Rating Action: Moody's assigns Aaa to Delaware's Series 2020B General Obligation Refunding Bonds; outlook stable

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New York, June 02, 2020 -- Moody's Investors Service has assigned a Aaa rating to the State of Delaware's $33.1 million General Obligation Refunding Bonds, Series 2020B. The state plans to price the Series 2020B bonds the week of June 8. The outlook is stable.

RATINGS RATIONALE

Delaware's Aaa rating is supported by its healthy and stable finances and its strong management and governance, all of which enhance the state's capacity to weather the economic downturn caused by the coronavirus outbreak. The state's recent growth in reserves provides a greater cushion to absorb the current downward pressure on key revenues, such as personal income taxes. Over the longer-term, the state's well-established process for monitoring revenue and its statutory limits on annual spending growth will remain important tools that aid financial management. Also incorporated in the rating is Delaware's leverage, which is high as a share of GDP relative to highly-rated states and largely stems from the state assuming total responsibility for funding post-employment benefits of local school districts.

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 Delaware. 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 Delaware changes, we will update the rating and/or outlook at that time.

RATING OUTLOOK

The stable outlook is supported by the state's strong reserves and structural governance features, which will help preserve a sound financial position relative to peers.

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Growth in spending that the state accommodates with nonrecurring resources or a material use of reserves
- A sustained and material slowdown in economic expansion that is a drag on revenue growth
- Growth in long-term liabilities that outpaces expansion of the state's economy

LEGAL SECURITY

The 2020B bonds, like outstanding general obligation bonds of Delaware, are secured by the full faith and credit pledge of the state.

USE OF PROCEEDS

The 2020B bonds will refinance outstanding debt for anticipated debt service savings.

PROFILE

Delaware is the sixth-smallest state in the US, based on its estimated population of just under 975,000. The state's estimated 2019 gross domestic product of $75.4 billion, ranks 41st among states. Delaware's personal income per capita is $54,300, or roughly 96% of the national level.

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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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1133569.

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