

# MOODY'S

## INVESTORS SERVICE

### **Rating Action: Moody's assigns Aaa to State of Texas' GO Water Financial Assistance Bonds, Series 2022A, B, C & D; outlook stable**

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24 Mar 2022

New York, March 24, 2022 -- Moody's Investors Service has assigned Aaa ratings to the State of Texas' \$97.9 million General Obligation Water Financial Assistance Bonds, Series 2022A; \$138.2 million General Obligation Water Financial Assistance Refunding Bonds, Series 2022B; \$13.0 million General Obligation Water Financial Assistance Refunding Bonds, Series 2022C (Economically Distressed Areas Program); and \$18.3 million General Obligation Water Financial Assistance Refunding Bonds, Taxable Series 2022D (State Participation Program), to be issued through the Texas Water Development Board (TWDB). The bonds are expected to price April 20th, 2022. We maintain Aaa ratings on approximately \$15 billion of outstanding state general obligation debt. The outlook is stable.

#### RATINGS RATIONALE

The Aaa general obligation ratings, the same as Texas' Aaa issuer rating, reflect multiple strengths, including a strong economy that in the long run will outpace the nation, robust population growth, reserves that provide a healthy to downturns, strong fiscal management and governance, and low bonded debt, offset by high pension liabilities.

#### RATING OUTLOOK

The outlook for the State of Texas is stable. The state's economic fundamentals and reserve position are strong, but balancing the budget competes with the demand for education, transportation and pension funding in the fast-growing state.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Not applicable

#### FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Departure from strong fiscal management practices
- Departure from the state's recently-enacted plan to pay down the liabilities of the Employees Retirement System on actuarial basis by 2054

#### LEGAL SECURITY

The bonds are full faith and credit general obligations of the State of Texas, expected to be paid from state funds. If the TWDB determines within 15 days of a debt service payment due date that there is a shortage in its payment accounts, the state comptroller is notified and is required to deposit an amount sufficient to make the payment no later than three days prior to the debt service payment date.

#### USE OF PROCEEDS

Proceeds of the Series 2022A bonds will be used to help finance water projects throughout Texas. Proceeds of the Series 2022B, 2022C and 2022D bonds will be used to refund outstanding general obligation water financial assistance bonds for debt service savings.

#### PROFILE

The Texas Water Development Board is a state agency responsible for the state's long-range water planning, including the State Water Plan. It is authorized to issue various types of bonds to help finance those plans.

Texas is the second largest state by population and has the second largest state gross domestic product. Per capita personal income is 98% of the US level and it has the eleventh highest poverty rate among the states.

## METHODOLOGY

The principal methodology used in these ratings was US States and Territories Methodology published in March 2022 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM\\_1299298](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1299298). Alternatively, please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

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Nicholas Samuels  
Lead Analyst  
State Ratings  
Moody's Investors Service, Inc.  
7 World Trade Center  
250 Greenwich Street  
New York 10007

JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653

Emily Raimes  
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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