



A look at how Washington manages public money

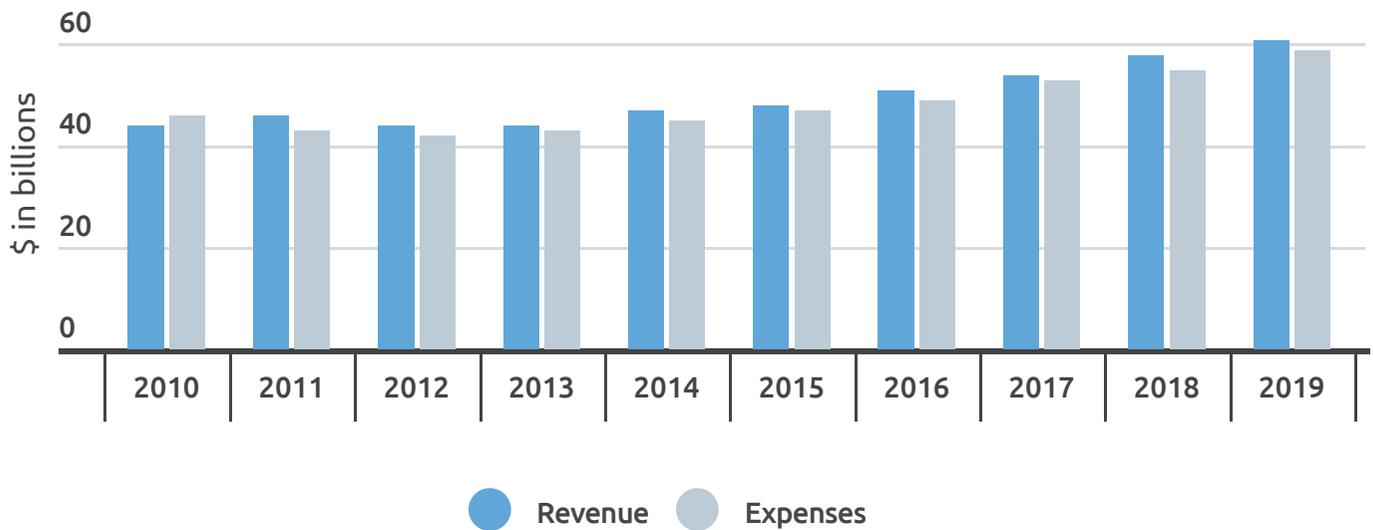
2019 Comprehensive Annual Financial Report summary

Each year, as required by law, the state publishes its Comprehensive Annual Financial Report (CAFR) to provide information on the state's financial position. The CAFR is a complex and lengthy document (325 pages) with detailed information on the state's structure, services, finances, trends and nonfinancial data. In short, the CAFR shows how the state manages the public money entrusted to it by Washington residents.

To make this important information accessible to the broadest possible audience, the State Auditor's Office prepares this CAFR summary to provide a snapshot of the state's financial position, including revenues and expenditures, cash balances and debt.

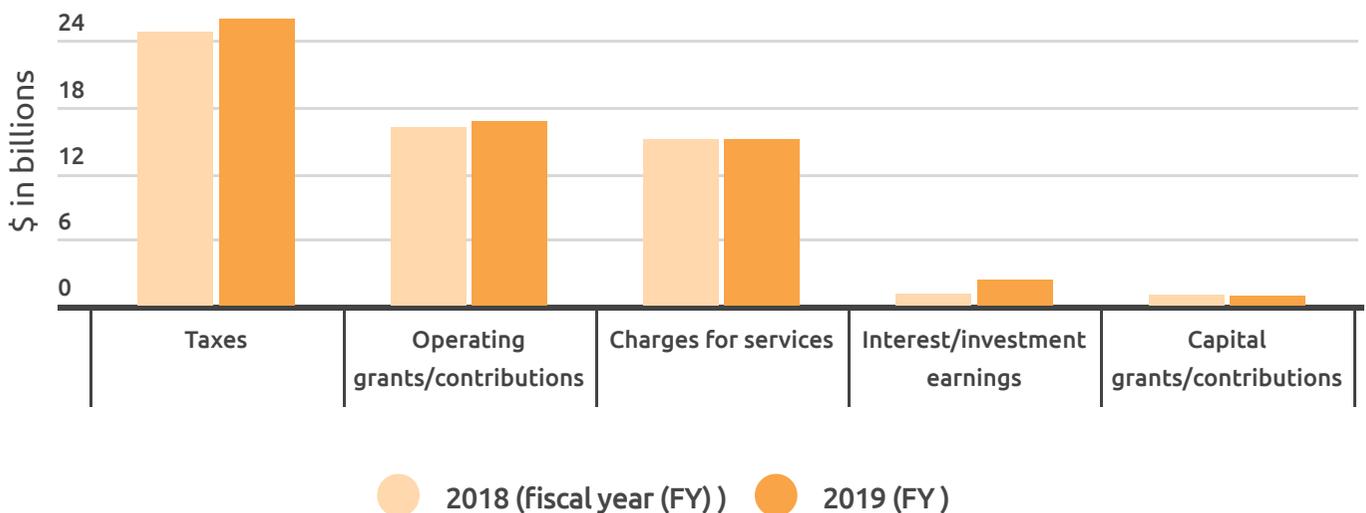
Our audit of the fiscal year 2019 CAFR resulted in a clean audit opinion, meaning we concluded the financial statements fairly presented the State's financial position. The full report is available on the Office of Financial Management website at www.ofm.wa.gov/cafr/.

*State revenue vs. expenses



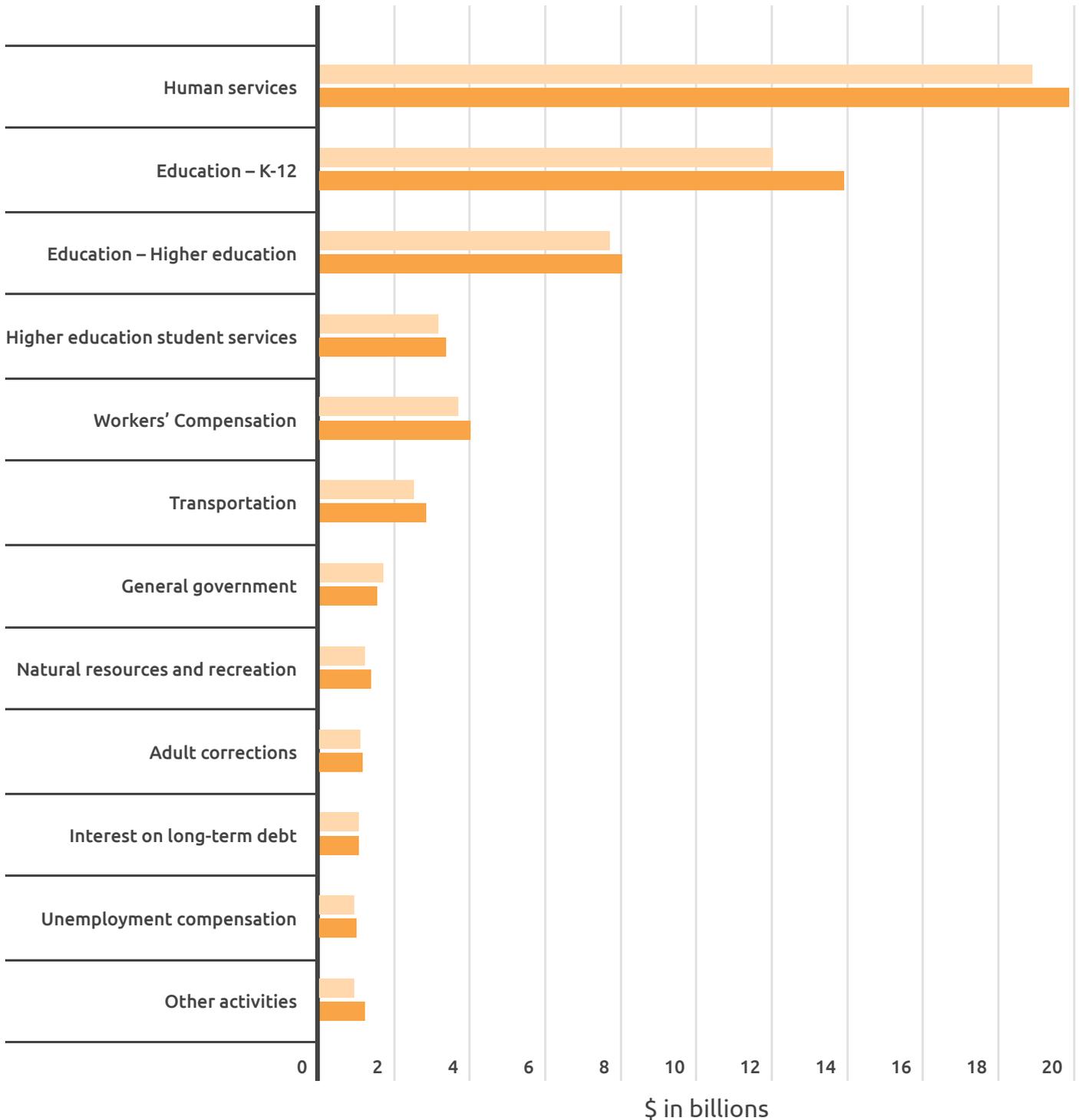
* Excludes fiduciary activities, which are when a government takes care of money that belongs to individuals or others outside of the government itself

*State revenue by source



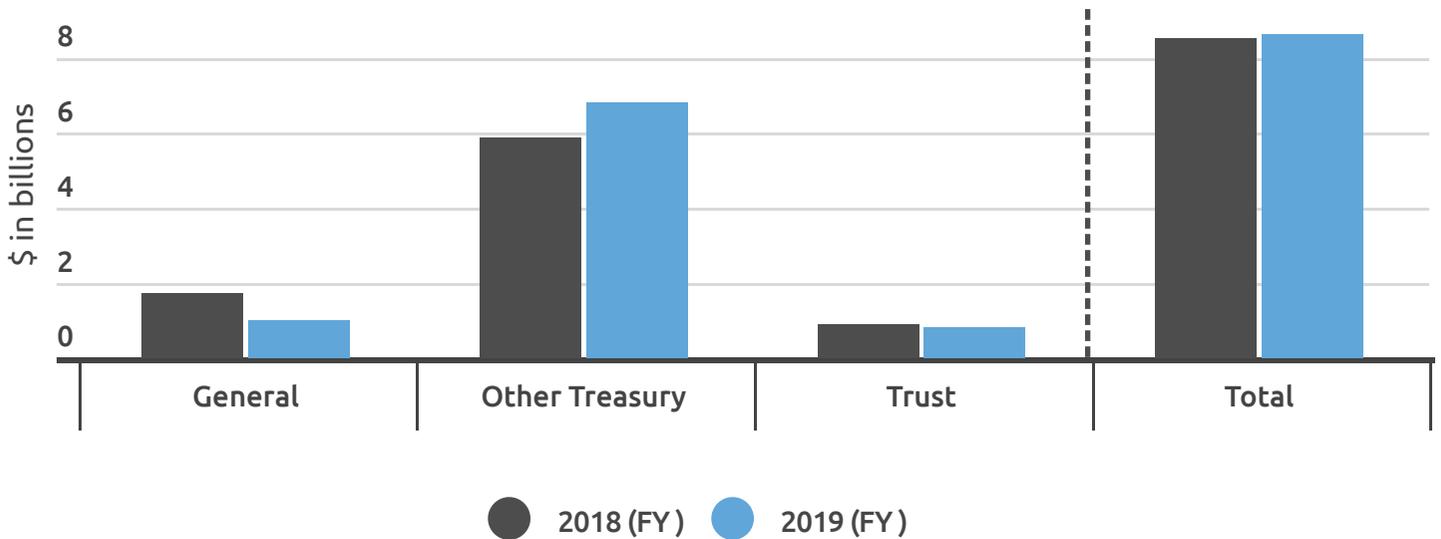
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*State expenses by program area



● 2018 (FY) ● 2019 (FY)

Treasurer's ending balances by fund type



Debt burden

According to Fitch Ratings, Washington's debt levels are more than twice the U.S. state median. Standard & Poor's Ratings Services has described the state's direct tax-supported debt burden as moderately high.



19.7 billion

State's total general obligation debt (up 0.61% from June 30, 2018)



\$3,641

Debt owed by the state for every adult and child living in Washington. This is among the highest rates in the nation, according to Standard & Poor's (6th) and Moody's (7th) ratings services.

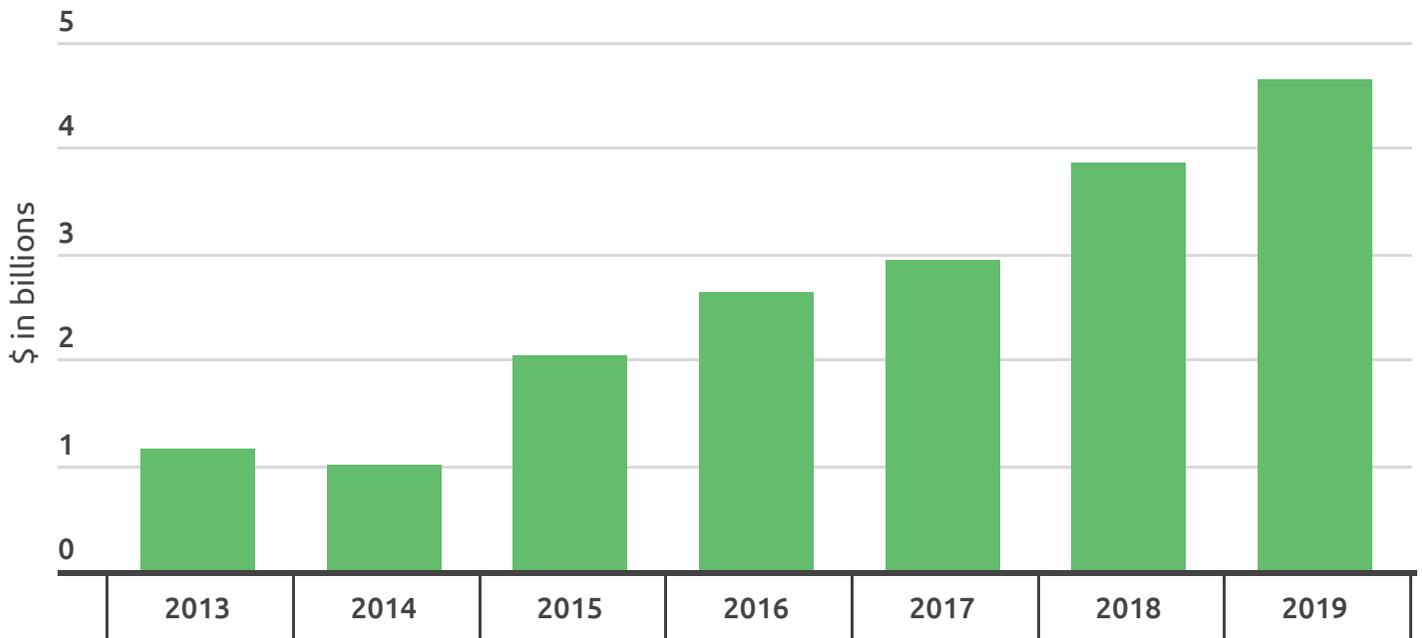


6.3

Ratio of total debt to personal income

Estimated borrowing capacity

The state Constitution limits the amount of debt the state may incur. The State Treasurer estimates the amount of additional general obligation bond issue the state could support before reaching the constitutional limit, as shown in the chart below.



Bond ratings

Bond ratings are an important measure of the state's economic strength and accountability. They determine how much interest the state pays when it borrows money. Washington is considered to have good bond ratings.

Aaa

Moody's
Investors Service

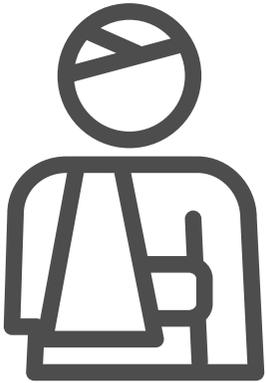
AA+

Standard & Poor's
Ratings Services

AA+

Fitch Ratings

Workers' Compensation Program



Washington's workers' compensation program provides medical, time-loss, and disability benefit payments to qualifying individuals sustaining work-related injuries.

\$10.23 billion

Program's deficit at end of fiscal year 2019, a decrease of \$148 million.

The improving deficit was caused mainly by an increase in investment income from the prior year.

\$29.2 billion

Claims and claims-adjustment liabilities (as of June 30, 2019)

\$15.22 billion

Liability for future supplemental pension cost-of-living adjustments (COLAs). These COLAs are provided to injured workers and their dependents who receive disability payments.

By statute the state cannot set aside money to pay for these future benefits. This a key component of the programs deficit and may necessitate future premium increases or revamped benefits.

Unemployment compensation system

Washington's unemployment insurance program is an experience-based system, in which employers with a history of more layoffs generally pay a higher unemployment tax rate.

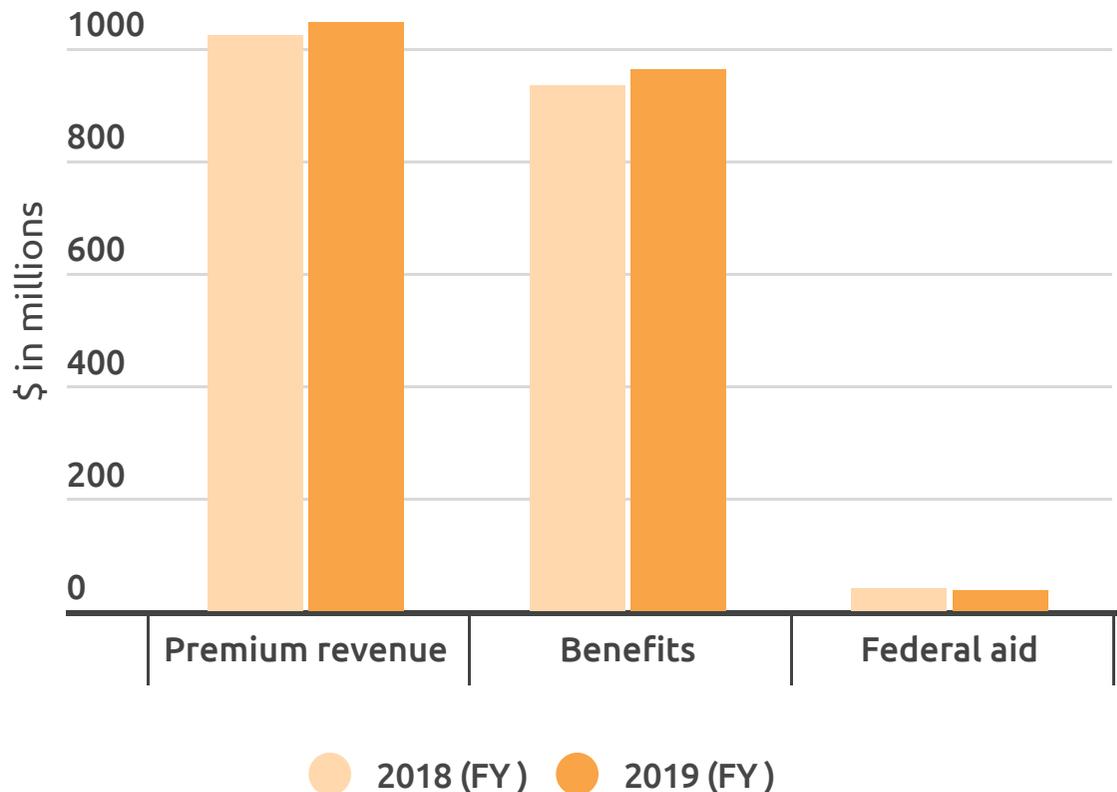
\$4.704 billion

Trust fund cash balance (as of June 30, 2019), one of the nation's largest

4.6%

2019 unemployment rate, a slight increase from 2018

Revenue and benefits up; federal aid down



State pension plans



The state has not set aside enough money to fully fund promised retirement benefits to retired state employees in the closed pension plan PERS1. This situation was primarily caused by a period of underfunding, retroactive benefit enhancement and investment losses.

For all state-run pension plans, the [Pew Charitable Trust's latest analysis \(FY 2017\)](#) shows Washington as having the 9th best funded ratio in the nation.



\$89.6%

Funded percentage of Washington's pension plans (as of fiscal year 2017). The median rate for all states was 69.1%.



\$9.9 billion

Total state pension debt, or unfunded liability (as of fiscal year 2017)

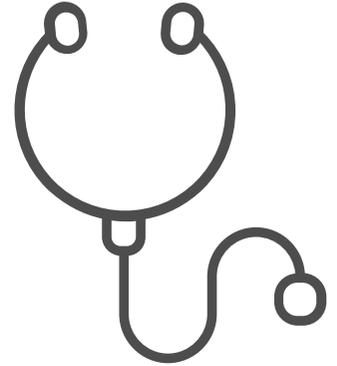
\$1.9 billion

Unfunded liability for PERS 1 pension plan (as of June 30, 2018)

Post-employment benefits

The state administers a post-employment benefit plan of subsidized medical, dental, life and long-term disability insurance to employees who elect to continue coverage and pay the administratively established premiums at the time they retire. This plan operates on a pay-as-you-go basis and does not accumulate resources for future payments.

The [Pew Charitable Trust's latest analysis \(FY 2016\)](#) shows that Washington is one of 19 states, of the 48 states that reported OPEB liabilities in 2016, that has not put aside any funds to pay for promised benefits.



\$5.1 billion

Unfunded liability
(as of June 30, 2018, the most recent actuarial valuation available)

Risk management fund

The Risk Management Fund pays tort claims, judgments and settlements against the state. As of June 30, 2019, no cash and investments have been set aside to pay for future estimated claims totaling \$649 million. State law limits accumulating funds in the Self-Insurance Liability Program to 50 percent of total outstanding and actuarially determined claims.

'Rainy-day fund' balance

The state's Budget Stabilization Account ("rainy-day fund") is available for use in the event of emergencies or by a vote of the Legislature.



The balance increased by \$250 million from the prior year in part due to extraordinary revenue growth in the general fund.

The [National Association of State Budget Officers \(FY 2018\)](#) shows that Washington's rainy day fund is the 12th largest in the nation and represents about 6.7% of General Fund expenditures.

