



Rating Action: Moody's assigns MIG 1 to Colorado's 2023A ETRANs

29 Jun 2023

New York, June 29, 2023 -- Moody's Investors Service has assigned a MIG 1 rating to the State of Colorado's \$500 million Education Loan Program Tax and Revenue Anticipation Notes, Series 2023A (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

Outlooks are not assigned to 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 2023A ETRANs, along with the parity Series 2023B notes expected to be issued later in the fiscal year, 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, 2024 and are secured by a priority lien on each district's property tax receipts attributed to its General Fund in fiscal 2024 and received in March through June of 2024. 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 mid-May, well in advance of the June 25 payment due date and the June 28 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 28, 2024 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, 2024, balance in the two funds combined will exceed \$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 provide supplemental liquidity, if needed, for any General Fund Tax and

Revenue Anticipation Notes (GTRANS) issued for fiscal year 2024. 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 2024. The state projects that the June 30, 2024 balance in these funds including the General Fund will exceed \$6.7 billion.

USE OF PROCEEDS

The Series 2023A ETRANS are issued to provide cash flow loans to participating school districts under the Education Loan Program for fiscal year 2024.

PROFILE

Colorado is the 21st largest state by population, at 5.8 million. Its nominal state gross domestic product, \$484.4 billion as of 2022, is the 15th largest. Income levels are above average - the state's per capita personal income is equal to 107.0% of the US level after adjusting for regional cost of living and its poverty level is among the lowest in the nation.

METHODOLOGY

The principal methodology used in this rating was US Municipal Short-term Debt Methodology published in May 2023 and available at <https://ratings.moodys.com/rmc-documents/398329>. Alternatively, please see the Rating Methodologies page on <https://ratings.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 on <https://ratings.moodys.com/rating-definitions>.

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