

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 2012, the State Finance Committee sold \$781.1 million in new money Various Purpose General Obligation bonds and \$528.8 million in new Motor Vehicle Fuel Tax General Obligation bonds. Bonds were issued for various capital and transportation projects.

The state also sold two other forms of debt during fiscal year 2012 -- both to provide funds for a portion of costs of the SR 520 Floating Bridge and Eastside Project. The state sold \$518.8 million in "Triple Pledge Bonds:" first payable from toll revenue, then state excise taxes on motor vehicle and special fuels, and finally from the state's full faith and credit. The state sold \$500.4 million in Federal Highway Grant Anticipation Revenue Bonds (GARVEE). The GARVEE bonds are limited obligations of the state payable from and secured solely by pledged federal aid, which is all funds received by the state pursuant to its obligation authority under the Federal-Aid Highway Program administered by the Federal Highway Administration.

Outstanding long-term bonded debt as of June 30, 2012 totaled \$18.4 billion.

The state also executed two refunding sales: \$1,195.1 million various purpose general obligation refunding bonds and \$313.4 million motor vehicle fuel tax general obligation refunding bonds. On a present value basis, savings over the life of the refunded bonds total \$206.8 million. Debt service savings in the 2011-13 Biennium total \$25.7 million.

On an annualized basis, FY 2012 variable rate demand obligations (VRDO) all-inclusive interest rates were 0.66% (including 0.52% in 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 \$108.8 million VRDO bonds are outstanding.

General obligation debt is subject to constitutional limitations as prescribed by the Washington State Constitution. As of June 30, 2012, 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 2009, 2010, and 2011 is \$12,079,781,192. The debt service limitation, nine percent of this mean, is \$1,087,180,307. The state's maximum annual debt service as of June 30, 2012, on debt service subject to the constitutional debt limitation is \$1,031,443,349 or \$55,736,959 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.

Since 1998, the Lease-Purchase program has been extended to local governments in the Local Option Capital Asset Lending Program (LOCAL). The LOCAL program provides economies of scale, the state's COP rating, and standardized documentation. LOCAL has financed 548 equipment transactions totaling \$128 million and 67 real estate transactions for \$56.9 million on behalf of more than 280 local governments.

As of June 30 there were \$567.9 million in outstanding certificates of participation. Underlying this amount were financing contracts in the amounts of \$490.1 million for 51 state agencies and \$77.8 million for 188 local governments.

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 June 30, bonds totaling over \$13 billion have been issued by 212 school districts under the program, with \$8.33 billion outstanding.