

**Rating Action: Moody's assigns MIG 1 to Colorado's 2020 GTRANs**

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21 Jul 2020

New York, July 21, 2020 -- Moody's Investors Service has assigned a MIG 1 rating to the State of Colorado's \$600 million General Fund Tax and Revenue Anticipation Notes, Series 2020 (GTRANs).

**RATINGS RATIONALE**

The MIG 1 rating on the GTRANs is based on the State of Colorado's long-term credit quality (Issuer Rating Aa1 stable), ample liquidity in the state's general fund cash flows although general fund liquidity is projected to be narrower than in recent years, and substantial available borrowable resources in funds outside the general fund. Projected available cash at the end of fiscal 2021 including an ending general fund cash balance prior to GTRAN principal repayment of \$1,076.0 million and borrowable resources of \$4,019.5 million, provide an extremely strong 8.5 times coverage of note principal of \$600 million. An additional factor is the state's track record of accurate cash flow projections.

We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. The coronavirus crisis is not a key driver for this rating action. We do not see any material immediate credit risks for the State of Colorado. However, the situation surrounding coronavirus is rapidly evolving and the longer term impact will depend on both the severity and duration of the crisis. If our view of the credit quality of the state changes, we will update the rating and/or outlook at that time.

**RATING OUTLOOK**

No outlook for short term ratings.

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

- A rapid and unanticipated deterioration of the state's liquidity and long-term credit quality.

**LEGAL SECURITY**

The GTRANs are payable from and secured by a pledge of anticipated fiscal 2021 general fund revenues, and, if necessary, proceeds of inter-fund borrowings from other state funds. The notes do not constitute a general obligation or indebtedness of the state. The borrowable funds include 16 major funds and about 600 smaller funds. State highway funds, the state education fund, and certain others are not available for interfund borrowing, and are not included in the available balance projections. (These funds do, however, provide liquidity for the state's separately-secured Education Loan Program Tax and Revenue Anticipation Notes (ETRANs), which are issued to provide cash flow loans to school districts.)

The note payment account is held by the paying agent and may not be used for the payment of general fund expenditures or interfund transfers. The Treasurer has covenanted to deposit pledged revenues in the note payment account on June 15, 2021 in an amount sufficient to pay principal and interest due at note maturity, June 25, 2021.

Additional notes may be issued for the fiscal year subject to constitutional limits on general fund borrowing, but must mature on the same date as the notes and be payable on a parity basis with the notes. No additional notes are anticipated or have been issued in recent years.

**USE OF PROCEEDS**

The Series 2020 GTRANs are being issued to fund temporary cash flow imbalances in the state's general fund during the 2021 fiscal year.

**PROFILE**

Colorado is the 21st largest state by population, at 5.8 million. Its state gross domestic product, \$390.3 billion, is the 16th largest. Income levels are above average--the state's per capita personal income is equal to

108.3% of the US level and its poverty level is among the lowest in the nation.

## METHODOLOGY

The principal methodology used in this rating was Short-term Debt of US States, Municipalities and Nonprofits Methodology published in July 2020 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM\\_1210749](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1210749) . Alternatively, please see the Rating Methodologies page on [www.moodys.com](http://www.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 at: [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

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