

MD&A

Management's Discussion & Analysis

As managers of the state of Washington, we offer this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2024. We present this information in conjunction with the information included in our letter of transmittal, which can be found preceding this narrative, and with the state's financial statements, which follow. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Total assets and deferred outflows of the state of Washington exceeded its liabilities and deferred inflows by \$38.86 billion (reported as net position). Of this amount, \$(8.76) billion was reported as "unrestricted net position." A negative balance indicates that no funds were available for discretionary purposes.
- The state of Washington's governmental funds reported a combined ending fund balance of \$33.27 billion, an increase of 1.6 percent compared with the prior year.
- The state's capital assets increased by \$1.77 billion, total bond debt increased by \$780.0 million, and the state's net investment in capital assets is \$28.58 billion.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the state of Washington's basic financial statements, which include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The focus is on both the state as a whole (government-wide) and the major individual funds. The dual perspectives allow the reader to address relevant questions, broaden the basis for comparison (year-to-year or government-to-government), and enhance the state's accountability.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the state of Washington's finances in a manner similar to a private sector business.

Statement of Net Position. The Statement of Net Position presents information on all of the state of Washington's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the state of Washington is improving or deteriorating.

Statement of Activities. The Statement of Activities presents information showing how the state's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The Statement of Activities is focused on both the gross and net cost of various activities (including governmental, business-type, and component unit). This is intended to summarize and simplify the reader's analysis of the revenues and costs of various state activities and the degree to which activities are subsidized by general revenues.

Both of these government-wide financial statements distinguish functions of the state of Washington that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the state of Washington include education, human services, transportation, natural resources, adult corrections, and general government.

The business-type activities of the state of Washington include the workers' compensation, unemployment compensation, and health insurance programs, and various higher education student services such as housing and dining.

FUND FINANCIAL STATEMENTS

A fund is a group of related accounts used to maintain control over resources that are segregated for specific activities or objectives. The state of Washington, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the state can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on fund balances at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for four major funds and an aggregate total for all nonmajor funds. The state's major governmental funds are the General Fund, Higher Education Special Revenue Fund, Higher Education Endowment and Other Permanent Funds, and the Wildlife and Natural Resources Fund. Individual fund data for the state's nonmajor governmental funds are provided in the form of combining statements elsewhere in this report.

Proprietary Funds. The state of Washington maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds represent an accounting device used to accumulate and allocate costs internally among the state of Washington's various functions. The state of Washington uses internal service funds to account for general services such as motor pool, data processing services, and risk management. Because internal service funds predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, but in greater detail. The proprietary fund

financial statements provide separate information for the Workers' Compensation Fund, Unemployment Compensation Fund, Higher Education Student Services Fund, and the Health Insurance Fund, which are considered to be major funds, as well as an aggregated total for all nonmajor enterprise funds.

The internal service funds are combined for presentation purposes. Individual fund data for the state's nonmajor proprietary funds are provided in the form of combining statements elsewhere in this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the state of Washington's own programs. Washington's fiduciary funds also include state administered pension plans. The accounting used for fiduciary funds is much like that used for proprietary funds. Individual fund data for the state's fiduciary funds are provided in the form of combining statements elsewhere in this report.

Component Units. Component units that are legally separate from the state and primarily serve or benefit those outside the state are discretely presented. They are either financially accountable to the state or have relationships with the state such that exclusion would cause the state's financial statements to be misleading or incomplete. The state discretely reports three major component units: the Valley Medical Center, the Fred Hutchinson Cancer Center, and the Health Benefit Exchange, as well as five nonmajor component units.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

OTHER INFORMATION

This report also presents required supplementary information on budgetary comparisons, pension plans and other postemployment benefits information, and infrastructure assets reported using the modified approach.

The combining statements referred to earlier are presented immediately following the required supplementary information.

STATE OF WASHINGTON
Statement of Net Position
(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
ASSETS						
Current and other assets	\$ 53,657	\$ 51,411	\$ 34,357	\$ 31,224	\$ 88,014	\$ 82,635
Capital assets	49,233	47,614	3,672	3,520	52,905	51,134
Total assets	102,890	99,025	38,029	34,744	140,919	133,769
DEFERRED OUTFLOWS OF RESOURCES	3,460	3,666	604	672	4,064	4,338
LIABILITIES						
Current and other liabilities	9,931	8,603	2,145	2,225	12,076	10,828
Long-term liabilities outstanding	38,607	36,984	49,536	45,498	88,143	82,482
Total liabilities	48,538	45,587	51,681	47,723	100,219	93,310
DEFERRED INFLOWS OF RESOURCES	4,954	6,521	946	942	5,900	7,463
NET POSITION						
Net investment in capital assets	27,711	26,360	872	678	28,583	27,038
Restricted	18,542	16,535	497	4,351	19,039	20,886
Unrestricted	6,605	7,688	(15,363)	(18,278)	(8,758)	(10,590)
Total net position	\$ 52,858	\$ 50,583	\$ (13,994)	\$ (13,249)	\$ 38,864	\$ 37,334

Note: The 2023 amounts presented here have been restated to correct errors in previously issued financial statements. Refer to Note 2 Accounting Changes and Error Corrections for details.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the state of Washington, total assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$38.86 billion at June 30, 2024, as compared to the restated amount of \$37.33 billion at June 30, 2023.

The largest portion of the state's net position (73.5 percent for fiscal year 2024 as compared to 72.4 percent for fiscal year 2023) reflects its net investment in capital assets (e.g., land, buildings, equipment, and intangible assets) less any related debt used to acquire those assets that is still outstanding. The state of Washington uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the state of Washington's investment in its capital assets is reported net of related debt, it should be

noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the state of Washington's net position (49.0 percent for fiscal year 2024 as compared to 55.9 percent for fiscal year 2023) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(8.76) billion represents unrestricted net position. The state's overall negative balance in unrestricted net position is due to deficits in business-type activities.

In governmental activities, net position increased from \$50.58 billion, as restated, in fiscal year 2023 to \$52.86 billion in fiscal year 2024.

As previously mentioned, the state's activities are divided between governmental and business-type. The majority of support for governmental activities comes from taxes and intergovernmental grants, while business-type activities are supported primarily through user charges.

State of Washington

STATE OF WASHINGTON
Changes in Net Position
(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
REVENUES						
Program revenues:						
Charges for services	\$ 10,250	\$ 9,268	\$ 18,663	\$ 15,791	\$ 28,913	\$ 25,059
Operating grants and contributions	26,169	28,465	60	46	26,229	28,511
Capital grants and contributions	1,013	891	5	1	1,018	892
General revenues:						
Taxes	34,746	35,811	20	15	34,766	35,826
Interest and investment earnings (loss)	1,573	693	1,480	770	3,053	1,463
Total revenues	<u>73,751</u>	<u>75,128</u>	<u>20,228</u>	<u>16,623</u>	<u>93,979</u>	<u>91,751</u>
EXPENSES						
General government	(3,849)	(4,848)	—	—	(3,849)	(4,848)
Education - K-12	(17,398)	(16,868)	—	—	(17,398)	(16,868)
Education - Higher education	(10,281)	(9,957)	—	—	(10,281)	(9,957)
Human services	(31,829)	(30,293)	—	—	(31,829)	(30,293)
Adult corrections	(1,545)	(1,304)	—	—	(1,545)	(1,304)
Natural resources and recreation	(2,149)	(2,076)	—	—	(2,149)	(2,076)
Transportation	(3,576)	(3,022)	—	—	(3,576)	(3,022)
Interest on long-term debt	(1,139)	(1,107)	—	—	(1,139)	(1,107)
Workers' compensation	—	—	(7,141)	(4,039)	(7,141)	(4,039)
Unemployment compensation	—	—	(1,914)	(1,208)	(1,914)	(1,208)
Higher education student services	—	—	(4,561)	(4,154)	(4,561)	(4,154)
Health insurance	—	—	(4,234)	(3,855)	(4,234)	(3,855)
Other business-type activities	—	—	(2,888)	(2,703)	(2,888)	(2,703)
Total expenses	<u>(71,766)</u>	<u>(69,475)</u>	<u>(20,738)</u>	<u>(15,959)</u>	<u>(92,504)</u>	<u>(85,434)</u>
Excess (deficiency) of revenues over expenses before contributions to endowments and transfers	1,985	5,653	(510)	664	1,475	6,317
Contributions to endowments	54	138	—	—	54	138
Transfers	236	1	(236)	(1)	—	—
Increase (decrease) in net position	<u>2,275</u>	<u>5,792</u>	<u>(746)</u>	<u>663</u>	<u>1,529</u>	<u>6,455</u>
Net position - July 1, as previously reported	50,415	—	(13,165)	—	37,250	—
Error corrections	168	—	(84)	—	84	—
Net position - July 1, as restated	<u>50,583</u>	<u>44,623</u>	<u>(13,248)</u>	<u>(13,828)</u>	<u>37,335</u>	<u>30,795</u>
Net position - June 30	<u>\$ 52,858</u>	<u>\$ 50,415</u>	<u>\$ (13,994)</u>	<u>\$ (13,165)</u>	<u>\$ 38,864</u>	<u>\$ 37,250</u>

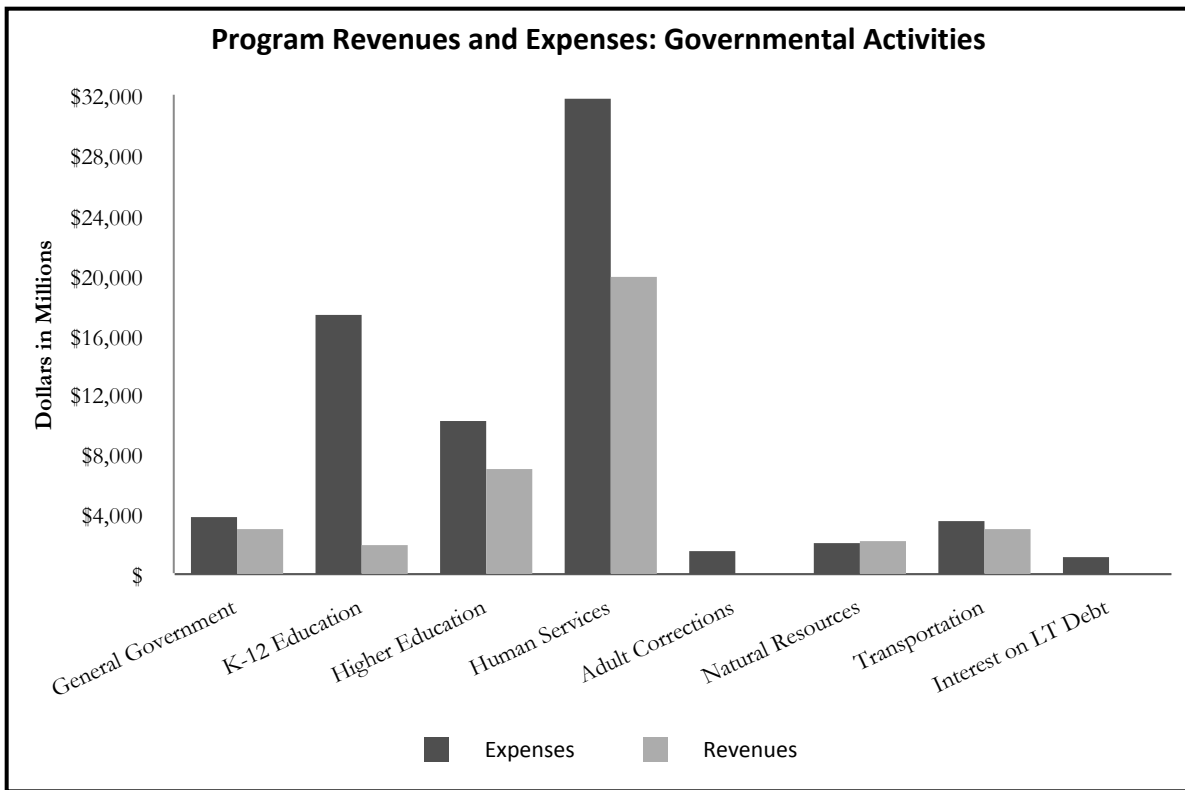
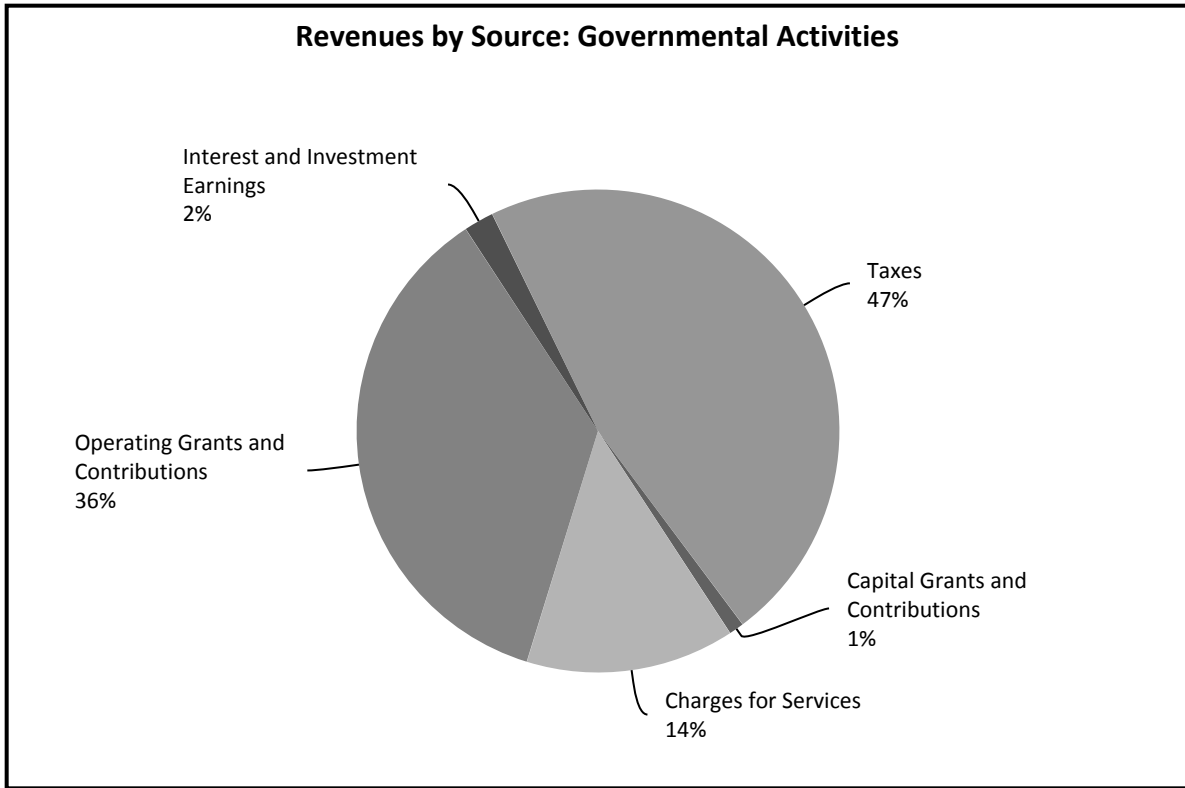
Note: The 2023 amounts presented here have not been restated as it is not practicable for the state to determine the impact each error had on the individual revenue and expense categories due to the quantity and nature of the error corrections. Refer to Note 2 Accounting Changes and Error Corrections for a description of the error corrections.

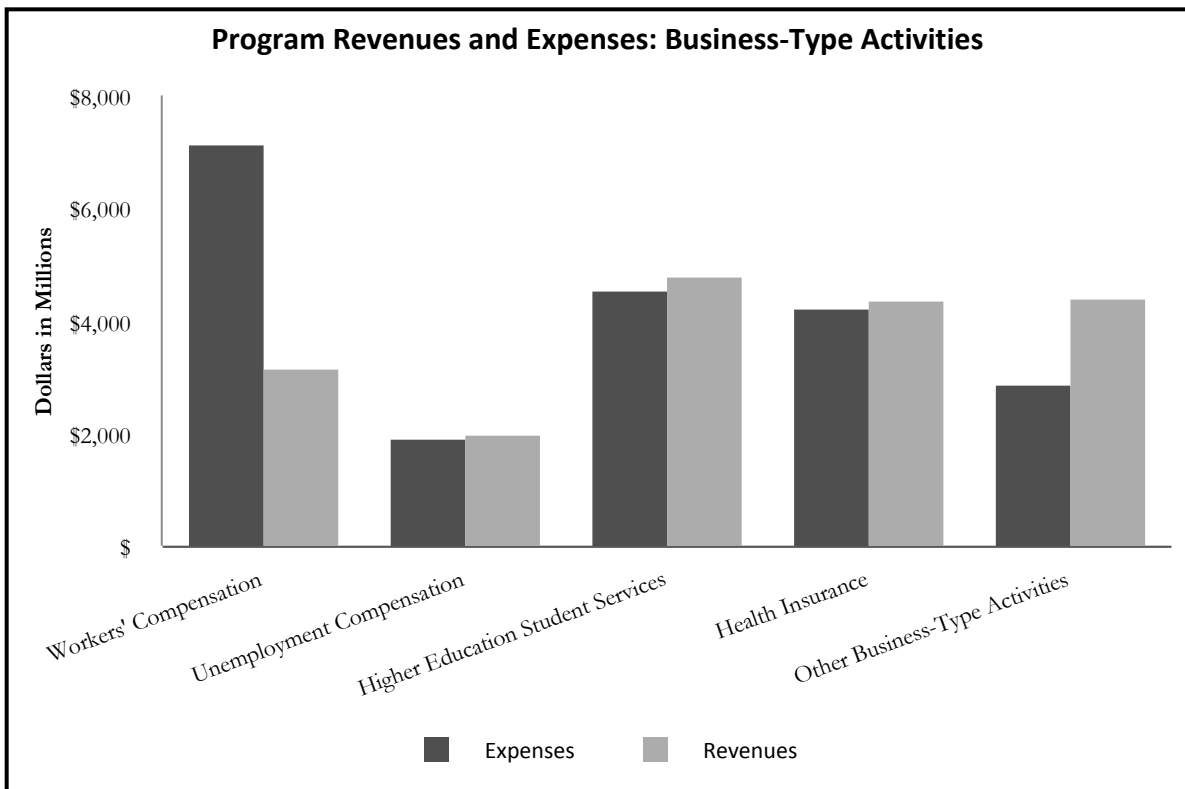
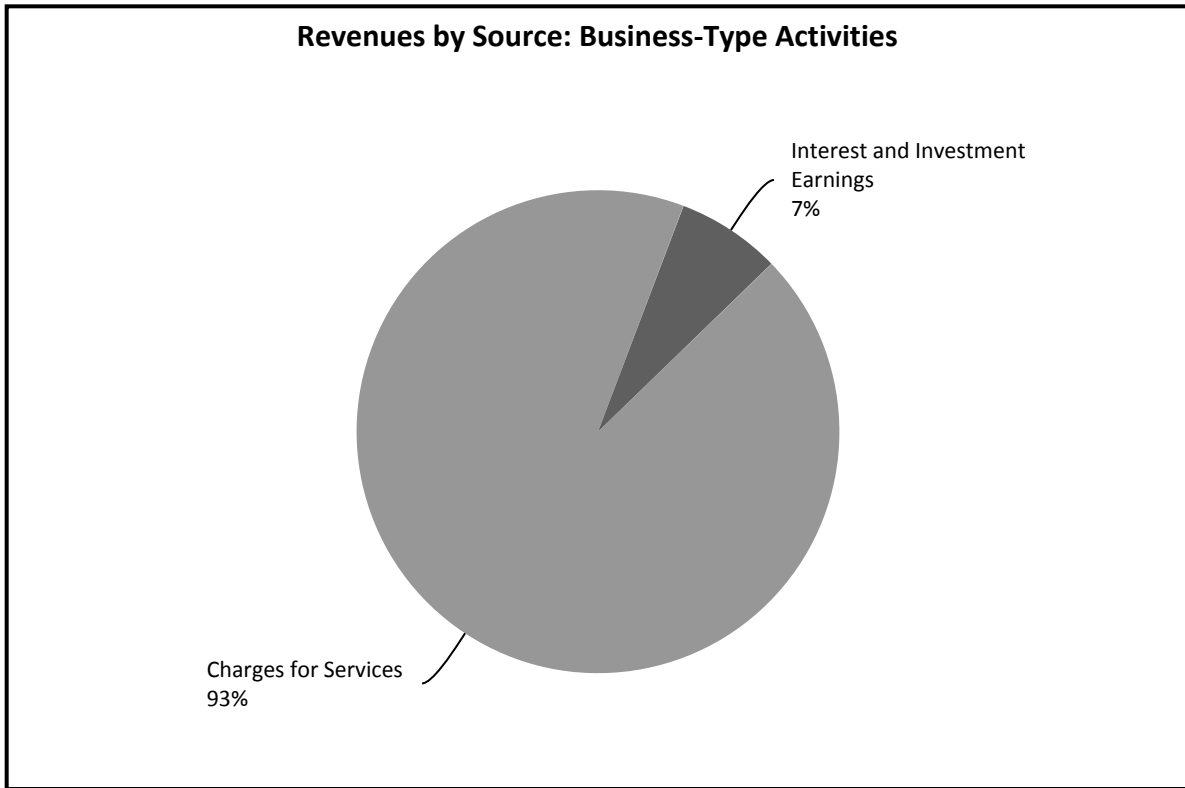
Governmental Activities. Governmental activities resulted in an increase in the state of Washington's net position of \$2.28 billion. Key factors contributing to operating results of governmental activities are:

- Tax revenue decreased by \$1.07 billion or 3.0 percent in fiscal year 2024 as compared to fiscal year 2023. Sales and use tax, which are the main tax revenue for governmental activities, reported a decrease of \$28.1 million. Revenue from real estate excise taxes, levied on the sale of real estate, decreased by \$662.0 million reflecting the slowdown in housing sales. Other taxes decreased by \$662.9 million which was mainly due to a decrease in estate taxes levied on the value of property transferred upon the death of the owner.
- Charges for services increased by \$982.1 million in fiscal year 2024 as compared to fiscal year 2023. The majority of this increase was due to an increase in patient care revenue for the University of Washington as a result of strong volumes, lower length of stay, and new programs.
- Operating grants and contributions decreased by \$2.30 billion or 8.1 percent in fiscal year 2024 compared with fiscal year 2023. The decrease reflects the continuing slowdown of federal stimulus funds received in response to COVID-19. As of June 30, 2024, \$474.2 million in federal stimulus funds received from the U.S. Department of the Treasury remained unspent and is classified as unearned revenue.
- Expenses grew by \$2.29 billion or 3.3 percent in fiscal year 2024 as compared to fiscal year 2023. The largest increases were in human services of \$1.54 billion, K-12 education of \$530.3 million, and higher education of \$324.1 million in fiscal year 2024 as compared to fiscal year 2023. This reflects the state's need to help provide funding for education and its ongoing commitment to provide additional funding in human services. Transportation expenses also increased \$554.7 million. The majority of the increase for transportation is for the Move Ahead Washington transportation program which is funded from the Washington Climate Commitment Act.

Business-Type Activities. Business-type activities decreased the state of Washington's net position by \$746.1 million. Key factors contributing to the operating results of business-type activities are:

- The workers' compensation activity decrease in net position in fiscal year 2024 was \$2.87 billion compared to a decrease of \$397.3 million in fiscal year 2023. Premiums and assessments revenue increased \$109.4 million in fiscal year 2024 as compared with fiscal year 2023 as a result of an increase in reported hours and an increase in premium rates. Claim costs increased by \$3.06 billion in fiscal year 2024 as compared with fiscal year 2023 attributed to a cost-of-living adjustment for the workers' compensation Supplemental Pension Account. Investment income increased by \$503.5 million as compared to fiscal year 2023.
- The unemployment compensation activity reported an operating gain in fiscal year 2024 of \$160.6 million compared to an operating gain of \$509.3 million in fiscal year 2023. Premiums and assessments revenue increased \$280.7 million in fiscal year 2024 as compared with fiscal year 2023. Unemployment insurance benefits increased by \$727.6 million in fiscal year 2024 compared to fiscal year 2023. The unemployment rate for the state for June 2024 was 4.9 percent, an increase from the adjusted 3.9 percent unemployment rate for June 2023.
- The higher education student services activity reported an increase in net position of \$313.5 million in fiscal year 2024 as compared to an increase of \$254.2 million in fiscal year 2023. Operating revenues increased by \$436.2 million and operating expenses increased by \$328.2 million as compared to fiscal year 2023.
- The health insurance activity increase in net position in fiscal year 2024 was \$147.0 million compared to an increase of \$156.4 million in fiscal year 2023. Health insurance premiums collected increased by \$362.2 million in fiscal year 2024 as compared with fiscal year 2023. Claim costs increased by \$377.8 million in fiscal year 2024 as compared with fiscal year 2023. Rates are created by actuarial analysis and adjusted annually to maintain a positive fund balance.





Financial Analysis of the State's Funds

As noted earlier, the state of Washington uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. As previously discussed, the focus of the state of Washington's governmental funds is to provide information on near-term inflows, outflows, and fund balances. Such information is useful in assessing the state of Washington's financing requirements.

Fund Balances. At June 30, 2024, the state's governmental funds reported combined ending fund balances of \$33.27 billion. Of this amount, \$3.73 billion or 11.2 percent is nonspendable, either due to its form or legal constraints; and \$8.48 billion or 25.5 percent is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. An

additional \$14.97 billion or 45.0 percent of total fund balance has been committed to specific purposes. Committed amounts cannot be used for any other purpose unless approved by the Legislature. An additional \$2.14 billion or 6.4 percent of total fund balance has been assigned to specific purposes by management. The unassigned portion of the governmental fund balance is \$3.95 billion or 11.9 percent of total fund balance and can be used at the state's discretion.

The General Fund is the chief operating fund of the state of Washington. The fund balance decreased by \$1.17 billion or 11.5 percent in fiscal year 2024 as compared to an \$880.4 million increase, as restated, in fiscal year 2023. Revenues decreased in fiscal year 2024 while expenditures continued to grow. Assigned fund balance of \$2.03 billion is reported for fiscal year 2024 and relates to certain accrued and non-cash revenues which are not considered by management to be available for budgetary purposes.

STATE OF WASHINGTON			
General Fund			
<i>(in millions of dollars)</i>			
	Fiscal Year		Difference Increase (Decrease) 2024 - 2023
	2024	2023	
REVENUES			
Taxes	\$ 30,212	\$ 30,138	\$ 74
Federal grants	20,923	23,529	(2,606)
Investment revenue (loss)	488	173	315
Other	1,428	1,151	277
Total	53,051	54,991	(1,940)
EXPENDITURES			
Human services	30,933	30,563	370
Education	18,686	17,452	1,234
Other	3,805	4,484	(679)
Total	53,424	52,499	925
Net transfers in (out)	(993)	(1,915)	922
Other financing sources	195	303	(108)
Net increase (decrease) in fund balance	\$ (1,171)	\$ 880	\$ (2,051)

Note: The 2023 amounts presented here have been restated to correct errors in previously issued financial statements. Refer to Note 2 Accounting Changes and Error Corrections for details.

General Fund expenditures continue to be concentrated in services and programs most vital to citizens – primarily human services and public education.

In addition to the General Fund, the state reports the Higher Education Special Revenue, Higher Education Endowment and Other Permanent, and the Wildlife and

Natural Resources Funds as major governmental funds. Significant changes in these funds are as follows:

- The change in fund balance of the Higher Education Special Revenue Fund in fiscal year 2024 was a decrease of \$85.8 million compared to an increase of \$556.4 million in fiscal year 2023. The decrease in the fund balance can be attributed to a number of factors.

While charges for services increased by \$881.2 million compared to fiscal year 2023, there was an overall decrease in revenue of \$258.7 million driven mainly by decreased tax revenue.

- The fund balance for the Higher Education Endowment and Other Permanent Funds increased by \$694.5 million in fiscal year 2024 compared to an increase of \$211.5 million in fiscal year 2023. The increase is a result of positive growth in investment earnings in fiscal year 2024.
- The fund balance for the Wildlife and Natural Resources Fund increased by \$926.4 million in fiscal year 2024 compared to an increase of \$985.8 million in fiscal year 2023. Both revenues and expenditures increased as the state continues to collect proceeds from the sale of greenhouse gas allowances as authorized in the Climate Commitment Act of 2021.

Proprietary Funds. The state of Washington's proprietary funds financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Significant changes reported in fiscal year 2024 are as follows:

- The Workers' Compensation Fund reported a decrease in net position of \$2.87 billion in fiscal year 2024. Operating expenses increased by \$3.10 billion as compared to fiscal year 2023 due to a significant increase in claims expense attributed to a cost-of-living adjustment for the workers' compensation Supplemental Pension Account. Operating revenues increased by \$121.7 million due to an increase in reported hours and an increase in premium rates. In addition, investment income increased \$503.5 million as compared to fiscal year 2023.
- Washington's Unemployment Compensation Fund reported an increase in net position of \$160.6 million. Unemployment benefit claims expense increased by \$727.6 million in fiscal year 2024 as compared to fiscal year 2023 due to an increase in the number of unemployed. Unemployment premiums and assessments increased by \$280.7 million in fiscal year 2024 as compared to 2023 as a result of the increased unemployment rates.
- The Higher Education Student Services Fund reported an increase in net position of \$313.5 million in fiscal year 2024 as compared to fiscal year 2023. Operating revenues increased by \$436.2 million and operating expenses increased by \$328.2 million as compared to fiscal year 2023.

- The Health Insurance Fund reported an increase in net position of \$147.0 million in fiscal year 2024 as compared to fiscal year 2023. Operating revenues increased by \$357.8 million and operating expenses increased by \$379.1 million as compared to fiscal year 2023.

General Fund Budgetary Highlights

Differences between the original budget of the General Fund and the final amended budget reflect increases in mandatory costs driven by rising caseloads and school enrollment as well as other high priority needs. Changes to estimates are summarized as follows:

- Estimated biennial resources increased by \$1.63 billion over the course of the fiscal year. The major increases in estimated resources were additional federal grants-in-aid and transfers from other funds.
- Appropriated expenditure authority increased by \$8.10 billion over the course of the fiscal year to address increases in the state's human services, education, and general wage increases for state staff.

The state did not overspend its legal spending authority for the 2023-2025 biennium. Actual General Fund revenues and expenditures were 48.8 percent and 44.2 percent of final budgeted resources and appropriations, respectively, for the first fiscal year of the 2023-2025 biennium.

Capital Assets, Infrastructure, and Bond Debt Administration

Capital Assets. The state of Washington's investment in capital assets for its governmental and business-type activities as of June 30, 2024, totaled \$52.91 billion (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, museum and historical collections, buildings and other improvements, furnishings, equipment, intangible assets, and lease and subscription assets, as well as construction in progress.

Washington's fiscal year 2024 investment in capital assets, net of current year depreciation, increased \$1.77 billion over fiscal year 2023, including increases to the state's transportation infrastructure of \$1.17 billion. The state's construction in progress includes both new construction and major improvements to state capital facilities and infrastructure. Remaining commitments on these construction projects total \$3.32 billion.

State of Washington

Additional information on the state of Washington's capital assets can be found in Note 6.

Infrastructure. The state of Washington uses the modified approach for reporting selected infrastructure assets. The modified approach requires that the state meet certain requirements regarding the inventory and maintenance of eligible capital assets, including condition assessments. Under the modified approach, assets are not

depreciated and certain maintenance and preservation costs associated with those assets are expensed. In fiscal year 2024, assets accounted for under this approach include approximately 20,980 pavement lane miles, 4,164 bridges and tunnels, and 47 highway safety rest areas. The total count of bridges includes vehicular bridges of all lengths and pedestrian bridges. Infrastructure asset categories are assessed predominantly on a two-year cycle, either on a calendar year or fiscal year basis.

STATE OF WASHINGTON Capital Assets - Net of Depreciation (in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 3,199	\$ 3,085	\$ 77	\$ 75	\$ 3,276	\$ 3,160
Transportation infrastructure and other assets not depreciated	29,194	28,019	—	—	29,194	28,019
Buildings	9,473	9,367	2,646	2,455	12,119	11,822
Furnishings, equipment, and intangible assets	2,303	2,113	350	354	2,653	2,467
Other improvements and infrastructure	1,343	1,316	88	95	1,431	1,411
Construction in progress	2,248	2,154	222	229	2,470	2,383
Lease and subscription assets	1,473	1,560	289	312	1,762	1,872
Total	\$ 49,233	\$ 47,614	\$ 3,672	\$ 3,520	\$ 52,905	\$ 51,134

Note: The 2023 amounts presented here have been restated to correct errors in previously issued financial statements. Refer to Note 2 Accounting Changes and Error Corrections for details.

The state of Washington's goal is to maintain 85 percent of pavements and 90 percent of bridges at a condition level of fair or better, based on an average condition level of the the last three assessments. The condition of these assets, along with the rating scales, and additional detail comparing planned to actual preservation and maintenance spending are available in the required supplementary information.

The most recent pavements condition assessment indicates that 92.5 percent of pavements were in fair or better condition. The condition of pavements has remained steady in the last three assessment periods, averaging 93.3 percent in fair or better condition. For fiscal year 2024, actual maintenance and preservation expenditures were 3.0 percent higher than planned. Over the past five fiscal years, the actual expenditures for maintaining and preserving pavements were 19.1 percent lower than planned.

The most recent condition assessment of bridges over 20 feet in length indicates that 92.6 percent of bridges were in good or fair condition. The condition of bridges has remained steady over the last three assessment periods, averaging 93.4 percent in good or fair condition. For fiscal year 2024, the actual maintenance and preservation

expenditures were 32.5 percent higher than planned, and over the past five fiscal years, the actual expenditures were 11.9 percent lower than planned.

Bond Debt. At the end of fiscal year 2024, the state of Washington had general obligation bond debt outstanding including accreted interest and issuance premiums of \$21.92 billion, an increase of 4.4 percent from fiscal year 2023. This debt is secured by a pledge of the full faith and credit of the state. Additionally, the state had authorized \$14.35 billion general obligation debt that remains unissued.

General obligation debt is subject to the limitation prescribed by the state Constitution. The aggregate debt contracted by the state as of June 30, 2024, does not exceed that amount for which payments of principal and interest in any fiscal year would require the state to expend more than 8.25 percent of the arithmetic mean of its general state revenues for the six immediately preceding fiscal years. The arithmetic mean of its general state revenues for fiscal years 2018-2023 is \$26.02 billion. The debt service limitation, 8.25 percent of this mean, is \$2.15 billion. The state's maximum annual debt service as of June 30, 2024, subject to the constitutional debt

State of Washington

limitation is \$1.44 billion, or \$710.0 million less than the debt service limitation.

For further information on the debt limit, refer to Schedule 11 in the Statistical Section of this report or online from the Office of the State Treasurer at: [Report on the State of Washington's Debt Limitation](#).

By statutory provision, the State Finance Committee (SFC) is authorized to supervise and control the issuance

of all state bonds, notes, or other evidences of indebtedness. The SFC is composed of the Governor, Lieutenant Governor, and State Treasurer, the latter serving as chairperson.

As of June 30, 2024, the state of Washington's general obligation debt was rated Aaa by Moody's Investor Service, AA+ by Standard & Poor's Rating Group, and AA+ by Fitch Ratings.

STATE OF WASHINGTON

Bond Debt

(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
General obligation (GO) bonds	\$ 21,657	\$ 20,938	\$ —	\$ —	\$ 21,657	\$ 20,938
Accreted interest on zero interest rate GO bonds	266	292	—	—	266	292
Revenue bonds	1,501	1,578	2,155	2,226	3,656	3,804
Unamortized premium on bonds sold	3,364	3,152	178	155	3,542	3,307
Total	\$ 26,788	\$ 25,960	\$ 2,333	\$ 2,381	\$ 29,121	\$ 28,341

The state had revenue debt outstanding at June 30, 2024, of \$3.66 billion, a decrease of \$147.5 million compared to fiscal year 2023. The decrease is primarily related to the state issuing fewer revenue bonds than in prior years. This debt is not supported or intended to be supported by the full faith and credit of the state. Revenue bond debt is generally secured by specific sources of revenue. The exceptions are the University of Washington and Washington State University which issue general revenue bonds that are payable from general revenues of each university.

General obligation and revenue bonds totaling \$1.77 billion were refunded during the year. Washington's refunding activity produced \$114.1 million in gross debt service savings.

Additional information on the state's bond debt obligations is presented in Note 7.

Conditions with Expected Future Impact

Economic Outlook. Washington's unemployment increased while the state's personal income continues to grow. As housing prices in the state have appeared to peak, Washington housing construction continues to be volatile due to fluctuating interest rates. Resilient

economic activity and sustained public funding should result in continued revenue growth.

Rainy Day Account. In November 2007, Washington state voters ratified Engrossed Substitute Senate Joint Resolution 8206, amending the Washington Constitution and establishing the Budget Stabilization Account (BSA). The state's Constitution details a limited number of circumstances under which funds can be appropriated from the BSA, one of which is a favorable vote of at least three-fifths of the members of each house of the Legislature.

On June 30, 2024, \$313.7 million was transferred to the BSA from the General Fund in accordance with the provisions of the Constitution. The BSA had a fund balance of \$970.6 million as of June 30, 2024.

Requests for Information

This financial report is designed to provide a general overview of the state of Washington's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of Financial Management, Accounting Division, P.O. Box 43127, Olympia, WA 98504-3127.