



Rating Action: Moody's assigns A1 to West Virginia EDA's \$142M Lottery Ref. Rev. Bonds, Ser. 2017

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New York, December 05, 2017 -- Issue: Lottery Refunding Revenue Bonds, Series 2017; Rating: A1; Rating Type: Underlying LT; Sale Amount: \$142,000,000; Expected Sale Date: 12/11/2017; Rating Description: Special Tax: Non-Sales/Non-Transportation;

Summary Rating Rationale

Moody's Investors Service has assigned an A1 rating to the West Virginia Economic Development Authority's \$142 million Lottery Refunding Revenue Bonds, Series 2017. The outlook is stable.

The A1 rating reflects ample debt service coverage for all lottery revenue debt, balanced by continued declines in pledged lottery revenues given increases to out-of-state competition. The bonds also benefit from a back-up pledge of revenues from the State Excess Lottery Revenue Fund, further increasing coverage for creditors.

Rating Outlook

The outlook for the state's Lottery Fund bonds is stable, reflecting the expectation for strong coverage despite expected continued declines in pledged revenues. The stable outlook also reflects a significant decline in future out-of-state competition given the current legislative landscape in neighboring states.

Factors that Could Lead to an Upgrade

Constitutional protection of the pledged revenues

Trend of healthy revenue growth

Stronger additional bonds test

Factors that Could Lead to a Downgrade

Continuing decline in revenues

Significant dilution of debt service coverage

Weakening of the state's economy

Legal Security

The bonds are secured by lottery revenues that flow into the State Lottery Fund, consisting of net profits from instant and online games, excluding the Veterans' Instant Lottery game and certain racetrack video lottery game revenue. The bonds are also secured by revenues that flow into the State Excess Lottery Revenue Fund, subordinate to debt service payments for all bonds outstanding and secured by the State Excess Lottery Revenue Fund. Revenues in the State Excess Lottery Revenue Fund are comprised of receipts from certain racetrack video games, table games and receipts from operations at the Greenbrier Resort, as well as limited video lottery receipts and fees. The Lottery Act requires that priority of payment be given to certain debt service payments over other transfers out of the fund. Debt service on the current issuance is subordinate to debt issued by the School Building Authority but will be paid before debt by the Higher Education Policy Commission.

Use of Proceeds

Bond proceeds will be used to advance refund the commission's outstanding Series 2010A bonds for expected net present value savings. The savings will be used to fund capital projects.

Obligor Profile

The West Virginia Higher Economic Development Authority is tasked with the promotion and retention of commercial and industrial development across the state. Proceeds from the bonds issued under the Education, Arts, Sciences and Tourism (EAST) program are used to fund capital projects at state universities, colleges and parks, as well as the capitol complex. The State of West Virginia is the 38th most populous state, with an estimated 2016 population of 1.8 million residents. Its state gross domestic product is approximately \$74 billion. The state has relatively low industrial diversity, above-average concentration in the natural resource industry and relatively low income levels equal to 76% of the US average.

Methodology

The principal methodology used in this rating was US Public Finance Special Tax Methodology published in July 2017. Please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

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