

# MOODY'S

## INVESTORS SERVICE

### **Rating Action: Moody's assigns Aa1 to Washington State GO Bonds Ser. 2019A,B&T; outlook stable**

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15 Aug 2018

New York, August 15, 2018 -- Moody's Investors Service has assigned Aa1 ratings to the State of Washington's \$262.9 million Various Purpose General Obligation Bonds, Series 2019A; its \$93.4 million Motor Vehicle Fuel Tax General Obligation Bonds, Series 2019B; and its \$145.8 million General Obligation Bonds, Series 2019T (Taxable) Following the issuance of these bonds, the state will have approximately \$19 billion of general obligation bonds outstanding, including general obligation bonds additionally secured by fuel taxes and tolls, all rated Aa1. The outlook on these ratings is stable.

#### RATINGS RATIONALE

Washington's Aa1 general obligation rating incorporates the state's sound management practices such as its quarterly consensus revenue forecasting process, multi-year revenue and expenditure projections, timely budget adoption, and demonstrated willingness to address budget shortfalls. The rating also reflects an economy that is growing and has out-performed the nation. Revenue trends are positive, supported by employment gains and improvement in the state's housing market, and available reserves have increased. These strengths are tempered by economic exposure to the cyclical aerospace industry and commodity export markets, and above-average debt ratios. Frequent voter initiative activity adds budget challenges although the state legislature has a history of responding effectively to maintain budget balance.

#### RATING OUTLOOK

Washington's rating outlook is stable, reflecting economic gains that are boosting revenues, a strong reserve position, and budget balancing solutions that are largely recurring. We expect that the state will continue to address any budget gaps that emerge, as it has in the past. Economic concentration in some industries that are historically volatile poses longer-term credit challenge.

#### FACTORS THAT COULD LEAD TO AN UPGRADE

- Improved industry diversification
- Reduction of debt ratios to levels closer to Moody's 50-state medians

#### FACTORS THAT COULD LEAD TO A DOWNGRADE

- Economic or employment weakening
- Protracted structural budget imbalance and/or increased reliance on one-time budget solutions
- Deterioration of the state's cash position

#### LEGAL SECURITY

The Series 2019A&T bonds are general obligations of the state, to which the state has pledged its full faith, credit and taxing power. The Series 2019B are also general obligations, additionally secured by and expected to be paid from motor vehicle fuel taxes.

#### USE OF PROCEEDS

Proceeds of the Series 2019A&T bonds will be used to fund various non-transportation state capital projects. Proceeds of the Series 2019B bonds will be used to fund various state highway projects.

#### PROFILE

Washington is the thirteenth largest state by population, at 7.4 million. Its state gross domestic product is fourteenth largest. The population is relatively wealthy, with per capita personal income equal to 110.8% of the

US level and a poverty rate in the bottom third among states.

## METHODOLOGY

The principal methodology used in these ratings was US States and Territories published in April 2018. Please see the Rating Methodologies page on [www.moody's.com](http://www.moody's.com) for a copy of this methodology.

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Kenneth Kurtz  
Lead Analyst  
State Ratings  
Moody's Investors Service, Inc.  
One Front Street  
Suite 1900  
San Francisco 94111  
US  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653

Timothy Blake  
MANAGING DIRECTOR  
Municipal Supported Products  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653

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

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