



STATE OF WASHINGTON  
**OFFICE OF FINANCIAL MANAGEMENT**

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December 23, 2024

The Honorable Jay Inslee, Governor  
Honorable Members of the Legislature  
Citizens of the State  
State of Washington  
Olympia, WA 98504

In accordance with Revised Code of Washington 43.88.027, the Office of Financial Management presents Washington state's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2024. The state holds full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control established for this purpose. As the cost of internal control should not exceed anticipated benefits, the state's objective is to provide reasonable assurance, rather than an absolute guarantee, that these financial statements are free of any material misstatements.

The State Auditor's report on the audit of the Washington state financial statements for the fiscal year ended June 30, 2024 is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

The basic financial statements follow the MD&A, including the government-wide financial statements, fund financial statements, and notes to the financial statements. The required supplementary information, combining financial statements, individual fund schedules, and statistical section complete the ACFR.

## **Profile of Washington State**

Washington state was created in 1889 by an enabling act of Congress. The state is located on the Pacific Coast, in the northwestern corner of the continental United States, and comprises 71,298 square miles. Its current population is 8.0 million. Washington is famous for its breathtakingly beautiful scenery and sharp contrasts. On the west side of the state, high mountains rise above coastal waters. The forests of the Olympic Peninsula are among the world's rainiest places. The state's coastline features hundreds of bays and inlets that make excellent harbors, while in the eastern part of the state, flat semi-desert land stretches for long distances without a single tree.

Washington's location makes it a gateway for land, sea, and air travel to Alaska and Pacific Rim countries. Ships from all parts of the world dock at Washington ports. Costco Wholesale Corporation, headquartered in Issaquah, operates an international chain of membership warehouses. Microsoft, a global leader in the computer software industry, makes its home in Redmond. Amazon, a major internet retailer, and Starbucks, a worldwide renowned coffee company, are headquartered in Seattle; and Paccar, a global technology leader in the design, manufacture, and customer support of premium trucks, is headquartered in Bellevue.

East of the Cascade Mountain range, farmers raise livestock and grow a variety of crops such as wheat, potatoes, and tree fruits. Washington leads the nation in apple and hops production, makes world-class wine, and produces large amounts of lumber, pulp, paper, and other wood products. Western Washington's mild, moist climate makes that region excellent for dairy farming and the production of flower bulbs.

## **GOVERNMENTAL STRUCTURE**

As established in the state Constitution, Washington state has executive, legislative, and judicial branches of government. The Executive Branch is composed of nine elected officials: the Governor, Lieutenant Governor, Secretary of State, State Treasurer, State Auditor, Attorney General, Superintendent of Public Instruction, Insurance Commissioner, and Commissioner of Public Lands. Forty agency heads are appointed by, and report to, the Governor. Seventy-seven agency heads report to boards appointed, in whole or in part, by the Governor. The Legislative Branch is composed of the Senate (with 49 members) and the House of Representatives (with 98 members). The Judicial Branch is composed of the State Supreme Court, the highest court in the state, which has nine justices. Every two years, three justices are elected for six-year terms. A Chief Justice is chosen from among the justices. The Judicial Branch also includes the state's superior courts, justices of the peace, and such inferior courts as the Legislature may provide.

## **TYPES OF SERVICES PROVIDED AND REPORTING ENTITY**

The state provides a wide range of services that include education, transportation, environment and natural resource protection, and social and health services.

The accompanying report includes all funds and subsidiary accounts of the primary government, Washington state as legally defined, as well as its component units. Component units are legally separate entities for which the primary government is financially accountable or ones that have relationships with the state such that exclusion would cause the state's financial statements to be misleading or incomplete. Note 1.A to the financial statements explains more fully the component units which are included in the reporting entity.

## **THE BUDGET CYCLE**

Washington enacts budgets for a two-year cycle, beginning on July 1 of each odd-numbered year. By law, the Governor must propose a biennial budget in December, the month before the Legislature convenes in regular session. The biennial budget enacted by the Legislature can be modified in any legislative session through changes to the original appropriations. Since the inception of annual legislative sessions in 1979, it has become common for the Legislature to enact annual revisions to the state's biennial budget. These revisions are referred to as supplemental budgets.

Operating appropriations are generally made at the fund/account and agency level; however, in a few cases, appropriations are made at the fund/account and agency/program level. State operating appropriations in the General Fund are for a single year in the biennium. Operating appropriations in other funds cover either the entire biennium or a single year in the biennium. Capital appropriations are biennial and are generally made at the fund/account, agency, and project level. The legal level of budgetary control is at the fund/account, agency, and appropriation level, with administrative controls established at lower levels of detail in certain instances.

## Washington State's Economic and Revenue Outlook

Washington's real gross domestic product (GDP) grew by 5.15 percent to \$692.72 billion in fiscal year 2024, surpassing the national growth of 3.09 percent. Key drivers for Washington included information technology (\$147.94 billion), real estate (\$87.35 billion), and retail trade (\$66.04 billion). Agriculture outpaced national trends, growing by 9.40 percent compared to 4.67 percent nationwide. However, the state faced challenges in mining, with a 20.22 percent decline against a national gain of 17.42 percent. Other sectors, such as utilities, also underperformed relative to U.S. trends. Despite these challenges, Washington's economy rebounded from its pandemic low in fiscal year 2021 and achieved record-high real GDP in fiscal year 2024. The data reflects strong recovery and resilience, with growth stabilizing as the fiscal year concluded, positioning the state for sustainable economic progress moving forward.

Non-farm employment in Washington increased by 1.35 percent (83,300 jobs) in fiscal year 2024, outperforming the U.S. growth rate of 0.06 percent. Education and health services led the way, expanding 3.33 percent (208,700 jobs) due to rising healthcare and education demands. The state's manufacturing sector, including aerospace, grew by 1.10 percent (36,100 jobs), reflecting recovery in aerospace production, despite challenges from labor strikes at Boeing. In contrast, the information sector saw a 4.85 percent decline, losing 100,800 jobs, driven by layoffs and restructuring in the technology industry. Looking ahead, forecasts expect Washington's employment to grow 1.3 percent in 2025, with a 0.8 percent average annual increase through 2029. Aerospace employment is expected to grow steadily, peaking in 2026 before stabilizing. Construction will maintain strong momentum, with projected growth of an average of 2.8 percent annually through 2029.

In fiscal year 2024, the unemployment rate in Washington averaged 4.28 percent, a slight improvement from 4.37 percent in fiscal year 2023. However, unemployment increased throughout the year, rising from 3.6 percent in July 2023 to 4.8 percent in June 2024, indicating softening in the labor market. Nationally, the U.S. unemployment rate averaged 3.81 percent, up from 3.54 percent in fiscal year 2023, with June 2024 recording 4.1 percent and July 2024 reaching 4.3 percent. Both Washington and the U.S. labor markets are experiencing modest cooling from their post-pandemic recovery peaks. During fiscal years 2019-2024, Washington's unemployment peaked at 16.6 percent in April 2020, due to the pandemic, while the U.S. recorded 14.8 percent unemployment the same month. Forecasts project Washington's unemployment rate to average 4.51 percent in calendar year 2024, rising to 4.93 percent in 2025, with levels stabilizing around 5 percent through 2027.

Personal income grew steadily in fiscal year 2024 at both the national and state levels, with U.S. personal income increasing by 5.9 percent and Washington's personal income rising by 5.6 percent. The U.S. saw growth from \$23.27 trillion in fiscal year 2023 to \$24.63 trillion by the end of fiscal year 2024, while Washington's personal income climbed from \$630.37 billion to \$665.40 billion during the same period. Both the U.S. and Washington recorded their highest personal income levels in fiscal year 2024, reflecting sustained economic recovery from pandemic disruptions. Forecasts project Washington's nominal personal income growth at 5.2 percent in 2024, slightly reduced from earlier estimates. Growth is expected to stabilize at 5.0 percent in 2025, followed by peaks of 5.9 percent in 2026 and moderate increases through 2029, averaging around 5.6 percent annually. These trends indicate resilient economic momentum despite external challenges, with Washington closely tracking national growth trajectories.

Washington experienced a 15.9 percent decline in construction permits, dropping from 47,864 in fiscal year 2023 to 40,255, marking the lowest level since fiscal year 2019. However, completed units rose by 10.8 percent to 52,126, the highest in the last five years, indicating strong project completions despite fewer new permits. Demolitions also increased by 15.8 percent, from 2,011 in fiscal year 2023 to 2,329, reflecting shifting development priorities. A recovery in construction permits is expected starting in 2025, with 37,700 units forecasted that year, followed by gradual growth to 43,400 units in 2029. These trends suggest a shift toward

project completions and demolitions while developers adjust to market dynamics and extend timelines for new developments.

Continued revenue growth is projected, with General Fund-State revenue of \$63.2 billion expected for the 2023-25 biennium, increasing to \$67.9 billion in 2025-27 and \$72.92 billion by 2027-29. These forecasts reflect Washington's strong fiscal outlook, driven by resilient economic activity and sustained public funding.

## Major Initiatives

### HOUSING/HOMELESSNESS

In 2024, Washington continued to build upon the historic \$1 billion housing investment made last year by appropriating additional funds into the Housing Trust Fund. This money will go toward the construction or acquisition of nearly 2,000 new housing units, contributing to the public and private entities across the state that will be creating an estimated 1.1 million additional homes that Washingtonians will need over the next 20 years.

In addition to building and acquiring new, low-cost housing, funds were also set aside to invest in housing for those with intellectual and developmental disabilities. Staffing and the building of specialized physical infrastructure often make this type of housing expensive to offer, so the funds going toward these efforts (along with a similar amount set aside last year) are sorely needed for the estimated 37,000 intellectually and developmentally disabled adults in the state facing housing insecurity. Together with the previous year's funding, 235 new affordable units will come online, mostly built through grants offered to nonprofit developers.

This year, the supplemental budget also included enhancements to the Rapid Capital Housing Acquisition program, which helped state agencies and local partners quickly and safely open 1,350 new temporary shelter units such as converted hotels and tiny home villages. In conjunction with the encampment resolution program, this has led to 48 encampments being resolved and nearly 1,200 people being able to move to safer shelter.

To help meet long-term housing goals, significant investments were also made into helping residents maintain and stay in the affordable housing that already exists. Housing support spending from the Climate Commitment Act has included funds for low-income families to weatherize their homes and subsidize clean energy retrofits to reduce their maintenance costs and monthly energy bills.

### BEHAVIORAL HEALTH

Washington's ambitious five-year strategic plan to maintain and expand behavioral health care culminated in the groundbreaking for the Forensic Center of Excellence on the Western State Hospital campus in Lakewood. This facility will expand the state's capacity to provide mental health services to patients awaiting trial (350 additional beds), creating a community-based care setting that will help limit institutionalization.

This funding will open or re-open wards at Western State Hospital, Eastern State Hospital, and the Civil Center for Behavioral Health at Maple Lane near Rochester, further expanding bed availability. By 2029, at least 550 more beds will open, all of which will expand access and reduce wait times. This year, for the first time, wait times for court-ordered competency restoration have adhered to the requirements of the 2014 Trueblood settlement.

The budget committed \$20 million to the University of Washington's Center for Behavioral Health and Learning, which will expand mental health care coverage and train the next generation of behavioral health workers and providers. Funding also went to operating the recently purchased Olympic Heritage Behavioral

Health Hospital in Tukwila, including hiring over 200 staff and adding 100 new beds for patients currently in other state hospitals.

## **PUBLIC SAFETY**

The budget includes funding to address the need for additional law enforcement staff by rapidly expanding the availability of classes offered throughout the state. Within the last two years, the state has opened three new regional law enforcement academies to train hundreds of recruits who had been on a waitlist. The supplemental budget set aside funds to establish an academy in Arlington, which opened in October 2024, to join the regional academies in Vancouver and Pasco.

To continue addressing the critical public health and safety issue of substance use disorders, the 2024 budget invests additional funds for expanded public awareness campaigns, treatment and medication availability at correctional facilities, and increased support to Tribal communities that have adapted to rapidly address the most acute effects of the opioid crisis. Money that the state has received in legal settlements from the opioid industry are also being spent to fund addiction treatment centers and drug awareness and prevention campaigns in K-12 schools.

## **CLIMATE IMPLEMENTATION AND FUNDING**

Washington's continued position as a supranational leader in climate issues has led to targeted, equitable investments in a full portfolio of programs designed to meet and exceed the state's commitment to reducing its greenhouse gas emissions by 95 percent by 2050.

Through the cap-and-invest revenue generated by the Climate Commitment Act (CCA), the Legislature has appropriated \$3.2 billion over the course of the biennium to address some of the largest sources of climate change pollutants: transportation and buildings. Not only does the CCA provide the opportunities listed below to invest in addressing climate change, it also ensures equitable outcomes by directing at least 42 percent of its investments to the Washington communities and Tribes most impacted by its effects.

Of the appropriated CCA funds, creating and expanding access to clean transportation for all Washingtonians has been one of the largest initiatives. Of this amount, the largest investments have been in public transit grants and projects, active transportation projects, such as bike trails and safer sidewalks, and incentives to support zero-emission commercial vehicles like school buses and drayage trucks. Other projects and initiatives have included new electric vehicle charging infrastructure in communities and along state facilities and highways, new hybrid-electric or fully electric ferries, and clean rail electrification and shore power at Washington ports.

Of the money allocated to making Washington's public, residential, and commercial buildings clean and sustainable into the future, major initiatives have included transitioning the state's two- and four-year colleges and universities away from dependence on fossil fuels, assistance for low-income households and small businesses to reduce their energy bills and install sustainable heating and electrical alternatives, and energy retrofit and solar power grants for public buildings. Funds were also allocated to help school districts replace aging, inefficient HVAC systems and conduct energy audits and improvements in several state facilities and buildings. Small school districts and Tribal compact schools were given energy assessment grants to help modernize their campuses, and funds were awarded to the Puyallup Tribe of Indians' Chief Leschi Schools to update their HVAC systems.

CCA revenues went to clean energy projects and initiatives, including transfers to the Clean Energy Fund to help demonstrate and develop new clean energy technologies. Large-scale solar projects, community solar and battery storage projects, green jobs, and infrastructure grants were other major investments on this front. The budget also supported energy research and innovation at the state's public institutions of higher learning, with funds set aside for clean energy testbeds at the University of Washington and Washington State University's NW Energy Futures research center.

With the impacts of climate change falling disproportionately on certain groups and regions of the state, funding programs aimed at environmental justice is a key component of addressing climate change equitably. To that end, CCA initiatives focusing on climate justice have included energy bill vouchers for low- and moderate-income residents; projects that reduce greenhouse gas emissions in vulnerable, overburdened, and Tribal communities; air quality improvement projects in overburdened communities; and grants for Tribes and overburdened communities to implement the Healthy Environment for All Act.

Finally, CCA revenues have also gone toward major projects across the state that directly address the most disruptive impacts of climate change. Much of this funding went toward grants, such as those protecting riparian zones, climate adaptation for Tribes, and Firewise programs for local governments. Funds were also set aside for local governments to help plan their responses to climate change and for fish passage projects on state waterways.

## **SALMON**

Across the state's waterways and riparian areas, hundreds of projects and initiatives are underway to protect and maintain the salmon populations that are vital to Washington's ecosystems, economy, and culture. A significant portion of CCA funding has gone toward salmon recovery projects for the 2023-25 biennium. And after a historic, 10-year partnership was announced between the federal government, Tribes of the Pacific Northwest, and the states of Washington and Oregon, \$1 billion from the federal government's Bipartisan Infrastructure Law has been pledged to help local and Tribal governments build or update fish passages along the state's streams and rivers. This is in addition to the partnership's other efforts to promote clean energy on Tribal lands and further study the environmental effects of dams on Pacific Northwest waterways.

## **EDUCATION**

In the 2024 supplemental budget, the state continued its vigorous investment in education, reserving its single biggest expenditure for K–12 schools (\$333 million). This includes increases for school staff salaries, with most of that going toward ensuring that paraeducators, critical members of school instructional support teams, can earn a living wage. In school construction and learning facility support, Washington has increased its total funding of the School Construction Assistance Program by \$79 million — increasing its rate of support from \$271 to \$375 per square foot. Additional support also went toward skills centers and other career and technical education facilities.

To help educate the state's most vulnerable student population, \$29 million has been allocated to special education, including an increase in the special education funding cap from 15 percent to 17.25 percent to support school districts with high student populations with special needs. Other major investments in K–12 schools include continued support of programs to combat student food insecurity, expanding and fully funding the federal Community Eligibility Provision (CEP) for all 550,000 Washington students who use it.

## **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the state of Washington for its ACFR for the fiscal year ended June 30, 2023. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized ACFR, with contents conforming to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Washington state has received a Certificate of Achievement for the past 37 consecutive years. The Office of Financial Management considers

this report to be in conformity with the Certificate of Achievement Program requirements, and will submit it to the GFOA.

The preparation of this report could not have been accomplished without the professionalism and dedication demonstrated by the financial and management personnel of each state agency. This ACFR reflects the Governor's commitment to the Legislature, the citizens of Washington state, and the financial community to maintain financial statements in conformance with the highest standards of financial accountability.

Sincerely,

A handwritten signature in black ink that reads "Pat Sullivan". The signature is written in a cursive style with a long horizontal flourish at the end.

Pat Sullivan  
Director