



2023 DEBT DIGEST

CREDIT RATINGS

The state of Washington received some of the highest possible credit ratings from rating agencies in FY 2022



GO Bonds

Aaa Moody's	AA+ S&P	AA+ Fitch
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Certificates of Participation:

Aa1
Moody's

\$22.3 billion

Total outstanding debt and other financial obligations, with \$2.3 billion of debt service due in FY 2022

4.43%

Percent of General State Revenues allocated to pay Capital Budget debt service (\$1.3 billion) in FY 2022

93%

The combined funding status for all state-administered retirement plans, based on the August 2022 Actuarial Report

\$2,780

Amount of outstanding debt per Washingtonian according to S&P Global Ratings

How does Washington achieve its financial goals?

Recommendations for the Legislature to help us stay the course:



RESERVES

Establish a minimum target for total reserves of no less than 10% of annual Near General Fund-State revenues



DEBT SERVICE AS A PERCENT OF REVENUES

Manage the state's debt burden so that annual debt service costs remain below 5% of annual General State Revenues



STATE PENSION FUNDING

Continue to improve the funding status of the state's pension plans by fully funding the state's actuarially determined pension contributions

How much debt is outstanding?

Transportation Budget (35%)

\$7.8 Billion

Bond proceeds pay for a variety of Transportation Budget projects across the state, including highways, bridges, interchanges, and other transportation projects



Capitol Budget (61%)

\$13.5 Billion

VP GO Bonds are issued to pay for Capital Budget projects, such as school construction, affordable housing, environmental preservation, and public works infrastructure



Financing Contracts (5%)

\$1.0 Billion

Financing programs administered by the Treasurer's Office provide a way for state and local agencies to finance real estate and equipment over a multi-year period



What are the rules and restrictions with Washington's debt?

- The Washington State Constitution limits the amount of debt service (payments of principal and interest) the state can pay on certain forms of debt.
- Maximum annual debt service (MADS) for bonds subject to the debt limit may not exceed 8.25% of the 6-year mean of General State Revenues.
- The FY 2023 Debt Limit Report, published by the Office of the State Treasurer on December 12, 2022, certified that the state was \$604.7 million under the debt limit, based upon the difference between:
 - ◇ 8.25% of the 6-year mean of General State Revenues (\$1.991 billion)
 - ◇ MADS as of December 1, 2022 (\$1.386 billion)

How has Washington managed debt in the past?

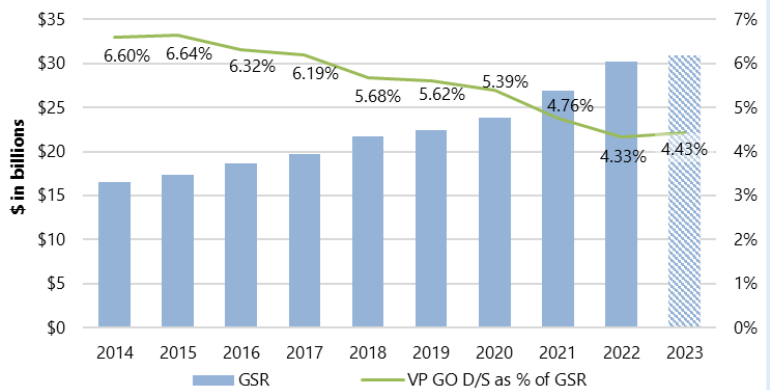
Reserves Trends

The state projects \$30.9 billion in General State Revenues and \$1.4 billion in Capital Budget debt service payments in FY 2023.

This equates to 4.43% of General State Revenues being used to pay debt service in FY 2023, down from the most recent peak of 7.88% in 2002.

Reducing the percent of revenue dedicated to debt service means there is more Operating Budget flexibility when needed.

Various Purpose GO Debt Service as a Percent of General State Revenues



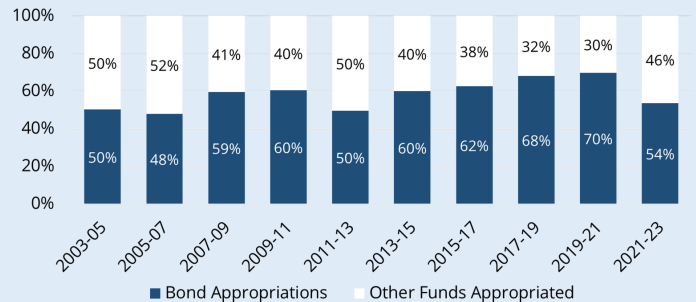
Source: Office of Financial Management, November 2022; Office of the State Treasurer. Outstanding as of June 30, 2022.

Debt Trends

In recent years, the state has increasingly relied upon debt to fund its Capital Budgets. In the 10 years prior to the Great Recession, bonds funded an average of 46% of the Capital Budget per biennium.

In the last five biennia, VP GO bonds have funded an average of 63% of Capital Budget appropriations.

Capital Budget Funding Source Ratio



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



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Email questions to Jason.Richter@tre.wa.gov



Give us a call at 360-902-9000



Download the full report at tre.wa.gov/debt23