Washington's proposed $540.1 million Various Purpose General Obligation Refunding Bonds, Series R-2026A and $226.8 million Motor Vehicle Fuel Tax and Vehicle Related Fees General Obligation Refunding Bonds, Series R-2026B. We maintain a Aaa issuer rating for the state and Aaa ratings for the state's over $23 billion General Obligation (GO) bonds outstanding. The outlook is stable.

RATINGS RATIONALE

The Aaa general obligation rating is the same as the state's issuer rating because the state has pledged its full faith, credit and taxing power to pay the bonds.

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 RATINGS

- Not applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- 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 requiring significant reserve draws and/or other one-time budget solutions

- A sustained or structural weakening of the state's economy and demographic trends

- 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 these ratings 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

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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For ratings issued on a program, series, category/class of debt or security, certain regulatory disclosures applicable to each rating of a subsequently issued bond or note of the same series, category/class of debt, or security, or pursuant to a program for which the ratings are derived exclusively from existing ratings, in accordance with Moody's rating practices, can be found in the most recent Credit Rating Announcement related to the same class of Credit Rating.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

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Xing Chen Zhu
Lead Analyst

Henrietta Chang
Additional Contact

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007

U.S.A
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653
