

# STATE OF WASHINGTON

## 2018 DEBT AFFORDABILITY STUDY DIGEST

**\$21 billion**

The total amount of Washington's outstanding debt and financing contracts, with total annual debt service of \$2.1 billion in FY 2018

**5.77%**

Percentage of general-fund state revenues that will be used to pay debt service in FY 2018

**\$2,717**

The amount each Washingtonian would need to contribute to repay all outstanding debt and financing contracts

**\$2.9 billion**

The State's remaining debt capacity, as described in the 2017 Debt Limit Report



Washington State Treasurer  
**Duane A. Davidson**

Service, Security, Transparency

This handout highlights some of the findings of the 2018 Debt Affordability Study. Full copies of the report can be found on our website:

<https://www.tre.wa.gov/wp-content/uploads/2018-Debt-Affordability-Study.pdf>

Over the past twenty years, the State of Washington's outstanding General Obligation (G.O.) debt portfolio has increased from \$6.8 billion to over \$19 billion. These funds go towards a variety of projects, such as building schools and hospitals, managing floodplains, preserving State parks, and constructing bridges, tunnels, and other capital improvements. In FY 2018, the State will spend more than \$1.2 billion in debt service payments for its various purpose G.O. bonds, or 5.77% of total general fund-state revenues.

The State has high levels of debt, ranking 6<sup>th</sup> highest in the country in debt per capita. Every Washingtonian would have to pay \$2,717 in order to fully repay the State's outstanding debt, well over the national average of \$1,006. Despite having high debt levels, the three major rating agencies have all confirmed a strong long-term credit rating for the State, reflecting a robust local economy, good access to liquidity, prudent financial management, and relatively well funded pensions.

### Outstanding Debt Overview

#### Credit Ratings

G.O. Bond Credit Ratings		
<b>AA+</b>	<b>Aa1</b>	<b>AA+</b>
S&P	Moody's	Fitch

COP Credit Ratings*		
--	<b>Aa2</b>	--
	Moody's	

\*COPs, a form of financing contract, are a separate credit and receive a standalone rating

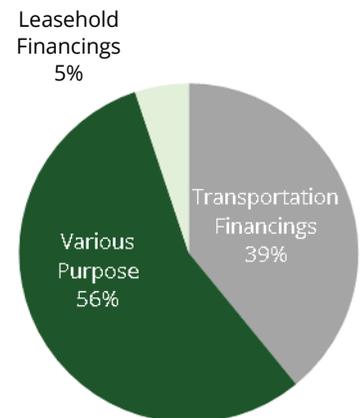
#### Debt Outstanding (\$ millions) As of 11/30/2017

<i>G.O. Bonds</i>	
Various Purpose	\$11,713
Motor Vehicle Fuel Tax	6,726
Triple Pledge	596
<b>Total G.O. Debt</b>	<b>\$19,035</b>
<i>Non-G.O. Transportation Debt</i>	
GARVEEs*	\$589
TIFIA**	300
<b>Total G.O. + Non-G.O. Trans. Debt</b>	<b>\$19,924</b>
<i>Other Outstanding Obligations</i>	
Leasehold Financing Contracts	\$1,077
<b>Total Debt + Financing Contracts</b>	<b>\$21,002</b>

\*Grant Anticipation Revenue Vehicle Bonds

\*\*Transportation Infrastructure Finance and Innovation Act Loan

#### Debt Profile — By Purpose



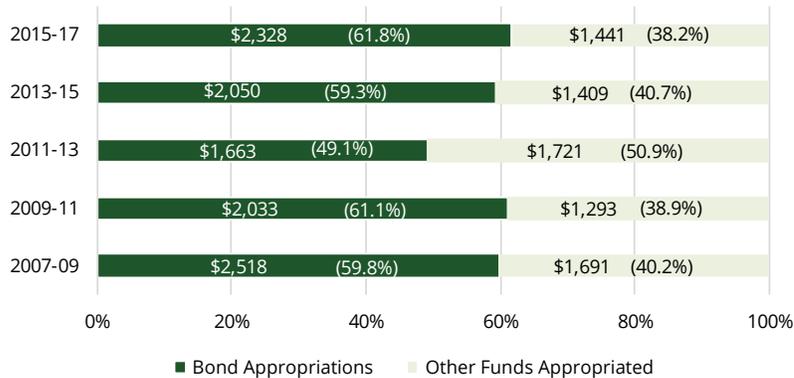
Source: Office of the State Treasurer

This study has not been prepared with a view to, nor is it suitable for, any investment decision in the bonds of the State or any of its agencies. Any investor in the bonds of the State or any of its agencies should obtain the filings of the State at [EMMA.msrb.org](http://EMMA.msrb.org) related to those bonds before making any investment decision.

## Budgetary Impacts

Approximately 60% of the 2015-17 biennium's Capital Budget was funded through bond proceeds, paying for a variety of projects such as building schools and hospitals, managing floodplains, and preserving State parks.

### Capital Budget Funding Source Ratio (\$ millions)



Source: Legislative Evaluation & Accountability Program (LEAP) Committee

## Debt Limit

- The Washington State Constitution places a firm limit on the amount of debt service (payments of principal and interest) the State can pay on certain forms of debt
- The State's maximum annual debt service (MADS) for debt service subject to the debt limit is equal to no more than 8.25% of the 6-year mean of general fund-state revenues
- The most recent Debt Limit Report, published in March of 2017, certified that the State was \$175.5 million under the debt limit, based upon the difference between:
  - 8.25% of the 6-year mean of general state revenues (\$1.35 billion)
  - MADS as of December 31, 2016 (\$1.17 billion)
- This leaves the State with remaining debt capacity of approximately \$2.9 billion, as described in the 2017 Debt Limit Report

## Debt Metrics

Rating agencies compile metrics that compare the State's debt profile to other states throughout the country. Washington ranks amongst the top 9 most leveraged states across all metrics.

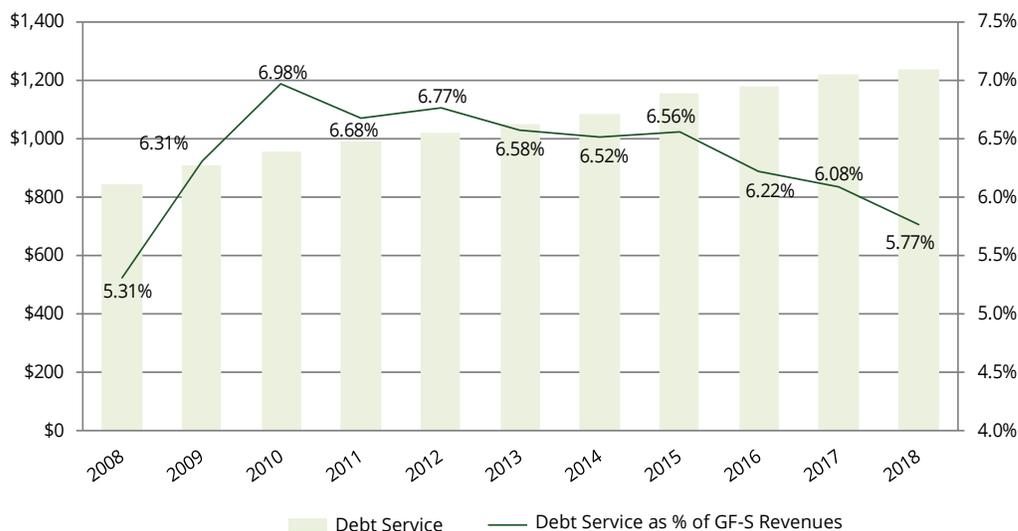
The adjacent rankings are provided by Moody's and S&P respectively.

**6<sup>th</sup> & 6<sup>th</sup>** Highest debt per capita

**5<sup>th</sup> & 9<sup>th</sup>** Highest debt as a % of personal income

**7<sup>th</sup> & 8<sup>th</sup>** Highest debt as a % of gross state product

## Various Purpose G.O. Debt Service\* (\$ millions) as a Percent of General Fund-State Revenues\*\*



\*FY 2018 estimate. \*\* General fund-state revenues include the Education Legacy Trust and Opportunity Pathways accounts which are used for K-12 and higher education

Source: Economic and Revenue Forecast Council

- The State projects \$21.1 billion in general fund-state revenues and \$1.2 billion in various purpose G.O. debt service payments in FY 2018
- This equates to 5.77% of general fund-state revenues being used to pay debt service in FY 2018
- This is the lowest percentage of debt service to general fund-state revenue since before the 2008 recession
- Since 2000, debt service as a percent of general fund-state revenues has averaged 6.01%