

ADDENDUM TO PRELIMINARY OFFICIAL STATEMENT

REGARDING

STATE OF WASHINGTON

\$231,005,000*
**VARIOUS PURPOSE GENERAL
OBLIGATION BONDS, SERIES 2015A-1
(Competitive Sale) and
SERIES 2015A-2 (Negotiated Sale)**

\$445,230,000*
**VARIOUS PURPOSE GENERAL
OBLIGATION
REFUNDING BONDS, SERIES R-2015A**

\$85,980,000*
**GENERAL OBLIGATION BONDS,
SERIES 2015T (TAXABLE)**

\$437,000,000*
**MOTOR VEHICLE FUEL TAX GENERAL
OBLIGATION REFUNDING BONDS,
SERIES R-2015B**

Sale Date: June 25, 2014

Sale Times: 7:30 a.m., 8:00 a.m., 8:30 a.m., and 8:45 a.m., Pacific Time

The State of Washington (the “state”) hereby updates certain information in Appendix A to the Preliminary Official Statement dated June 12, 2014, for the above referenced bonds to reflect certain developments since the Preliminary Official Statement was posted. Deletions are shown ~~stricken out~~ and additions are underlined.

The following paragraphs relating to the *McCleary v. State of Washington* case in the “LITIGATION” section are amended as follows:

In *McCleary v. State of Washington*, in February 2010, the King County Superior Court found that the state was not meeting its constitutional mandate to make ample provision for the education of all K-12 public school children. The court ordered the Legislature to conduct a study of what state funding was needed to “amply provide” all Washington public school students with the “education” required by Article IX of the Constitution. The court also ordered the Legislature to indicate how the state will fund that cost with “stable and dependable” state funding sources. Prior to the trial, in the 2009 legislative session, the Legislature enacted a sweeping reform of the substance of and funding for K-12 education. The state appealed the superior court decision to the Supreme Court and the Supreme Court issued its opinion on January 5, 2012, affirming the trial judgment that the state is not making ample provisions for the basic education of Washington’s K-12 public school students. The Supreme Court agreed, however, with the state that the Legislature has already identified areas that need more funding and embarked on a reform program to be implemented no later than 2018. The Supreme Court reversed the trial court remedy ordering a cost study, but retained jurisdiction to facilitate the full implementation of the reforms and funding. This result preserves the Legislature’s prerogative to reform, define and provide full funding for K-12 education.

In July 2012, the Supreme Court issued an additional ruling in the case, essentially adopting the state’s position regarding the process for the court’s monitoring of the implementation of the 2009 reform legislation. This ruling calls for annual reporting by the Legislature to the Supreme Court with the opportunity for plaintiffs to submit their

* Preliminary, subject to change by the state. See the Official Notice of Sale with respect to the Series 2015A-1, 2015T, R-2015A and R-2015B Bonds. Allocation of amounts between Series 2015A-1 and 2015A-2 Bonds will be made at pricing.

position in response to the report. This process will continue through the expected full implementation of reforms in 2018. The Legislature submitted its first report in August 2012. After receiving comments from the plaintiffs, the Supreme Court issued an order in December 2012 requiring the report at the conclusion of the 2013 legislative session to include a phase-in plan for achieving the state's basic education mandate. The 2013 legislative session concluded on June 30, 2013, with enhanced education funding enacted that adds approximately \$1 billion dollars in state funding to K-12 schools during the 2013-15 Biennium. The Legislature filed its 2013 post-budget report in August 2013. After considering comments from the plaintiffs, the Supreme Court issued its next order on January 9, 2014, crediting the state with making additional investments but expressing concern that the pace of implementation was too slow. Pursuant to the order, the Legislature submitted its 2014 post-budget report on April 30, 2014. The plaintiffs' post-budget comments were submitted in May 2014, ~~with another order from the Supreme Court expected in the summer or fall of 2014.~~ Following its consideration of the Legislature's report and the plaintiffs' response, and finding that the Legislature's report did not comply with the Supreme Court's January 9, 2014, order to provide a complete plan and phase-in schedule for fully funding the basic education program, the Supreme Court on June 12, 2014, ordered the state to address why it should not be held in contempt and, if found in contempt, to address why certain relief requested by the plaintiffs should not be granted. A show cause hearing before the Supreme Court is scheduled for September 3, 2014. See "GENERAL FUND-General Fund Expenditures-Education" and "General Fund-State Operating Budget-2013-15 Biennial Budget" and "-Supplemental 2013-15 Budget."

The following paragraph is added as a new subheading under "RETIREMENT SYSTEMS-Funded Status":

Preliminary June 30, 2013, Funded Status. It is expected that the June 30, 2013, actuarial valuation for the state's retirement plans will be issued in September 2014. On June 17, 2014, the Office of State Actuary prepared a preliminary June 30, 2013, actuarial valuation report that showed that the funded status of all of the state-administered plans combined was 94 percent (down from 101 percent at June 30, 2012). All open plans continue to show funded ratios over 100 percent. The two closed plans (PERS Plan 1 and TRS Plan 1) have funded ratios of 63 percent and 71 percent, respectively. PERS Plan 1 had an unfunded accrued liability of \$4.831 billion and TRS Plan 1 had an unfunded accrued liability of \$2.732 billion as of June 30, 2013. The decrease in the funded status and increase in the unfunded liability primarily reflects changed demographic assumptions, including projected improvements in mortality rates, and the statutory requirement that the assumed rate of return was reduced from 7.9 percent to 7.8 percent. These are preliminary results and are subject to change based on the rates adopted by the Pension Funding Council in July 2014 and the results of an outside actuarial audit that is underway. If the Pension Funding Council adopts the increased employer and employee contribution rates reflected in the preliminary valuation (without any phase-in of the increased contribution requirements), the increase for the state's employer contributions from the State General Fund to the pension funds is estimated to be \$482 million for the 2015-17 Biennium.

The following paragraph is added as a new subheading under “GENERAL FUND–Economic and Revenue Forecast”:

June 2014 Forecast. On June 17, 2014, the Economic and Revenue Forecast Council revised its revenue forecast to recognize continued improvements in the economic and revenue outlook for the state. The Forecast Council increased expected General Fund Revenue for the 2013-15 Biennium by \$157 million and added another \$238 million in expected General Fund Revenue for the 2015-17 Biennium.

Dated: June 17, 2014.