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S&P U.S. Local Governments Credit Brief: Washington Counties And Municipalities Means And Medians

Overview

Over the past year, negative rating actions have increased among Washington municipalities and counties, despite maintaining stable credit quality, and more local governments (LGs) project reduced reserves due to operational challenges. The expiration of pandemic-related one-time grants, rising operational costs, and moderating local revenue growth are key factors constraining budgets, and S&P Global Ratings expects this will continue to pressure the finances of some LGs.

We took 15 rating actions since August 2025 on Washington LGs: two positive rating actions; 10 negative rating actions (where two were assigned negative outlooks), and three outlook revisions to negative from stable without changing the rating. Negative rating actions were mostly due to deteriorating financial performance, leading to an erosion of available reserves that deviated notably from the national trend. In some cases, negative rating actions were a byproduct of overall revenue constraints, rising operational costs, particularly related to public safety, multiple years of delayed financial reporting, and budgetary growth diluting the relative strength of available reserves. Meanwhile, positive rating actions were typically due to what we view as sustained reserve buildup and proactive financial management with robust economic metrics also supporting a higher rating.

While economic trends continued to outpace national averages, the state’s population growth has slowed, largely due to lower immigration and affordability challenges, particularly in the Seattle region. Given the growing cost environment and slowing revenue trends, prudent budget management and maintenance of sufficient financial buffers will prove key to preserving credit quality during the next two years.

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