

STATE OF WASHINGTON

2020 DEBT AFFORDABILITY STUDY DIGEST



Washington State Treasurer
Duane A. Davidson
 Service, Security, Transparency

\$21.1 billion

Total outstanding debt and other financial obligations, with \$2.1 billion of debt service due in FY 2020

92%

Percent by which the State's Various Purpose GO debt has increased since FY 2000

5.02%

Percent of Near General-Fund State revenues allocated to pay Various Purpose GO debt service (\$1.276 billion) in FY 2020

\$2,613

Amount that every Washingtonian would need to contribute to repay all outstanding debt and other financial obligations

This handout highlights the findings of the 2020 Debt Affordability Study.

Copies of the full report can be found on our website:

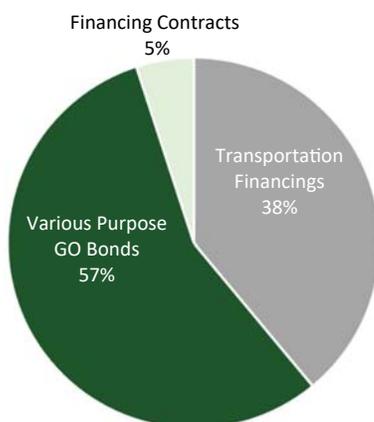
www.tre.wa.gov/2020DebtStudy

Bond proceeds pay for a variety of important projects, including school and hospital funding, floodplain management, state park preservation, and the construction of bridges, tunnels, and other improvements. Over the past twenty years, Washington has relied heavily upon debt to finance these projects. Since FY 2000, the State's outstanding general obligation (GO) debt increased from \$7.3 billion to over \$19.3 billion today. In FY 2020, the State will spend more than \$1.3 billion on debt service payments for its Various Purpose GO bonds, or 5.02% of total Near General-Fund State revenues.

Washington has the 8th highest debt per capita in the country. Every Washingtonian would have to contribute \$2,613 to fully repay the State's debt, well over the national median of \$1,068. Despite having high debt levels, the three major rating agencies (Standard & Poor's, Moody's, and Fitch) have confirmed strong long-term credit ratings for the State, reflecting a robust local economy, strong reserves, good access to liquidity, and relatively well-funded pensions.

Overview of Debt and Other Financial Obligations

Outstanding Obligations By Category



Amount Outstanding

As of 12/31/2019 (\$ in millions)

<i>GO-Backed Bonds</i>	
VP GO	\$12,069
Motor Vehicle Fuel Tax (MVFT) GO	6,443
MVFT & Vehicle Related Fees GO	224
Triple Pledge	569
Subtotal	19,305
<i>Non-GO Backed Bonds</i>	
GARVEE*	441
TIFIA**	292
Subtotal	733
Total VP & Transportation-Related Bonds	20,038
<i>Financing Contracts</i>	
Certificates of Participation	836
"63-20" Lease Revenue Bonds	259
Subtotal	1,095
Total Debt & Other Financial Obligations	\$21,132

Credit Ratings

GO Bond Credit Ratings

Aaa	AA+	AA+
Moody's	S&P	Fitch

COP Credit Ratings*

Aa1	--	--
Moody's		

*Certificates of Participation, secured by lease-purchase financing contracts, are a separate credit and receive a standalone rating

Source: Office of the State Treasurer

*Grant Anticipation Revenue Vehicle

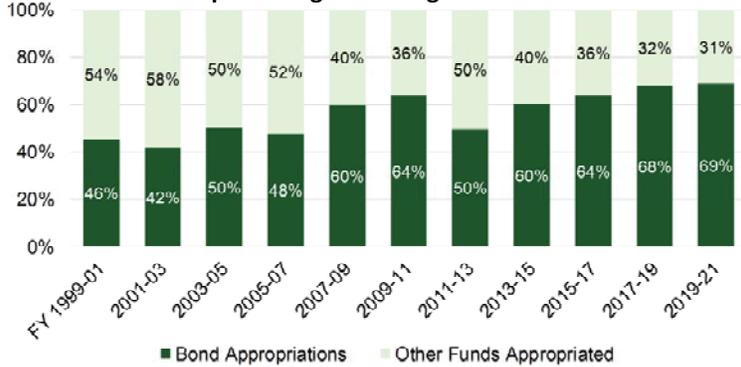
**Transportation Infrastructure Finance and Innovation Act

This study is prepared primarily to provide information to State officials and lawmakers. It has not been prepared with a view to, nor is it suitable for, any investment decision regarding any bonds or financial obligations of the State or any of its agencies. The financial data and other information provided herein is not warranted as to completeness or accuracy for purposes of federal securities laws and regulations, and is subject to change without notice. Any investor or potential investor in bonds or financial obligations of the State or any of its agencies should obtain and carefully review the official statement and filings of the State at EMMA.msrb.org before making any investment decision.

Debt vs. Pay-Go

Since the Great Recession, bond proceeds have funded a larger portion of the State's capital budgets. From FY 1997 to FY 2007, bond proceeds accounted for 47% of capital budget funding sources. In the ten years following the Great Recession, this average increased to 59%. In the 2019-21 biennium, bond proceeds account for approximately 69% of appropriations, the highest portion in the last 30 years.

Capital Budget Funding Source Ratio



Source: Legislative Evaluation & Accountability Program (LEAP) Committee

Debt Limit

- The Washington State Constitution places a limit on the amount of debt service (payments of principal and interest) the State can pay on certain forms of debt.
- The maximum annual debt service (MADS) for bonds subject to the debt limit is equal to no more than 8.25% of the 6-year mean of general state revenues.
- The FY 2020 Debt Limit Report, published by the Office of the State Treasurer on December 11, 2019, certified that the State was \$381.7 million under the debt limit, based upon the difference between:
 - 8.25% of the 6-year mean of general state revenues (\$1.560 billion)
 - MADS as of November 25, 2019 (\$1.218 billion)

Debt Metrics

Rating agencies compile metrics that compare the credit profiles of states throughout the country. Washington ranks amongst the top ten most leveraged states across all metrics.

*The adjacent rankings are provided by Moody's and S&P, respectively.

8th & 6th Highest debt per capita

10th & 10th Highest debt as a % of personal income

11th & 11th Highest debt as a % of gross state product

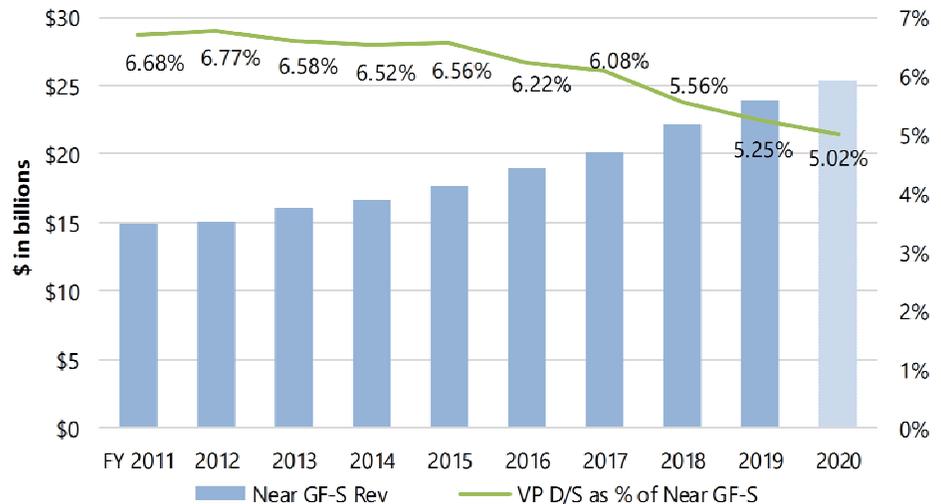
Various Purpose GO Debt Service as a Percent of Near General Fund-State Revenues*

The State projects \$24.7 billion in Near General Fund-State revenues and \$1.3 billion in Various Purpose GO debt service payments in FY 2020.

This equates to 5.02% of Near General Fund-State revenues being used to pay debt service in FY 2020.

This is the lowest percentage of debt service to Near General Fund-State revenue since before the 2008 recession.

Prior to the Great Recession (2000-2008), debt service as a percent of Near General Fund-State revenues averaged 5.5%.



*Near General Fund-State revenues include General Fund-State as well as the Education Legacy Trust Account (ELTA) and Opportunity Pathways Account (OPA) which are used for K-12 and higher education.
Source: Economic and Revenue Forecast Council; Office of the State Treasurer