

Rating Action: Moody's assigns MIG 1 to Colorado's 2021B ETRANs

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New York, January 04, 2022 -- Moody's Investors Service has assigned a MIG 1 rating to the State of Colorado's \$400 million Education Loan Program Tax and Revenue Anticipation Notes, Series 2021B (ETRANs).

RATINGS RATIONALE

The MIG 1 rating on the ETRANs reflects the State of Colorado's long term credit quality (Issuer Rating Aa1 stable), the strengths of the Education Loan Program's mechanics which include oversight of participating school districts by the state, and the state treasurer's covenant to utilize the state's substantial available liquidity to support full and timely repayment of the notes, if necessary. The rating also incorporates the strong overall credit quality of the participating districts, which mitigates the concentration risk from the largest borrowers.

RATING OUTLOOK

No outlook for short term ratings.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Not applicable.

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 Series 2021B ETRANs are on parity with the state's \$370 million 2021A ETRANs issued in July. The Series 2021A&B ETRANs are secured by loan payments made to the state treasurer by the school districts participating in the state's Education Loan Program. The payments are due on or before June 25, 2022 and are secured by a priority lien on each district's property tax receipts attributed to its General Fund in fiscal 2022 and received in March through June of 2022. Pledged tax receipts are required to be remitted to the state treasurer within one business day of receipt by the district. Participant loan payments have typically been made by May, well in advance of the June 25 payment due date and the June 29 note maturity date.

The note repayment account is held by the paying agent. The participant loans are interest free. Interest on the ETRANs is paid from an interest subaccount funded at closing by the state treasurer from General Fund revenues.

The state treasurer covenants to remedy any shortfall in the note repayment account using other available state funds. If there is a deficiency in the note repayment account, the state treasurer will backfill the shortfall by investing legally available state funds in district loans in advance of the June 29, 2022 maturity, first using available monies in the state's Education Fund and followed thereafter by monies in its Highway Fund. The state projects that the June 30, 2022 balance in the two funds will be \$1.6 billion.

Additionally, the state treasurer may utilize borrowable resources from over 600 other supplemental funds and the General Fund, all of which provide substantial additional liquidity to support timely repayment of the notes. The supplemental funds are the same funds which provided supplemental liquidity, if needed, for any General Fund Tax and Revenue Anticipation Notes (GTRANs) issued for fiscal year 2022. The use of the General Fund and other borrowable funds for the ETRANs is subordinate to the use of these fund to repay the GTRANs. The state currently does not plan to issue GTRANs for fiscal year 2022. The state projects that the June 30, 2022 balance in these funds including the General Fund will exceed \$8 billion.

USE OF PROCEEDS

The Series 2021B ETRANs are issued to provide cash flow loans to participating school districts under the Education Loan Program for fiscal year 2022.

PROFILE

Colorado is the 21st largest state by population, at 5.8 million. Its state gross domestic product, \$390 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 . Alternatively, please see the Rating Methodologies page on 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.

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