

## Hawaii 2019 GO Bonds Assigned 'AA+' Rating; Other Ratings Affirmed

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NEW YORK (S&P Global Ratings) Jan. 25, 2019--S&P Global Ratings assigned its 'AA+' long-term rating to Hawaii's planned series 2019 FW general obligation (GO) bonds, series 2019 FX taxable GO bonds, and series 2019 FY taxable GO bonds.

At the same time, we affirmed our 'AA+' long-term rating and underlying rating (SPUR) on Hawaii's outstanding GO bonds, and our 'AA' long-term rating on the state's certificates of participation (COPs) based on the application of our "Issue Credit Ratings Linked To U.S. Public Finance Obligors' Creditworthiness" criteria (published Jan. 22, 2018, on RatingsDirect). The outlook on all the state's debt ratings is stable.

"The 'AA+' GO rating reflects our view of the state's strong financial position, slow but steady economic growth based on a healthy tourism sector, the prioritizing of contributions to the retiree health care benefits system, and management's well-established, proactive budget monitoring practices," said S&P Global Ratings credit analyst Ladunni Okolo.

The proceeds from the 2019 bonds will be used to finance expenditures for appropriated public purposes and the costs of various public improvement projects. All GO bonds are secured by Hawaii's full faith and credit, which the state considers as its highest payment priority, according to its constitution.

"We have assigned a stable outlook to Hawaii's ratings considering its

currently strong financial reserves, which remain particularly important for the state given our expectation of a modest structural gap through 2021 and its above-average fixed costs stemming from its high debt and relatively large long-term liabilities," added Ms. Okolo. Despite the progress and commitment Hawaii has demonstrated with regard to its pension and other long-term liabilities, we believe these obligations currently represent a constraint on upward movement of the ratings. We specifically do not expect to raise the rating until the state has shown a steady trend toward a well-funded pension system, which we believe is beyond the current outlook period.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

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