

Debt Administration

State Finance Committee

The Debt Management Section of the Office of the State Treasurer provides staff support to the State Finance Committee. The committee is composed of the Governor, Lieutenant Governor, and State Treasurer, the latter being designated by law as chairman. By statutory provision, the committee is delegated authority to supervise and control the issuance of all state bonds.

Bond Program

During fiscal year 2004, the State Finance Committee sold \$1.168 billion in new money general obligation and motor vehicle fuel tax general obligation bonds. Outstanding general long-term bonded debt as of June 30, 2004 totaled \$9.329 billion, an increase of 9.14 percent over June 30, 2003. Bonds were issued for various capital and transportation projects and refunding purposes.

Over the past 20 years, the State Finance Committee has undertaken refunding operations to reduce interest costs on outstanding state indebtedness. Fiscal year 2004 operations involved the sale of \$243.155 million various purpose general obligation refunding bonds and \$213.520 million motor vehicle fuel tax general obligation refunding bonds to refund bonds issued at average coupons of 5.685 percent. True interest costs on the refunding bonds ranged from 3.78 percent to 4.16 percent. Gross or nominal savings over the life of the refunded bonds was \$45.474 million and present value savings were \$34.949 million -- a ratio of present value savings to new issue size of 7.653 percent. Over the course of the 20-year refunding effort, gross savings from all refunding transactions to date have amounted to \$591.681 million or \$403.977 million on a present value basis.

For fiscal year 2004, the rates for the \$174.4 million outstanding in adjustable rate general obligation bonds have varied between 0.60 percent and 1.15 percent, with an average rate of 0.890 percentage for the fiscal year.

General obligation debt is subject to statutory limitation as prescribed by the Washington State Constitution and the Revised Code of Washington. For the fiscal year that ended June 30, 2004, the maximum debt authorization subject to limitation was \$6.3 billion. This does not include motor vehicle fuel tax debt or certain reimbursable debt exempt from the statutory debt limit.

The ratio of general long-term debt to market value and the amount of bonded debt per capita are useful indicators of the state's debt position. These ratios as of June 30, 2004 are as follows:

	Amount (Millions)	Ratio of Debt to Market Value Taxable Property	Debt per Capita
General Long-Term Bonded Debt (excluding accreted interest)	\$9,329	1.66%	\$1,514

Lease Purchase Program

The Office of the State Treasurer continued its administration of the state Lease-Purchase Program that has been in existence since fiscal year 1990. This program enables state agencies to realize substantial savings by financing the acquisition of real and personal property at tax-exempt interest rates.

On September 1, 1998, the state Lease-Purchase program was extended to enable local government to participate in low cost financing of essential equipment (Local Option Capital Asset Lending Program (LOCAL)). The program allows local participants to pool their financing requests together with Washington state agencies for lower tax-exempt interest rates, a rating of Aa2 from Moody's, and standardized documentation. The LOCAL Program was authorized to begin financing real property for local governments on July 1, 2000. At June 30, 2004, 24 local agencies have \$7.9 million outstanding in real estate projects.

As of June 30 there were \$563.6 million in outstanding certificates of participation. Underlying this amount were financing contracts in the amounts of \$499.1 million for 57 state agencies and \$40.1 million for 165 local agencies for a total of \$539.2 million. The balance represents \$1.8 million unamortized costs of issuance and \$22.6 million collected June 1 for transfer to the fiscal agent on July 1.

School Bond Guarantee Program

During the 1999 legislative session, the Washington State Legislature passed Senate Joint Resolution 8206, effectively creating a Washington State school district credit enhancement program. The program's purpose is to provide savings to state taxpayers by pledging the full faith and credit of the state of Washington to the payment of voter-approved school district general obligation bonds.

The State Treasurer introduced the new school bond credit enhancement program in March 2000. The program was well accepted by schools across the state. At the end of the fiscal year 2004, 157 school districts' voter-approved general obligation debt, with a total outstanding principal of \$3.8 billion, has been guaranteed under the program.