

## 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 2010, the State Finance Committee sold \$1.08 billion in new money various purpose general obligation and \$2.06 billion motor vehicle fuel tax general obligation bonds. Outstanding general long-term bonded debt as of June 30, 2010 totaled \$16.6 billion, an increase of 17.6 percent over June 30, 2009. Bonds were issued for various capital and transportation projects.

The Office of the State Treasurer also executed two refunding sales: \$601.9 million various purpose general obligation refunding bonds and \$121.2 million motor vehicle fuel tax general obligation refunding bonds. On a present value basis, savings over the life of the refunded bonds exceeds \$57.6 million. Debt service savings in the 2009 – 11 biennium total \$11.9 million and for the 2011 – 13 biennium debt service savings total nearly \$8 million.

On an annualized basis, FY 2010 variable rate demand obligations (VRDO) interest rates were only 0.38% (including remarketing and liquidity costs). VRDO's short-term interest rates have consistently been substantially below the long-term rates since the mid-1990's. Approximately \$131 million VRDO bonds are outstanding.

General obligation debt is subject to constitutional limitations as prescribed by the Washington State Constitution. As of June 30, 2010, the aggregate debt contracted by the state did not exceed that amount for which payments of principal and interest in any fiscal year would require the state to expend more than nine percent of the arithmetic mean of its general state revenues for the three immediately preceding fiscal years. The arithmetic mean of its general state revenues for fiscal years 2007, 2008, and 2009 is \$12,518,405,539. The debt service limitation, nine percent of this mean, is \$1,126,656,499. The state's maximum annual debt service as of June 30, 2010, on debt service subject to the constitutional debt limitation is \$971,256,899 or \$155,399,600 less than the debt service limitation.

### Lease Purchase Program

The Office of the State Treasurer continued its administration of the state Lease-Purchase Program that enables state agencies to realize substantial savings by financing the acquisition of real and personal property at low tax-exempt interest rates.

In September 1998, the Lease-Purchase program was extended to enable local governments to participate. The Local Option Capital Asset Lending Program (LOCAL) allows local participants to pool their financing needs with state agencies providing economies of scale, a rating of Aa2 from Moody's, and standardized documentation. LOCAL has financed 506 equipment transactions totaling over \$100 million and 61 real estate transactions for \$54.2 million on behalf of more than 280 local governments.

As of June 30 there were \$772.7 million in outstanding certificates of participation. Underlying this amount were financing contracts in the amounts of \$690 million for 55 state agencies and \$83 million for 181 local governments. The balance also represents \$613 million amortized costs of issuance and \$55.0 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 bond 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.

Since its implementation in 2000 the program has been widely used by school districts. As of FY 2010 bonds totaling nearly \$11 billion have been issued by 211 school districts under the program, with \$8.097 billion outstanding.