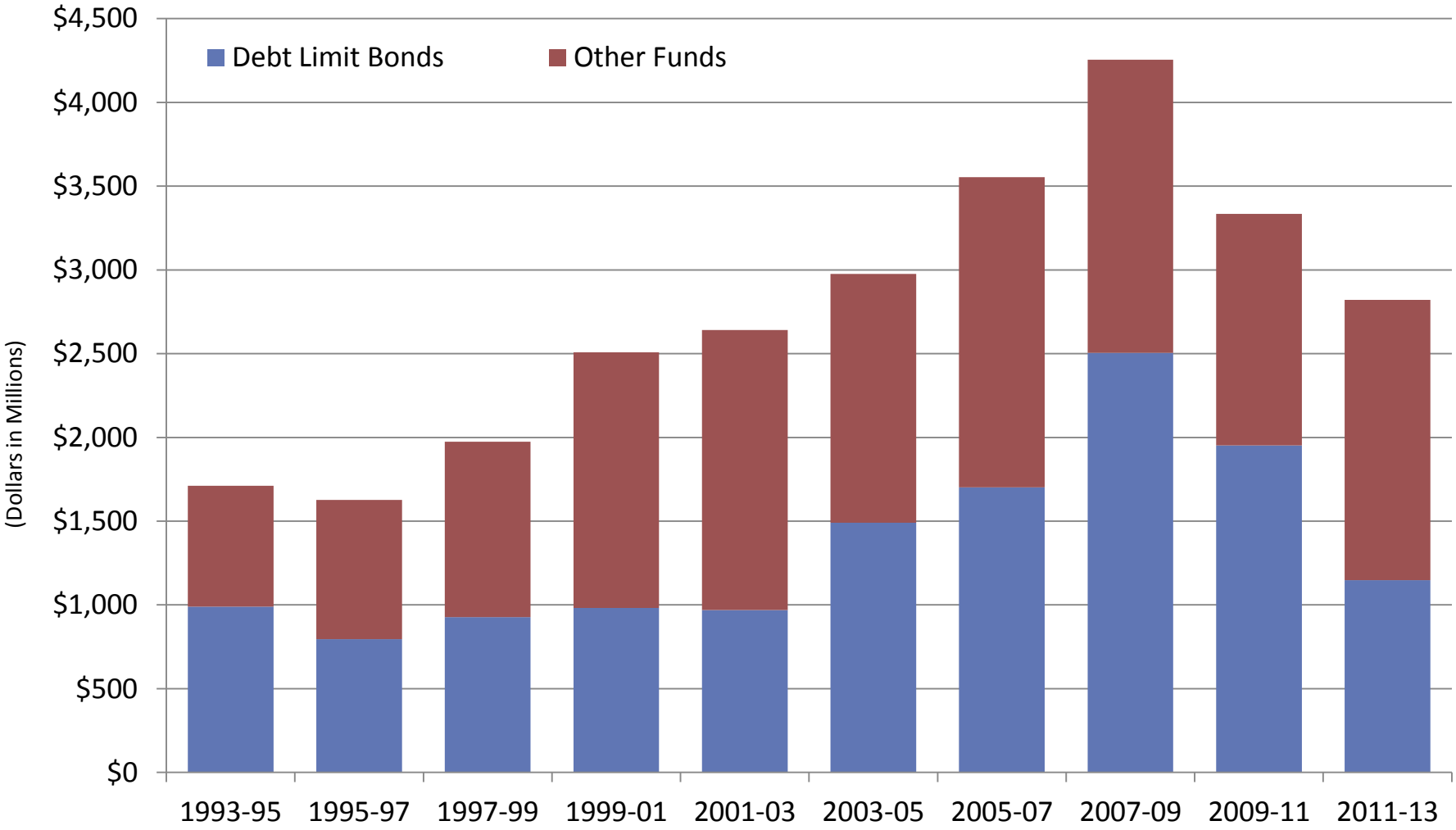
Commission on State Debt

Staff Presentation

October 6, 2011

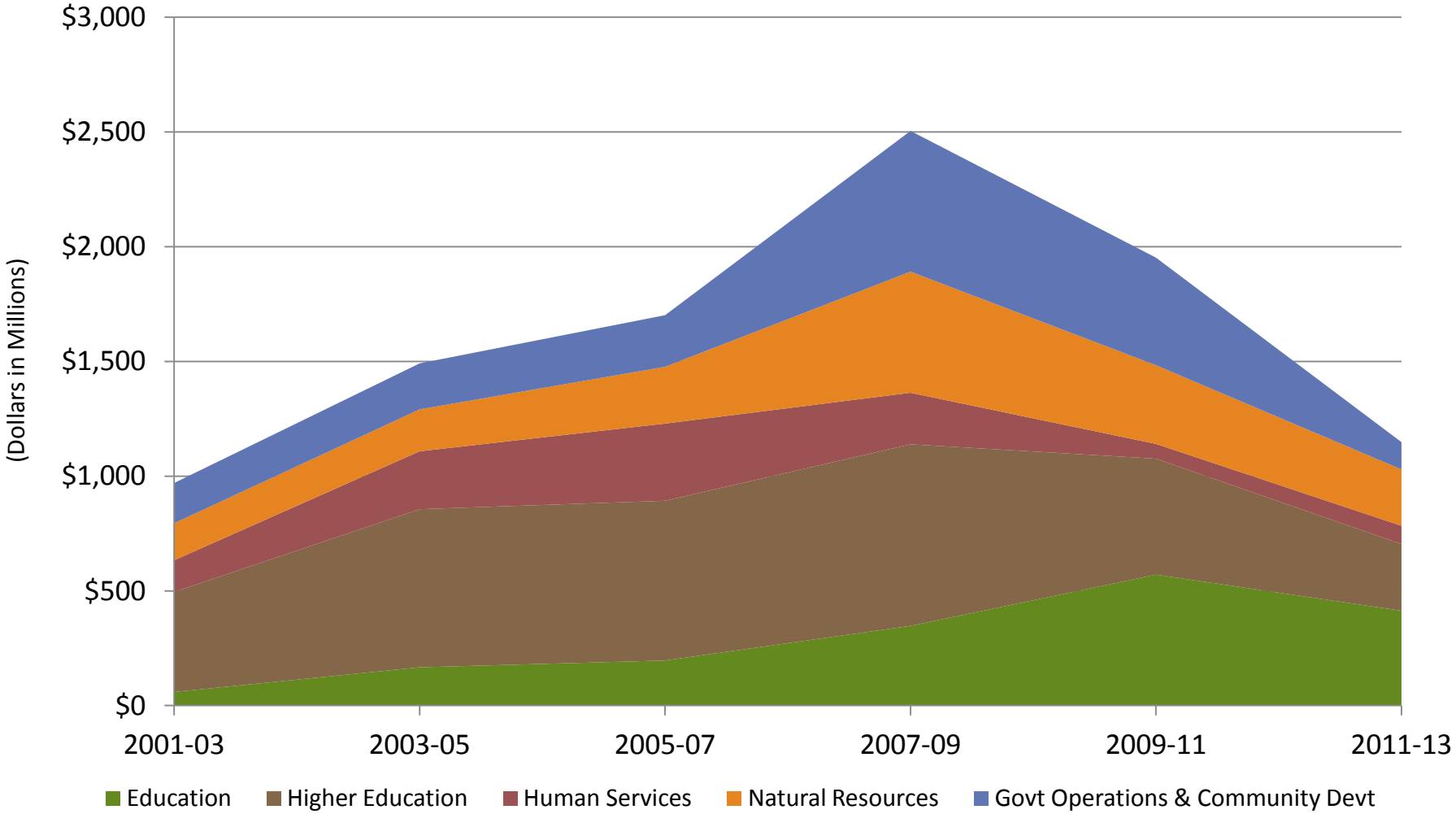
Capital Budget Overview

Capital Budget Appropriation History



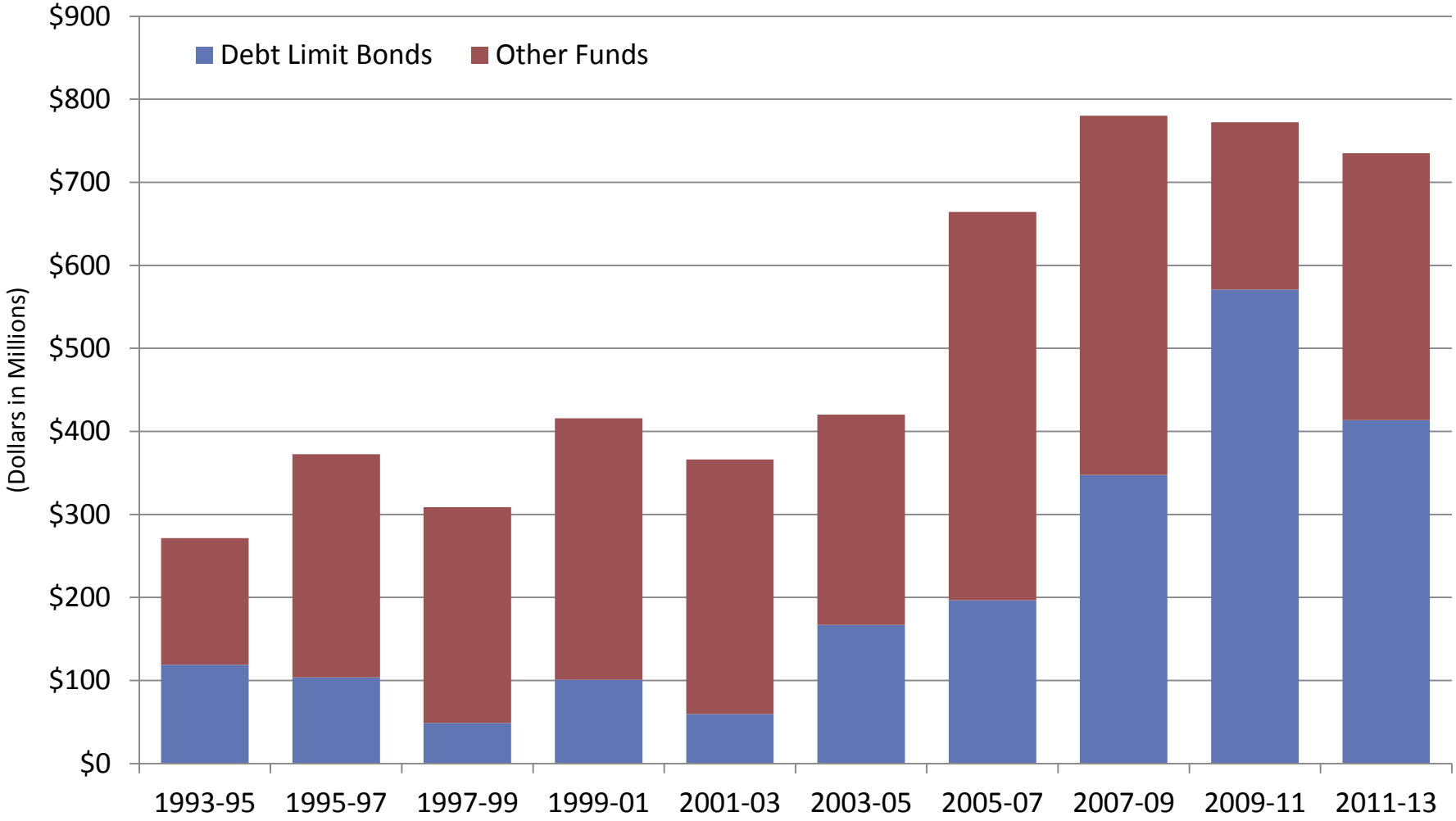
Source: Legislative Evaluation & Accountability Program (LEAP) Committee.

Capital Budget Functional Area History
Debt Limit Bond Appropriations



Source: Legislative Evaluation & Accountability Program (LEAP) Committee.

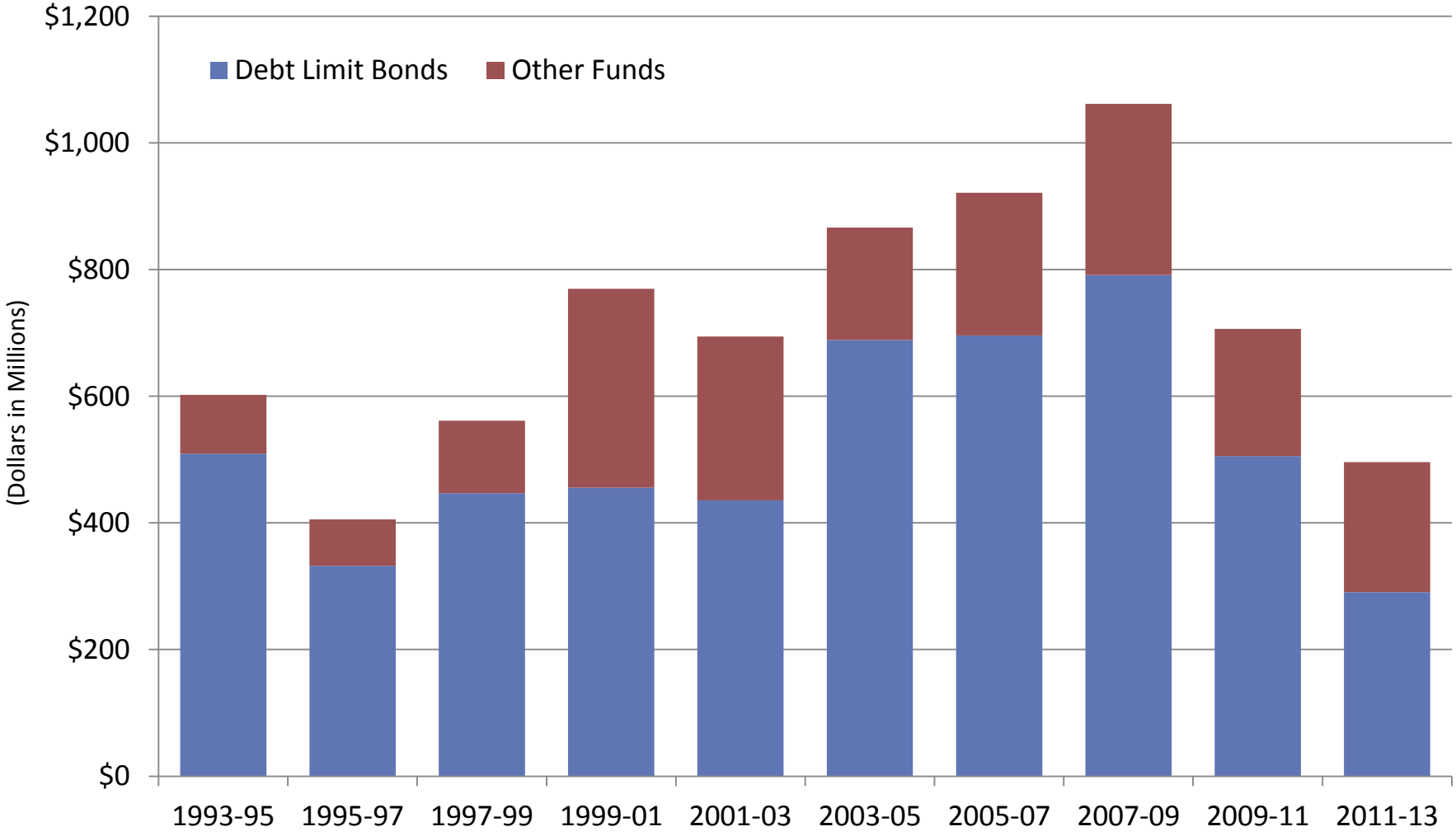
Capital Budget Appropriation History
Overview of Education



Note: Education includes K-12 Public Schools, Schools for the Deaf and Blind, and State Historical Societies.

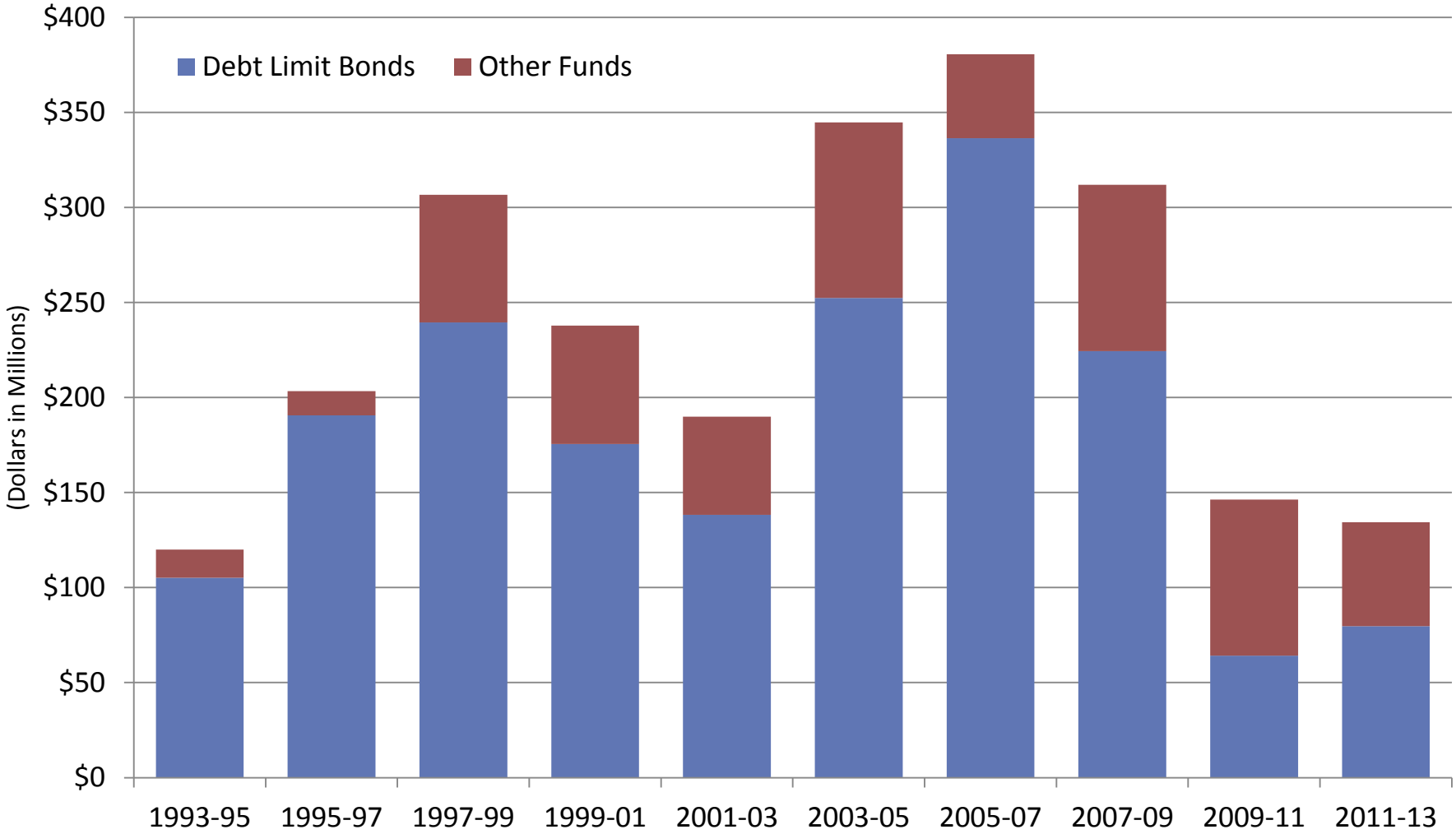
Source: Legislative Evaluation & Accountability Program (LEAP) Committee.

Capital Budget Appropriation History
Overview of Higher Education



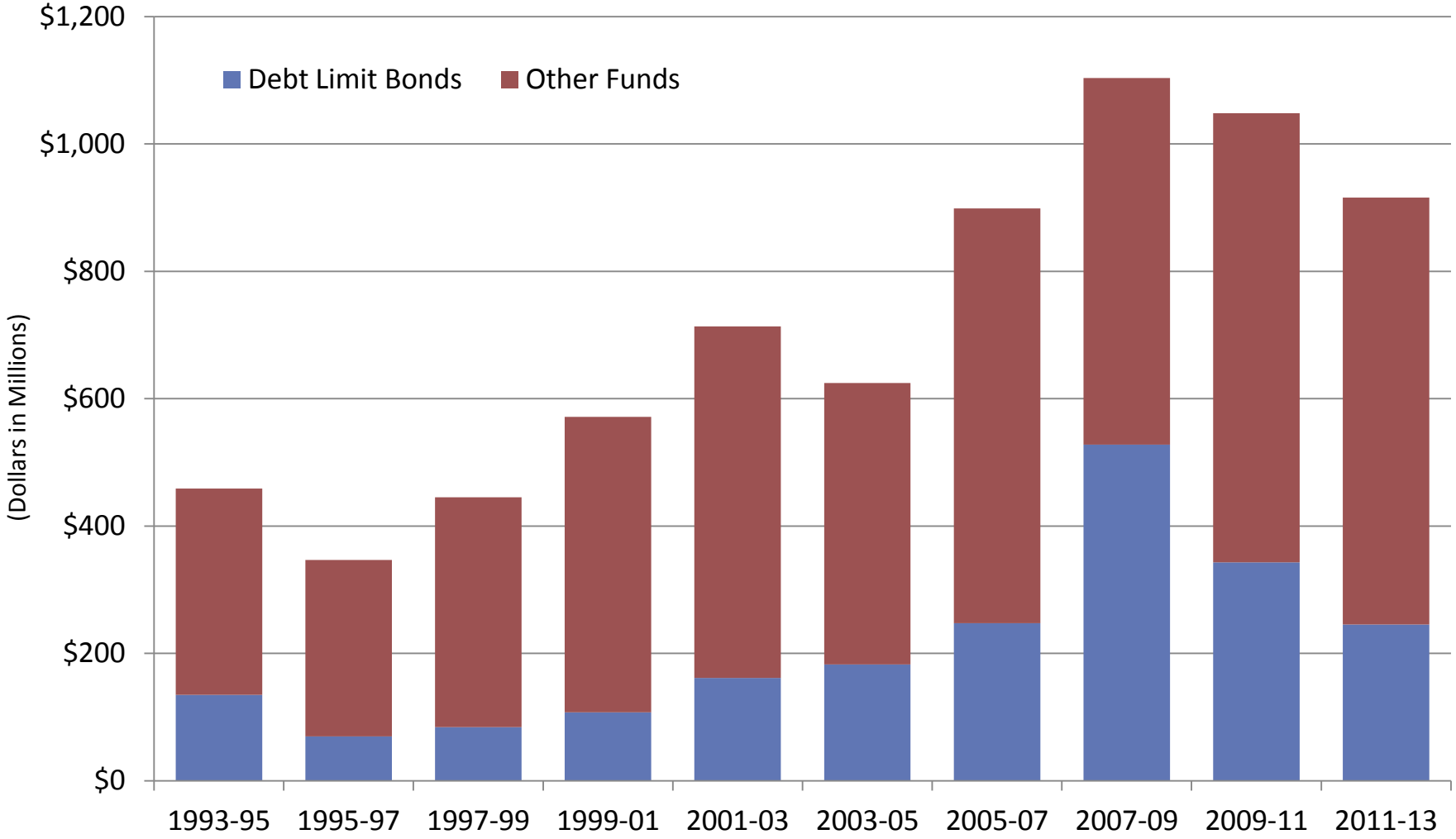
Source: Legislative Evaluation & Accountability Program (LEAP) Committee.

Capital Budget Appropriation History
Overview of Human Services



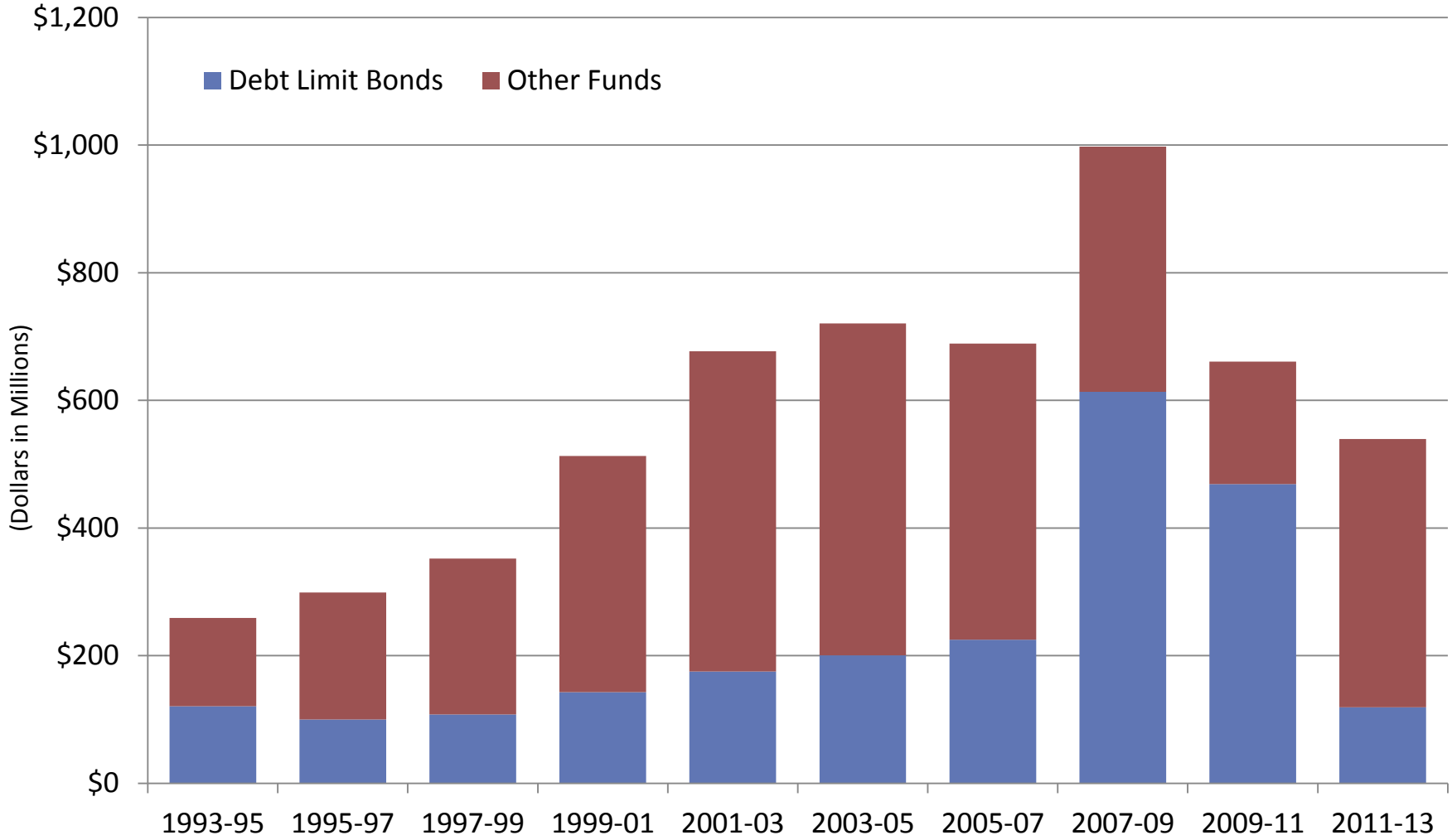
Source: Legislative Evaluation & Accountability Program (LEAP) Committee.

Capital Budget Appropriation History
Overview of Natural Resources



Source: Legislative Evaluation & Accountability Program (LEAP) Committee.

Capital Budget Appropriation History
Overview of Govt Operations & Community Devt



Source: Legislative Evaluation & Accountability Program (LEAP) Committee.

Examples of Capital Budget Programs that Leverage Non-State Resources

- Housing Trust Fund
- Competitive Grant Programs
  - Building for the Arts
  - Youth Recreational Facilities
  - Building Communities Fund
  - Heritage Program
- PWAA
- K-12 Construction Assistance Grants
- Energy Efficiency Grants (K-12 and HE)
- WWRP
- ALEA
- Puget Sound Restoration

Transportation Budget Overview

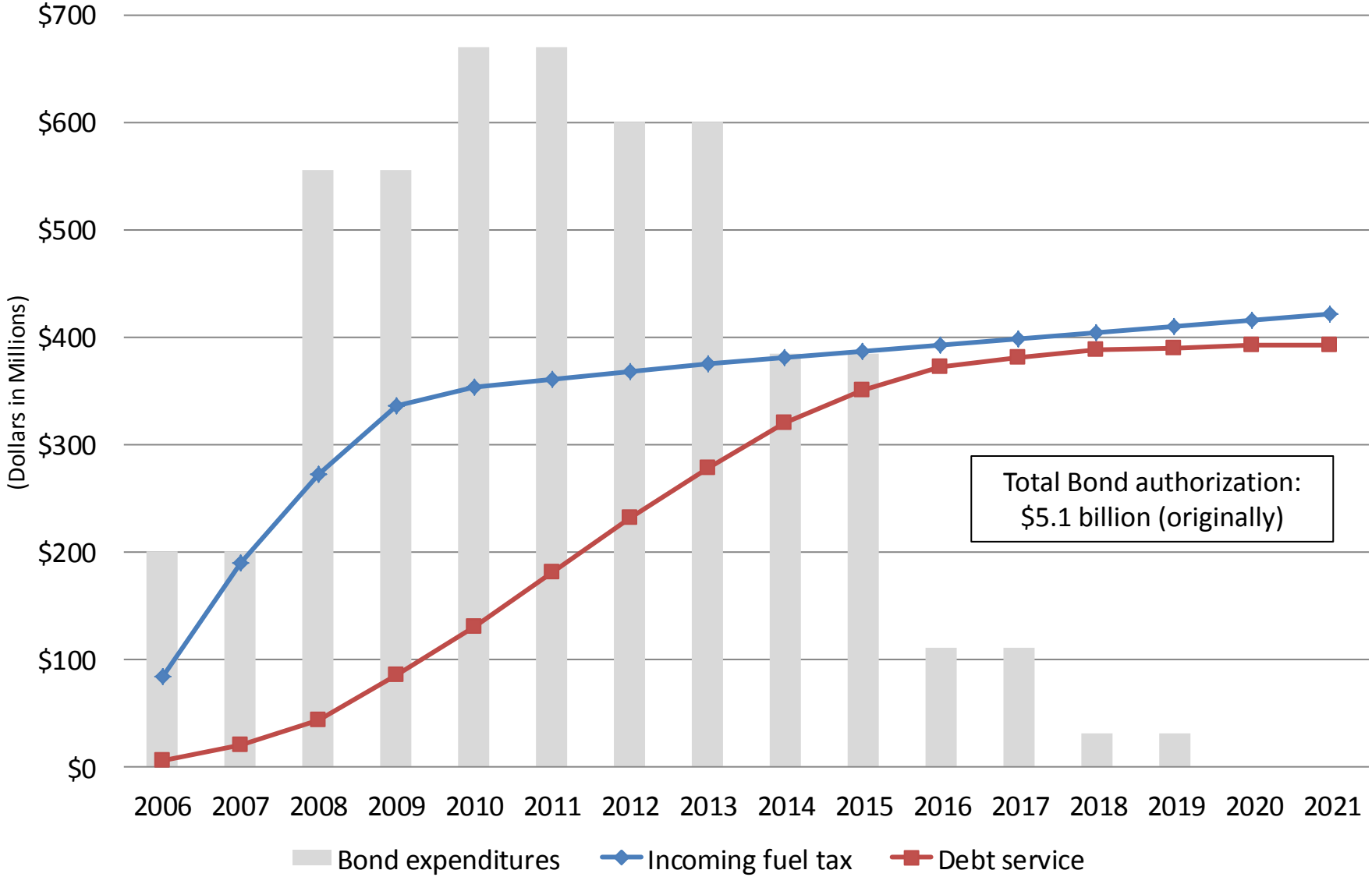
Background

- Significant bond authorizations for transportation have been historically tied to fuel tax increases.
- Before 2003, no significant fuel tax increase had been enacted in over a dozen years.
- During that period, some bonds were authorized (e.g., through Referendum 49 in 1998) but few issuances made.

Background

- In 2003 and 2005, the Legislature enacted fuel tax increases of 5 and 9.5 cents, respectively, as part of larger funding packages.
- At the same time, transportation bond authorizations of $2.6 billion (in 2003) and $5.1 billion (in 2005) were enacted.
- Expectation: Most of the revenue streams from the fuel tax increases would be leveraged to finance the bonds.

Transportation Partnership Act (TPA) 2005 - Bond Expenditure, Revenue, & Debt Service Assumptions at Passage

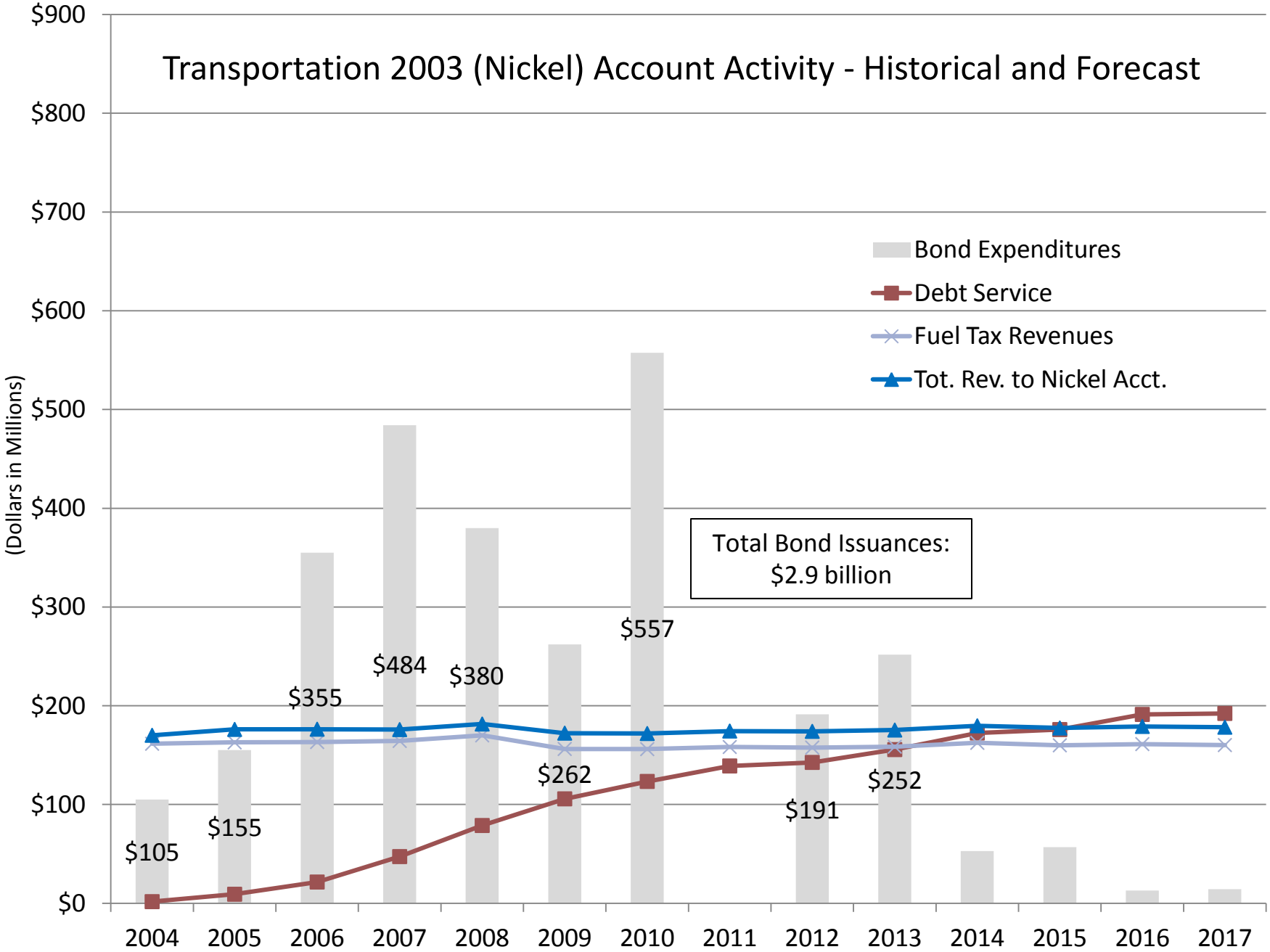


Implementation of Transportation Funding Packages

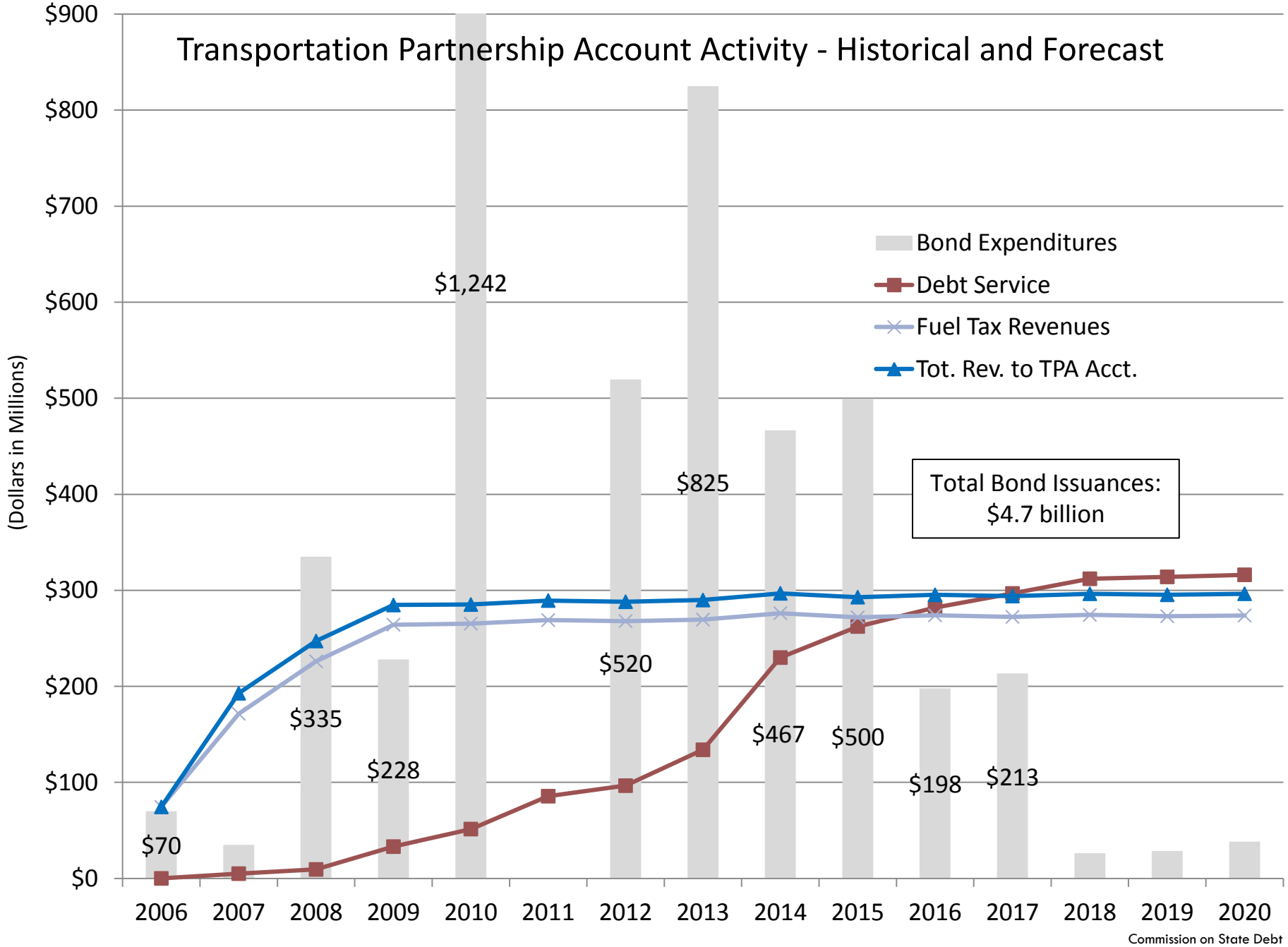
- Since the passage of the 2003 and 2005 transportation packages, the Legislature enacted additional bonding authorizations (to $5.3 billion for TPA, $3.2 billion for Nickel).
- However, rising labor and materials costs in the mid-2000's required a delay or postponement of some projects.

Implementation of Transportation Funding Packages

- In addition, changes in fuel consumption patterns in recent years have led to lower forecasts of tax collections.
- On the bright side: the recent recession has created a favorable project bidding environment that is expected to allow delivery of remaining projects at a much lower cost.



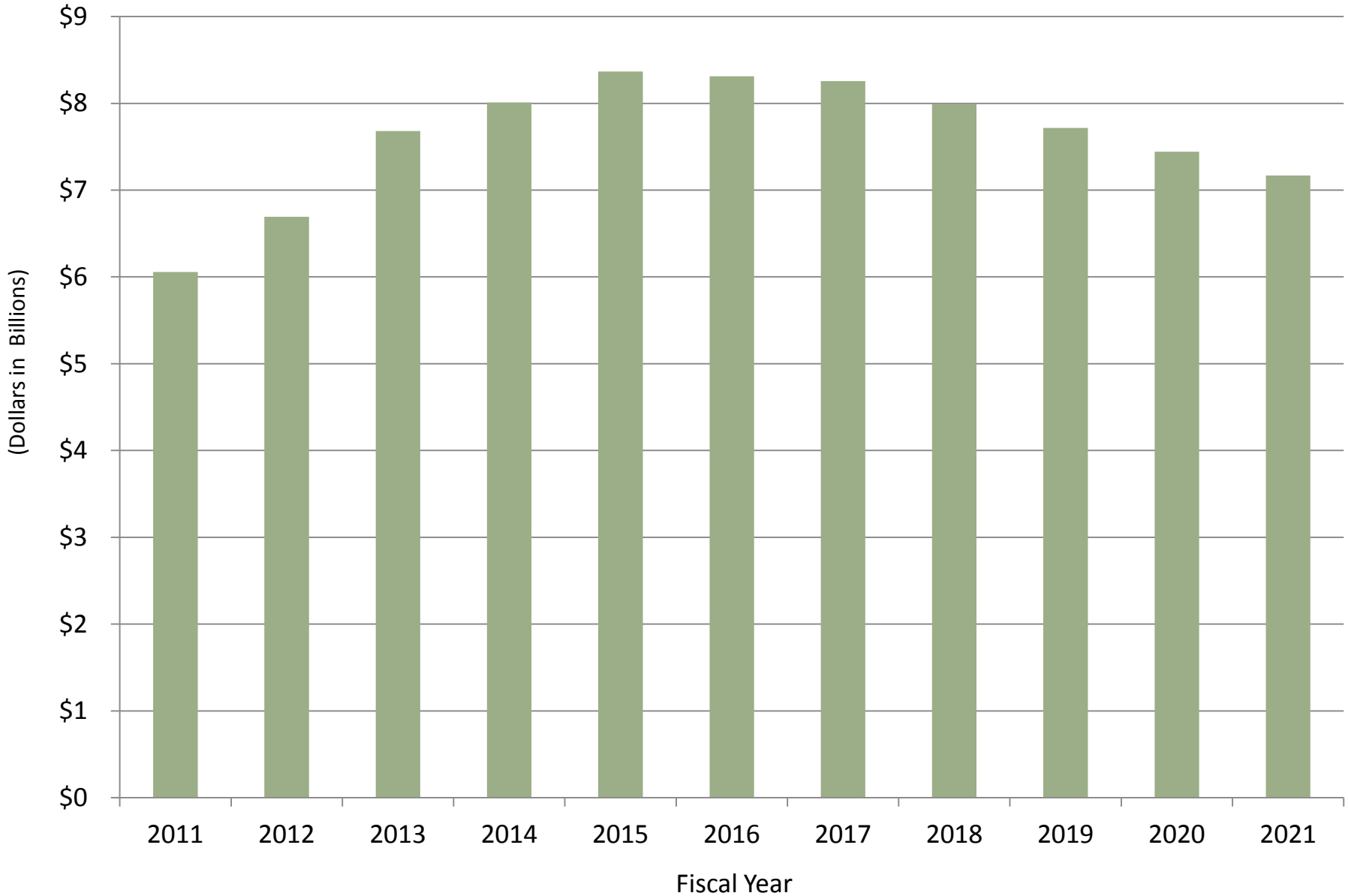
Commission on State Debt


Transportation Partnership Account Activity - Historical and Forecast
(Dollars in Millions)
$900
$800
$700
$600
$500
$400
$300
$200
$100
$0
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
Bond Expenditures
Debt Service
Fuel Tax Revenues
Tot. Rev. to TPA Acct.
$70
$335
$228
$1,242
$520
$825
$467
$500
$198
$213
Total Bond Issuances:
$4.7 billion
Commission on State Debt

Transportation Financial Planning

- Legislative staff have developed a financial model with input from OFM, WSDOT, and OST.
- The transportation financial planning process is iterative, requiring inputs from:
  - The revenue forecast;
  - The capital project delivery plan;
  - Expected operational costs; and
  - Bond sales and resulting debt service.

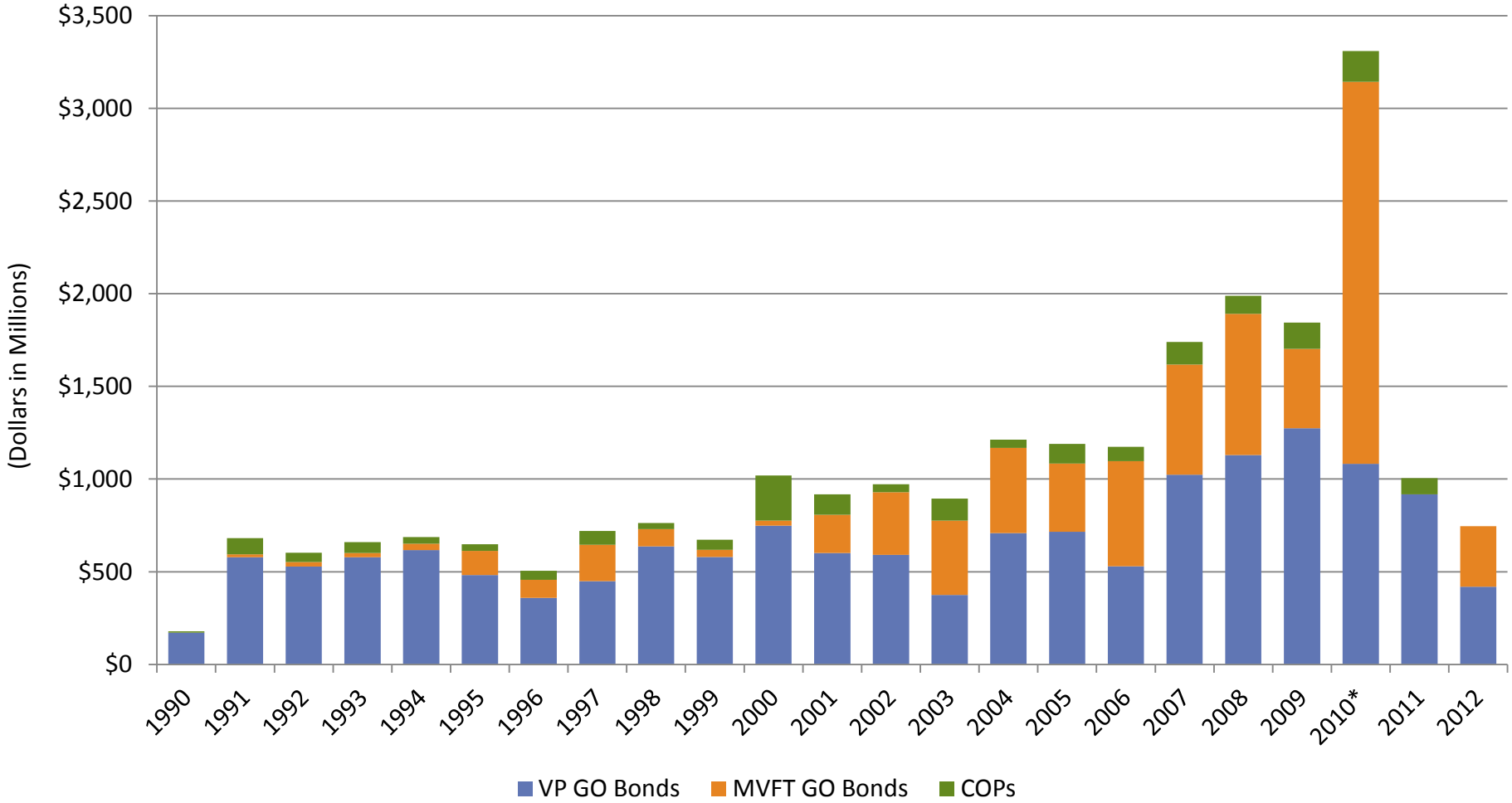
Cumulative Motor Fuel Tax Debt Outstanding



Commission on State Debt

Authorization, Issuance, & Debt Service

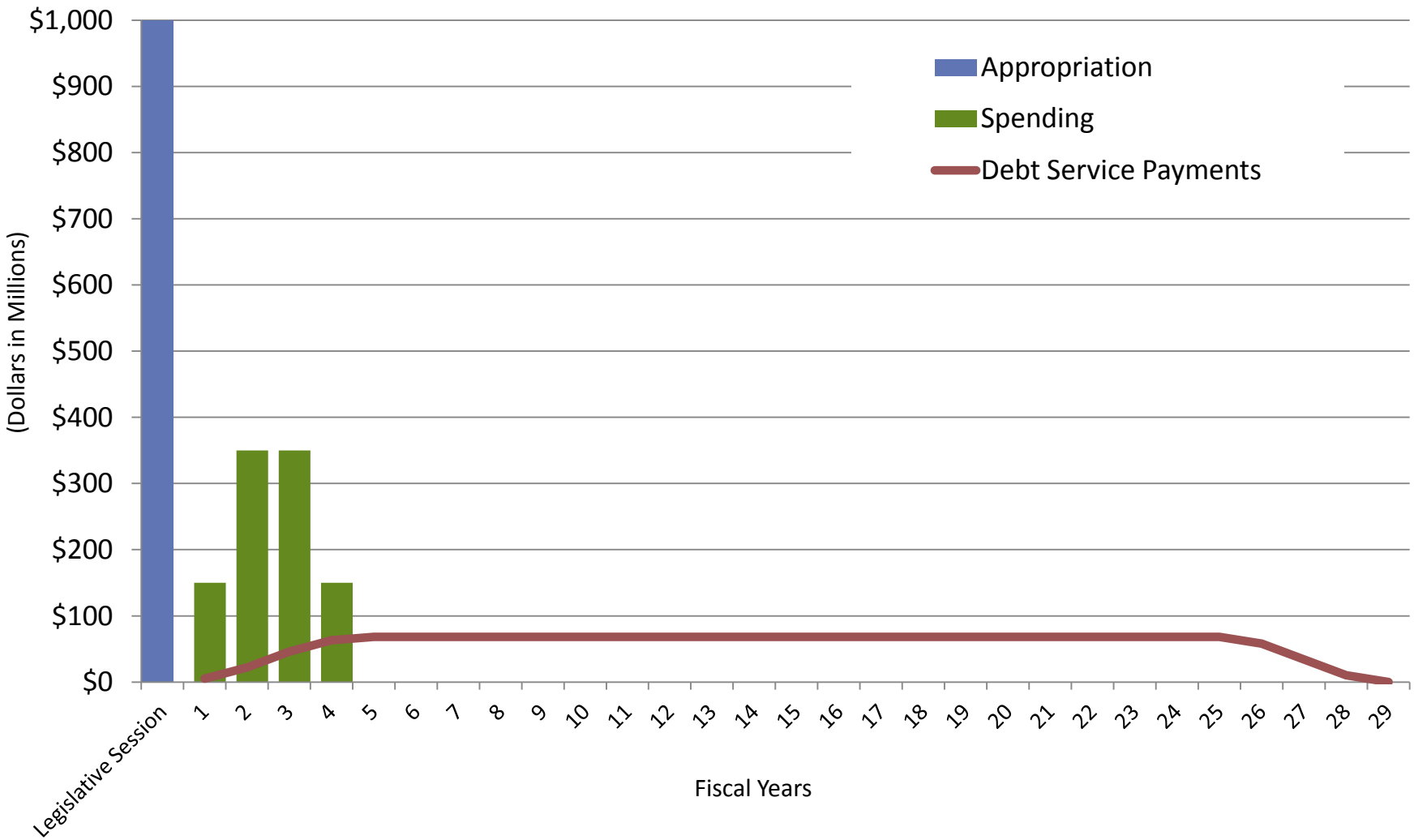
General Obligation Bond Issuance History
Various Purpose, Transportation, and COPs



*The 2010 MVFT issuance includes bonds that would have been issued in 2011, but were issued in 2010 to take advantage of the low Build America Bonds (BABs) interest rate.

Source: Office of the State Treasurer.

Projected Spend Out for $1 Billion in Various Purpose GO Bonds

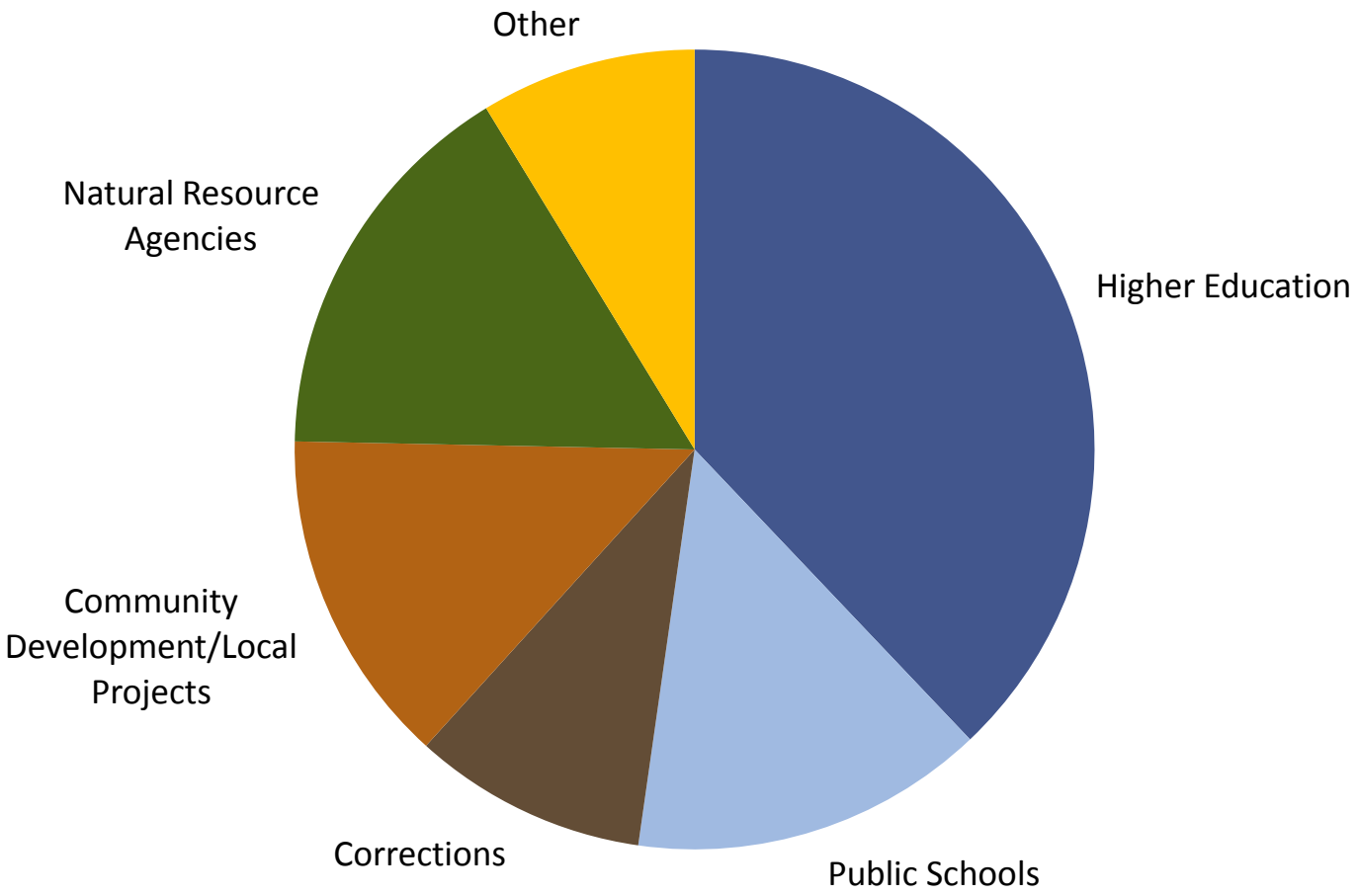


2011-13 Debt Service Payments Allocated by Selected Areas of the Capital Budget

($ Millions)	1993-2013 Bond Appropriations		Est. 2011-13 Debt Service
Higher Education	5,144	38%	723
Public Schools	1,946	14%	273
Corrections	1,284	9%	180
Community Development/Local Projects	1,846	14%	259
Competitive Grant Programs	207	2%	29
Affordable Housing	830	6%	117
Natural Resource Agencies	2,165	16%	304
WWRP	545	4%	77
All Other	1,184	9%	166
Total	13,569	100%	1,906

Note: Debt Service is for Debt Limit Bonds Only
Source: Legislative Evaluation & Accountability Program (LEAP) Committee.

2011-13 Debt Service Payments Allocated by Selected Areas of the Capital Budget



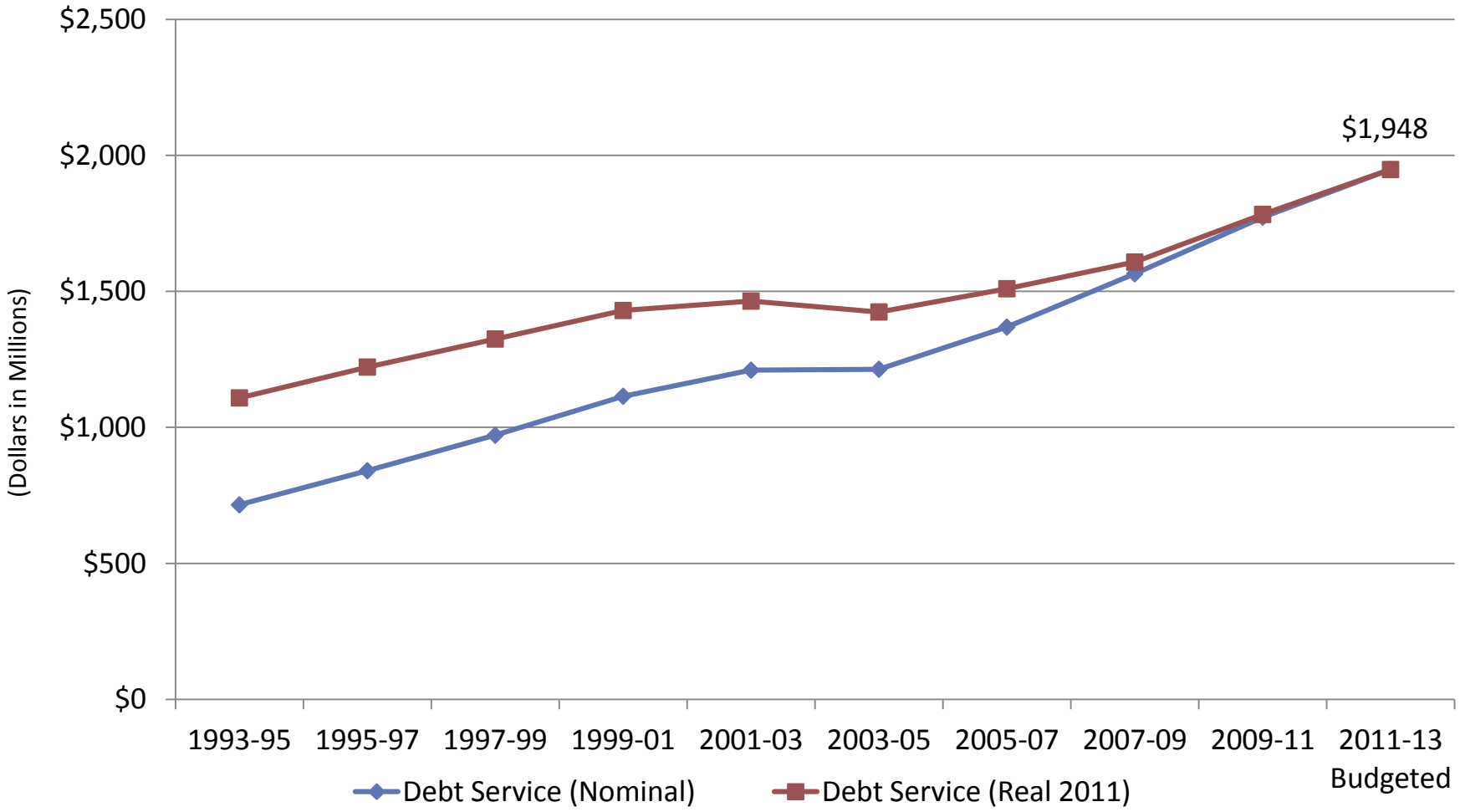
Note: Debt Service is for Debt Limit Bonds Only
Source: Legislative Evaluation & Accountability Program (LEAP) Committee.

Capital Budget Support Varies by Area of the State Budget

($ Millions)	Estimated 2011-13 Debt Service	2011-13 Operating Budget (NGF)		
		Appropriation without Debt Service	Total Appropriation + Allocated Debt Service	Est Debt Service as Percent of Total
Higher Education	723	2,750	3,473	21%
Public Schools	273	13,783	14,056	2%
Corrections	180	1,635	1,815	10%
Community Development/Local Projects	259	130	389	67%
Natural Resource Agencies	304	309	613	50%
Other	166	11,691	11,857	1%
Total	1,906	30,298	32,204	6%

Note: Debt Service is for Debt Limit Bonds Only
NGF = Near General Fund including Opportunity Pathways Account
Source: Legislative Evaluation & Accountability Program (LEAP) Committee.

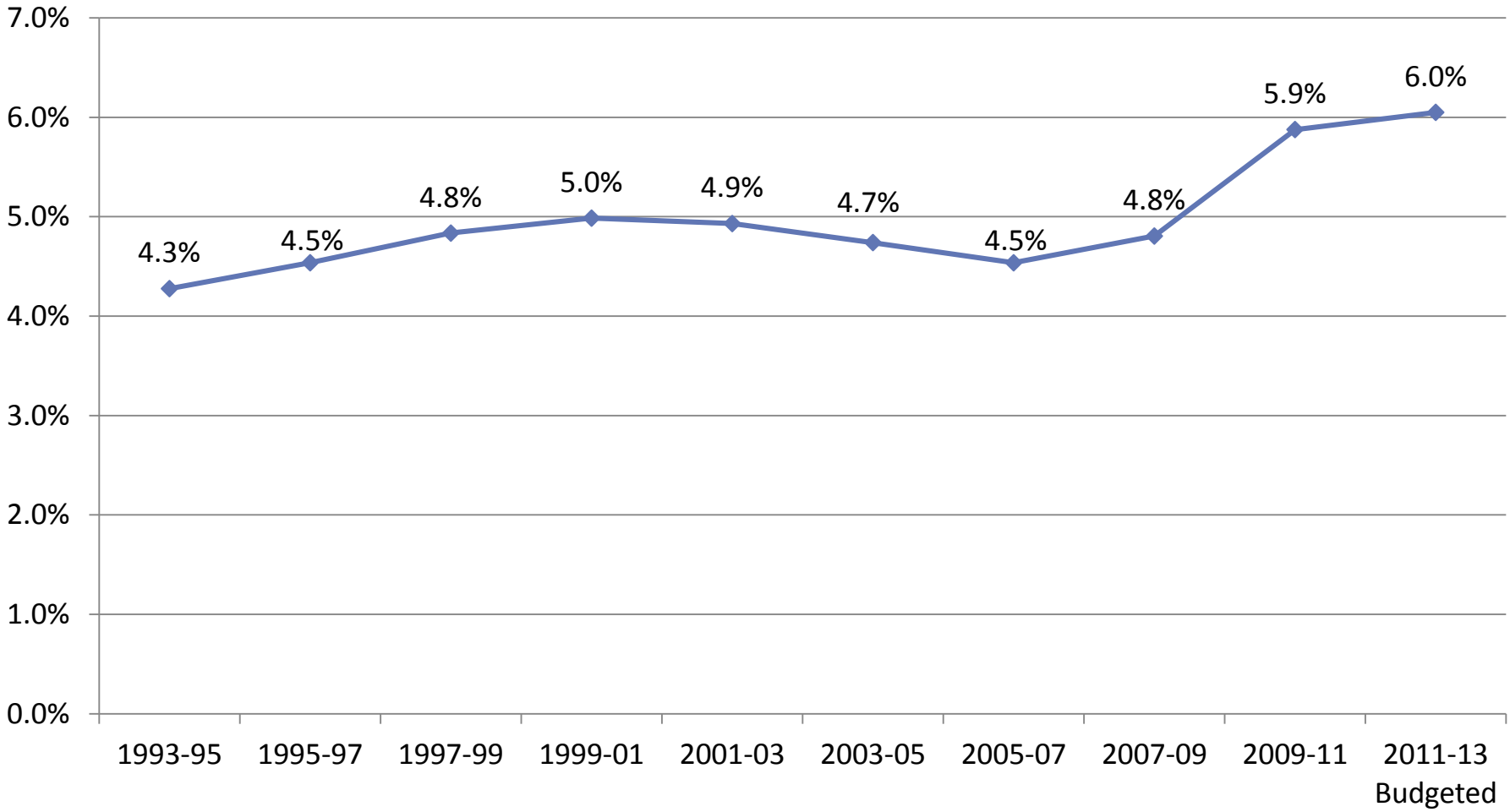
State General Fund
Debt Service Expenditures



Note: 2011-13 reflects the enacted budget adjusted for the State Treasurer's 2012 Supplemental Operating Budget request to reduce budgeted debt service by $18,586,000.

Source: Legislative Evaluation & Accountability Program (LEAP) Committee.

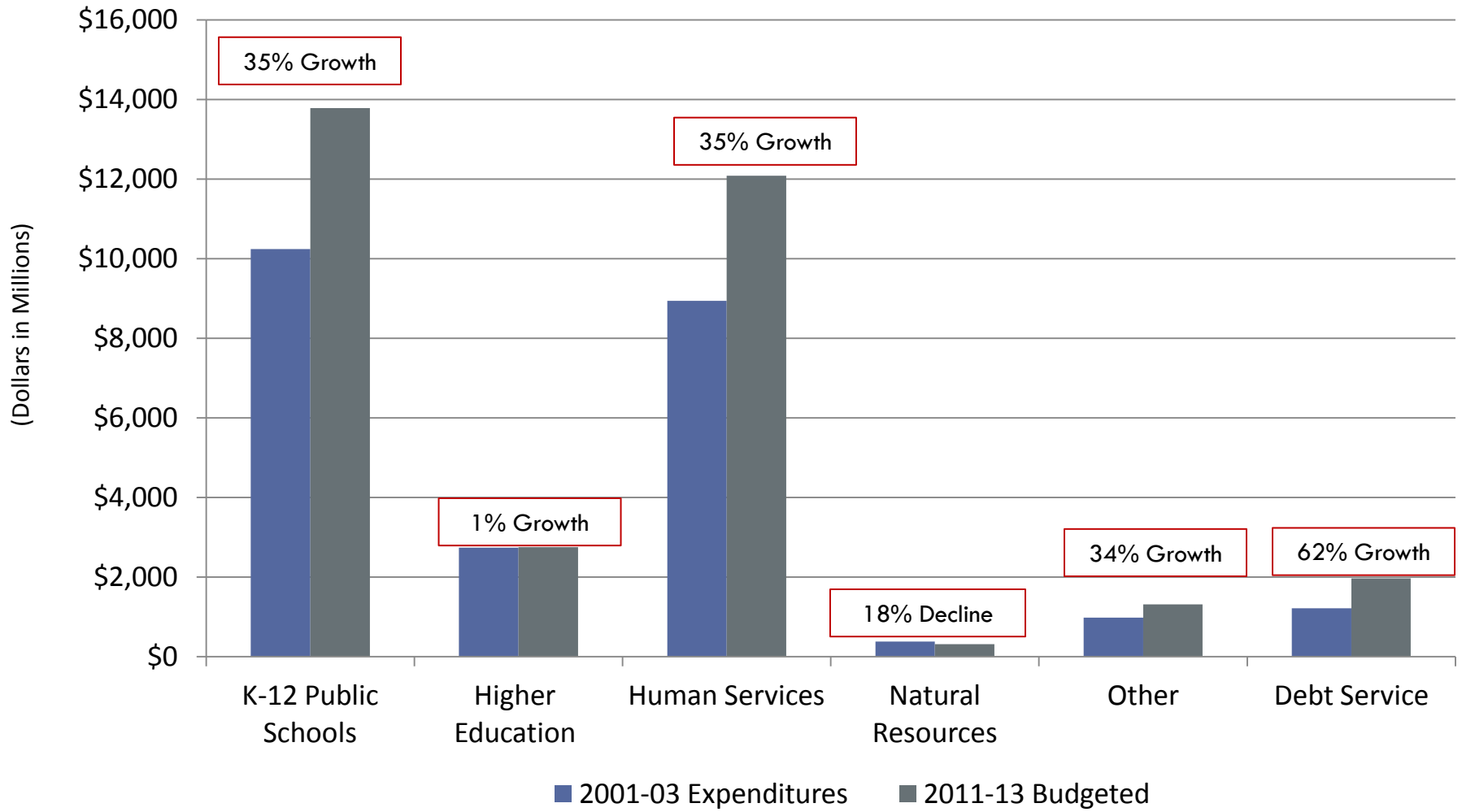
Debt Service Paid as a Percent of Near General Fund



Note: 2011-13 reflects the enacted budget adjusted for the State Treasurer's 2012 Supplemental Operating Budget request to reduce budgeted debt service by $18,586,000. 2011-13 Near General Fund includes the Opportunity Pathways Account.

Source: Legislative Evaluation & Accountability Program (LEAP) Committee.

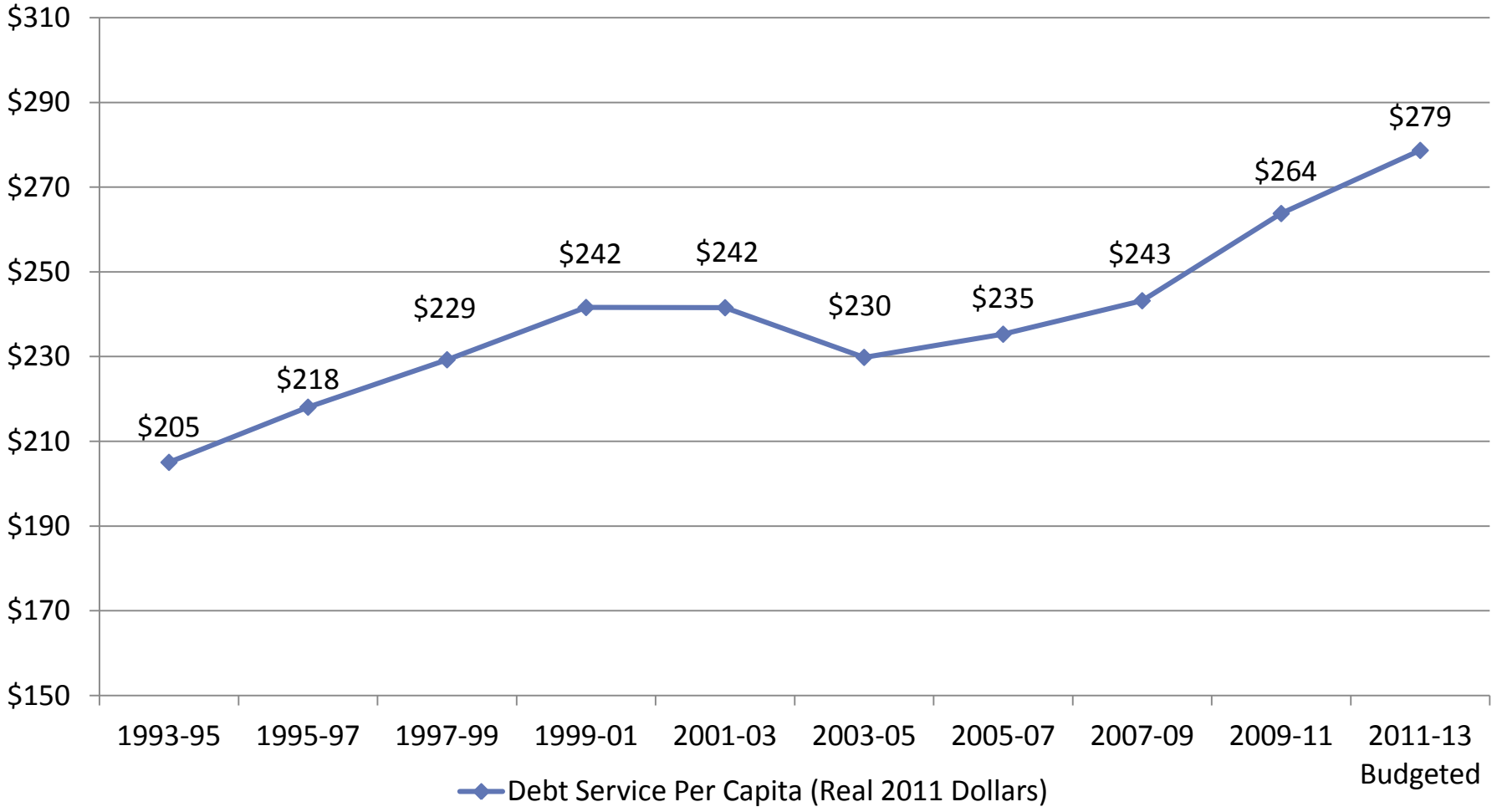
Near General Fund-State Ten-Year Change (2001-03 to 2011-13)



Note: 2011-13 reflects the enacted budget and includes the Opportunity Pathways Account.

Source: Legislative Evaluation & Accountability Program (LEAP) Committee.

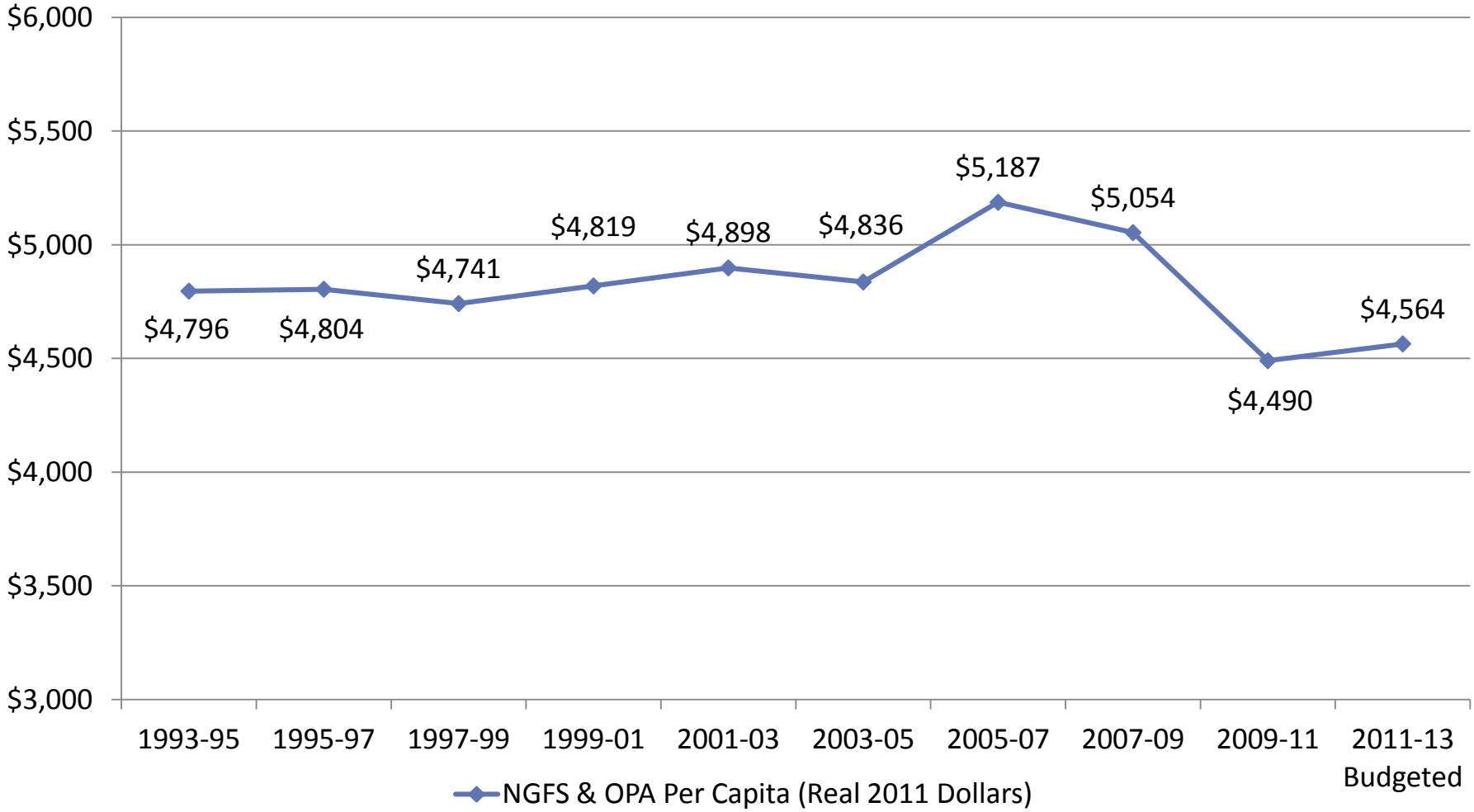
Between 1994 and 2013, after accounting for population growth (+1,586,000) and inflation, real debt service per capita is projected to increase by $74/person.



Note: 2011-13 reflects the enacted budget adjusted for the State Treasurer's 2012 Supplemental Operating Budget request to reduce budgeted debt service by $18,586,000.

Source: Legislative Evaluation & Accountability Program (LEAP) Committee.

Between 1994 and 2013, after accounting for population growth (+1,586,000) and inflation, real Near General Fund spending per capita is projected to decline by $232/person.

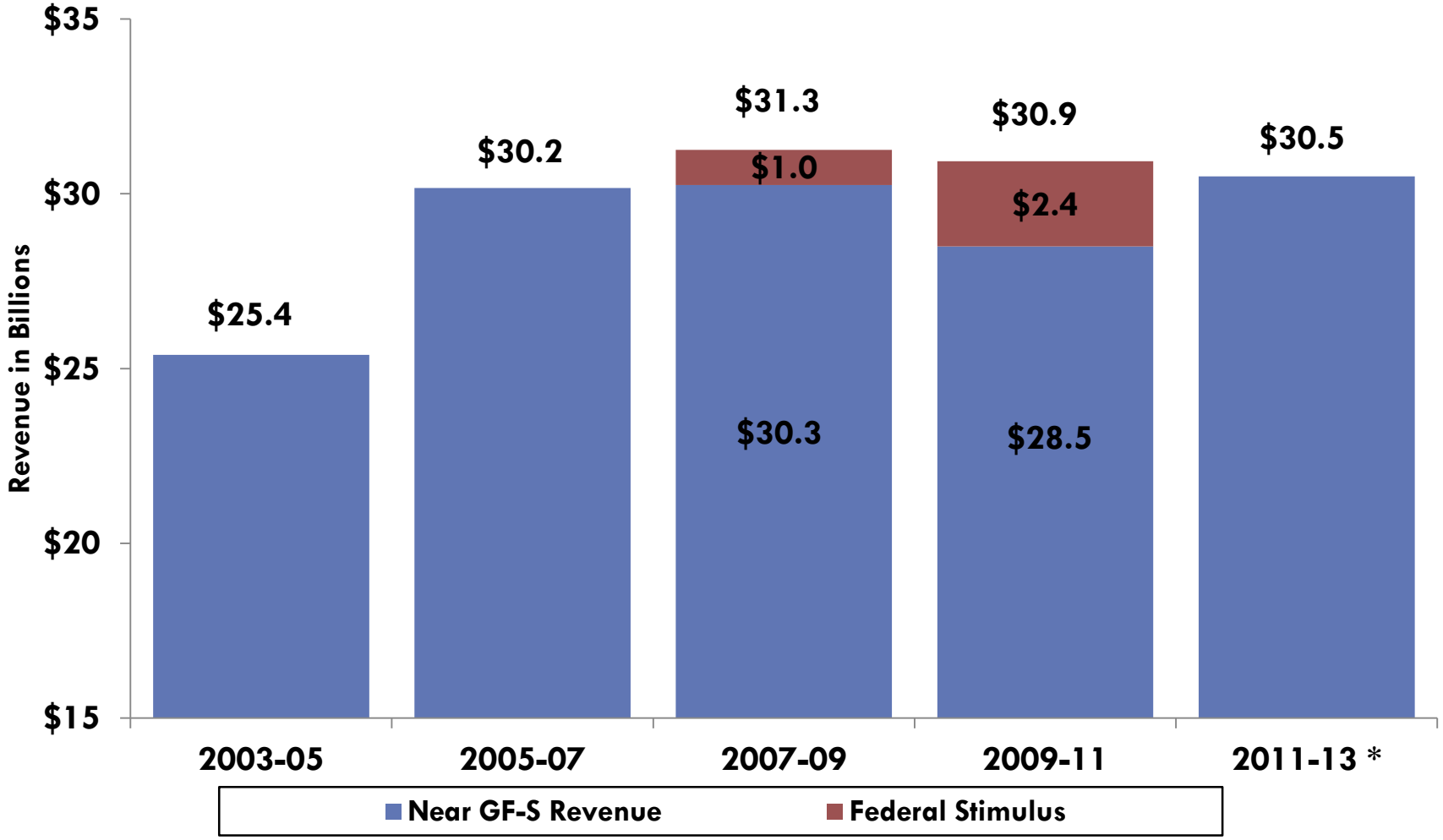


Note: 2011-13 reflects the enacted budget for Near General Fund plus the Opportunity Pathways Account.

Source: Legislative Evaluation & Accountability Program (LEAP) Committee.

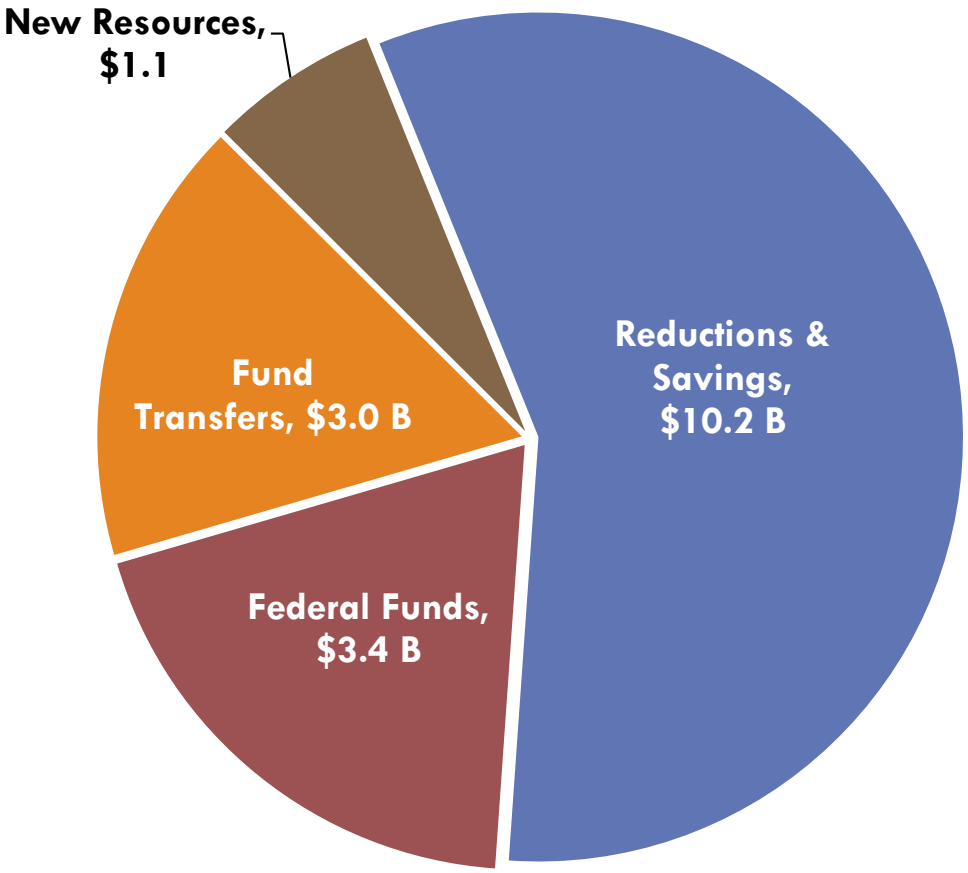
Operating Budget Overview

With the downward revisions in the forecast, state revenues (after accounting for additional resources from the federal stimulus) will have declined for two consecutive biennia.



* *Based on September 2011 forecast.*

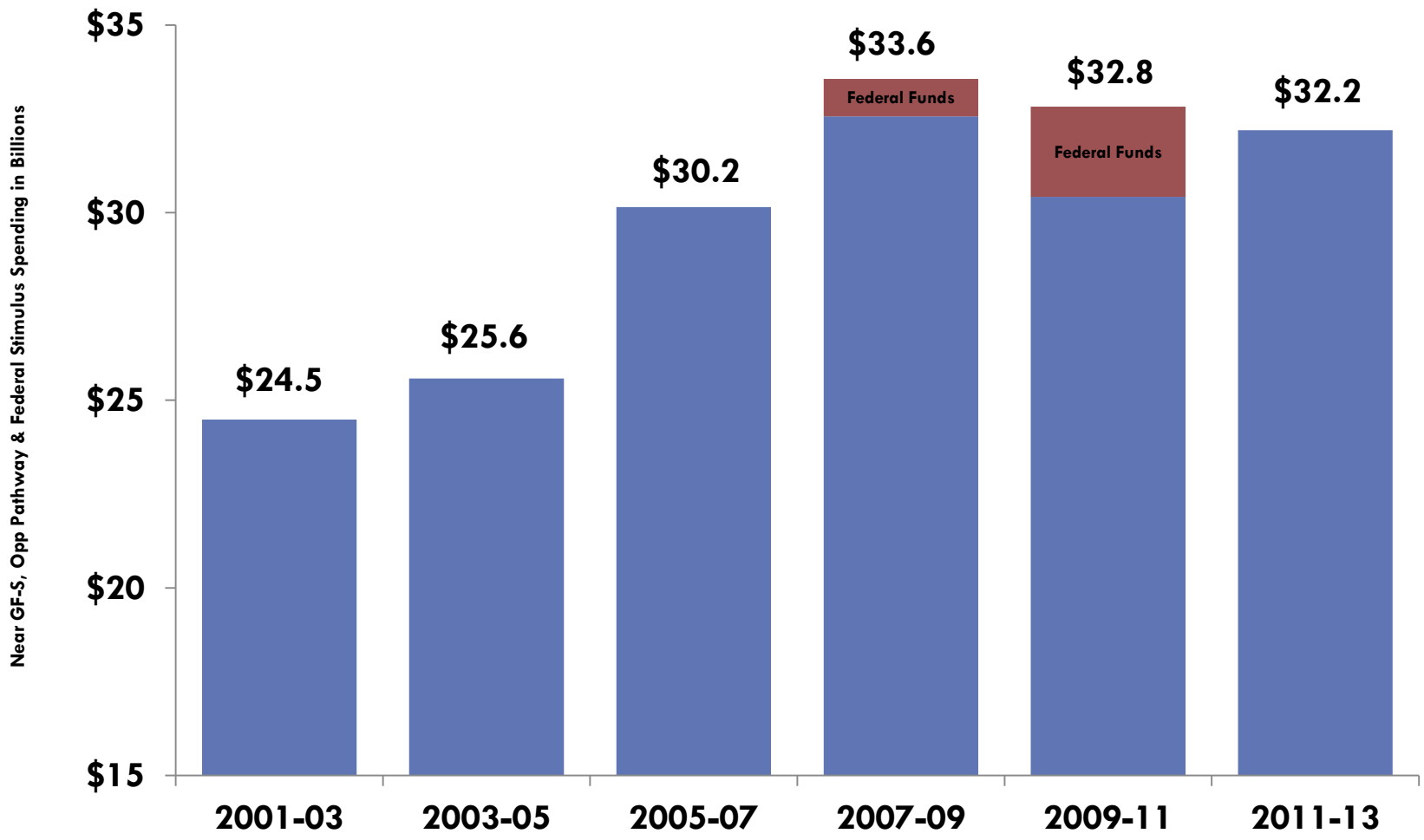
Over the last three legislative sessions, the Legislature has addressed an $18 billion five year budget problem with $10 billion in reductions and other actions.



FY 2009-FY 2013 Budget Solution = $17.8 Billion

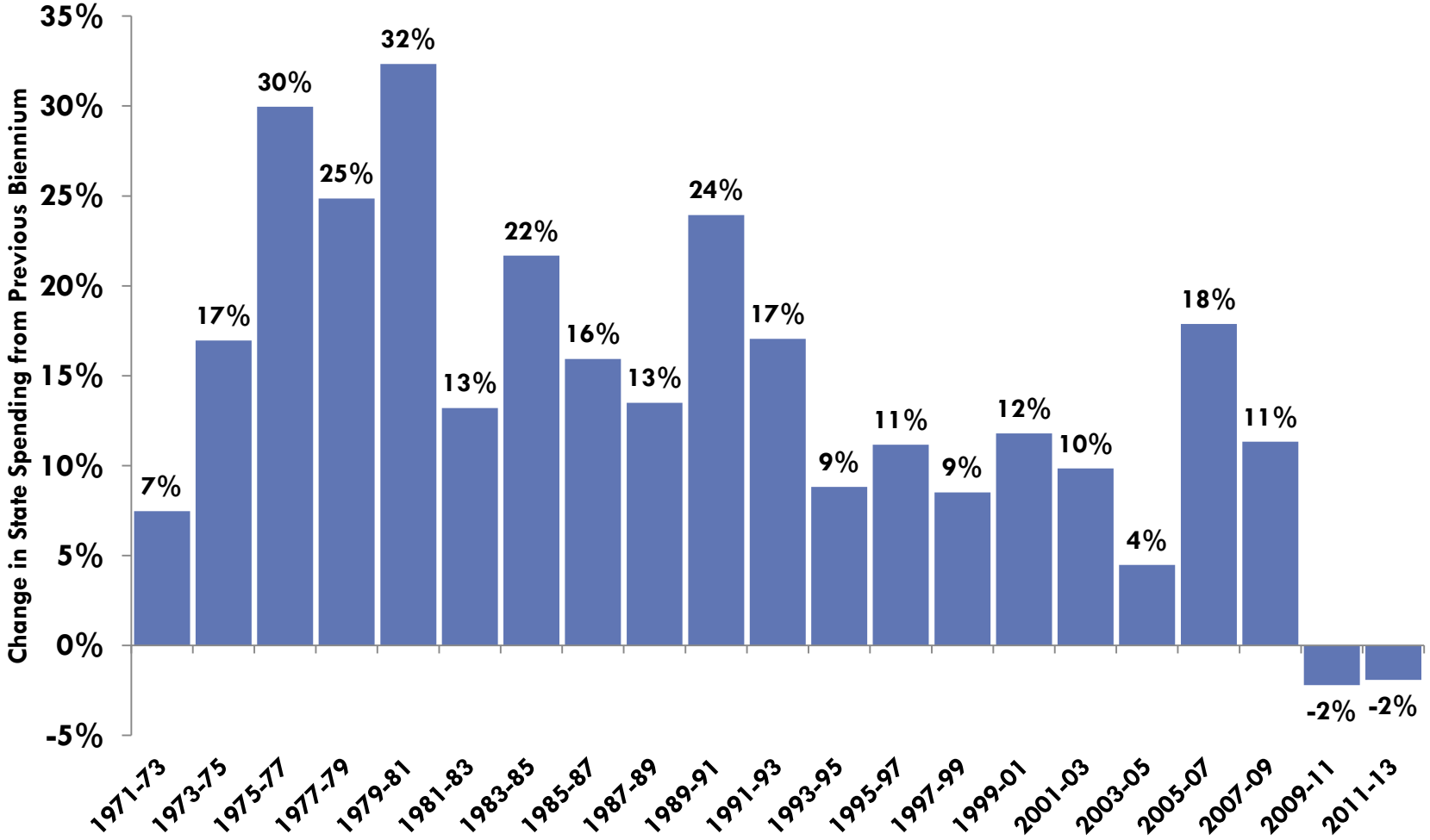
* The amounts depicted generally reflect estimated amounts in the legislative session that they were enacted. Due to interactions and other factors, the actual amounts are likely to be different.

Even without making additional reductions, the spending level will decline for the second consecutive biennium.



* *Near GF-S, Opportunity Pathway and direct federal stimulus.*

Two consecutive biennia of reduced state spending has not occurred in the last 40 years.

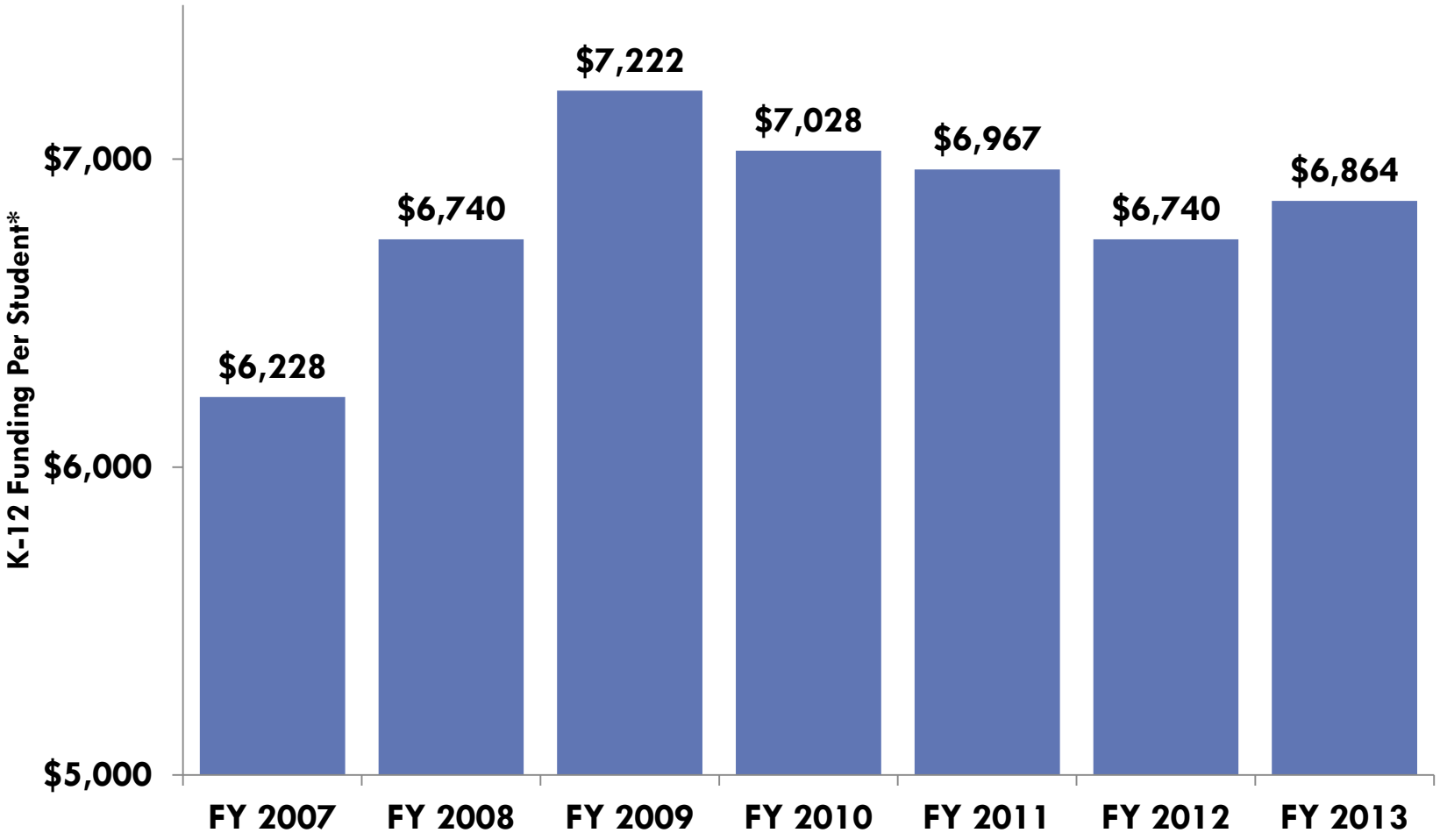


* *Near GF-S, Opp Pathway and federal stimulus.*

Impacts of Recent Budget Reductions

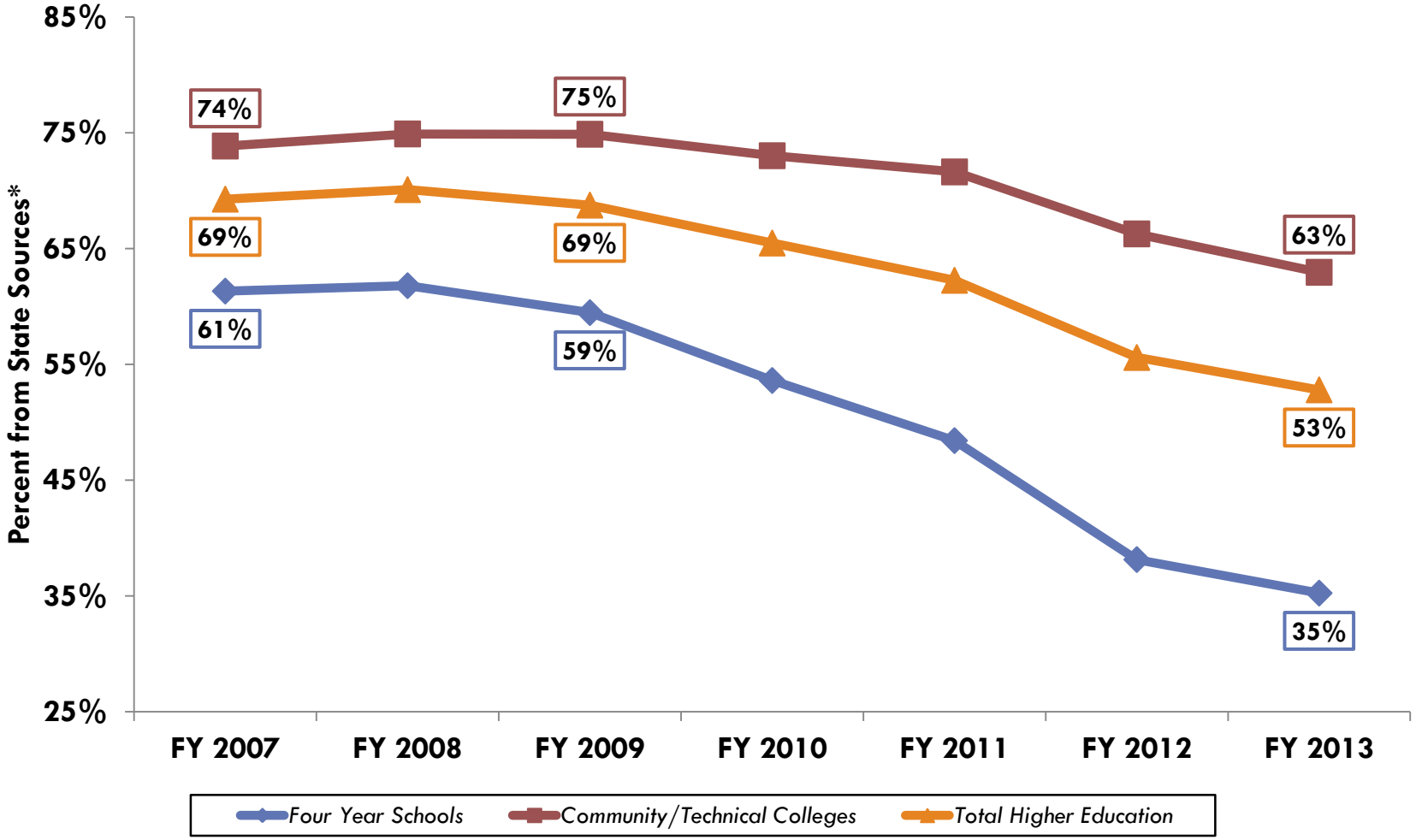
Selected Examples

Reversing a long-standing upward trend, K-12 per-student funding has declined.



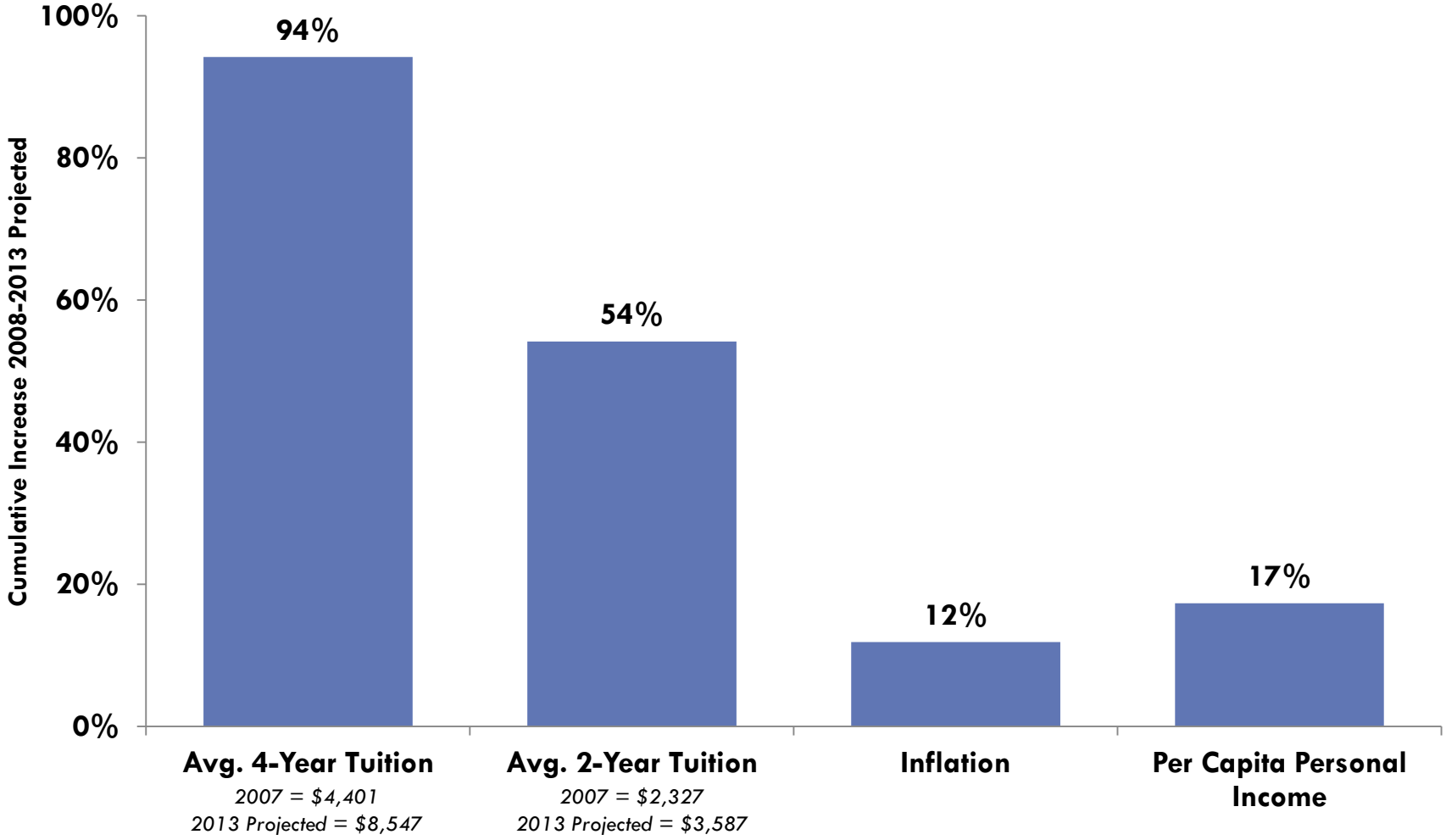
* *For comparability purposes, funding depicted includes Near GF-S, direct federal stimulus, and Ed Jobs funding.*

Due to budget cuts, the state support of the higher education system has declined, particularly for the 4-year universities.



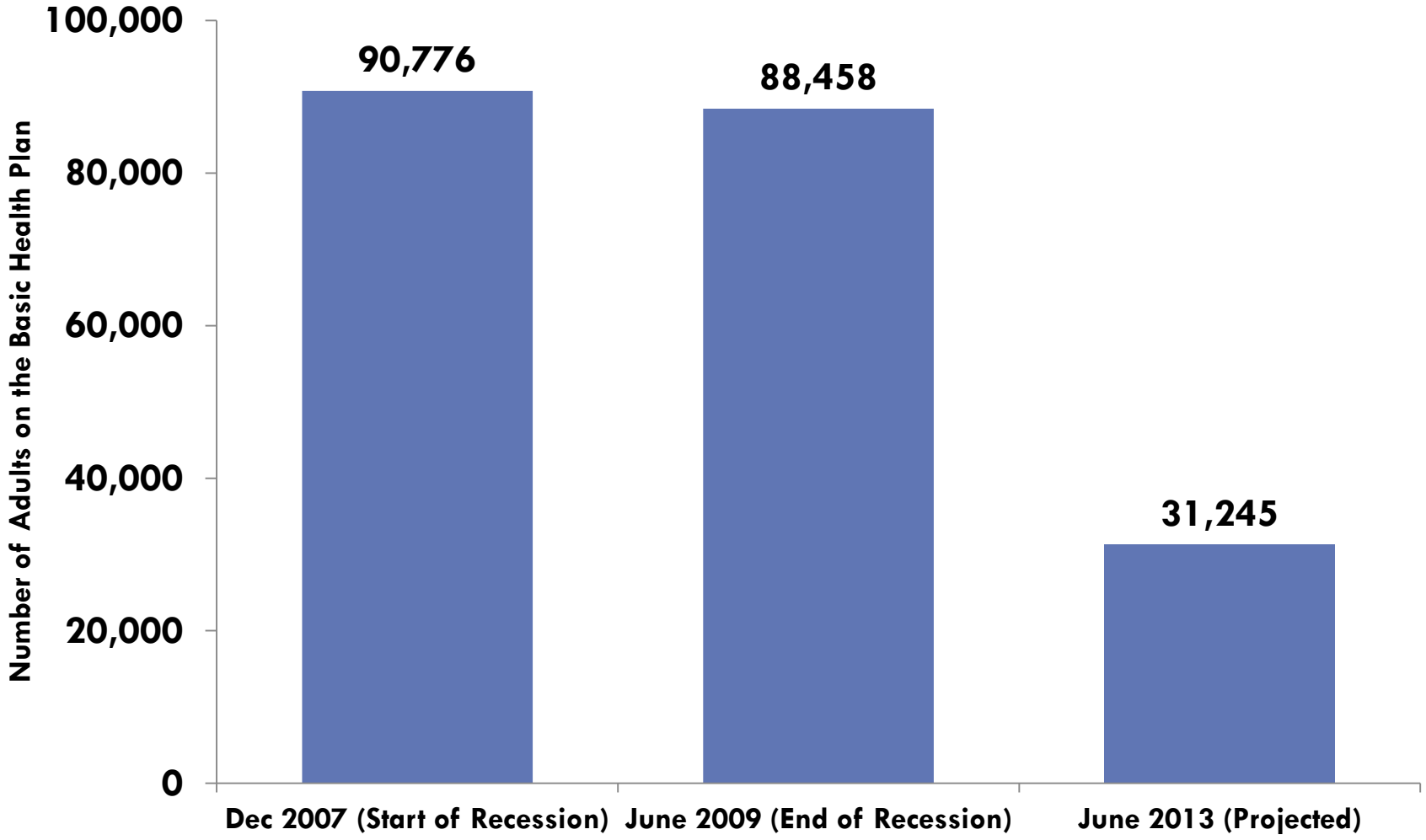
* *Reflects state share of state funds + tuition base. State funds includes Near G F-State, federal stimulus, Opportunity Pathways Account, and Opportunity Express Account*

And tuition is growing significantly faster than both inflation or per capita personal income.



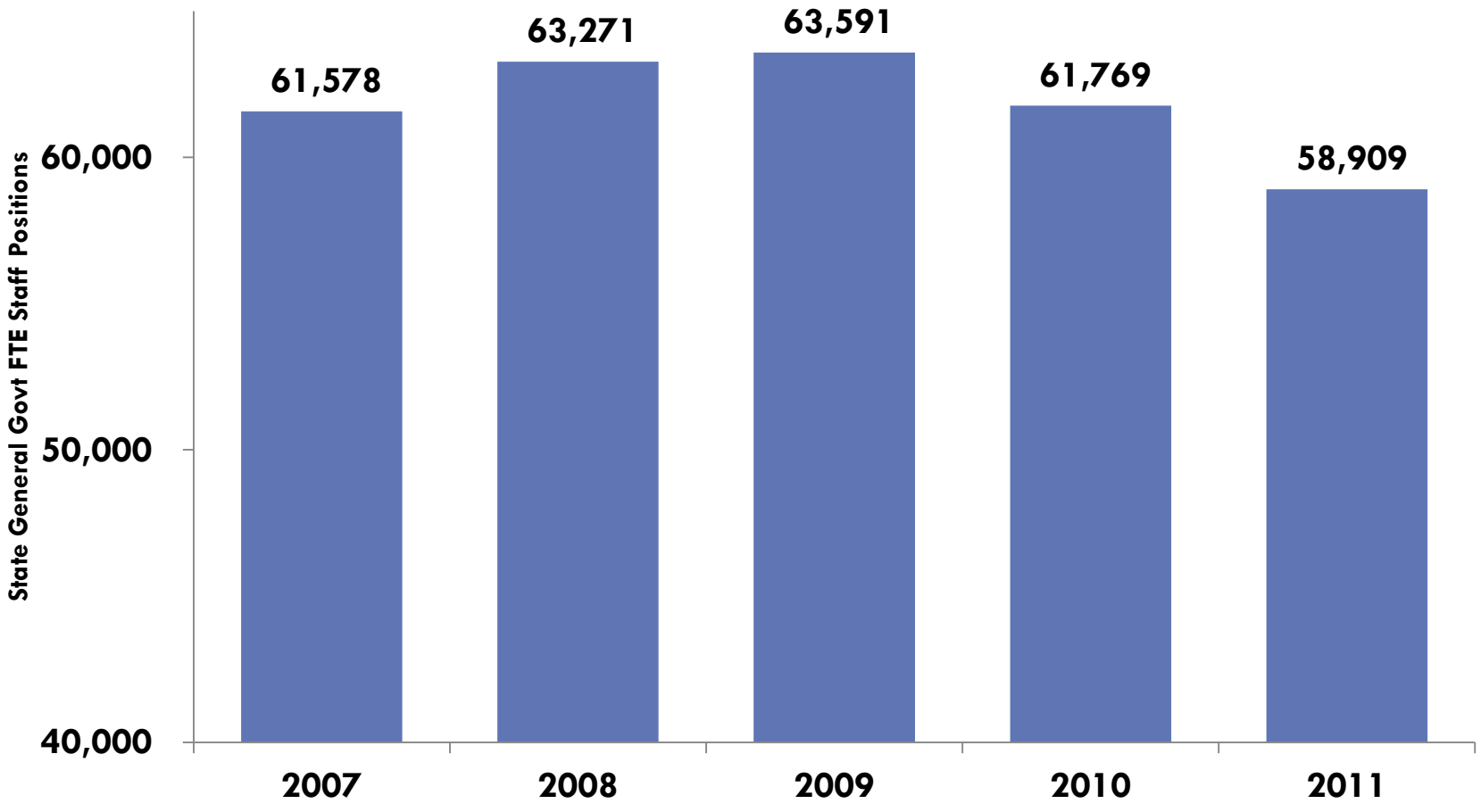
* *FY 2007 – FY 2012 based on actual tuition increases. FY 2013 assumes tuition will increase by the same amount as in FY 2012.*

60,000 adults will have been removed from the Basic Health Plan by the end of the biennium



The state workforce in 2011 is now 4,700 staff positions below fiscal year 2009 levels

(and in fact is lower than it was back in 2007)



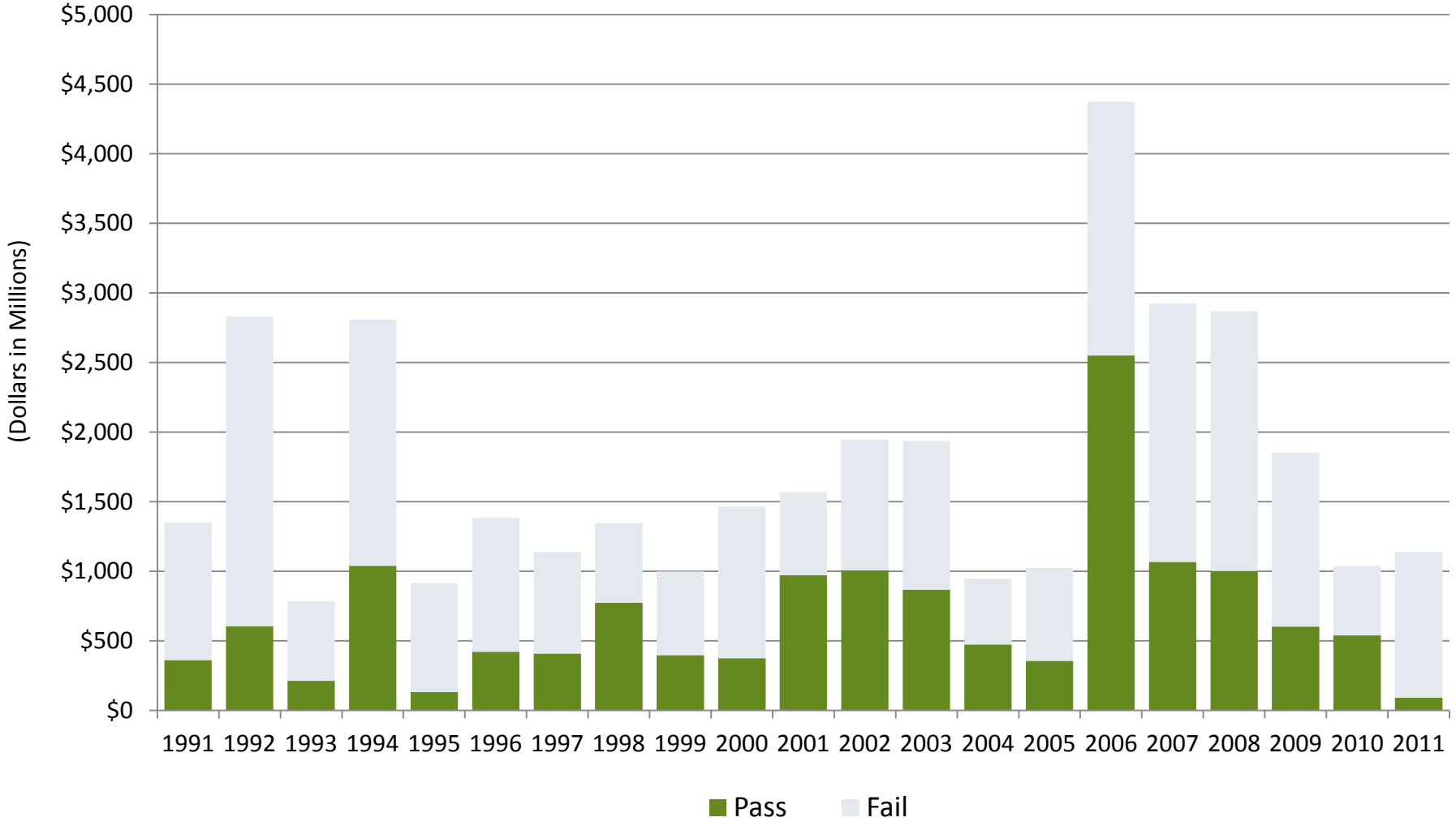
* *Reflects general government full time equivalent staff. Excludes higher education and K-12 staff.*

Selected Other Reductions

- Terminated the Disability Lifeline cash program and replaced it with a housing and essential needs program (making a 2/3 reduction to the program funding level).
- Eliminated preventative dental coverage for 275,000 adults and ended optical, hearing aid, and podiatry coverage for 375,000 adults.
- Reduced the TANF cash grant from $450 to $375 per month, made eligibility changes to Working Connections childcare, and other reductions to solve a $200 million per year hole in the "TANF box."
- Closed one major (McNeil Island) and two minor correctional facilities (Ahtanum View-Yakima, Pine Lodge-Medical Lake).
- Closed a major state juvenile facility (Maple Lane) and made other capacity reductions.
- Eliminated all state fund support for the State Park system and replaced some of those funds with fee revenue.

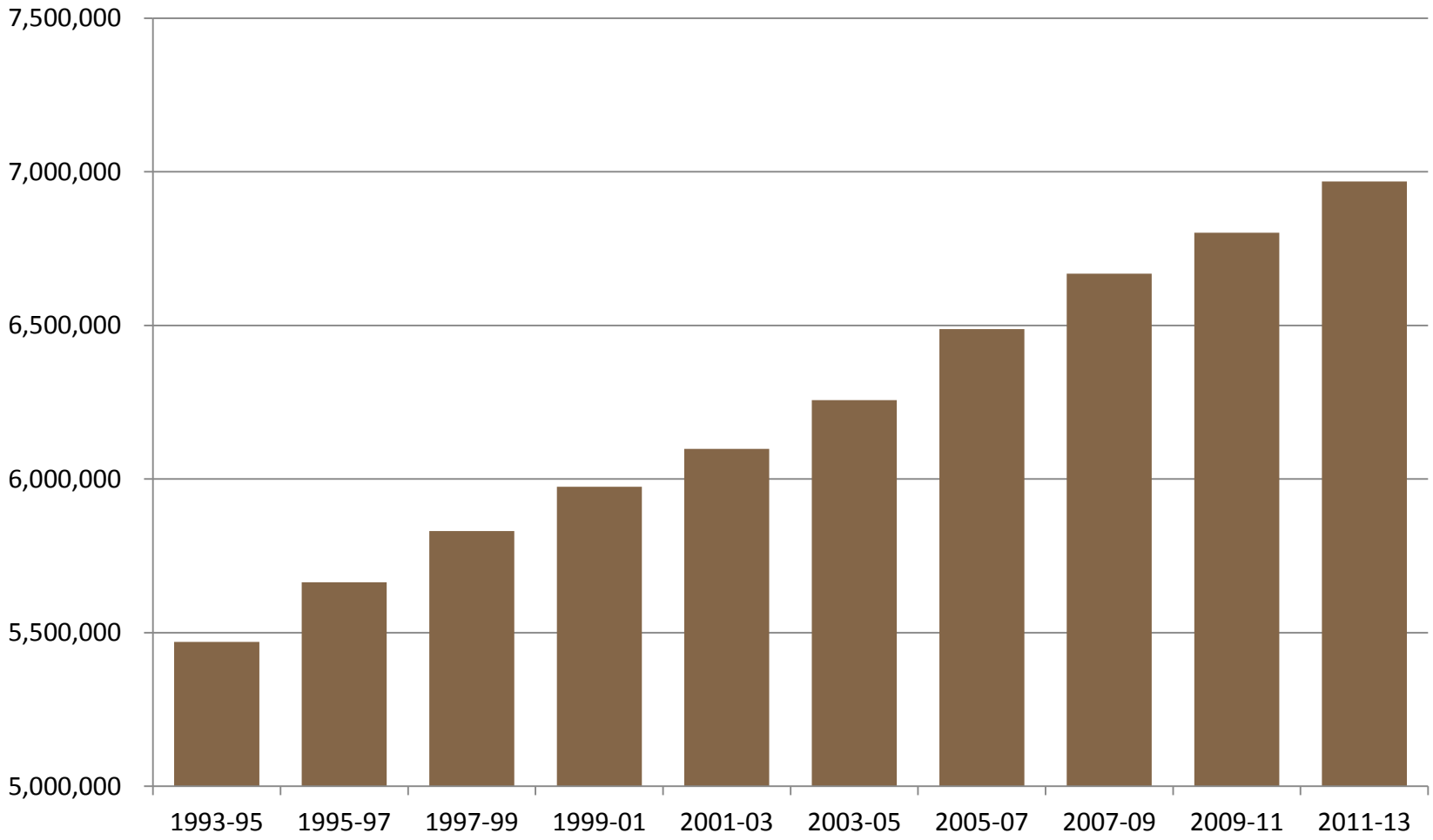
Appendix

K-12 Local Bond Passage History



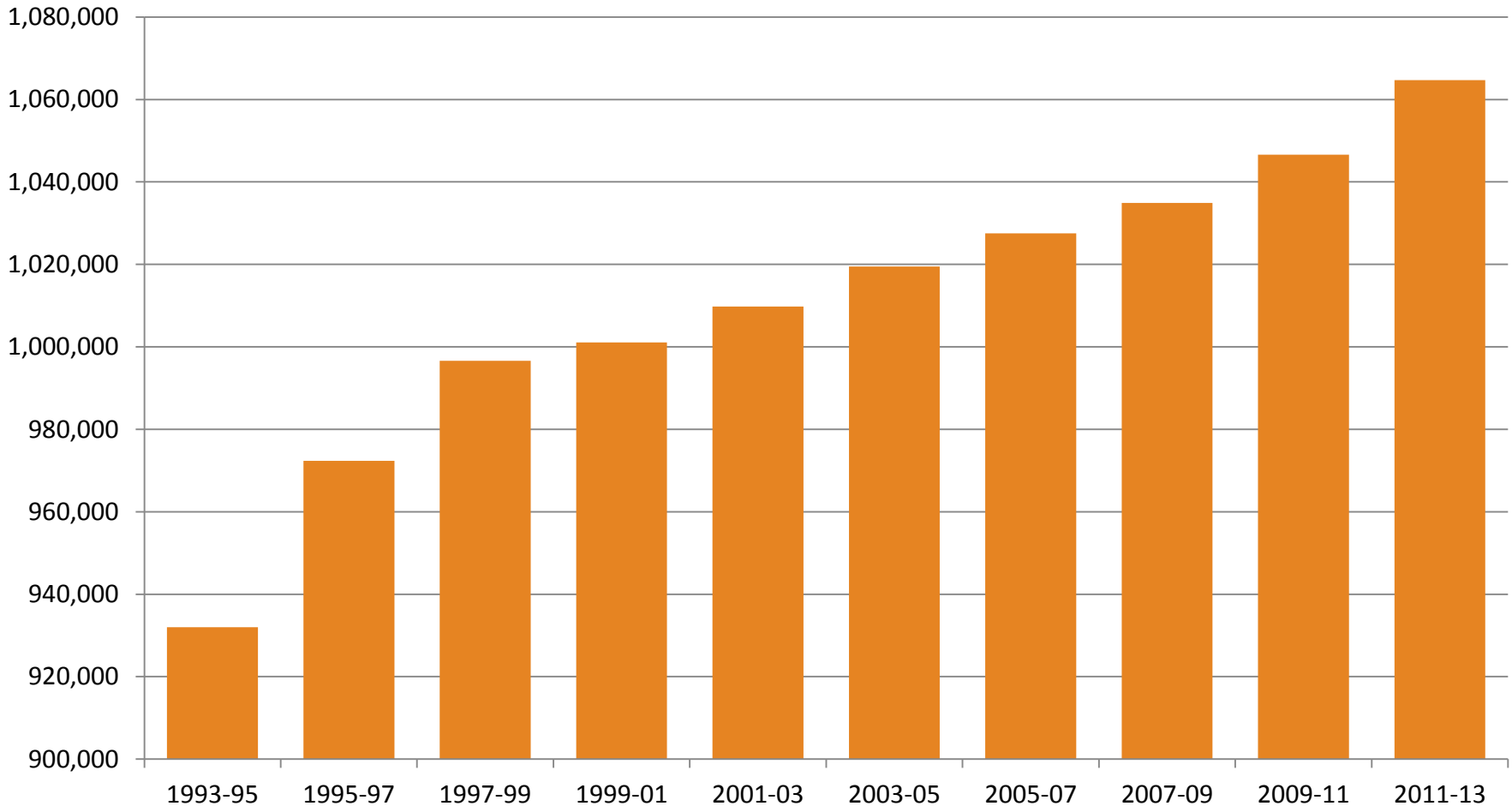
Source: Office of the Superintendent of Public Instruction

Washington State Population



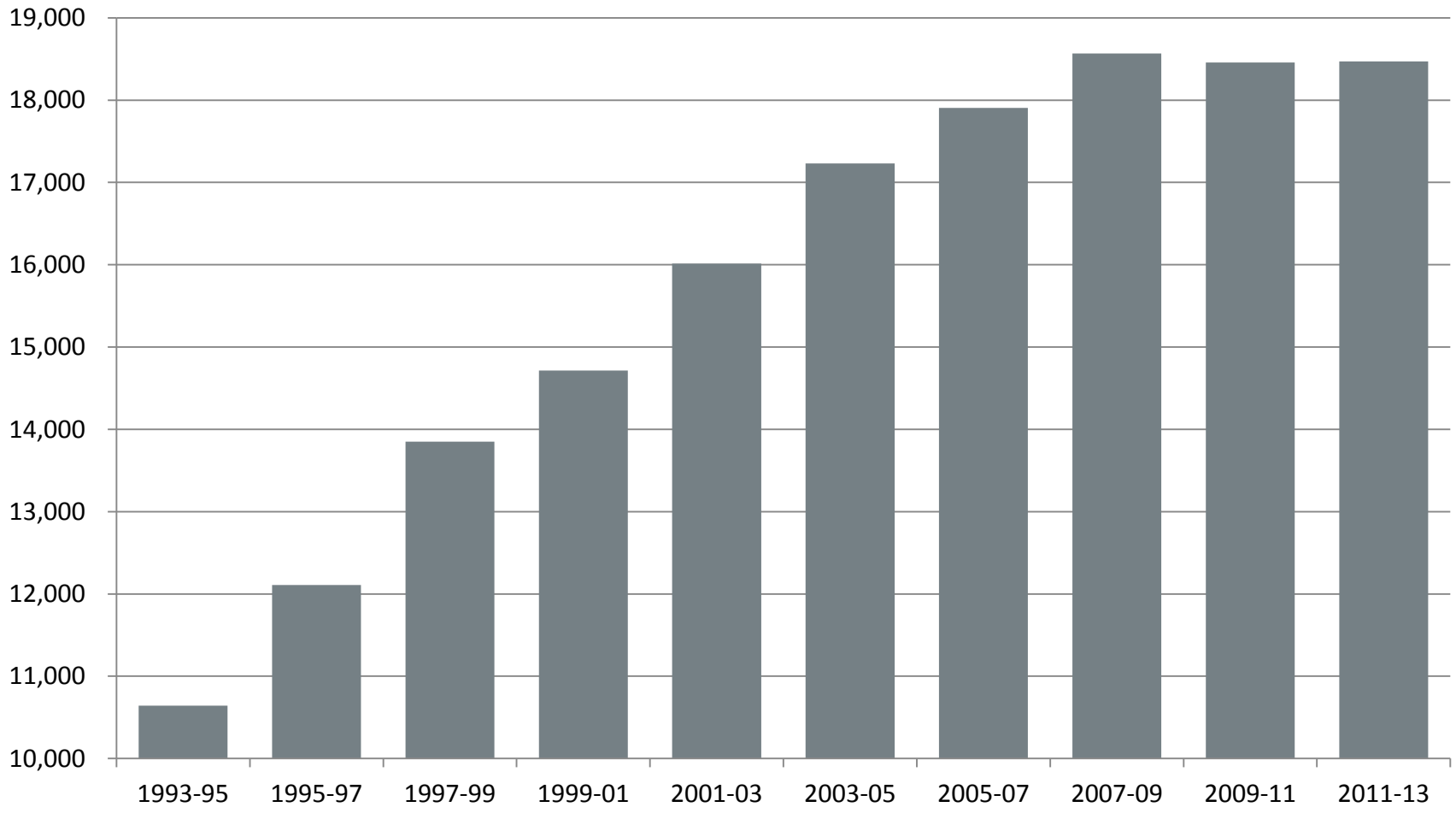
Source: Office of Financial Management

K-12 Enrollment (Headcount)



Source: Caseload Forecast Council

Department of Corrections Inmate Population



Source: Department of Corrections