

STATE OF WASHINGTON

2019 DEBT AFFORDABILITY STUDY DIGEST



Washington State Treasurer
Duane A. Davidson
 Service, Security, Transparency

\$20.9 billion

Total amount of outstanding debt and other financial obligations, with \$2.1 billion of debt service due in FY 2019

179%

Percent by which the State's Various Purpose General Obligation debt has increased since FY 1999

5.31%

Percent of Near General-Fund State revenues allocated to pay Various Purpose General Obligation debt service in FY 2019

\$2,662

Amount due from every Washingtonian to repay all outstanding debt and other financial obligations

This handout highlights the findings of the 2019 Debt Affordability Study.

Copies of the full report can be found on our website:

<https://tre.wa.gov/wp-content/uploads/2019-Debt-Affordability-Study.pdf>

Bond proceeds pay for a variety of important projects, including school and hospital funding, floodplain management, state park preservation, and the construction of bridges, tunnels, and other improvements. Over the past twenty years, Washington has relied heavily upon debt to finance these projects. Since FY 1999, the State's outstanding general obligation (GO) debt increased from \$6.9 billion to over \$19.0 billion today. In FY 2019, the State will spend more than \$1.3 billion on debt service payments for its Various Purpose GO bonds, or 5.31% of total Near General-Fund State revenues.

Washington has the 6th highest debt per capita in the country. Every Washingtonian would have to contribute \$2,662 to fully repay the State's debt, well over the national median of \$987. Despite having high debt levels, the three major rating agencies (Standard & Poor's, Moody's, and Fitch) have confirmed strong long-term credit ratings for the State, reflecting a robust local economy, good access to liquidity, prudent financial management, and relatively well-funded pensions.

Overview of Debt and Other Financial Obligations

Credit Ratings

GO Bond Credit Ratings		
AA+	Aa1	AA+
S&P	Moody's	Fitch

COP Credit Ratings*		
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	Moody's	

*Certificates of Participation, secured by lease-purchase financing contracts, are a separate credit and receive a standalone rating

Amount Outstanding

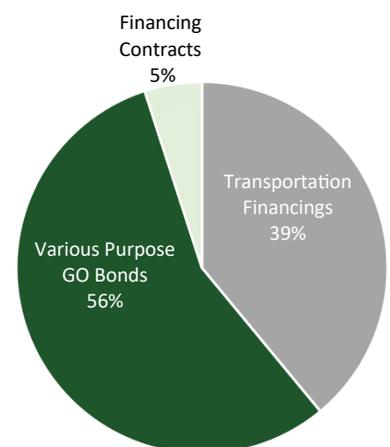
As of 12/31/2018 (\$ in millions)

Various Purpose (VP) & Transportation-Related Bonds	
<i>GO-Backed Bonds</i>	
VP GO	\$11,792
Motor Vehicle Fuel Tax GO	6,599
Triple Pledge	583
Subtotal	\$18,975
<i>Non-GO Backed Bonds</i>	
GARVEE*	\$517
TIFIA**	295
Subtotal	\$812
Total VP & Transportation-Related Bonds	\$19,787
<i>Financing Contracts</i>	
Certificates of Participation	\$814
"63-20" Lease Revenue Bonds	303
Subtotal	\$1,117
Total Debt & Other Financial Obligations	\$20,904

*Grant Anticipation Revenue Vehicle

**Transportation Infrastructure Finance and Innovation Act

By Purpose



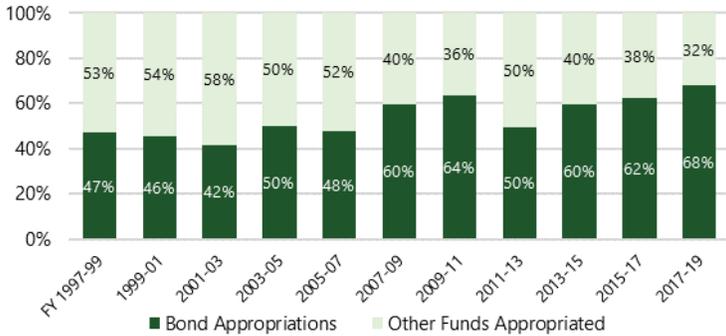
Source: Office of the State Treasurer

This study has not been prepared with a view to, nor is it suitable for, any investment decision in the bonds of the State of Washington or any of its agencies. Any investor in the bonds of the State or any of its agencies should obtain the filings of the State at EMMA.msrb.org related to those bonds before making any investment decision.

Debt vs. Pay-Go

Since the Great Recession, bond proceeds have funded a larger portion of the State's capital budgets. From FY 1997 to FY 2007, bond proceeds accounted for 47% of capital budget funding sources. In the ten years following the Great Recession, this average increased to 59%. In the 2017-19 biennium, bond proceeds account for approximately 68% of appropriations, the highest portion in the last 30 years.

Capital Budget Funding Source Ratio



Source: Legislative Evaluation & Accountability Program (LEAP) Committee

Debt Limit

- The Washington State Constitution places a limit on the amount of debt service (payments of principal and interest) the State can pay on certain forms of debt.
- The maximum annual debt service (MADS) for bonds subject to the debt limit is equal to no more than 8.25% of the 6-year mean of general state revenues.
- The FY 2019 Debt Limit Report, published by the Office of the State Treasurer on December 21, 2018, certified that the State was \$316.2 million under the debt limit, based upon the difference between:
 - 8.25% of the 6-year mean of general state revenues (\$1.511 billion)
 - MADS as of November 13, 2018 (\$1.194 billion)

Debt Metrics

Rating agencies compile metrics that compare the credit profiles of states throughout the country. Washington ranks amongst the top ten most leveraged states across all metrics.

*The adjacent rankings are provided by Moody's and S&P, respectively.

7th & 6th Highest debt per capita *

10th & 9th Highest debt as a % of personal income *

8th & 8th Highest debt as a % of gross state product *

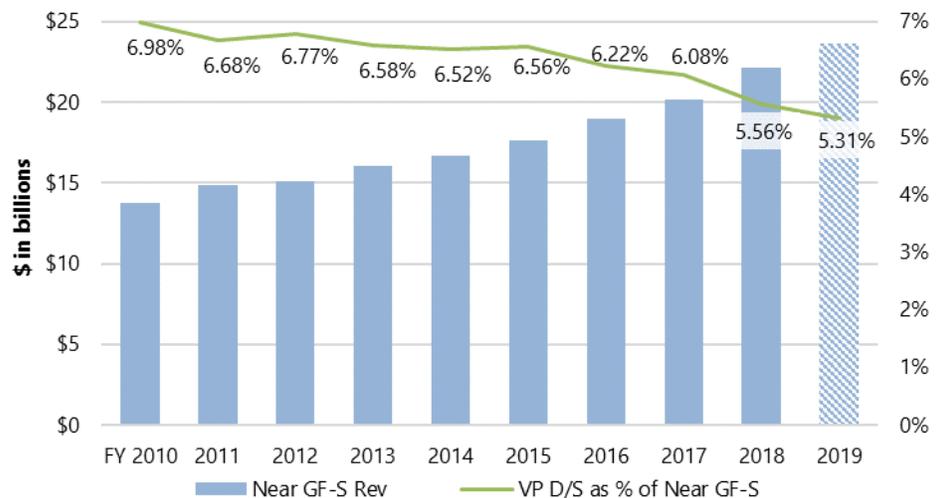
Various Purpose GO Debt Service as a Percent of Near General Fund-State Revenues*

The State projects \$23.7 billion in Near General Fund-State revenues and \$1.3 billion in Various Purpose GO debt service payments in FY 2019.

This equates to 5.31% of Near General Fund-State revenues being used to pay debt service in FY 2019.

This is the lowest percentage of debt service to Near General Fund-State revenue since before the 2008 recession.

Prior to the Great Recession (2000-2008), debt service as a percent of Near General Fund-State revenues averaged 5.5%.



*Near General Fund-State revenues include General Fund-State as well as the Education Legacy Trust Account (ELTA) and Opportunity Pathways Account (OPA) which are used for K-12 and higher education.
Source: Economic & Revenue Forecast Council; Office of the State Treasurer