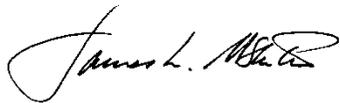


Dear Friends,

When people ask me, "How's life at the Treasurer's Office?" I often reply, "It's more exciting than it should be these days." As most of you know the financial world has been a changing landscape in recent years. Consequently, the Treasurer's Office is actively engaged in a host of reforms and initiatives designed to protect the safety and security of public money and make it go further. These changes mean there's no such thing as business as usual around here. We're changing the way this office does business. We are reaching out to local governments to add and improve the services we provide. We are working with the Legislature to update state laws and find efficiencies. We are working with communities on issues ranging from financial literacy to school bond guarantees. And there's room for more! In that spirit, I'm launching this newsletter to help keep you informed about the important issues and events in which my office is engaged. Thanks for your interest. Please contact me with your questions, ideas and concerns.

Sincerely,



James McIntire

Debt Affordability Study-I made a promise when I ran for this office that I would look at our state's capital needs now and into the future and determine our ability to meet those needs. Today, more than ever, we have to be smart with our money and make less go further. My office has conducted a [debt affordability study](#), which had not been done by any other agency. This report examines all the debt and liabilities of the state to determine the state's capacity for additional debt and help prioritize capital spending in the future.

The Washington State Constitution places a firm limit on the amount of debt service the state can pay on certain forms of debt. The Constitution requires that maximum annual payments of principal and interest on all debt subject to this limit may not exceed 9 percent of the average of the prior three years' general state revenues. As of August 2010, maximum annual debt service on all outstanding debt subject to the constitutional debt limit totaled \$974 million. This represents 8.03 percent of the average of the prior three years' general state revenues.

Demand for new infrastructure will continue to grow. Taking steps now to better manage the state's scarce debt capacity will help tax payers get the lowest possible borrowing costs on funds for capital construction, transportation, and infrastructure projects and can help ensure that sufficient resources will be available for future capital investments necessary to keep our economy moving forward. [Click here to view the full report.](#)

Pension Funding Reform Report-I recently released a report on pension funding reform based on the State Actuary's Risk Assessment. Washington State has one of the best public employee pension benefit

plans. A Pew report ranked Washington 4th in the nation for pension funding. Many states are in the process of reforming their systems in order to meet their unfunded liability. This is something Washington State did back in 1977, when it closed the Public Employees Retirement System Plan 1 (PERS 1) and the Teacher Retirement System Plan 1 (TRS 1).

Does that mean our system is perfect? No. Currently, our PERS 1 and TRS 1 plans have an unfunded liability. The underfunding of these two closed plans has caused an unfunded liability of \$6.9 billion with the State's portion amounting to \$3.8 billion and local governments' share at \$3.1 billion. Some assume that this problem is due to excessive benefits, but it is not. On average the annual public pension benefit is just under \$20,500. The unfunded liability is due to various economic reasons that have hampered the State from funding these plans at the actuarially recommended funding level. And each year the unfunded liability continues to increase and could potentially put our solvent plans at risk.

We can no longer continue to kick the can forward. We must come up with a solution to fund our unfunded liability and to keep our existing plans solvent. In this report I present a recommendation that would require the State to fund our pension plans at a minimum of 80 percent of the actuarially recommended level. The [Pension Funding Reform](#) report is available on our website

Bank on Washington- In December of 2005, San Francisco Mayor Gavin Newsom and City Treasurer Jose Cisneros invited the presidents of various financial institutions to a gathering and challenged them to work with their city to launch a new initiative. Their goal was to get 10,000 of the city's estimated 50,000 "un-banked" individuals into the financial mainstream. These are individuals who instead rely on access to alternative financial services industry, which offers payday loans, check cashing services with high service charges, and predatory loan products. In September of 2006 they launched Bank on San Francisco.

This same unprecedented challenge has come to Washington State with the Bank on King County-Seattle and the Bank on Yakima. Their goal, like the Bank on San Francisco, is to provide opportunities for the "un-bankable" to enter into the mainstream banking environment. They created a public-private partnership and are offering products such as checking accounts with little or no fees, savings accounts and access to financial education. This also provides an opportunity for those who have had bad credit or were placed on a nonsufficient funds list, to get a second chance to open and maintain checking and savings accounts and begin to plan for the future.

Other counties in our State see the benefit of this initiative and wish to start their own initiative, an effort that I commend. As a means to streamlining the process and to set a standard of services and products, efforts are being made to launch a Bank on Washington Initiative. One of its main goals is to help these other communities launch their own Bank-On initiatives without recreating the wheel. It will allow communities to draw on common resources and ensure the best services and products are provided to these individuals. We are at the beginning stages of this process so please stay tuned for more updates.

Local Fiscal Health Report –The Washington State Treasurer's office has updated a 2004 OFM report produced by the Department of Commerce assessing the fiscal stress of cities and counties based on

certain criteria. Our goal was to measure changes in local governments' fiscal stress compared to the period examined by the original report. This report will be a useful tool in identifying where my office and the State can best help local governments. I plan to sit down with legislators and city and county officials to discuss the results of this report and to explore what can be done to provide relief to local municipalities so they can continue to provide services to their communities. I will keep you posted as we move forward.

Legislative Assembly Days- For one week in December the Legislature convenes to begin work plans and make committee assignments for the upcoming session. This session they have the daunting task to close a \$4.6 billion budget gap. But before they can deal with the next biennium budget the Legislature meet for a Special Session to close a \$1 billion shortage in the current budget for the biennium ending June 30, 2011. Both the House and Senate have put forth ideas on how to close this gap that included eliminating Basic Health, Disability Lifeline and levy equalization. The choices are going to be tough no matter what is decided. I am committed to working with the Governor and Legislature to close these budget gaps and to protect the safety and security of public funds.

SJR 8225- Last spring, I requested Senate Joint Resolution 8225. The Senate passed it unanimously and the House passed it with a strong bipartisan vote. This fall, voters gave this much needed measure their seal of approval in the general election. Thank you for your support.

This state constitutional amendment will reduce taxpayer costs for schools, college and university buildings, parks and open space, community facilities, local infrastructure, prisons, and public buildings financed with General Obligation Bonds issued by the state.

The savings are substantial. Last October the State used these bonds to borrow money for transportation projects and we saved \$63 million-enough to build a new ferry.

If we could do the same with state general obligation bonds it is estimated we could save taxpayers more than \$100 million during the next two years alone! Thank you again for your support and passing this critical measure that will enable our tax dollars to do more with less.