



Rating Action: Moody's assigns Aaa to Washington State's GOs, Series 2024A, 2024B and 2024T; outlook stable

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New York, July 17, 2023 -- Moody's Investors Service has assigned Aaa ratings to the State of Washington's \$692.2 million Various Purpose General Obligation Bonds, Series 2024A, \$381.6 million Motor Vehicle Fuel Tax and Vehicle Related Fees General Obligation Bonds, Series 2024B and \$55.2 million General Obligation Bonds, Series 2024T (Taxable). Following this issuance, the state will have approximately \$21.6 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.

RATINGS RATIONALE

The State of Washington's Aaa Issuer Rating and general obligation (GO) bonds reflect its 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 strong revenue performance and the availability of federal pandemic relief funds. Its financial reserves will retreat from record positions to still solid 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 debt burden is relatively high, it has 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 given steady revenue growth in recent years. 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 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 the 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 Bonds, Series 2024A will provide funds to pay and reimburse state expenditures for various capital purposes, such as K-12 school renewal and replacement projects, facilities for state universities and community and technical colleges, community-based and state facilities projects, affordable housing units, water supply, flood protection, habitat conservation and rehabilitation projects, outdoor recreation facilities, riparian protection projects and farmland preservation.

Proceeds of the Motor Vehicle Fuel Tax and Vehicle Related Fees General Obligation Bonds, Series 2024B will provide funds to pay and reimburse state expenditures for various transportation capital projects, such as HOV improvements in Tacoma on Interstate 5, improvements to the Interstate 90 and State Route 18 interchange, and the location, design, right-of-way, and construction of transportation projects or improvements that are identified as Connecting Washington transportation projects or improvements.

Proceeds of the General Obligation Bonds, Series 2024T (Taxable) will pay and reimburse state expenditures for various capital purposes such as affordable housing units, clean energy projects, and basic infrastructure projects.

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.

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Xing Chen Zhu
Lead Analyst
State Ratings
Moody's Investors Service, Inc.
405 Howard Street
Suite 300
San Francisco 94105
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Nicholas Samuels
Additional Contact
State Ratings
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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